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## FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 2/14/05 HB \_\_\_\_\_

SHORT TITLE State Deposits for Economic Development SB 17

ANALYST Hadwiger

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Indeterminate	Indeterminate	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)

State Investment Council (SIC)

Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 17 would allow the New Mexico Board of Finance (BOF) to require a bank, savings and loan association or credit union that receives state deposits to earmark a percentage of the deposits for stimulating economic development in the New Mexico community in which the financial institution has its main office.

#### Significant Issues

The Economic Development Department indicated that SB17 would provide additional opportunities for local banks to assist in economic development initiatives in the community. Financial institutions that are risk adverse may leverage these funds to reduce risk and thus provide debt financing to small businesses that with financial assistance to grow their businesses and create new jobs.

The Department of Finance and Administration noted that SB17 is directed toward the State Treasurer's certificate of deposit program, in which financial institutions' certificates of deposits are processed by the State Treasurer and public monies are deposited with the bank. This bill would allow the BOF to mandate a portion of public money on deposit with the financial institutions be used in the bank loan portfolio for economic development purposes in the local community. The State Investment Council indicated that at the present, these institutions are already investing public monies back in the communities they serve, taking public monies and making loans to their constituents in the form of consumer, commercial and real estate loans.

**FISCAL IMPLICATIONS**

Possible impact on revenues would be contingent upon the performance of investments of public funds pursuant to SB17.

**ADMINISTRATIVE IMPLICATIONS**

The BOF would have to implement a policy in coordination with the State Treasurer to regulate this program.

DH/yr