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## FISCAL IMPACT REPORT

SPONSOR Salazar DATE TYPED 2/10/04 HB 387

SHORT TITLE Small Business Investment Council Definitions SB \_\_\_\_\_

ANALYST Gilbert

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		See Narrative	Recurring	General Fund
	(\$10,000.0)	½% STPF	Recurring	Severance Tax Permanent Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 State Investment Council (SIC)  
 Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 387 amends §7-27-5.15 NMSA 1978 (Laws 1990, Chapter 126, Section 5) to increase Small Business Investment Corporation (SBIC) funding from the Severance Tax Permanent Fund (STPF) from one-fourth percent to one-half percent of STPF market value.

§58-29-3 NMSA 1978 (Laws 2000, Chapter 97, Section 5) is amended to clarify the definitions of a "corporation's board" and "New Mexico business," and adds a new definition for "cooperative agreement" as follows:

*"cooperative agreement" means an agreement entered into by the corporation with a party that:*

*(1) has demonstrated the capability to provide business assistance to new and expanding businesses; and*

*(2) is primarily engaged or proposes to primarily engage in the business of providing business services and debt or equity capital to new and expanding businesses;*

HB 387 amends the section pertaining to permitted equity investments (§58-29-5.1 NMSA 1978 (Laws 2003, Chapter 399, Section 9), to remove certain restrictions on SBIC investments in organizational entities that are parties to cooperative investment agreements.

This bill also clarifies language which pertains to restrictions on investments in pooled funds, when such entities are parties to cooperative investment agreements.

#### Significant Issues

Implementation of this bill will increase capital available to the SBIC by approximately \$10 million each year.

#### **FISCAL IMPLICATIONS**

This bill increases SBIC funding from the Severance Tax Permanent Fund (STPF) from one-fourth percent to one-half percent of STPF market value, or an incremental increase of approximately \$10 million each year.

Long-term revenue to the general fund may increase due to new business creation and future job growth in New Mexico.

#### **OTHER SUBSTANTIVE ISSUES**

According to the Economic Development Department (EDD), expansion of the Small Business Investment Corporation, through increased STPF funding, and expansion of the types of businesses funded (sole proprietorship and partnerships) will increase the ability of the SBIC to promoting business development in the state.

**RLG/lg**