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FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/13

SPONSOR Cote LAST UPDATED _____ HB 565

SHORT TITLE Fire Protection Fund Distribution SB _____

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
(\$1,800.0)*	(\$1,800.0)*	(\$1,800.0)*	Recurring	General Fund
\$1,800.0*	\$1,800.0*	\$1,800.0*	Recurring	Emergency Medical Services Fund

(Parenthesis () Indicate Revenue Decreases)

* See Fiscal Implications

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Public Regulation Commission (PRC)
 New Mexico Municipal League (NMML)
 Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 565 (HB 565) transfers 10 percent, not to exceed \$7 million, of the remaining balance on June 30 of each year in the fire protection fund to the emergency medical services fund. Currently, all remaining balances on June 30 in the fire protection fund revert to the general fund. The emergency medical services fund does not revert to the general fund. The bill also cleans up some language.

FISCAL IMPLICATIONS

The transfer of 10 percent, not to exceed \$7 million, of the remaining balance on June 30 of each year in the fire protection fund contained in this bill is a recurring expense to the general fund.

This bill would transfer to the emergency medical services fund 10 percent of the remaining balance in the fire protection fund after all other required distributions are made but before reversion to the general fund. Those required distributions include the amounts for the fire departments and fire districts of municipal and county governments, the fire marshal and fire academy budgets, the administrative amount provided to the Public Regulation Commission (PRC), \$750 thousand to the volunteer firefighter retirement fund, and \$50 thousand to the firefighter survivor fund (if required).

The estimated amounts of budget impact to the general fund are calculated on the amount of the reversion to the general fund for fiscal years 2011 and 2012, which were \$18,645,457.00 and \$18,942,963, respectively. The actual amount to be reverted and thus the calculated amount to be transferred to the emergency medical services fund could change with growth or decline in the fire protection fund each year. As required distributions to the fire protection grant fund increase beginning on June 30, 2013, the remainder to which the 10 percent transfer contained in this bill applies will decrease. Therefore, \$1.8 million is a reasonable upper limit of the likely amount that would be transferred to the emergency medical services fund.

On June 30, 2025 and on each subsequent June 30, 100 percent of the reversion amount will go to the fire protection grant fund. Thus, there will be no reversion amount to the general fund and no further amounts to the emergency medical services fund.

The balance in the Fire Protection Fund revert to the General Fund and any diversion of those revenues will reduce the amount available to be appropriated by the Legislature. There is concern growth in expenditures will exceed grown in revenues.

SIGNIFICANT ISSUES

The PRC's Fire Marshall Division provides the following timeline for calculations for and distributions from the Fire Protection Fund. Steps that fall on the same day are progressive in the order shown below.

May 31 – The fire marshal certifies to the treasurer the amount to be distributed to local governments for each fire department or fire district, based on formulas within statute and administrative code. The calculated amounts are set aside for distribution in July of the following fiscal year.

June 30 – Appropriations for the fire marshal and fire academy budgets, administrative amount provided to the PRC, volunteer firefighter retirement fund, and firefighter survivor fund are calculated and set aside for distribution in July of the following fiscal year.

June 30 – The fire protection grant fund amount is calculated by the current fiscal year's percentage from the reversion amount, as indicated in 59A-53-5.2 C, and that amount is transferred to the fire protection grant fund.

June 30 – Ten percent of the remaining amount is transferred to the emergency medical services fund (per HB 565).

June 30 – The remaining amount is transferred to the general fund.

OTHER SUBSTANTIVE ISSUES

The purpose of the Emergency Medical Services Fund Act [24-10A-1 NMSA 1978] is to make money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services, and trauma services in order to reduce injury and loss of life.

The Department of Health (DOH) provides the following information in its analysis.

According to the 2007 House Memorial 20 Governor’s Task Force Final Report, “Emergency medical services (EMS) in New Mexico faces challenges caused by the reduction of federal, state and local funding for equipment, personnel, training and education needed for emergency medical service delivery and system infrastructure. Furthermore, fewer individuals are able to volunteer to serve their communities as emergency medical service personnel.” The report also states, “The ability of the EMS Fund Act to fund New Mexico’s EMS agencies has significantly decreased over the past ten years. As operational costs have increased, the Fund Act has been unable to keep pace with funding needs. Currently, the EMS Fund Act can fund only about a third of the total funding requests. New Mexico’s EMS Regions are underfunded, unable to adequately provide their vital regional EMS infrastructure support. With the highest injury death rate in the nation, New Mexico is disproportionately affected by this lack of funding” (Emergency Medical Services in New Mexico, 2007; Report Prepared by the Governor’s House Memorial 20 Task Force; November 1, 2007).

Since the 2007 report was published, the funding available for EMS agencies has decreased substantially primarily due to the economic downturn.

The average distribution from the FY08 EMS Fund to EMS agencies was \$9,482. Since then, the average EMS Fund distribution to EMS agencies has decreased to \$8080 in FY13. This is approximately a 15 percent decrease.

Many of these agencies function in the rural and frontier areas of New Mexico and tend to be underfunded for their EMS activities, according to the final report of the 2007 House Memorial Task Force.