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FISCAL IMPACT REPORT

SPONSOR Gardner **ORIGINAL DATE** 2/17/09 **LAST UPDATED** _____ **HB** 578
SHORT TITLE LFC Expenditure of Federal Funds **SB** _____
ANALYST Fernandez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	minimal	minimal	minimal			

(Parenthesis () Indicate Expenditure Decreases)

Relates to General Appropriation Act – Section 3. General Provisions

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration

Department of Health

Higher Education Department

SUMMARY

Synopsis of Bill

House Bill 578 requires the Legislative Finance Committee to oversee expenditure of federal funds not otherwise subject to appropriation.

FISCAL IMPLICATIONS

The Federal Economic Stimulus Package includes approximately \$1.6 billion for New Mexico. In addition to tracking the allocations, Legislative Finance Committee staff has been monitoring the economic, revenue and budgetary impacts to the state.

LFC staff is working on identifying opportunities to incorporate revenues and expenditures into the 2009 General Appropriation Act. The two areas that offer the most opportunity are Medicaid and education.

A major challenge for the state will be the potential budgetary impact to the state in FY11 and FY12 when the federal stimulus package expires.

SIGNIFICANT ISSUES

From 1974 through 1995, New Mexico’s General Appropriation Acts included language stating that federal funds are included for informational purposes and are not appropriations. In 1996, the language was removed when the concept of “block grants” was under debate in Congress and in consideration of the Brown amendment which required state legislatures to appropriate such funds. Subsequently, in 1997 language pertaining to federal funds was inserted under Section 3, General Provisions, to define “unforeseen federal funds” as a source of federal funds or an increased amount of federal funds that could not have been reasonably anticipatedand, therefore, could not have been requested by an agency or appropriated by the legislature. This language remained until 2004, when it was replaced with specific language and criteria that must be met in order for an agency to budget federal funds outside the appropriation process. This language has been vetoed every year since its inclusion in Section 3. The language was included after passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003. In this act, New Mexico received \$30.9 million in July 2003 and another allocation in the same amount in October 2003. The Governor awarded the total amount of \$61.8 million for various projects.

Federal funds that currently fall under the Brown amendment are appropriated by the Legislature and include funds from the Temporary Assistance for Needy Families (TANF) block grant and funds under the federal Workforce Investment Act.

Section 6-3-23 through 6-3-25 NMSA 1978 governs the budget adjustment process. Section 6-3-25 NMSA 1978 requires all budget adjustments to be submitted to the Legislative Finance Committee for review. This section requires such budget adjustment request to be held in abeyance for 10 calendar days with the exception of federal funds.

ADMINISTRATIVE IMPLICATIONS

Administrative implications will be minimal.

RELATIONSHIP

This bill relates to language in Section 3, General Provisions, of the 2009 General Appropriation Act.

OTHER SUBSTANTIVE ISSUES

National Conference of State Legislatures has extensive information on legislative oversight of federal funds.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Legislative Finance Committee will continue to review and monitor federal funds budgeted through the budget adjustment process.

CTF/mt