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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 02/21/03 HB 713

SHORT TITLE: Insurance Revenues to PRC Insurance Division SB _____

ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$2,000.0)		Recurring	General Fund
	\$5,200.0		Recurring	Insurance Operating Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates Senate Bill 398

Relates to Appropriation in the General Appropriation Act for FY04 for the Insurance Division of the Public Regulation Commission.

SOURCES OF INFORMATION

- *Report of the Legislative Finance Committee to the Forty-sixth Legislature, First Session, January 2003 for Fiscal Year 2003 – 2004, pp. 390 – 401.*

LFC spreadsheets related to the Insurance Suspense Fund, the Fire Protection Fund, and several other special revenue funds collected by the PRC.

Public Regulation Commission

SUMMARY

Synopsis of Bill

House Bill 713 amends the New Mexico Insurance Code by creating a new special revenue fund, called the "insurance operating fund." Those fees, identified in Section 59A-6-1 (A) & (E), will be deposited into the fund, which shall be appropriated by the Legislature to the Public Regulation Commission Insurance Division for its annual operating budget. The revenue in the new fund will not revert to the general fund.

Significant Issues

The Insurance Division reports that the Consumer Federation of America has given the division a grade of "F" based on the percent of budget versus revenues collected.

FISCAL IMPLICATIONS

This bill will divert more than \$5,200.0 in revenue that goes to the general fund to the newly created Insurance Operating Fund. Currently, the general fund supports the insurance division operating costs for \$3,200.0, based on FY02 actual expenditures. Consequently, diversion of these insurance fee revenues, less the Insurance division operating budget, will result in a \$2,000.0 revenue loss for the general fund.

As the bill is written, the new fund would begin receiving revenue in FY04 and the insurance division would begin to request its operating revenue from this fund beginning in FY05.

Attachment 1 provides a spreadsheet showing those fees that will be deposited into the newly created Insurance Operating Fund. Attachment 2 provides a spreadsheet of revenue collections by the PRC over the past nine years to FY2001.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

MFV/nw:yr
Attachments