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FISCAL IMPACT REPORT

SPONSOR: Leavell DATE TYPED: 3/04/03 HB _____

SHORT TITLE: Insurance Operations Fund SB 398/aSCORC

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	New Insurance Operating Fund

(Parenthesis () Indicate Revenue Decreases)

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.

Responses Received From
 Public Regulation Commission (PRC)
 Department of Finance and Administration

SUMMARY

Synopsis of SCORC amendment

The Senate Corporations and Transportation Committee (SCORC) amendment to Senate Bill 398 requires the Insurance Division to reimburse the general fund for FY04 general fund expenditures. In FY04, the PRC will not be able to budget any money from the fund created in this bill. Therefore, the current general fund appropriation will be used for operating costs.

Synopsis of Original Bill

Senate Bill 398 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 allow more than \$5,200.0 in revenue to go 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 will have 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/lis

Attachments