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## FISCAL IMPACT REPORT

 NSOR: Burpo DATE TYPED: 02/12/02 HB 68/aHTRC

SHORT TITLE: Board of Finance Consent for Investments SB \_\_\_\_\_

ANALYST: Neel

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		No Fiscal Impact			

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

No Response  
State Treasurer

### SUMMARY

#### Synopsis of HTRCAmendment

The House Taxation and Revenue Committee amendment increased the threshold for the amount of investments a company must have under management from \$100 million to \$1.0 billion in order to qualify for certain investments by the State Treasurer.

#### Synopsis of Original Bill

House Bill 68 provides clarifying language explicitly requiring the State Treasurer Office (STO) to receive the advice and consent of the State Board of Finance (SBF) to invest in:

- “contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices...”

- “contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks, or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate.”

These two sections (J and K of [NMSA 1978 6-10-10]) are the only sections that do not specifically require the advice and consent of the SBF prior to engaging in investments. Provisions in HB 68 will now require STO to gain SBF advice and consent prior to their use of investment vehicles enumerated above.

### Significant Issues

In the LFC’s budget manual for FY 03, the Committee details two occasions where the State Treasurer’s Office (STO) engaging in unapproved investments. On September 14, 2001, custodial banker Deutsche Bank informed SBF staff of STO intent to purchase a \$400.0 million AIM money market mutual fund, which is not an approved investment under Board of Finance policy. Against Board of Finance staff advice, STO continued with the transaction.

Another unauthorized investment occurred in August 2001 when STO purchased two flexible re-purchase agreements with maturities that exceeded one year, a violation of statute as well as Board of Finance investment policy.

### **FISCAL IMPLICATIONS**

No fiscal impact.

SN/prr:ar