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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 1/27/2025

SPONSOR Lujan/Szczepanski/Sanchez

BILL
NUMBER House Bill 113

SHORT TITLE Animal Welfare Program and Trust Fund

ANALYST Gray

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
\$10,000.0		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
Distribution	\$0	\$0	\$0	\$0	(\$555.0)	Recurring	Animal Welfare Trust Fund
Distribution	\$0	\$0	\$0	\$0	\$555.0	Recurring	Animal Welfare Program Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	No fiscal impact	\$109.1	\$109.1	\$218.2	Recurring	General Fund

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

Sources of Information

LFC Files

Agency Analysis Received From
 State Investment Council (SIC)
 New Mexico Livestock Board
 Department of Finance and Administration (DFA)
 State Treasurer's Office (STO)

SUMMARY

Synopsis of House Bill 113

House Bill 113 (HB113) appropriates \$10 million from the general fund to the animal welfare trust fund, which is created by the legislation. The fund distributes 5 percent of the three-year year-end market value to the animal welfare program fund. The program fund can be used by the Department of Finance and Administration (DFA) to administer the animal welfare program.

The animal welfare program is created to support the welfare of domestic cats and dogs, including to make grants, repair or renovate an animal shelter, or otherwise provide services.

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 \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall revert to the animal welfare trust fund.

Although House Bill 113 does not specify future appropriations, establishing a new grant program could create expectations that obligate future appropriations. For example, the \$555 thousand FY29 distribution may not be sufficient to cover the expansion of state government services as contemplated by HB113. Accordingly, subsequent appropriations may be needed. This analysis cautions that while HB113's costs are labeled as nonrecurring, the fund may require future appropriations depending on the costs of this newly created budget obligation.

Analysis from the State Investment Council (SIC) offers a simplified example of potential investment returns in Attachment 1.

SIC analysis assumes a 7 percent annual return, which may change depending on the fund's asset allocation. Funding for the animal welfare program through the program fund will increase by about 2 percent each year beginning FY32.

SIGNIFICANT ISSUES

SIC notes this bill will require additional staff time and that the expansion of funds under management places a strain on the agency:

The SIC's budget is funded out of the land grant and severance tax permanent funds and does not receive general fund support.

Historically, SIC managed four permanent funds (the land grant permanent fund, severance tax permanent fund, water trust fund, and tobacco settlement permanent fund). Since 2019, the Legislature placed eight additional funds under SIC management, bringing total funds under SIC management to 12 and growing total assets under management (AUM) to over \$58 billion as of December 2024 (more than double the \$27.4 billion total AUM at the end of December 2019).

Growth in AUM requires increasing staff time to implement the funds' asset allocation strategies, which rely heavily on private market investments (e.g., private equity, private credit, real estate, etc.) in addition to traditional stock and bond exposures. About 30 percent of total AUM is invested in private market strategies, which seek to enhance returns and diversify exposures, and the Council's strategic asset allocations target over 50 percent private assets. More assets allocated to these strategies requires staff to source and diligence a growing number of new private fund commitments each year, which is a time-intensive and rigorous process.

Despite rapid growth in AUM, authorized FTE for the State Investment Office has not kept pace, as shown in the chart below. SIC's budget request for FY26 included full funding for all 37 authorized FTE, and expert opinions discussed at SIC's strategic retreat in December 2024 suggested a need to double the number of investment staff and increase the number of legal and accounting staff to facilitate increased workloads, mitigate risk, and maintain proper ongoing due diligence of investments.

BG/hj/hg

Attachment 1

Animal Welfare Trust Fund (\$millions)						
Calendar Year	Beginning Balance	Contributions	Gains & Losses	Distrib	Ending Balance	YOY Fund Growth
2025	\$0.0	\$10.0	\$0.4	\$0.0	\$10.4	
2026	\$10.4	\$0.0	\$0.7	\$0.0	\$11.1	7.0%
2027	\$11.1	\$0.0	\$0.8	\$0.0	\$11.8	7.0%
2028	\$11.8	\$0.0	\$0.8	-\$0.6	\$12.1	2.2%
2029	\$12.1	\$0.0	\$0.8	-\$0.6	\$12.3	2.0%
2030	\$12.3	\$0.0	\$0.8	-\$0.6	\$12.6	1.9%
2031	\$12.6	\$0.0	\$0.9	-\$0.6	\$12.8	1.9%
2032	\$12.8	\$0.0	\$0.9	-\$0.6	\$13.1	1.9%
2033	\$13.1	\$0.0	\$0.9	-\$0.6	\$13.3	1.9%
2034	\$13.3	\$0.0	\$0.9	-\$0.7	\$13.6	1.9%
2035	\$13.6	\$0.0	\$0.9	-\$0.7	\$13.8	1.9%
2036	\$13.8	\$0.0	\$0.9	-\$0.7	\$14.1	1.9%
2037	\$14.1	\$0.0	\$1.0	-\$0.7	\$14.4	1.9%
2038	\$14.4	\$0.0	\$1.0	-\$0.7	\$14.7	1.9%
2039	\$14.7	\$0.0	\$1.0	-\$0.7	\$14.9	1.9%
2040	\$14.9	\$0.0	\$1.0	-\$0.7	\$15.2	1.9%

Distribution to Animal Welfare Program Fund (\$MM)		
Fiscal Year	Distrib Date	Amount
FY25	Jul-25	\$0.000
FY26	Jul-26	\$0.000
FY27	Jul-27	\$0.000
FY28	Jul-27	\$0.000
FY29	Jul-28	\$0.555
FY30	Jul-29	\$0.584
FY31	Jul-30	\$0.605
FY32	Jul-31	\$0.617
FY33	Jul-32	\$0.629
FY34	Jul-33	\$0.642
FY35	Jul-34	\$0.654
FY36	Jul-35	\$0.666
FY37	Jul-36	\$0.679
FY38	Jul-37	\$0.692
FY39	Jul-38	\$0.706
FY40	Jul-39	\$0.719