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## FISCAL IMPACT REPORT

SPONSOR     Ruiz                        DATE TYPED   2/11/04            HB   422/HCPAC  

SHORT TITLE     Auto Insurance for Certain Indigent People                        SB                                     

ANALYST     Dunbar    

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	\$5,000.0		Significant	Recurring	General Fund
			See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Human Service Department  
Public Regulation Commission

No Response Received From  
Taxation and Revenue

### SUMMARY

#### Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee amends the bill to include that a person must be in possession of a valid driver's license to be eligible to participate in the motor vehicle insurance program.

#### Synopsis of Original Bill

House Bill 422 appropriates \$5 million from the general fund to the Human Services Department for the purpose of providing motor vehicle insurance that meets the requirements of the Mandatory Financial Responsibility Act, Section 66-5-20B NMSA 1978. A person will be eligible according to the following criteria:

- Eligible to receive Temporary Assistance for Needy Families assistance;
  - Eligible to receive Medicaid;
  - Eligible to participate in the welfare-to-work;
  - Eligible to participate in the federal Workforce Investment Act of 1998;
  - Have children who qualify for free lunch programs, and
- 
- Eligible to participate in any other public assistance program based on income, whether the person is a participant in one of those programs or not.

### Significant Issues

The Public Regulation Commission notes:

Insurance programs are complex operations involving policy issuance, claim investigation and payment, premium collection and statistical reporting. The bill does not address whether the state would create its own insurance facility to perform these functions or whether these functions would be farmed out to existing insurance companies or to the automobile assigned risk pool.

The PRC reports, that the bill provides for a one-time start-up amount of \$5 million, but does not address how the program would be funded on an ongoing basis. The bill also does not address whether citizens enrolled in the program would have to contribute to the cost of the program. Since the current average cost of a minimum limits automobile liability insurance policy is approximately \$400 and assuming that roughly 500,000 New Mexicans would be eligible for this program, the annual cost of this program would be in the rough neighborhood of \$2 million. Even if the program levied a 50% co-payment requirement on the participants, the State would still have to spend about \$100 million per year subsidizing the program.

### **FISCAL IMPLICATIONS**

The appropriation of \$5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2005 shall revert to the general fund.

The PRC did not indicate the source for the 500,000 estimate of eligibles in New Mexico. Without disputing the number, it does seem on the surface high. However, according to the Human Services Department monthly statistical report for January, 2004, there are 80,200 food stamp cases. Using this as the base, and the \$400 annual premium as an accurate estimate, the annual cost would be \$32 million.

### **POSSIBLE QUESTIONS**

Should this program have an asset based eligibility criteria as well?

**MW/lg:yr:dm**