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FISCAL IMPACT REPORT

SPONSOR: Irwin DATE TYPED: 02/24/01 HB 254/aHAFC
 SHORT TITLE: Clarify Security for Public Deposits SB _____
 ANALYST: Valdes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Financial Institutions Division, Regulation and Licensing Department

SUMMARY

Synopsis of HAFC Amendment

The amendment requires a surety company issuing a surety bond to be rated in the highest category by at least one nationally recognized statistical rating agency.

Synopsis of Original Bill

House Bill 254 amends and clarifies the requirement for security of deposits of public money, by allowing the security for public funds to include surety bonds.

Significant Issues

The amendment, by adding the rating requirement, assumes the quality and solvency of the surety company issuing the surety bond to protect the deposits of public money. It is recommended the bill be further amended to require the surety company be licensed in New Mexico.

In lieu of using the securities defined in Section 6-10-16 NMSA 1978 as security for public deposits, surety bonds may be utilized as security for those deposits. Types of securities presently allowed for public deposits are:

- Direct obligations of the United States Government, obligations of federal government agencies and instrumentalities;

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- Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions
- N.A.S.D. Revenue bonds rated BAA or above
- Letters of credit issued by the Federal Home Loan Bank

Pledged securities are not needed for any deposits covered by the Federal Deposit Insurance Corporation.

ADMINISTRATIVE IMPLICATIONS

The Financial Institutions Division reviews securities for public funds during each bank, credit union and savings and loan examination. This bill would not affect the financial institution review process.

OTHER SUBSTANTIVE ISSUES

Because this bill has an emergency clause, it would take effect immediately upon signature by the Governor.

MV/ar/njw