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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 3/19/03 HB 898/aSFC

SHORT TITLE: Minority Business Support SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
SIC

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment:

- Increases the percent of the Severance Tax Permanent Fund (STPF) from three to six percent that can be invested in New Mexico Private Equity Funds;
- Eliminates the revenue ceiling whereby a business can qualify as a “minority-owned small business” under provisions of HB 898. The ceiling is \$1.5 million three-year average annual gross revenue figure.

Synopsis of Original Bill

House Bill 898 adds language to the statutes governing New Mexico private equity funds to include funds that invest in minority-owned small businesses. It also provides for a minimum committed capital of \$3 million, which is a lower threshold than the \$15 million required for New Mexico private equity funds in general. The bill also includes a requirement that the state investment officer make periodic reports to the legislature concerning New Mexico private equity funds.

FISCAL IMPLICATIONS

The FY02 returns for the Land Grant Permanent Fund (LGPF) and Severance Tax Fund (STPF) were -7.9 percent and -8.7 percent, respectively. The LGPF outpaced its policy target by 20 basis points while the STPF under performed its policy target by 60 basis points. US equities missed the policy target by 50 basis points due in part to the internally managed large capitalization active portfolio. Private equity for the LGPF and STPF returned -21.3 percent and -24.3 percent respectively versus a policy target of -33.3 percent.

CONFLICT AND RELATIONSHIP

SIC notes that the changes proposed by another recently introduced bill, SB 779 would remove many of the restrictions from 7-27-5.15. These changes would also allow investments in the type of fund contemplated by HB 898 with no minimum committed capital requirement. In addition, SB 907 would remove the legal list requirements for the investment activities of the state investment council and rely on the provisions of the Prudent Investor Rule. This would also allow investment in the type of funds contemplated in HB 898.

OTHER SUBSTANTIVE ISSUES

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