

LFC Requester:

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: HB 130 Original Correction
 Amendment Substitute

Sponsor: Patricia Roybal Caballero and Jeff Steinborn **Agency Name and Code:** Economic Development Department 41900
Short Title: PUBLIC BANKING ACT **Person Writing:** Samuel Collins
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$50,000.0	Nonrecurring	General Fund
\$0	\$60,000.0	Nonrecurring - Contingent	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	Unknown	Unknown		

(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						

(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

Synopsis:

House Bill 130 (HB130) proposes the creation of a state-owned bank. The bank is a wholesale “banker’s bank” and is prohibited from making loans to private individuals or private entities. It is intended to make, purchase, guarantee or hold loans and investments to lending agencies and institutions. The proposed legislation details the creation, composition, and terms of an eleven-member board. The board is authorized to hire a chief executive officer. The bill also gives the bank the authority to originate loans and purchase investments.

FISCAL IMPLICATIONS

The proposed legislation requires an initial appropriation of \$60 million. An additional \$50 million will be appropriated contingent on the bank receiving its final charter. The costs to establish and operate the entity are unknown; however, the appropriation provides that \$4 million of the \$60 million appropriation can be used for establishing and chartering the bank and developing the lending program.

SIGNIFICANT ISSUES

The entity created by HB 130 creates potential contingent liability for the state and is redundant. Several federal, state, and private entities offer the products proposed in section 5. Federal agencies such as the Small Business Administration guarantee, offer support to, and purchase loans from banks, credit unions, community development financial institutions, and other lenders.

Leverage and contingent liability

While the initial capitalization/appropriation earmarks \$110 million, the State would also be exposed for the full amount of the loans, investments and guarantees issued by the bank. Banks are generally leveraged at a 10 to 1 ratio, meaning for each \$1 of capitalization, banks typically make about \$10 in loans and investments. While the initial capitalization/appropriation is \$110 million, the State’s exposure could be \$1.1 billion and growing as the bank grows. This leverage creates a significant contingent liability. It’s unclear whether the public bank would be FDIC-insured but regardless, the FDIC protects depositors, not the owners of the bank.

Risk

Given the substantial number of financing options, there would be the risk that the public bank would be the “lender of last resort” and provide support to transactions that all other entities including government entities have passed on and subject the State to significant financial risk.

Existing similar programs

There are already several state-funded entities providing funding to support the credit needs of New Mexico businesses, municipalities, and support existing lenders. These entities include but are not limited to the New Mexico Finance Authority (NMFA), Housing New Mexico (formerly New Mexico Mortgage Finance Authority), State Investment Council, New Mexico Small Business Investment Corporation (NMSBIC), and Economic Development Department. These entities work collaboratively with banks, credit unions and community development financial institutions, as well as small business development centers, regional economic development districts and parties that have demonstrated abilities and relationships in providing financial services to new and emerging businesses. Establishing the public bank seems to be a redundant function of existing program in place.

New Mexico received the first tranche from the American Rescue Plan Act as part of the State Small Business Credit Initiative of an allocation of up to \$75 million to support banks and other providers of capital to local small businesses. The Economic Development Department and New Mexico Finance Authority have partnered to deploy these funds. Over \$18 million has been deployed through December 31, 2024. NMEDD operates a collateral assistance program which pledges cash collateral to loans of small businesses help NM businesses qualify for loans. This program has pledged \$6 million (of the \$18 million) to catalyze small businesses' loans totaling \$20 million.

The NMSBIC focuses on providing funding to Community Development Financial Institutions (CDFIs) utilizing funding from the New Mexico Severance Tax Permanent Fund at State Investment Council. NMSBIC received \$30.2 million in FY24 up from \$7.9 million in FY23 as the New Mexico Legislature increased the amount of money the NMSBIC can manage from the Severance Tax Permanent Fund, from 1 percent of the fund's total value to 2 percent. The NMSBIC now manages more than \$120 million in investment funds that are made available to NMSBIC lending partners, directly benefiting the New Mexico small businesses that need capital for expansion or startup. More than 7,200 loans have been made to New Mexico businesses using NMSBIC funds. These investments have enabled New Mexico small businesses to finance expansion, create and retain jobs and increase the State's economic livelihood. Distributions from SIC to NMSBIC are projected to continue to grow significantly over the next several years.

In addition to \$12 million in federal SSBCI venture capital investments, the NMFA received \$50 million in venture capital appropriations from the legislature to support businesses' funding needs and recently approved investment in a fund that offers innovative products such as cash flow-based payment options, Native targeted funds, etc. New funding was provided to support the agricultural financing needs of farms, ranches, and dairies in rural New Mexico. NMFA also receives funding for the Opportunity Enterprise Fund and several other programs supporting banks, credit unions, CDFIs, and municipalities.

There's also a vibrant secondary market that provides bespoke funding options to lenders seeking to originate and sell loans.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

None for EDD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS