

LFC Requester:**Brendon Gray****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: 1/30/2025 *Check all that apply:*
Bill Number: House Bill 130 Original Correction
 Amendment Substitute

Sponsor: Patricia Roybal Caballero and Jeff Steinborn **Agency Name and Code Number:** NMFA (385)
Short Title: Public Banking Act **Person Writing:** Ryan Decker
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
None	(50,000)	Recurring	General Fund
None	50,000	Recurring	State Banking Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
None	None	None	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

HB 130 enacts the Public Banking Act (“Act”), which creates the Public Bank of New Mexico (“Public Bank”) as a public body corporate constituting a governmental instrumentality, which is expected to be chartered pursuant to United States law. HB 130 also creates the state banking fund (“Fund”), a non-reverting fund at the state treasury which includes all assets, liabilities, equity, income and expenses of the Public Bank. Once the Public Bank becomes chartered pursuant to federal law, the Fund is transferred to the Public Bank. The bill vests powers with the Public Bank to carry out the provisions of the Act, establishes a Board of Directors (“Board”), requires the Board to hire a qualified chief executive officer and chief risk officer responsible for overseeing its management, regulatory compliance and reporting requirements.

Subject to restrictions provided by law or Board policy, the bank may: (i) purchase, sell, exchange, investment and reinvest assets of the Fund provided all transactions are made pursuant to the Act and the Uniform Prudent Investor Act; (ii) make, purchase, guarantee or hold loans to state or federally chartered lending institutions, to instrumentalities or political subdivisions of the state, to 501(c)(3) non-profit organizations, obtained as security or originated by local financial institutions; (iii) buy and sell federal bonds; (iv) lease, assign, sell, exchange, transfer, convey, grant, pledge or mortgage real and personal property; (v) purchase bonds, lend to other state financing programs, acquire securities or make loans to political subdivisions of the state for the purpose of financing a public project; (vi) purchase participation interests in loans; and (vii) enter into agreements with credit unions, community development financial institutions or community banks for the purpose of carrying out the provisions of the Act.

The Public Bank shall develop loan programs for public benefit to further agriculture, commerce and industry and cooperate with small business and regional economic development districts and other organizations providing financial services to new and emerging businesses and evaluate loan performance on the basis of risk and public benefit.

Directors, officers and employees of the bank are subject to the Act’s conflict of interest provision that requires disclosure of direct or indirect interests and subjects them to penalties for failure to disclose.

The Public Bank is exempt from Chapter 6, Article 10 NMSA 1978 related to Public Money.

The Act appropriates fifty million dollars (\$50,000,000) from the general fund in FY2026 and subsequent fiscal years to the Fund. No more than four million dollars (\$4,000,000) shall be expended to establish and charter the Public Bank and develop its lending programs. The Act contains an additional contingent appropriation of sixty million dollars (\$60,000,000), which shall become effective upon incorporation of the Public Bank and the bank receiving its formal charter. Both appropriations are non-reverting.

SIGNIFICANT ISSUES

Under Section 5(A)(2)(b) the bank may make loans to instrumentalities or political subdivisions of the state. The Public Project Revolving Fund (“PPRF”) was created by the New Mexico Legislature in 1992 at NMFA and assists a wide range of public entities in accessing capital at low or below-market rates. Since inception, the PPRF program has financed more than 2,000 projects

throughout the state totaling more than \$4.9 billion, with loans as small as \$5,000 and as large as \$127 million. The PPRF finances public projects such as infrastructure improvements, road projects, water system upgrades, fire and law enforcement equipment, public buildings, hospitals and healthcare facilities, electric and broadband utilities and quality of life projects. The PPRF Bond program enjoys a ‘AAA’ rating from S&P Global Ratings and AA1 from Moody’s Ratings which allow the NMFA to recapitalize the fund at very low interest rates. The NMFA passes along these same rates to PPRF borrowers, regardless of the borrowers’ credit rating. Additionally, NMFA is able to extend below market interest rates – at either 0% or 2% -- to borrowers with median housing incomes that are less than the state average median household income. With the PPRF, New Mexico public entities, including tribal governments, can maximize limited public dollars for use in public projects due to lower interest rates. At this time, it is unclear how the Public Bank could offer financing for public projects on more favorable terms than those offered by the PPRF.

The Act initially capitalizes the Public Bank with a fifty-million-dollar (\$50,000,000) appropriation, plus an additional sixty million (\$60,000,000) upon receiving its charter. The Public Bank will need to grow its deposit base to support the Public Bank may be perceived as competing with existing local depository institutions, including regional and community banks and credit unions.

PERFORMANCE IMPLICATIONS

The Public Bank may be seen as competing with local depository institutions for public customers, which may create little incentive for local lending institutions to work with the Public Bank.

The NMFA administers a federally funded loan participation program that allows NMFA to purchase portions of loans originated by local lending institutions. Local lending institutions typically request NMFA’s participation when the collateral available to secure the loan is less than lender can accept by policy or by regulation. Using federal funds, NMFA may accept a security interest that is subordinate to the lender, which allows the local lending institution to make loans they would not otherwise be able to make. As drafted, it is not clear whether the Public Bank can participate in loans on similar terms.

Lastly, Members of the Board do not receive compensation. It is unclear how the Public Bank will recruit qualified Board members with requisite experience in compliance with the provisions of the Act, particularly without compensation.

ADMINISTRATIVE IMPLICATIONS

The Chief Executive Officer of the New Mexico Finance Authority shall be a member of the Board.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Section 5 of the Act gives the Public Bank a broad mandate that duplicates some of the programs offered by state agencies, including the New Mexico State Investment Council, the New Mexico Finance Authority, the New Mexico Economic Development Department and the New Mexico Small Business Investment Corporation. It is not clear how the Public Bank might enhance, rather than duplicate, the state’s existing financial infrastructure supporting projects with public benefit.

OTHER SUBSTANTIVE ISSUES

It is not clear whether the Public Bank is subject to the Inspection of Public Records Act, which may prove to be problematic if it is to participate in economic development lending.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Public agencies with existing funding programs supporting agriculture, commerce and industry for public benefit will continue to develop new programs and products to address identified additional financing needs.