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FISCAL IMPACT REPORT

SPONSOR: Romero DATE TYPED: 03/20/03 HB _____

SHORT TITLE: Benefits for Certain Armed Forces Members SB 933/aSF1

ANALYST: Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			Could be large; see text	Recurring	General Fund – refunds plus free tuition to surviving children

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	No Significant Revenue Impacts; Timing Issues		Recurring	General Fund – Personal Income Tax
	(75.0-150.0)		Non-Recurring	Game Protection Fund
	(75.0-150.0)		Non-Recurring	Federal Funds
	No Significant Revenue Impacts; Timing Issues		Recurring	State Road Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department (TRD)
 Department of Game and Fish

Department of Military Affairs
Commission on Higher Education (CHE)

SUMMARY

Synopsis of Senate Floor Amendment

The Senate Floor amendment restricts the provisions of the bill to New Mexico residents.

Synopsis of Original Bill

Senate Bill 933 extends to members of the New Mexico national guard or the federal armed forces called to active duty and serving from the effective date through the date the President of the United States terminates the military call-up the following:

- Waiver of fees for general hunting and fishing licenses for one year;
- One year extension of state personal income tax filing if the filing date occurs while the qualified individual is on active duty and deployed;
- One month extension to renew drivers license after return to the state if the renewal date fell while the qualified individual is on active duty and deployed;
- Refund or credit of tuition paid to a state post-secondary educational institution for attendance interrupted by active duty and deployment.

In Section 2, four-year tuition waivers at state post-secondary institutions are authorized for the surviving children of the qualified individuals killed in the line of duty.

The bill carries an emergency clause.

Significant Issues

Department of Military Affairs notes the agency “wholeheartedly supports Senate Bill 933.” The agency continues....”The entitlement for surviving children of a deployed member is the hallmark of Senate Bill 933....Our New Mexico National Guardsmen are proud to be citizens in peace and soldiers in war and Senate Bill 933 is exactly the type of legislation needed to show our soldiers that (they) are very much appreciated.”

However, CHE notes the federal Veterans Benefits and Services administer the following educational benefit programs:

- **Tuition Assistance "Top-Up"** On October 30, 2000, the President signed into law an amendment to the Montgomery GI Bill - Active Duty education program that permits VA to pay a Tuition Assistance Top- up benefit. The amount of the benefit can be equal to the difference between the total cost of a college course and the amount of Tuition Assistance that is paid by the military for the course.
- **Survivors' and Dependents' Educational Assistance Program (DEA).** DEA provides education and training opportunities to eligible dependents of veterans who are permanently and totally disabled due to a service-related condition, or who died while

on active duty or as a result of a service related condition. The program offers up to 45 months of education benefits. These benefits may be used for degree and certificate programs, apprenticeship, and on-the-job training. Surviving spouses may take a correspondence course. Remedial, deficiency, and refresher courses may be approved under certain circumstances.

CHE notes 21-21F-1 through 21-21F-5 NMSA 1978 provides a scholarship program for the survivors of fire fighters and peace officers which is not funded.

Game and Fish notes currently only 100 percent disabled veterans residing in New Mexico receive this free license privilege on an annual basis per 17-3-13.1 NMSA 1978.

FISCAL IMPLICATIONS

The fiscal impact and its associated timing depends on the duration of and casualties suffered during the emergency call-up. According to the University of New Mexico Bureau of Business and Economic Research website (<http://www.unm.edu/~bber/statabst/labfsumm.htm>), there are approximately 11,600 individuals in New Mexico serving on active duty and another 8,900 serving in the reserve and National Guard. The Department of Military Affairs notes about 600 National Guard members are currently deployed.

According to TRD, the bill would have no significant impacts on state or local revenue sources. The major impacts on state general fund revenues would be a delay in filing of tax returns, but not necessarily a lower amount paid. TRD notes penalty would be waived, but not interest per the personal income tax statutes. See technical issues below.

Game and Fish notes the potential loss of \$75.0 to \$150.0 for the one free year of free hunting and fishing licenses. The Pittman Robertson Act and the Dingle Johnson Act authorize federal matching money to be received based on a formula which includes these types of license sales. Therefore, the bill would result in an equal amount of lower federal funds.

CHE "in time, this bill could have a large fiscal impact." The fiscal impact would take two forms: 1) the refund of tuition paid at the time of call-up and 2) extension of four years of tuition waivers at state post-secondary education institutions for surviving children. As noted below in significant issues, current law provides for a credit for tuition if the student is deployed during the semester. It is not clear the number of reserves and National Guard currently deployed who are also students, but the net incremental fiscal impact from requests for refunds is not expected to be large. *The second component is expected to have a large fiscal impact over time.*

The number of potential eligibles for extending four years of tuition waivers to surviving children is not estimatable. However, the general fund cost of each student per the higher education formula during FY03 can be used to determine a cost per student. This analysis was calculated assuming full-time attendance. Tuition was assumed to increase by 3.5 percent in FY04. Both I&G formula dollars per FTE student and tuition were then conservatively held flat thereafter.

The legislation would increase General Fund appropriations by \$3.8 million in the first year for every 500 students eligible. This cost would rise exponentially to \$12.5 million by the fourth year. The total number of surviving children claiming this entitlement could be large. The web-

site <http://www.cnn.com/SPECIALS/2002/iraq/deployment.map/chart.html> notes more than 220,000 United States troops deployed in the Persian Gulf.

It should be noted this legislation extends a higher education entitlement program; thus, potential cost would be driven by the number of qualified applicants each year. The Legislature might consider explicit language to allocate a specific amount of funding among qualified applicants as a mechanism to cap annual costs.

ADMINISTRATIVE IMPLICATIONS

CHE notes a financial aid program created for dependents of military veterans who die in the line of duty would create a significant impact on agency staff.

TECHNICAL ISSUES

Both LFC and CHE note language is needed to ensure the measure applies to individuals with New Mexico residency at the time of the call-up.

TRD notes under 7-1-69 NMSA 1978, personal income tax penalty is based on failure to pay the tax when due. The bill should provide specifically for extension of time to pay and perhaps waive the penalty (or direct the TRD Secretary to waive the penalty under Section 7-1-13(E)).

TRD suggest a provision similar to the Federal Soldiers and Sailors Relief Act, where time to file and pay is extended for the time the member is deployed plus 180 days. This amendment would address potential unintended consequences regarding timing of return and timing of tax return due date.

OTHER SUBSTANTIVE ISSUES

According to 21-1-4.1 NMSA 1978:

Educational institutions under the exclusive control of the state shall forgive any tuition payments owed by residents of New Mexico enrolled as part-time or full-time students when the student is conscripted, deployed to a remote duty location, or is called into active service as a member of the military reserves or national guard on or after August 1, 1990. Forgiveness of tuition payments under this section shall apply only to tuition payments owed for the semester when a student is conscripted, deployed or called to active military service. When a student has made tuition payments in part or in whole at the time of his conscription, deployment or call to active military service on or after August 1, 1990, the educational institution in receipt of these payments shall give the student a credit for the full amount of the payments when the student re-enrolls in that educational institution at a future date.

Department of Game and Fish notes a projected deficit in the cash balance of the Game Protection Fund over the next few years due in part to the purchase of Eagle Nest Lake and dam maintenance.

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