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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Hochman-Vigil **ORIGINAL DATE** 3/7/25

BILL

SHORT TITLE Investment of Unexpended Money by Treasurer **NUMBER** House Bill 541

ANALYST Hilla

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Unexpended bond proceeds	No fiscal impact	Indeterminate but minimal gain	Indeterminate but minimal gain	Indeterminate but minimal gain	Indeterminate but minimal gain	Recurring	See Fiscal Implications
Sinking funds balances	No fiscal impact	Indeterminate but minimal gain	Indeterminate but minimal gain	Indeterminate but minimal gain	Indeterminate but minimal gain	Recurring	See Fiscal Implications

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
STO	No fiscal impact	\$200.0	\$200.0	\$200.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis was Received From
State Treasurer's Office (STO)

Agency Analysis was Solicited but Not Received From
Department of Finance and Administration (DFA)
New Mexico Municipal League (NMML)
New Mexico Counties

SUMMARY

Synopsis of House Bill 541

House Bill 541 (HB541) amends Section 6-1-10 NMSA 1978 to allow the State Treasurer to invest all sinking funds (funds set up to capture revenue for future expenses) or unexpended balances from bond proceeds into:

- Supranational issuers (e.g., the World Bank);
- Money market mutual funds (e.g., U.S. Treasury bills);
- Commercial paper and corporate notes rates at least "A" (offering short-term and

- medium-term debt instruments providing higher returns and shorter maturity periods);
and
- Diversified investment funds (bond investment strategy that can reduce single investment exposure).

This requires the investment policy to be reviewed every two years and mandates investments to have a minimum credit rating and maximum maturity limits. Investment is subject to the State Board of Finance’s approval.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

Pursuant to Section 6-15-22, any authorized bonds may be secured by a sinking fund. When a sinking fund is created, payments into the sinking fund shall be made from a special fund created pursuant to other statutory requirements, and the funds principal or interest or both may be used for bonds or other indebtedness. HB541 would allow the State Treasurer to invest unexpended balances from sinking funds in other indebtedness, differing from Section 6-10-43 NMSA 1978, which allows sinking fund balances to go to nonrecurring expenditures at the local level.

Under Title 2, Chapter 61, Part 6, of the New Mexico Administrative Code issued by the State Board of Finance, bond proceeds shall not be used for purposes other than those specified in an appropriation and may not be used for operating expenses nor indirect expenses unless expressly provided for by statute. Any unexpended bond proceeds may revert to appropriate funds, such as the severance tax bonding fund. Earnings from HB541 will be reinvested into debt service and public projects.

The fiscal impact of this bill is indeterminate but positive for additional revenue received from investment of unexpended funds. The new state investment could lead to higher investment returns and could provide greater liquidity options but could pose potential risk exposure from nontraditional investments

The bill may require additional funding for the State Treasurers Office (STO) operating budget to accommodate additional investment. This fiscal analysis assumes that \$200 thousand in recurring general fund revenue may be needed for STO to hire two additional staff to cover new investments. This includes salary, benefits, retirement, etc.

Higher investment returns are possible, but increases in revenue are not guaranteed.

SIGNIFICANT ISSUES

The investments allowed under HB541 cannot be used for general operational expenses but must be allocated to specific capital, infrastructure, and financial stability purposes. STO has noted concerns the bill may conflict with the state’s constitution. Article VII, Section 4, of the New Mexico Constitution requires public money be used only for public purposes and that any investment of public funds be subject to limitations prescribed by the Legislature.

STO raises several more concerns, including additional constitutional issues, with HB541. The office notes the bill adds State Treasurer to a section of law referencing “brokered CDs” that is constitutionally unclear. The constitution provides that banks and savings and loans can only receive public money if they are “incorporated under the laws of the state,” while deposits of public money are allowed in “credit unions incorporated under the laws of this state *or* the United States.” From STO: “This at least suggests that federally chartered credit unions may receive deposits of public money, even if not in New Mexico.” The agency notes it did not participate when that section was amended in 2016 because of concerns about its constitutionality and concerned counties and cities, not the State Treasurer.

STO raises separate concerns that, by adding the State Treasurer to a provision in 61-15-22 intended for local public bodies, HB514 creates both confusion and assigns to the State Treasurer responsibilities it already has under other sections of law. The section of law amended by HB541 and the sections that follow reference “treasurer” and “board of finance” but are intended to reference the treasurers and boards of finance of local public bodies. Adding “State Treasurer” confuses the meaning. In addition, some of the responsibilities listed are already assigned to the State Treasurer on the state level.

EH/hj/hg/sgs