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



**SPONSOR:** Carraro      **DATE TYPED:** 1/28/02      **HB** \_\_\_\_\_

**SHORT TITLE:** Loss of State Funds from ENRON Bankruptcy      **SB** 98

**ANALYST:** Joey F. Sandoval

**APPROPRIATION**

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
\$20.0				Recurring	GF

(Parenthesis ( ) Indicate Revenue Decreases)

**SOURCES OF INFORMATION**

LFC files

Responses Received From

- Attorney General
- Public Employees Retirement Association
- Education Retirement Board

No Response

The Department of Finance and Administration

**SUMMARY**

Senate Bill 98 appropriates \$20.0 from the general fund to the Attorney General for the purpose of investigating the effects of the Enron bankruptcy in anticipation of future litigation for restitution, civil or criminal penalties that may be warranted.

**FISCAL IMPLICATIONS**

The appropriation of \$20.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2003 shall revert to the general fund. This bill contains an emergency clause and therefore this appropriation shall take effect immediately.

## **OTHER SUBSTANTIVE ISSUES**

- There are currently two lawsuits that pertain to this bill; a bankruptcy action against ENRON in New York bankruptcy court and a securities fraud class action against ENRON directors and Arthur Anderson in Texas federal court.
- According to the Attorney General, the legal deadline to take a more active role (i.e. creditor committee in bankruptcy or lead plaintiff in class action) has passed. Based on their losses, the Educational Retirement Board (ERB), Securities Investment Counsel (SIC) and Public Employees Retirement Association (PERA) are putative class members in both lawsuits.
- This bill may remove the discretion of each agency as to how they want to be represented. The Educational Retirement Board and the Public Employees Retirement Board have their own in-house counsel.

## **POSSIBLE QUESTIONS**

- Is \$20.0 a large enough appropriation for the Attorney General to further pursue this case?
- How much more can New Mexico recover over and beyond the bankruptcy action against ENRON in New York bankruptcy court and the securities fraud class action against ENRON directors and Arthur Anderson in Texas federal court?

**JFS/njw**