

Endowment Creation as a Sustainable Policy & Funding Tool

Legislative Education Study Committee

Senator William P. Soules, Chair

Representative G. Andrés Romero, Vice-Chair

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September 8, 2022



Endowments: Definition & Attributes

- Endowments are pools of money designed to generate perpetual income, providing consistent benefits & intergenerational equity
- Invested to yield returns exceeding inflation, with the excess distributed to support a purpose
- Must balance two competing goals:
 - Produce steady, rising distributions AND
 - Maintain or grow “real” value of endowment

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Fund Values 6/30/22 & FY23 Distributions

Land Grant
Permanent Fund
\$24.38 billion

5.0%

LGPF Beneficiary
Distributions
FY23: **\$1,014.32M**

Severance Tax
Permanent Fund
\$6.83 billion

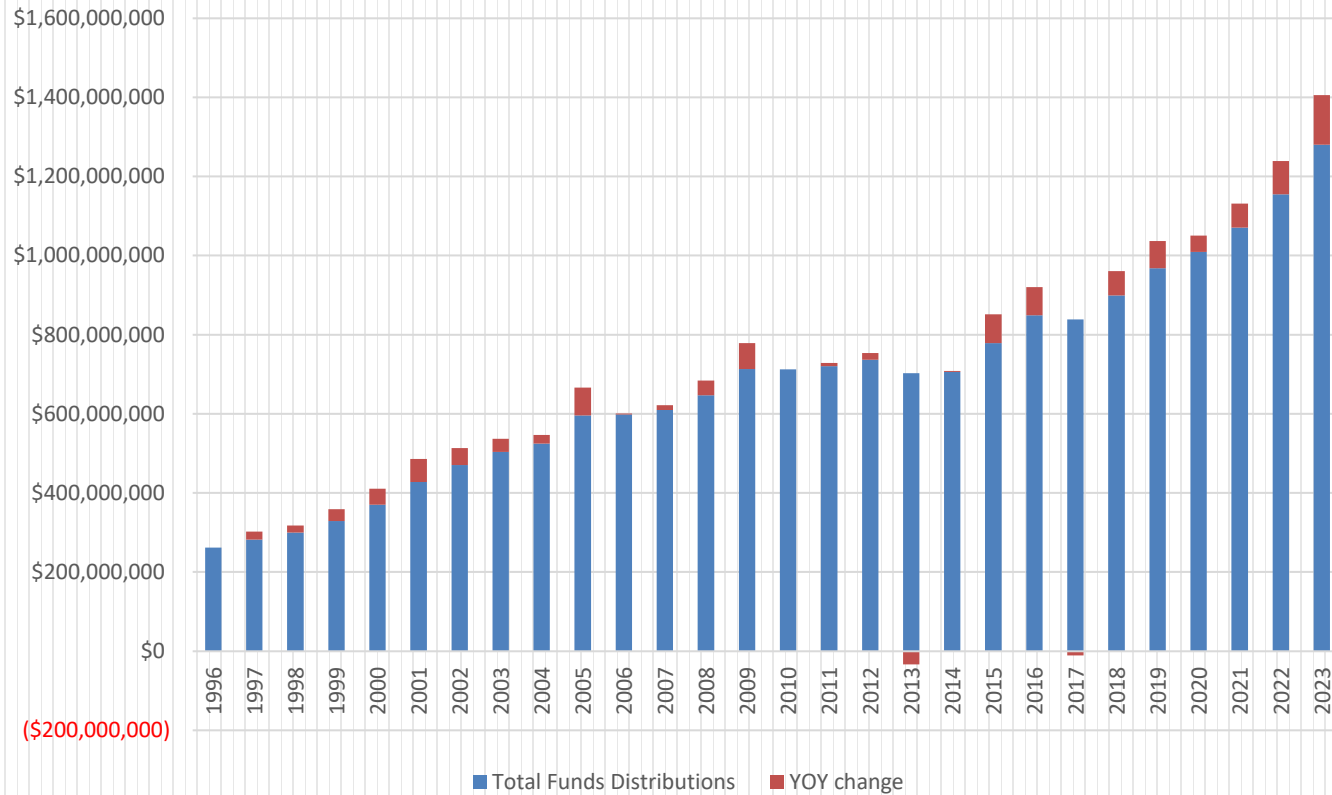
4.7%

General Fund
Distributions
FY23: **\$265.79M**

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Permanent Fund Distributions

NM Permanent Fund Distributions



Fiscal Year	Total Funds Distributions	YOY change	Land Grant Distribution %
1996	\$261,665,216		4.7%
1997	\$281,829,144	\$20,163,928	
1998	\$299,758,801	\$17,929,657	
1999	\$329,178,477	\$29,419,676	
2000	\$369,987,793	\$40,809,316	
2001	\$427,702,980	\$57,715,187	
2002	\$470,648,040	\$42,945,060	
2003	\$503,739,000	\$33,090,960	
2004	\$524,960,075	\$21,221,075	
2005	\$595,448,111	\$70,488,036	5.8%
2006	\$598,241,175	\$2,793,064	
2007	\$609,917,645	\$11,676,470	
2008	\$647,170,080	\$37,252,435	
2009	\$712,813,476	\$65,643,396	
2010	\$712,584,889	(\$228,587)	
2011	\$720,473,734	\$7,888,845	
2012	\$736,841,814	\$16,368,080	
2013	\$703,019,232	(\$33,822,582)	5.5%
2014	\$705,629,255	\$2,610,023	
2015	\$778,716,882	\$73,087,627	
2016	\$849,295,109	\$70,578,227	
2017	\$838,516,785	(\$10,778,324)	5.0%
2018	\$899,568,368	\$61,051,583	
2019	\$968,164,465	\$68,596,097	
2020	\$1,009,508,364	\$41,343,899	
2021	\$1,070,449,847	\$60,941,483	
2022	\$1,154,773,165	\$84,323,318	
2023	\$1,280,113,616	\$125,340,451	

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Assets Under Management: \$35.7 billion

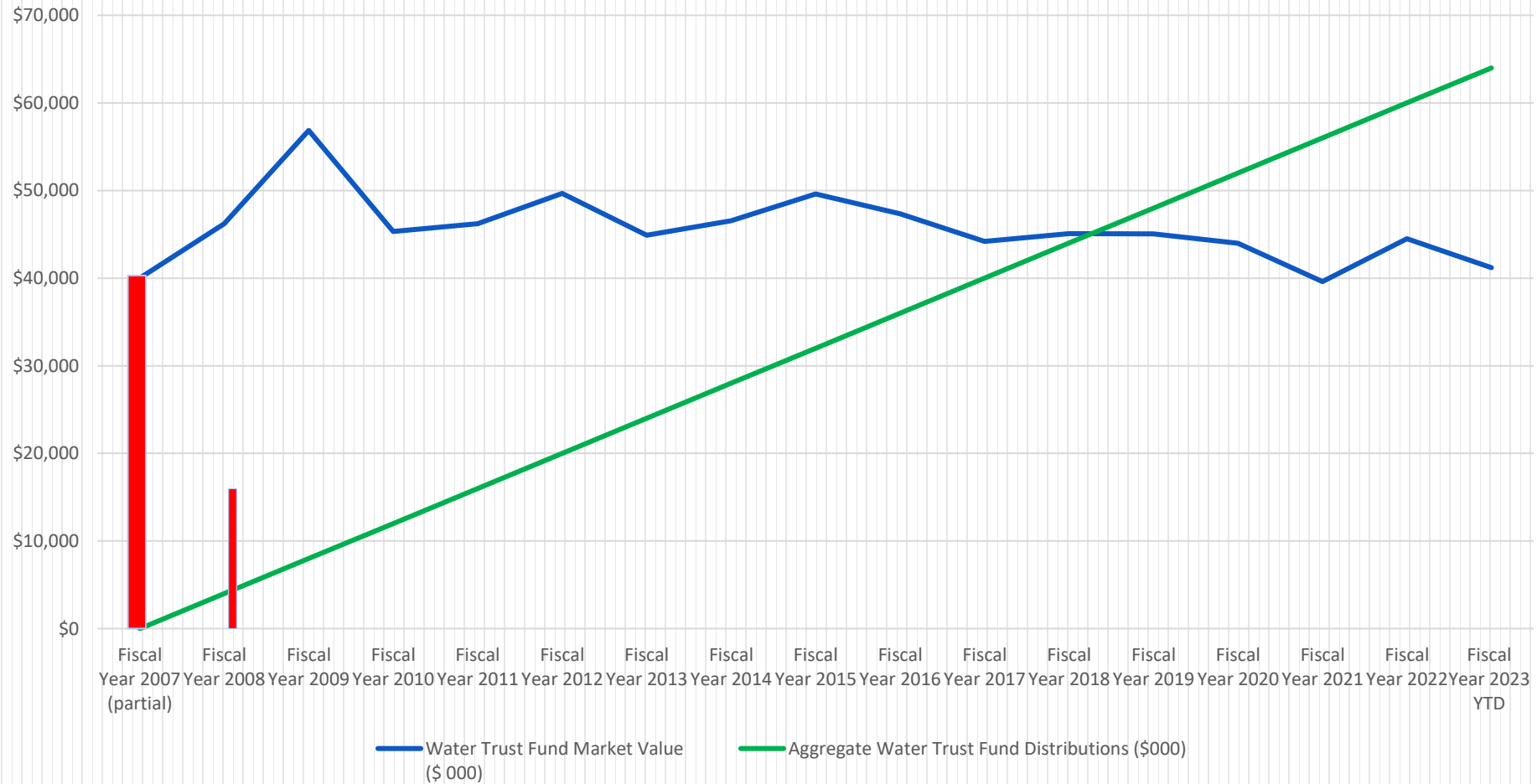
- Total fund values 2019-2022 YTD through June 2022, in millions

Fund Valuations (\$Millions)	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>6/30/2022</u>
Land Grant Permanent Fund (LGPF)	\$ 19,724.2	\$ 21,599.2	\$ 25,766.2	\$ 24,379.5
Severance Tax Permanent Fund (STPF)	\$ 5,630.3	\$ 5,849.5	\$ 6,733.8	\$ 6,830.0
Tobacco Settlement Permanent Fund	\$ 237.0	\$ 262.2	\$ 298.1	\$ 296.8
Water Trust Fund	\$ 41.7	\$ 39.7	\$ 43.9	\$ 44.5
Tax Stabilization Reserve	\$ 538.6	\$ 1,768.2	\$ 1,856.5	\$ 1,833.2
Rural Libraries Endowment	\$ 1.0	\$ 3.1	\$ 3.3	\$ 13.2
Government Clients	\$ 1,272.0	\$ 1,515.6	\$ 1,814.5	\$ 1,652.3
Early Childhood Ed. & Care Fund	\$ -	\$ 306.1	\$ 314.1	\$ 638.9
Total Assets under management	\$ 27,444.8	\$ 31,344.0	\$ 36,830.3	\$ 35,688.7

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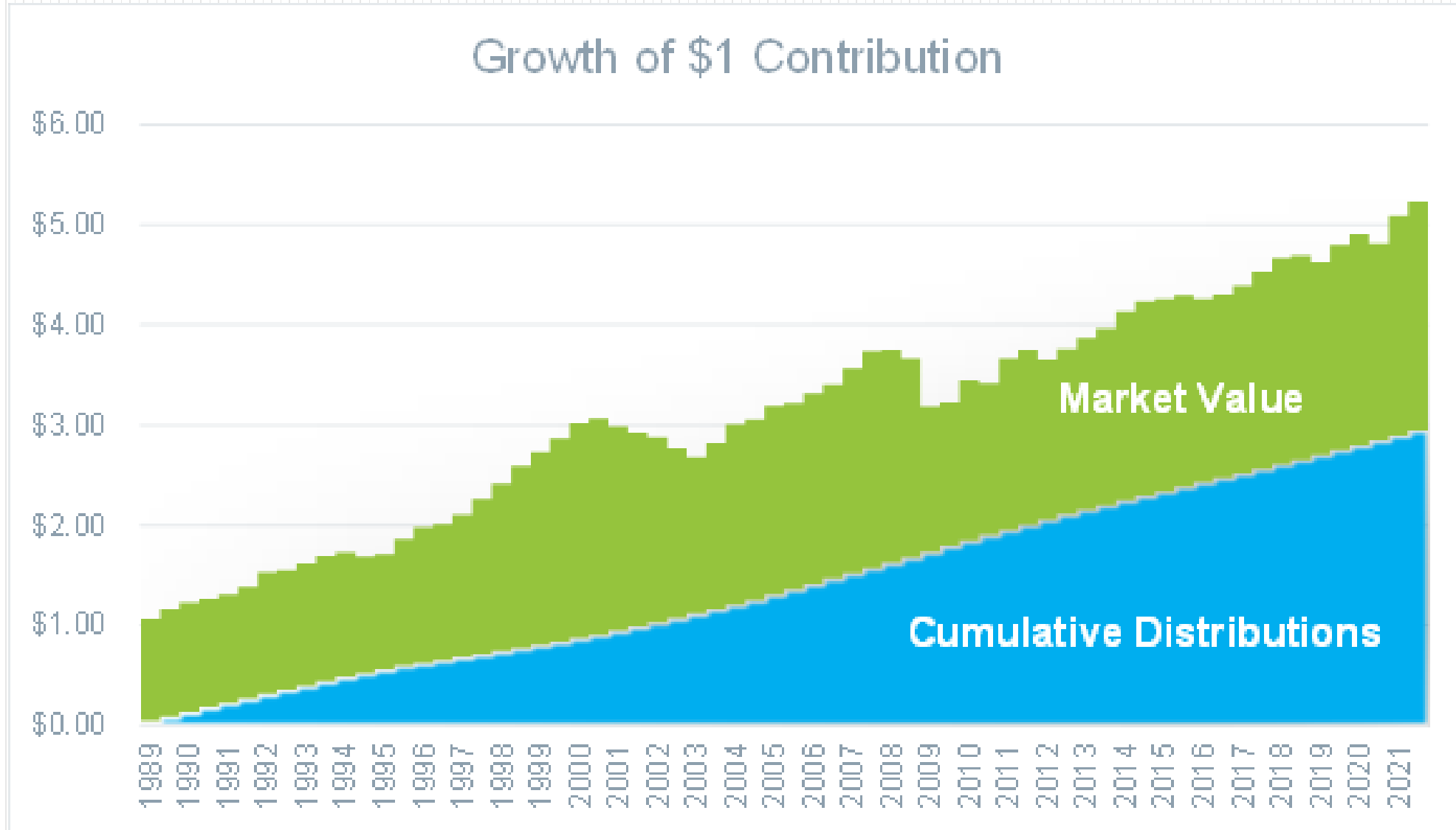
Time + Investments = Value

Water Trust Fund History



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\$1 in LGPF +30 years = \$5 impact

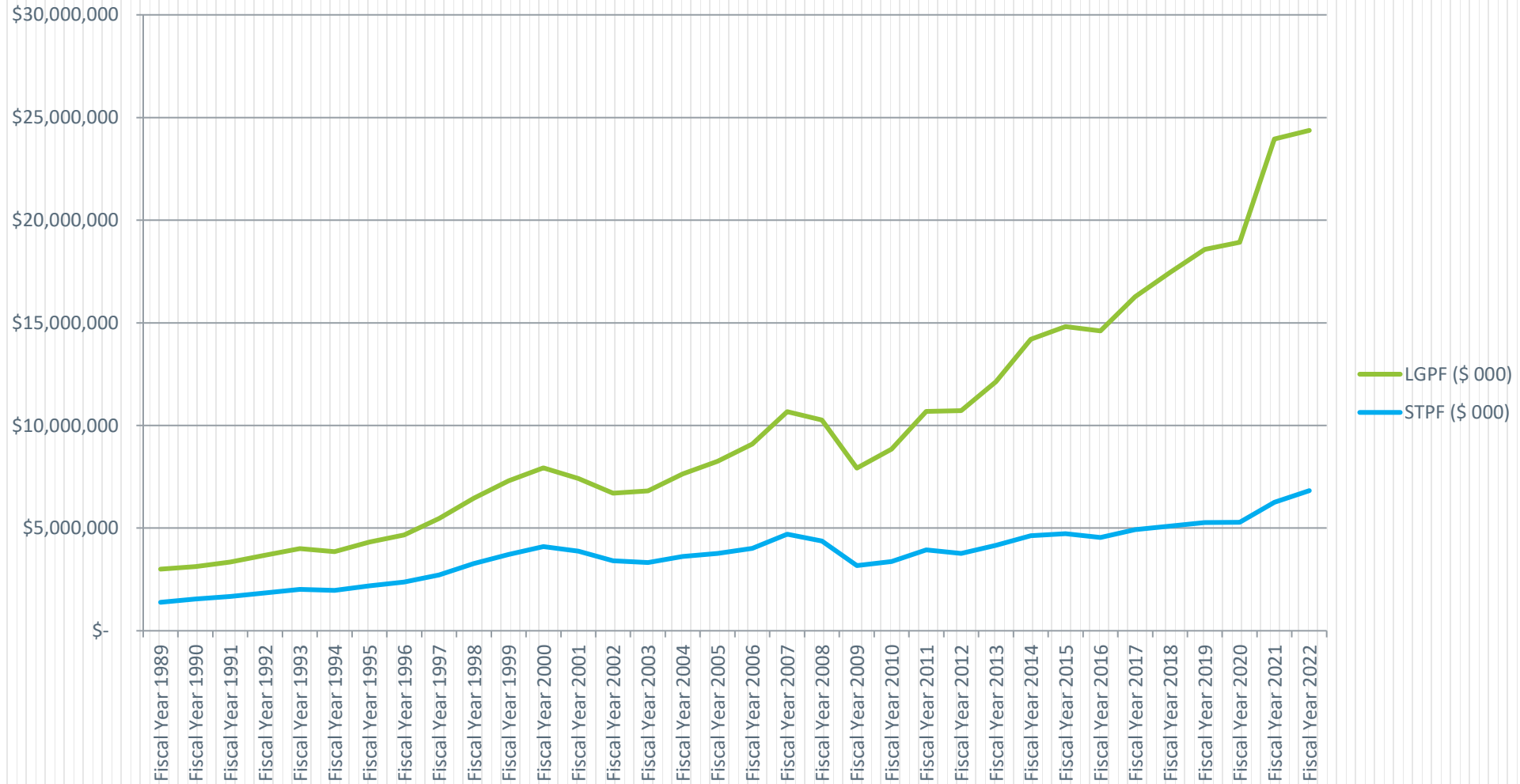


Endowment Structures & Considerations

- Spending Policy (distributions)
- Fund flexibility vs. protection from appropriation
- Statutory or constitutional creation
- Beneficiaries: One or several?
- Time horizon and expectations
- Risk/return profile of investments
- Initial and continued funding streams (slide 9)

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Consistent Inflows Drive Growth



Final Thoughts

- Senators Frank “Jack” Danglade & Fabian Chavez Jr.
- Representatives Bob Grant & John Bigbee
- Permanent Fund projected distributions over next 10 years: **~\$20 billion**
- NM State Investment Council ready to assist & manage new funds
- Q&A