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FISCAL IMPACT REPORT

SPONSOR Vigil **ORIGINAL DATE** 02/07/12
LAST UPDATED 02/11/12 **HB** 259/aHBIC

SHORT TITLE Bank Supervision Fund **SB** _____

ANALYST Martinez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
(\$666.0)	(\$2,000.0)	(\$2,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amends House Bill 259 as follows: On page 1, line 24, strike "March 1" and insert in lieu thereof "January 1". On page 2, line 22, after "for", insert "the state chartered bank supervision fund". And, on page 2, line 22, strike "or other statutory nonreverting funds".

Synopsis of Original Bill

House Bill 259 amends portions of the Regulation and Licensing Department operating fund that would provide exception to the requirement that money received by divisions be transferred to the general fund. HB 259 contains an emergency clause making it immediately effective.

FISCAL IMPLICATIONS

The Regulation and Licensing Department states no fiscal impact to the agency. The general fund will no longer receive the nearly \$2.0 million reversion each year from this "bank supervision fund".

SIGNIFICANT ISSUES

RLD states: The division is responsible for supervising the safety and soundness of 36 Banks, 27 Credit Unions, 1 Savings Association, and 11 Independent Trust Companies in New Mexico. New Mexico depository institutions hold and manage nearly \$8 billion of the public's money. The Division's supervision is mainly comprised of safety and soundness examinations performed by state examiners on terms of a 12 or 18-month cycle. Additionally, the examiners examine approximately six hundred small loan companies annually. The examiners perform related investigatory work as required in other Financial Institutions. In addition to its examination function, the Division licenses and charters over 5,000 separate entities who deliver financial services, to the citizens of New Mexico.

FID firmly believes that our community banks are the life line for our smaller communities and, if they are closed or hampered in their activities, the communities they serve will suffer. This has a direct economic impact, especially for our rural communities. The Financial Institutions Division makes sure that our financial institutions are safe and sound, that the citizens of New Mexico are being treated fairly and equitably and that products and services being offered will meet the needs of these citizens.

With the passage of the “Dodd-Frank Wall Street Reform Act”, our community banks have been placed at a disadvantage with regards to their national counterparts. They are unable to afford a full-time compliance position on their staff, as many of the national banks have in order to comply. FID is working to assist our community banks with compliance while keeping them safe and sound. This means more frequent visits to troubled institutions as well as higher levels of interactions from a preventative standpoint.

The AGO writes; Pursuant to NMSA 58-1-41, the Financial Institutions Division (FID) of RLD, administrates a Bank Supervision Fund. Every bank contributes into this fund based on the banks assets. Previously, any balance in the fund that was unspent at the end of the fiscal year, reverted to the general fund. HB 259 amends NMSA 9-16-14 (RLD Operating Fund) to reflect that the bank supervision fund is one of the funds that is does not revert to general fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

POSSIBLE QUESTIONS

If this bill is accepted can this particular division within RLD be financially self sustaining and require no more general fund appropriation?

RM/amm:svb