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FISCAL IMPACT REPORT

ORIGINAL DATE 10/19/09
 SPONSOR HAFC LAST UPDATED 10/21/09 HB 6/HAFCS
 SHORT TITLE Transfer Reserves to General Fund for 2009 SB _____
 ANALYST Clifford

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$115,000.0)		Nonrecurring	Tax Stabilization Fund
(\$225,000.0)			Nonrecurring	Operating Reserve
\$225,000.0	\$115,000.0		Nonrecurring	Appropriation Account

(Parenthesis () Indicate Revenue Decreases)

SB 14 and SB 19 are related.

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Substitute

HAFc substitute for House Bill 6 provides transfer authority from the tax stabilization reserve and the operating reserve to the general fund to address the fiscal year 2009 and fiscal year 2010 budget shortfall. Section 1 authorizes the transfer of \$225 million from the operating reserve to the appropriation account in fiscal year 2009. Section 2 authorizes the Governor to transfer the amount needed to cover the appropriation account shortfall -- up to \$115 million -- from the tax stabilization reserve in FY10.

Synopsis of Original Bill

House Bill 6 provides transfer authority from the tax stabilization reserve and the operating reserve to the general fund to address the fiscal year 2009 shortfall. Section 2 authorizes the transfer of \$110 million from the operating reserve to the appropriation account. Section 1 authorizes the Governor to transfer the amount needed to cover the appropriation account shortfall -- up to \$115 million -- from the tax stabilization reserve. This transfer would occur after the transfer from the operating reserve authorized in section 2 of the bill.

FISCAL IMPLICATIONS

The transfers provided in this bill are needed to cover the shortfall in the appropriation account in FY09 and the projected shortfall in FY10. The preliminary operating reserve balance as of the end of FY09 was \$245.8 million. After the transfer required in this bill the balance would fall to \$20.8 million. The preliminary FY09 ending balance in the tax stabilization reserve was \$198.7 million. If the full \$115 million authorized in this bill is transferred, the balance would be \$83.7 million.

SIGNIFICANT ISSUES

The bill contains an emergency clause.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 14 and Senate Bill 19 are related.

OTHER SUBSTANTIVE ISSUES:

Subsection 6-4-2.2 (C) NMSA 1978 provides that appropriations from the Tax Stabilization Reserve -- *other than those authorized in subsection D* -- require a two-thirds majority vote and an emergency declaration by the Governor. Subsection D allows appropriations from the reserve without a supermajority in the event that a general fund deficit is projected for the *current year* or in the budget as recommended by the executive (emphasis added). Since the HAFC substitute for House Bill 6 proposes transfer of funds in FY10, the current fiscal year, the transfer from the Tax Stabilization Reserve can be authorized without the supermajority vote.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

This bill is needed to balance the state's finances as of the end of FY09 and also in FY10. The state would be prohibited by section 6-4-6 from issuing new warrants if the bill or a similar measure is not passed.

TC/svb