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FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/12

SPONSOR Keller LAST UPDATED HB

SHORT TITLE Small Business Investment Corporation Funds SB 28

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
		(26,200)	Recurring	Severance Tax Permanent Fund
		26,200	Recurring	Small Business Investment Corporation

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

SB 28 would amend Section 7-27-5.15 NMSA 1978, and Section 58-29-7 NMSA 1978 to double the percentage of the Severance Tax Permanent Fund (STPF) automatically allocated to the Small Business Investment Corporation (SBIC) from 1% to 2% of the STPF, and increase the current statutory cap of 9% of the STPF to 10% of the STPF which is allowed to be invested under the New Mexico Private Equity Investment Program. The legislation calls for a sunset provision for three years (July 1, 2015) for any unexpended or uncommitted capital specific to the 1% increase for the SBIC.

FISCAL IMPLICATIONS

Most current reconciled valuation of the STPF is \$3,661,919,296 as of 11/30/11. Assuming passage of SB 28, and that valuations of the STPF on 7/1/12 will be the same as of 11/30/11, 2% of the corpus of the STPF would be \$73,238,386. That total, discounting the \$47M already allocated to SBIC, would result in additional STPF funding to the SBIC of approximately \$26.2 million during FY13.

SIGNIFICANT ISSUES

The SBIC has consistently generated losses on their investments. Their latest audit 2011 FY11 realized losses were \$1.7 million. Realized losses in 2010 were 2.0 million.

ADMINISTRATIVE IMPLICATIONS

New Mexico Private Equity Investment Program investments are expected to be brought to the SIC for consideration in 2012. The Council has made clear that these investments, if made, will be executed as prudent, market-rate investments and not strictly “economically targeted investments” (ETIs) as some were in the 90’s and 2000’s. For this reason as well as the current market environment, it is unlikely SIC investment pacing or deployment of STPF investments into the NMPEIP will require additional funding capacity during FY13.

SS/lj