

LFC Requester:	N/A
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 3/3/2025 *Check all that apply:*
Bill Number: SB 397 Original Correction
 Amendment Substitute

Sponsor: <u>Maestas/Jaramillo</u>	Agency Name and Code	<u>New Mexico Education Trust</u>
Short Title: <u>New Mexico Next Generation Act</u>	Number:	<u>Board 94900</u>
	Person Writing	<u>Natalie Cordova</u>
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$100.0	Non	General Fund
	\$500,000.0	Non	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A				

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None.					

(Parenthesis () Indicate Expenditure Decreases)

Relates to: HB 7

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The bill proposes to create the next generation trust fund and provide for investment of that fund by the state investment officer; creates the baby bonds fund; sets forth eligibility criteria and uses; requires DFA to promulgate rules; includes state tax exemptions and makes appropriations.

FISCAL IMPLICATIONS

None specific to ETB, a number of fiscal implications listed in LFC's FIR.

SIGNIFICANT ISSUES - None specific to ETB, significant issues listed in LFC's FIR.

ADMINISTRATIVE IMPLICATIONS - If the proposed permitted use(s) of funds was aligned with Section 529 of the IRC, the administrative implications/concerns may be reduced with consideration of New Mexico's existing 529 Education Savings Plan Program. Additionally, in fulfillment of NM's 529 program, a structured investment program exists that would align well with the age range of the proposed beneficiaries of the funds. NM ETB has experience with similar funding programs for beneficiaries where funds are deposited by an organization on behalf of multiple beneficiaries.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP – Similarity to HB 7. Placement of the proposed funds in the existing structure of the ETB could prevent duplication of resources. The ETB has existing operations, including management controls, audit processes, investment management and advisors, legal counsel, and operational controls for participant accounts. Placement of the proposed funds within the ETB structure would support its mission as well as the future education and retirement goal of the proposed legislation. The New Mexico ETB operations are similar to agencies across the United States. Creation of a new fund/operations under the proposed legislation would be duplicative within our State and may inadvertently reduce the number of New Mexicans saving for future education and retirement. The ETB operates on an enterprise basis with no annual general or federal funding allocation.

TECHNICAL ISSUES – Potential implications raised with Anti-donation clause.

ALTERNATIVES – Consideration of how New Mexico's existing 529 Education Savings Plan Program might fit for the proposed funding for education and retirement for New Mexico beneficiaries (children) could be beneficial. The Education Trust Board, who oversees over 100,000 accounts and \$2B in account owner assets, has an existing process that would allow for individual accounts to be set-up, funds deposited and invested and ultimately withdrawn for eligible purposes (Section 529 of the Internal Revenue Code), including, college and trade school expenses and Roth IRA (retirement).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL - None identified.

AMENDMENTS – N/A

