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FISCAL IMPACT REPORT

SPONSOR <u>Campos/Thornton/Gonzales</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/07/2025</u>
SHORT TITLE <u>Rural Libraries Endowment Fund</u>	BILL NUMBER <u>Senate Bill 209</u>
	ANALYST <u>Rodriguez</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$29,500.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Distributions	\$0.0	\$0.0	\$986.1	At least \$986.1	At least \$986.1	Recurring	Rural Libraries Program Fund
Distributions	\$0.0	\$0.0	\$51.9	At least \$51.9	At least \$51.9	Recurring	Cultural Affairs Department

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 202

Sources of Information

LFC Files

Agency Analysis Received From
Cultural Affairs Department
State Investment Council

SUMMARY

Synopsis of Senate Bill 209

Senate Bill 209 (SB209) appropriates \$29.5 million from the general fund to the rural libraries endowment fund for expenditure in fiscal year 2026 and subsequent fiscal years.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of \$29.5 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall not revert to the general fund.

According to the State Investment Council (SIC), this bill could result in an additional \$986.1 thousand annual distribution starting in FY27 to the rural libraries program fund and an additional \$51.9 thousand annual distribution to the Department of Cultural Affairs (DCA).

SIC writes:

Assuming passage of the bill, the additional \$29.5 million appropriation will be deposited in the [fund] in FY26, which will positively impact the distributions for FY27 and all subsequent years. The projected positive impact of the new contribution is substantial, as it would help the fund grow to approximately \$93 million in value by 2040, compared to about half of that size without additional funding. The additional benefits the funds are projected to deliver from 2027 to 2040 are an estimated additional \$24.8 million, split 5/95 to DCA, which receives 5 percent of the distribution for administrative costs, and 95 percent of which will go to benefit [New Mexico] rural libraries. See the chart below.

RLEF Est. Ending Balance (\$MM)				RLEF Distributions to DCA (\$MM)			
CY	Current	SB209	Difference	FY	Current	SB209	Difference
2025	\$ 34.670	\$ 65.208	\$ 30.538	FY25	\$ 0.772	\$ 0.772	\$ -
2026	\$ 35.590	\$ 68.279	\$ 32.688	FY26	\$ 1.469	\$ 1.469	\$ -
2027	\$ 36.508	\$ 70.423	\$ 33.915	FY27	\$ 1.534	\$ 2.572	\$ 1.038
2028	\$ 37.552	\$ 73.194	\$ 35.642	FY28	\$ 1.474	\$ 2.112	\$ 0.638
2029	\$ 38.306	\$ 75.221	\$ 36.915	FY29	\$ 1.825	\$ 3.020	\$ 1.194
2030	\$ 39.059	\$ 76.728	\$ 37.669	FY30	\$ 1.878	\$ 3.660	\$ 1.782
2031	\$ 39.826	\$ 78.236	\$ 38.410	FY31	\$ 1.915	\$ 3.761	\$ 1.846
2032	\$ 40.608	\$ 79.772	\$ 39.164	FY32	\$ 1.953	\$ 3.836	\$ 1.883
2033	\$ 41.405	\$ 81.339	\$ 39.933	FY33	\$ 1.991	\$ 3.912	\$ 1.920
2034	\$ 42.218	\$ 82.936	\$ 40.718	FY34	\$ 2.030	\$ 3.989	\$ 1.958
2035	\$ 43.047	\$ 84.564	\$ 41.517	FY35	\$ 2.070	\$ 4.067	\$ 1.997
2036	\$ 43.893	\$ 86.225	\$ 42.332	FY36	\$ 2.111	\$ 4.147	\$ 2.036
2037	\$ 44.755	\$ 87.918	\$ 43.164	FY37	\$ 2.152	\$ 4.228	\$ 2.076
2038	\$ 45.633	\$ 89.645	\$ 44.011	FY38	\$ 2.195	\$ 4.311	\$ 2.117
2039	\$ 46.530	\$ 91.405	\$ 44.875	FY39	\$ 2.238	\$ 4.396	\$ 2.158
2040	\$ 47.443	\$ 93.200	\$ 45.757	FY40	\$ 2.282	\$ 4.482	\$ 2.201

SIGNIFICANT ISSUES

Rural Libraries Endowment Fund

The rural libraries endowment fund was created in 2019 to support rural libraries throughout the state by providing funding for operational and capital needs and funding for the delivery of specialized services to rural libraries. The endowment fund is invested by SIC. Laws 2019, Chapter 165, outline distributions from the endowment fund. For FY22 and the following five fiscal years, the distribution is the difference between investment earnings of the previous calendar year and all fund distributions, up to 5 percent of the year-end market value of the fund in the previous year. For FY28 and the following fiscal years, the distribution is the average fund investment income of the previous five calendar years up to 5 percent of the year-end market value of the fund in the previous calendar year. The statute also outlines that 5 percent of the distribution covers the administration and delivery costs of DCA. The remaining amount, 95 percent, is for the rural libraries program fund.

The fund received its first appropriation of \$1 million in 2019. The fund received an additional \$2.5 million in 2024, \$15 million in 2023, \$10 million in 2022, and \$2 million in 2020. According to SIC, the fund is valued at \$33.1 million as of December 31, 20204.

Program Fund and Grants

The rural libraries program fund consists of distributions from the endowment fund. Money in the fund is nonreverting. The rural libraries grant program directs the state librarian to annually disburse grants to developing and established rural libraries. Statute also outlines that any amount not disbursed shall be made available for the next award of grants. The state librarian identifies 58 rural libraries in New Mexico. The statute also provides that the state librarian can use funds for specialized services, such as professional development opportunities, program support, IT support, and other capacity building services, to rural libraries. The fund also provides grant funds to communities wishing to establish a library.

Fund Growth

SIC notes the fund has a projected 7 percent annual return based on its revised asset allocation implemented in April 2024. The agency notes the fund should achieve greater returns over a full market cycle, though it will also be taking additional risk, which can negatively impact short-term returns in negative market environments. The agency writes:

The SIC-managed Rural Libraries Endowment Fund is currently invested in a “high growth” allocation strategy, which is projected over a full market cycle to earn a compound return of 7 percent annually, with an expected standard deviation (risk) of 14 percent. This compares similarly to the flagship Land Grant Permanent Fund’s allocation which is projected to earn 7 percent compounded every year with a 13.6 percent standard deviation. RLEF’s strategy has a higher allocation to private equity and other private-market assets compared to the LGPF.

SIC shows the following returns for the rural libraries endowment fund.

Fund Value (in millions)	Performance Percent (Net of Fees)				
	1 year	3-years	5-years	7-years	10-years
\$33.1	9.61	4.82	4.77	N/A	N/A

Recent Distributions

The FY25 distribution of \$891.1 thousand has been made to 58 libraries, with each library receiving \$15.4 thousand.

The state librarian did not distribute any grants to rural libraries in FY22 and FY23, noting that the amounts were too small to pay out. The state librarian reported that the first round of grants was distributed in FY24. The total amount distributed in FY24 was \$166.2 thousand, which was sum of the full amount of the FY22 transfer and half of the FY23 transfer. Each of the total 54 libraries will receive grants of \$2,600. The state librarian also set aside approximately \$15 thousand for establishing grants—which are for libraries not yet recognized as state-funded libraries to help them become established and eligible for other state grants.

Anticipated FY26 Distribution

The State Investment Council estimates the endowment fund will distribute \$1.5 million to the program fund in FY26, nearly double the FY25 distribution. If DCA distributes the full 95 percent share of the fund to 58 rural libraries, each library will receive approximately \$24 thousand in FY26.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Bill 202 (SB202). SB202 is a language clean-up bill that clarifies and creates consistency around investments managed by SIC. As noted by SIC:

SB202 also would change the [rural libraries endowment fund] distribution model from its current conservative formula, to a more standard “5 percent of 5-year-fund-value” spending policy in FY26. That change to the 5 percent formula is already scheduled for FY28 under current law, so SB202 simply accelerates that timeline slightly.

JR/hj/hg