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FISCAL IMPACT REPORT

SPONSOR: Smith DATE TYPED: 3/19/03 HB _____
 SHORT TITLE: Objectives for State Investment Officer SB 779/aSCORC/aHAFC/aHF1 #1
 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 HF1 #1 Amendment

The House Floor amendment #1 adds an emergency clause to the proposed legislation.

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 SCORC Amendment

The Senate Corporations and Transportation Committee amendment makes the following substantive changes:

- Eliminates the 60 percent ceiling that SIC can invest in New Mexico private equity funds;
- Requires SIC to comply with guidelines and policies established by the council in invest-

- ing 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

SB-779 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 also 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.

OTHER SUBSTANTIVE ISSUES

The SIC reports that SB-779 will allow more investments in New Mexico private equity funds and co-investments in New Mexico businesses, thus providing an increase in capital to stimulate the economic development of New Mexico. The SIC would prefer eliminating the limit on the amount invested in any one New Mexico private equity fund as a percentage of their committed capital.

POSSIBLE QUESTIONS

SB 779 allows the State Investment Officer to make investments in New Mexico businesses in conjunction with cooperative investment agreements with parties that have demonstrated abilities and relationships in making investments in new, emerging or expanding businesses. What is the difference between the proposed investment in New Mexico businesses and the current practice of investing in New Mexico businesses through private equity funds?

The New Mexico Department of Economic development has in the past directly invested in New Mexico businesses. What were the returns from these investments?

SN/njw:yr