

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Kidd	DATE TYPED:	01/31/00	HB	
SHORT TITLE:	Letters of Credit as Security			SB	87
				ANALYST:	Eaton

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
		NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

This bill would add letters of credit issued by Federal Home Loan Bank to the list of instruments used to provide security for deposits for public money. The bill also deletes language referencing the federal savings and loan insurance corporation which no longer exists.

Significant Issues

New Mexico is a "legal list" state, meaning that a specific security or asset class must be separately identified in the statutes in order to be considered a legal investment. Deregulation in the financial sectors has blurred the distinctions between banks and investment firms and has resulted in the explosive growth in the number of investment instruments available to consumers and institutions.

The rate of change in the markets and the financial sector lends support to the argument of abandoning the "legal list" and replacing it with a more flexible alternative that allows fiduciaries of public money to adapt more quickly to changes in the financial markets.

JE/njw