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FISCAL IMPACT REPORT

SPONSOR <u>HAFC</u>	LAST UPDATED <u>2/11/2024</u> ORIGINAL DATE <u>1/30/2024</u> BILL NUMBER <u>CS/House Bills 2 and 3/HAFCS/aHFI#1/aSFC</u>
SHORT TITLE <u>General Appropriation Act of 2024</u>	ANALYST <u>Courtney</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$10,101,551.0	Recurring Section 4	General Fund
	\$89,327.0	Recurring Section 8	General Fund
	\$5,627,994.5	Recurring Section 4	Various Other State Funds
	\$1,193,489.0	Recurring Section 4	Internal Service Funds/Transfers
	\$12,053,823.6	Recurring Section 4	Federal Funds
\$2,840,193.8		Nonrecurring	General Fund
\$477,112.2		Nonrecurring	Various Other State Funds
\$45,044.9		Nonrecurring	Internal Service Funds/Transfers
\$15,761.0		Nonrecurring	Federal Funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Note: some nonrecurring totals will be available for expenditure through future fiscal years depending on law, some general fund transfers will occur in FY25 as indicated in section 10 of HB2.

Relates to appropriations in the General Appropriation Act

Sources of Information

LFC Files

SUMMARY

Synopsis of SFC Amendment to the HAFC Substitute for House Bills 2 and 3 as Amended by HFI#1

The Senate Finance Committee amendment to the House Appropriations and Finance Committee substitute for House Bills 2 and 3 as amended, amends Section 4 through Section 13. See “Fiscal Implications.”

Synopsis of HFI#1 Amendment to HAFC Substitute of House Bills 2 and 3

House Floor Amendment #1 to House Bill 2 adds language to Section 4(I) (Other Education) after the purpose statement of the Public Education Department to read “Money appropriated to the public education department shall not be used to implement or enforce any rule establishing a minimum requirement of one hundred eighty instructional days per school year.” The language could restrict the Public Education Department from using operational funding to implement or enforce rules regarding a minimum number of school days.

Synopsis of HAFC Substitute for House Bills 2 and 3

The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (HB2) appropriates money from the general fund, other revenue, internal services funds/interagency transfers, and federal funds for the FY25 operation of state agencies, higher education, and public schools.

Section 1, Short Title	Section 9, Government Accountability Expendable Trust
Section 2, Definitions	Section 10, Fund Transfers
Section 3, General Provisions	Section 11, Special Transportation Appropriation
Section 4, Fiscal Year 2025 Appropriations	Section 12, Additional Fiscal Year 2024 Budget Adjustment Authority
Section 5, Special Appropriations	Section 13, Certain Fiscal Year 2025 Budget Adjustment Authority
Section 6, Supplemental and Deficiency Appropriations	Section 14, Transfer Authority
Section 7, Information Technology Appropriations	Section 15, Severability
Section 8, Compensation Appropriations	

There is no effective date of this bill; however, a general appropriation act goes into effect upon signature of the governor.

FISCAL IMPLICATIONS

The appropriations contained in this bill are summarized below. Appropriations from the general fund revert to the general fund at the end of FY25, unless otherwise indicated in the bill or provided by law.

SFC Amendment for HAFC Substitute for HB 2 & HB 3 - General Appropriation Act					
	General Fund	Other State Funds	Internal Service Funds/ Interagency Transfers	Federal Funds	Total
Section 4. Recurring Appropriations					
<i>GENERAL APPROPRIATION ACT:</i>					
A. LEGISLATIVE	\$11,910.2	\$0.0	\$0.0	\$0.0	\$11,910.2
B. JUDICIAL	\$428,607.7	\$34,500.7	\$15,948.8	\$4,763.3	\$483,820.5
C. GENERAL CONTROL	\$208,395.1	\$1,409,487.7	\$150,440.8	\$32,118.7	\$1,800,442.3
D. COMMERCE & INDUSTRY	\$100,601.8	\$211,723.7	\$32,173.9	\$1,799.2	\$346,298.6
E. AGRICULTURE, ENERGY & NATURAL RESOURCES	\$121,610.1	\$136,340.7	\$22,092.3	\$111,402.7	\$391,445.8
F. HEALTH, HOSPITALS & HUMAN SERVICES	\$2,957,794.0	\$876,689.6	\$880,534.5	\$9,691,897.5	\$14,406,915.6
G. PUBLIC SAFETY	\$532,386.8	\$133,438.5	\$26,608.7	\$79,858.6	\$772,292.6
H. TRANSPORTATION	\$0.0	\$707,792.0	\$9,800.0	\$558,360.4	\$1,275,952.4
I. OTHER EDUCATION	\$91,290.6	\$116,780.0	\$7,996.7	\$145,076.4	\$361,143.7
J. HIGHER EDUCATION	\$1,313,297.2	\$1,999,741.3	\$47,893.3	\$849,046.8	\$4,209,978.6
K. PUBLIC SCHOOL SUPPORT	\$4,335,657.5	\$1,500.0	\$0.0	\$579,500.0	\$4,916,657.5
Recurring Grand Total Section 4	\$10,101,551.0	\$5,627,994.2	\$1,193,489.0	\$12,053,823.6	\$28,976,857.8
Sections 5, 6, 7, 8, 9, 10, 11					
Section 5. Special Appropriations	\$1,139,464.6	\$140,972.0	\$2,900.0	\$5,334.3	\$1,288,670.9
Section 6. Supplemental and Deficiency Appropriations	\$176,729.2	\$2,377.6	\$0.0	\$0.0	\$179,106.8
Section 7. Information Technology Appropriations	\$0.0	\$13,591.1	\$28,132.4	\$10,426.7	\$52,150.2
Section 8. Compensation Appropriations	\$89,327.0	\$0.0	\$0.0	\$0.0	\$89,327.0
Section 9. Government Results and Opportunity Expendable Trust	\$0.0	\$319,287.5	\$1,312.5	\$0.0	\$320,600.0
Section 10. Fund Transfers	\$1,304,000.0	\$884.0	\$12,700.0	\$0.0	\$1,317,584.0
Section 11. Special Transportation Appropriations	\$220,000.0	\$0.0	\$0.0	\$0.0	\$220,000.0
Non-Recurring Grand Total*	\$2,840,193.8	\$477,112.2	\$45,044.9	\$15,761.0	\$3,467,438.9

*Note: Section 8 not counted in non-recurring spending

SIGNIFICANT ISSUES

Summary of SFC Amendment to the HAFC Substitute for House Bills 2 and 3 as Amended by HFI#1

Summary. The Senate Finance Committee (SFC) amendment to the House Appropriations and Finance Committee (HAFC) substitute for House Bills 2 and 3 as amended on the House floor (HB2) includes total authorized recurring spending of \$10.19 billion from the general fund for FY25, an increase of \$31.6 million from the HAFC substitute. Including the feed bill (HB1), total recurring spending for FY25 is just over \$10.22 billion, almost \$653 million, or 6.8 percent, above FY24. The SFC amendment also includes \$1.316 billion in nonrecurring special and supplemental appropriations and authorizes \$220 million from the general fund for local roads, road maintenance, and beautification and litter control. The bill transfers over \$1.3 billion from the general fund to a series of endowments and expendable trusts to support future spending in the mid to long term, including natural resources, housing, and government innovation demonstration projects.

The SFC amendment for public education fully funds universal school meals for public schools on a recurring basis, adds \$10 million for state equalization guarantee (SEG) reforms, such as structured literacy professional development and career and technical education, while also spending over \$50 million in evidence-based and promising initiatives, including literacy interventions, evidence-based reading instruction, out-of-school time programming, summer enrichment, educator fellows, and high-dosage tutoring.

The SFC amendment for health and human services increases rates for rural hospitals (\$11.5 million), provides an additional \$8 million to increase developmental disabilities (DD) waiver program provider rates along with reauthorizing, and provides \$5 million in nonrecurring funding for food banks. Additionally, the SFC amendment provides funding for rural healthcare hospital rate increases and includes \$50 million to support operations of small hospitals. The SFC amendment also adds recurring resources for veterans to support suicide prevention, transportation, burial equity, and homelessness initiatives. Additionally, the housing trust fund is increased to \$50 million in the SFC amendment for affordable housing efforts, including for New Mexicans with behavioral health needs and victims of domestic violence.

The SFC amendment for public safety fully funds an officer pay plan for recruitment and retention of state police officers. The SFC amendment also includes \$25 million for recruitment of local law enforcement and correctional agencies and includes \$20 million for recruitment of statewide, local, and volunteer fire departments, while also funding radio system subscriptions for emergency responders statewide.

Synopsis of the HAFC Substitute for House Bill 2 and 3

Public Education. HB2 includes \$4.43 billion in recurring general fund appropriations for public schools, a 6.1 percent increase over the prior year. HB2 addresses the expansion in the K-12 Plus extended school year program above projected enrollment and prioritizes local discretion and capacity for evidence-based programs, such as career technical education, structured literacy, teacher mentorship, and community schools. HB2 further provides \$200 million in nonrecurring appropriations to support tribal education, career technical education, structured literacy, universal school meals, and educator fellows initiatives. Another \$75 million will be piloted through the expendable trust to fill hard-to-staff special education positions and study educator clinical practice programs.

Higher Education. HB2 appropriates over \$1.3 billion from the general fund for recurring higher education spending in FY25. The HAFCS budget for higher education increases base appropriations to reflect increased costs prioritizes investments, such as \$7 million for faculty pay, \$3 million for student support initiatives, \$2 million for graduate student worker compensation, and over \$2 million in additional funding for nursing and healthcare programs. HB2 also increases funding for staffing at the Higher Education Department to provide oversight and support in distributing nonrecurring appropriations. In addition to recurring funding, the budget includes \$15 million for medical professional loan repayment, \$10 million for graduate STEM scholarships, \$60 million for workforce training and apprenticeships at comprehensive and community colleges, and \$10 million for research institutions to match other grants for technology projects directly tied to economic development. Appropriations in HB2 will support the goal of increasing student achievement, adequately compensating faculty, and providing funding for workforce development and commercialize-able technology. HB2 includes funding to fully fund the Opportunity scholarship using revenue from a newly proposed higher education financial aid endowment fund, which could pay for future year's liabilities associated with enrollment growth and the spend down of one-time ARPA appropriations, contingent on enactment of SB159.

Early Childhood and Child Welfare. The HB2 appropriations for the Early Childhood Education and Care Department (ECECD) for FY25 increase general fund revenue by \$19.6 million, or 6 percent. This includes \$17.6 million for prekindergarten to expand services and \$2 million for quality support to providers and is supported by the revenue generated through the general fund from the permanent school fund. HB2 retains the federal Temporary Assistance for Needy Families (TANF) grant transfer for childcare assistance. Contingent on legislation increasing the distribution from the early childhood trust fund (ECTF), HB2 appropriates \$75 million for childcare assistance, a \$12.2 million transfer to the Health Care Authority (HCA) for Medicaid (including incentives and rate increases for Medicaid home-visiting services, infant health services, doula services, and lactation support), an \$11 million increase for prekindergarten and childcare quality supports, and \$1.2 million for personnel and IT. HB2 increases the distribution from the ECTF to \$250 million.

The HB2 appropriations for the Children, Youth and Families Department (CYFD) budget include \$20 million in multiyear, nonrecurring funding to pilot, expand, and evaluate evidence-based strategies for child welfare system improvements, including workforce development, child maltreatment prevention and early-intervention programs, and differential response. These multiyear nonrecurring appropriations should, in many cases, provide a bridge to establish programs that may be federally funded in the future. In addition, HB2 includes a multiyear, nonrecurring appropriation to recruit, train, and support treatment foster care providers. Within the CYFD operating budget, HB2 provides an increase of \$1 million in federal funding from the TANF block grant for the Fostering Connections program, bringing total TANF funding to \$17.8 million. HB2 also provides an increase of \$2.5 million in general fund revenue to address *Kevin S.* settlement requirements, replace social security benefits previously used to support foster care, and replace fees and fines revenue used to support domestic violence programs.

Health and Human Services. HB2 appropriates \$1.96 billion to the new Health Care Authority Department (HCA) from the general fund across a range of health and human services programs that are part of the new department, including Medicaid. HCA's all funds budget totals over \$12 billion for FY25. For Medicaid, HB2 increases general fund spending by \$180 million or about 11 percent. The bill provides almost \$63 million from the general fund for provider rate

increases, including primary and infant maternal care, the smallest rural hospitals, rural and primary care clinics, and providers in the developmental disabilities waiver program and behavioral health systems. Significant amounts were needed from the general fund to replace declining federal revenue and cover basic program cost increases. HB2 includes funding from opioid settlements to increase service coordination for infants exposed to illicit drugs and other substances and treatment for their mothers, as well as for costs associated with the opioid epidemic. HB2 uses \$5 million in federal funds to expand the TANF transition bonus programs to help recipients transition from cash assistance to work and provides a 19 percent increase for administrative services to support an expanded department.

For FY25, HB2 increases the Department of Health (DOH) general fund revenue by \$11.7 million, or 6.3 percent, including a significant increase for state facilities operations. Due to high operational costs and low census, the program overspent the FY23 operating budget resulting in a \$7 million deficiency request. Additional increases recommended by the committee include \$1 million to replace declining tobacco settlement fund for tobacco cessation services, over \$600 thousand for public health office operations and personnel, \$1 million for the public health hotline, and \$970 thousand for program support and IT. HB2 increases the Aging and Long-Term Services Department (ALTSD) general fund revenue by \$5.5 million, or 8.5 percent, with \$4 million for aging network provider rates, \$200 thousand for food support, \$200 thousand for Senior Olympics, and \$400 thousand for ombudsman reform.

HB2 includes significant investments for multiyear, nonrecurring appropriations to develop the state's workforce, particularly within high-need trade industries, and to increase labor force participation. These investments include \$6 million to the Workforce Solutions Department (WSD) to pilot and evaluate a career-interest simulation program to increase interests in trade professions and \$1.8 million to pilot and evaluate pre-apprenticeship programs targeted to disengaged youth adults, \$60 million to the Higher Education Department (HED) for workforce development training programs, and \$6 million to HED to expand integrated education training programs. HB2 also includes a special appropriation of \$30 million for apprenticeship programs, contingent on enactment of HB5 during this legislative session. HB2 also increases general fund appropriations to WSD by \$1.16 million, primarily to address caseloads and reduce time to reach wage dispute determinations within the Labor Relations program.

Natural Resources. HB2 significantly increases funding for natural resources agencies by funding critical staff positions at the Energy, Minerals and Natural Resources Department (EMNRD), Environment Department (NMED), and Office of the State Engineer. Funding increased for the State Parks and Oil Conservation Divisions, and the Mine Reclamation Program received increases to support the Water Data Act implementation. The State Engineer saw increases in its personnel budget for water rights settlement staff, water project management staff, and special appropriations to fund the litigation and adjudication of water rights. HB2 provides a 12.4 percent increase from the general fund for increases to EMNRD, including additional funding for regulating the oil and gas industry, expanding firefighting efforts, and boosting staffing at state parks. NMED's general fund budget would grow about 19 percent, primarily for staff salaries and rent costs. Some of this funding should result in freeing up other state and federal funds that should bolster the department's effectiveness in its regulatory responsibilities.

Commerce and Industry. HB2 includes investment for personnel funding for the state's key industries, the MainStreet downtown revitalization program, and the media academy. HB2 also

includes \$200 thousand for local grants for creative industries and \$5 million in the recurring budget and \$1 million in one-time funding for the climate, energy, and water authority and project fund contingent on the enactment of HB237 or similar legislation. HB2 also includes \$13.5 million for the Local Economic Development Act—including \$13 million for the fund and \$500 thousand for site readiness. HB2 also includes \$175 million in nonrecurring funding for expanding the opportunity enterprise fund, including setting aside an amount to support housing development.

For the Tourism Department, HB2 includes funding for personnel to fill vacancies, \$900 thousand for the cooperative marketing and advertising program, and \$100 thousand for the travel trade program. Overall, the LFC recommendation increased general fund revenue by 4.4 percent. HB2 includes one-time funding of \$16 million for national advertising, including funds to enhance and increase Route 66 tourism and federal grants; \$1.9 million for the Destination Forward grant program; and \$300 thousand for Special Olympics.

Judiciary and Public Safety. The Department of Public Safety received budget increases for staffing, including funding for vacancy rate reduction and new positions to support key crime reduction activities and ongoing investigations through the statewide Law Enforcement Support program, and nonrecurring funding for vehicles and equipment. The Corrections Department budget was adjusted to more closely align with actual prior-year spending, setting a benchmark for future budget activity. The Crime Victim Reparations Commission received funding to support sexual assault services throughout the state and replace funding lost to federal cuts. Overall, these steps represent a commitment by the Legislature to support the work of public safety agencies while responsibly investing resources toward effective, evidence-based solutions.

HB2 increases funding for judicial branch agencies by \$24 million, or about 6 percent over FY24. HB2 appropriations include additional recurring and nonrecurring funding in the Administrative Office of the Courts to offset fees that were eliminated due to enacted legislation and included millions in new and reauthorized appropriations for safety, information technology, and other upgrades at the Supreme Court and district courts statewide.

Compensation. HB2 includes funding for public and school employee salary increases totaling 4 percent. First, the bill appropriates 2 percent for all employees and then 2 percent for agencies to make other necessary adjustments to support recruitment and retention. Funding for school employee compensation totals over \$127 million and state and higher education employees total \$87 million from the general fund. HB2 also shores up the state’s employee health plan with an infusion of nonrecurring transfers of about \$140 million and agency budget contain increases for premiums to rise next fiscal year.

Special and Supplemental Appropriations. HB2 appropriates \$1.13 billion for nonrecurring special appropriations and \$126 million to supplement current year agency operating budgets or to cover prior-year deficits. Other major special appropriations include \$50 million for agencies and tribes to have matching funds for federal grants, \$100 million to supplement water trust board projects, \$20 million for Indian water rights settlements, \$80 million for rural healthcare expansion (along with three-year expansion funding for behavioral health), and \$30 million for apprenticeships (contingent on HB5).

Other Special Appropriations and Fund Transfers. HB2 contains over \$200 million in other state funds for demonstration pilot projects over the next three fiscal years, contingent on

enactment of HB196. Projects include childcare wage and career ladder development, in-home supports for seniors, behavioral health provider expansion and startup costs, trades and career exploration and apprenticeships for disconnected youth, evidence-base child welfare interventions, industry-recognized certificate programs, teacher clinical practice supports, and funding to determine effective strategies for staffing special education classrooms.

General Fund Reserves. HB2, along with other legislation, would leave FY25 general fund reserves at 32 percent of recurring appropriations. HB2 leaves room for \$200 million in tax code changes, \$935 million for capital outlay from the general fund, and assumes legislation moving the tobacco permanent fund out of the general fund is effective in FY26.

PERFORMANCE IMPLICATIONS

HB2 includes multiple performance measures and performance targets for most agencies as part of provisions of the Accountability in Government Act, a system to use performance information to inform budget development and monitor results of spending by agencies on outcomes important to agencies, the executive, the Legislature, and public.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State agencies, higher education and public schools will not have the authority to budget or expend money necessary for the operation of government.

TECHNICAL ISSUES

The Senate Finance Committee amendment to the House Appropriations and Finance committee substitute as amended by HFI#1 addresses a technical issue in the bill from House floor amendment #1, by moving the added language from the purpose statement of the Public Education Department to appear below the appropriation to the Public Education Department.

JC/ne/ss