

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Griego DATE TYPED 02/25/05 HB _____

SHORT TITLE Mortgage Authority Investment Council Service SB 443

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
\$0.1			Recurring	MFA

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Investment Council (SIC)

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 443 clarifies the definition of eligible “state agencies” for which the State Investment Council may provide investment advisory or investment management services to include the New Mexico Mortgage Finance Authority. Currently, in order for the SIC to invest these funds:

- the funds must be available for investment for more than one year;
- the state agency must enter into a joint powers agreement with the council;
- the state agency must pay at least the direct cost of such services; and
- SIC may invest the funds in any type of investment permitted for the Land Grant Permanent Fund.

Significant Issues

The MFA stated that it would like to utilize the expertise of the state investment officer for the investment of its General Fund.

Current statutes allow the SIC to invest funds for any branch, agency, department, board, instrumentality, institution or political subdivision of the state, and any tax-exempt private endowment entity whose sole beneficiary is a state agency. Adding the New Mexico mortgage finance authority does appear to deviate from the spirit of the existing law. However, MFA notes that the Mortgage Finance Authority Act states that "...the use of the terms 'state agency' or 'instrumentality' in any other law of the state shall not be deemed to refer to the authority unless the authority is specifically named." Therefore the MFA believes that it needs an amendment of Section 6-8-7 to add the MFA to the definition of "state agency" in Section 6-8-7.

PERFORMANCE IMPLICATIONS

The MFA notes that it does not receive operating funds from the state and that earnings from its investments are a significant factor in its operating revenues. If the MFA is allowed to contract for investment services with the SIC, MFA should be able to earn a higher rate of return on its General Fund money available for investment for more than one year. MFA reserves are used for affordable housing programs. As an example, MFA notes that if it can earn an additional 0.5 percent annually on \$10 million, this is an additional \$50 thousand that MFA can apply to programs and support of operations.

FISCAL IMPLICATIONS

As noted above, investing its funds with the SIC could increase annual investment returns to the MFA quite significantly.

ADMINISTRATIVE IMPLICATIONS

SIC anticipates only a minor administrative impact with adding a new investment client, though any associated costs would be paid by the MFA out of its investment returns.

OPJ/lg