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## FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 3/12/03 HB 918/aHGUAC/aHAFC  
 SHORT TITLE: Expanded Investment Objectives of the State Investment Officer 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

State Investment Council (SIC)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment reduces the percent of the Severance Tax Permanent Fund (STPF) that can be invested in New Mexico Private Equities from 8 percent to six.

#### Synopsis of HGUA Amendment

The House Government and Urban Affairs Committee amendment makes the following substantive changes:

- Eliminates the 60 percent ceiling that SIC can invest in any one New Mexico private equity funds;
- Requires SIC to comply with guidelines and policies established by the council in investing in New Mexico Private equity funds; and
- Increases the ceiling that SIC can invest in individual companies from 49 percent to 51 percent with specified exceptions;

Synopsis of Original Bill

House Bill 918 raises the limit on investments in New Mexico private equity funds from three percent to eight percent of the market value of the severance tax permanent fund. It also allows co-investment in New Mexico businesses and defines the term “New Mexico business”.

The bill eliminates restrictions on the dollar amount that may be committed to any one fund or business, and eliminates the restriction on the minimum committed capital size of a New Mexico private equity fund. It raises the amount invested in any one New Mexico private equity fund from fifty percent to sixty percent of the total committed capital of that fund. It sets limits on investment in any one New Mexico business of no more than ten percent of the amount available for investment pursuant to this section, and limits this investment to no more than forty-nine percent of the total investment capital in a business.

The bill requires the State Investment Council (SIC) to review SBIC funding once a year and adjust funding to one-fourth percent of the market value of the Severance Tax Permanent Fund (STPF) if below this level. It also requires semi-annual reporting on the New Mexico private equity investments in the STPF by the SIC to the Legislature.

**FISCAL IMPLICATIONS**

Current STPF pricing implies a limit of roughly \$94 million. This amendment would raise the limit to \$250 million.

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