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F I S C A L I M P A C T R E P O R T

SPONSOR: Burpo DATE TYPED: 02/07/01 HB 167/aHTRC

SHORT TITLE: County and Municipal 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

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HTRC Amendment

The proposed House Taxation and Revenue Committee amendment adds language that raises the assets under the management requirement for eligible institutions that counties and municipalities may invest with from $100 million to $250 million. The bill also strikes language referring to "third party" in the context of financial institutions (acting as agent or trustee for the purchaser of uncertificated securities) booking and confirming transactions.

Synopsis of Original Bill

This bill amends Section 6-10-10 "Deposit of Investment Funds" NMSA 1978 by expanding both the eligibility of counties and municipalities that can invest public monies in certain financial investment instruments and the types of investment instruments.

Significant Issues

Currently New Mexico statutes limit the types of local government investments to a narrow range of securities, mostly U.S. Treasuries and other instruments backed by the full faith of the U.S. government. At present, only Albuquerque is allowed any latitude. This bill seeks to expand the list of investment instruments available to Albuquerque and every other county and municipality in the state.

The most important limitation on the types of instruments set forth in this bill are that the instruments be rated Baa, BBB or the equivalent of a national rating service. In lay terms, this means that all counties and municipalities (with the consent of the board of finance) will be allowed to invest public monies that will (generally) have a higher yield, or higher rate of return. But, as with all investment instruments, there are risks of default, and the rating service communicates that level of risk through the rating system. This bill allows counties and municipalities to assume more risk but possibly get a better return on the investment which is the heart of this bill.

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 (and the board of finance approves) to invest public monies in the instruments proposed in this bill.

JBE/njw:ar