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## FISCAL IMPACT REPORT

**SPONSOR** Lopez **ORIGINAL DATE** 2/14/11 **LAST UPDATED** 3/10/11 **HB** \_\_\_\_\_  
**SHORT TITLE** Increase Deposit into Govt Investment Fund **SB** 275  
**ANALYST** Burrows

### Revenue (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	NFI	NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

State Treasurer's Office (STO)  
Attorney General's Office (AGO)  
Public Education Department (PED)

#### Responses Not Received From

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 275 amends Section 6-10-1 NMSA 1978 to allow the bond proceeds investment pools to be deposited in the Participating Government Investment Fund, also known as the Local Government Investment Pool (LGIP). The bill also increases the maximum deposit of the general fund and the bond proceeds investment pools in the LGIP from 5 percent to 35 percent.

The effective date of the provisions of this bill is July 1, 2011.

### FISCAL IMPLICATIONS

There is no fiscal impact to the state.

## **SIGNIFICANT ISSUES**

The STO reports the LGIP offers a more predictable, stable earnings source for liquid funds or cash balances while maintaining liquidity to the State. Alternatively, overnight investments have a return subject to change every night. The benefit to the LGIP is a stable and predictable base or anchor investment by the STO, which should allow for a decrease in annual “turnover” of the fund.

The STO also states this proposed legislation has been reviewed by Standard & Poor’s which maintains a rating on the LGIP. They have indicated that passage of the legislation will not change the current rating of the fund.

The Public Education Department (PED) notes that a greater investment of general fund revenue could lead to an increased return on investment, which could grow the general fund and allow for greater distribution to public schools.

## **ADMINISTRATIVE IMPLICATIONS**

According to the STO, allowing investment of these funds through the LGIP will allow staff to more efficiently manage state funds, and will reduce duplication of effort brought about by managing these funds separately.

## **OTHER SUBSTANTIVE ISSUES**

The Local Government Investment Pool (LGIP) is a Standard & Poor's AAAM rated money market fund offered by the State Treasurer to eligible local public bodies. The Treasurer's ability to combine moneys received from local public entities into an investment pool offers these entities greater purchasing power and the economy of scale necessary to secure the best yields. All securities purchased for the LGIP portfolio must comply with the State Treasurer's Investment Policy, which is approved by the State Board of Finance. The overriding investing principles for the LGIP are safety, liquidity, and return. 'AAAM' is the highest principal stability fund rating assigned by Standard & Poor's.

As of September 30, 2010 the fund holds \$794 million in pooled assets from over 140 participating local governments, primary schools, colleges, special districts, quasi-state agencies, and tribal governments.

According to the STO, if this legislation is enacted, the overall size of the LGIP could increase, thereby decreasing the percentage participation of local bodies and increasing the efficiencies of management of these funds. Moreover, expansion of the LGIP further supports the New Mexico Legislature’s creation of the LGIP as an investment vehicle for state municipal and governmental entities.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

STO will continue with current practice of managing funds on a separate basis.

LKB/bym:svb