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## FISCAL IMPACT REPORT

SPONSOR: Burpo DATE TYPED: 02/06/01 HB 166  
 SHORT TITLE: Local Government Permanent Fund Investments SB \_\_\_\_\_  
 ANALYST: Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	NFI	NFI		General Fund
	Positive	Positive	Recurring	Counties & Muni's Permanent Funds

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to [House Bill 167](#)

### SOURCES OF INFORMATION

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

Section 1 of the bill would amend 6-6-19 NMSA 1978 to include Section 6-8-9 under 6-6-19(A). Currently, local government permanent funds are authorized to invest under Sections 6-10-10, 6-10-36, and 6-10-44 NMSA 1978. Section 6-10-10 NMSA 1978 allows investments to be in accounts at local banks, savings and loans, and U.S. government securities and its agencies. Section 6-10-36 MSA 1978 allows for investments in interest bearing accounts with banks and savings and loans, and credit unions within the geographic boundaries of the entity. Section 6-10-44 allows investments in treasury certificates.

With the addition of Section 6-8-9 NMSA 1978 to 6-6-19, local government permanent funds would have greater investment opportunities. These opportunities would be beneficial because they could potentially increase the yield of the investment portfolio. These investments include: corporate securities not rated less than Baa or BBB; loans with business concerns or other organizations that are obligated to use these proceeds within the state of New Mexico, corporate stocks (common and preferred) and convertible issues listed on a national stock exchange or a nationally recognized list of stocks; securities dominated by a foreign currency and currency futures to hedge such investments; and diversified investment companies per the Investment Companies Act of 1940, long term investment trust, and other trust funds of banks or trust companies.

Significant Issues

While local government permanent funds could be increasing the potential yield of the portfolio, they could expose themselves to greater risk and loss of capital.

**FISCAL IMPLICATIONS**

This bill has no fiscal impact on the state but will likely have a positive fiscal impact on counties and municipalities if they elect to invest in the instruments outlined in this bill.

JBE/njw:ar