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FISCAL IMPACT REPORT

SPONSOR Anderson DATE TYPED 03/04/03 HB 1034/aHGUAC

SHORT TITLE State Airplane Ownership Transfer SB _____

ANALYST Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	1,600.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)
 General Services Department (GSD)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HGUAC Amendments

The House Government Urban Affairs Committee amendments to House Bill 1034:

- 1) Adds an appropriation of \$1.6 million from the general fund to the NMDOT for expenditure in FY 06 to implement and administer the provisions of the State Aircraft Act.
- 2) Clarifies that disbursements from the Aviation Services Fund shall be made thru NMDOT instead of through the Department of Finance and Administration (NMDOT has independent fiscal authority by statute).

Synopsis of Original Bill

House Bill 1034 would transfer ownership and administration of the state aircraft, personnel, money, appropriations, property and contractual obligations from the General Services Department (GSD) to the Department of Transportation (NMDOT). This bill would take effect immediately.

Significant Issues

Funding

DOT notes that no appropriation is provided in the bill to pay for the transfer, although the bill does transfer existing funding from GSD to NMDOT. The NMDOT is concerned that the current operating budget of the GSD aviation bureau is insufficient to properly support the operation and may represent a financial burden to NMDOT without supplemental funding.

Reversal of Prior Decision to Move Aircraft to GSD

HB 1034 will reverse the 1994 legislative decision to consolidate aircraft operations at GSD (the State Aircraft Act). The State Aircraft Act transferred all state-owned aircraft from the State Corporation Commission (now known as the Public Regulation Commission), the Energy Minerals and Natural Resources Department and the State Highway and Transportation Department (now known as NMDOT) to GSD. GSD has since been responsible for the scheduling, operation, maintenance and accounting management of the fleet. House Bill 1034 would transfer all aspects of ownership, operation and accounting management back to the Aviation Division of NMDOT. The bill states the change immediately is needed for public peace, health and safety.

PERFORMANCE IMPLICATIONS

This bill would double the number of Aviation Division staff from a director, plus six, to a director, plus twelve. Without additional operational funding, the Aviation Bureau will be underfunded.

FISCAL IMPLICATIONS

NMDOT notes that it would need a specific appropriation with which to effect this change or the current budget of the NMDOT/Aviation Division would be inadequate. Were SB-75 to be enacted, then the burden to the funds allocated by that bill would be serious to the point that the Division's plans to be able to obtain channeling or block grant status with the FAA would be jeopardized. The Aviation Division would then be forced to request funding from the Transportation Commission by way of the Road Fund to be able to perform its obligations under this bill and SB 75.

GSD notes that the current rate is \$540/flight hour. The cost to administer aviation services is \$1,021 per flight hour. Therefore, the operation is running at a deficit. Although GSD has had a general fund support for the aviation operation in prior years, the agency did not request general fund support in FY 05. There is \$479.1 in general fund support for FY 06 in HB 2. NMDOT has expressed concern over assumption of a program operating at a deficit. In addition, the Governor has \$5 million in his FY 06 capital budget request for a new aircraft.

GSD provides that its rates and operation costs are competitive with the private sector, and are lower than the private sector by at least 5%. GSD projects 1,133 flight hours for FY 05. The FY 05 projected costs are \$1.1 million.

ADMINISTRATIVE IMPLICATIONS

Additional administrative implications would include the possibility of new aircraft acquisitions being considered. Restructuring of the fee schedule for aircraft use would be necessary, unless operating funds were made available from the general fund.

TECHNICAL ISSUES

NMDOT notes that the bill states that disbursements from the Aviation Services Fund will be made through the secretary of finance and administration. This is counter to the fiscal authority of the NMDOT. Both the NMDOT and the Aviation Division have independent fiscal authority by statute.

OTHER SUBSTANTIVE ISSUES

GSD notes that they provide services to state agencies, members of the legislative and judicial branches of government, and state educational institutions. The current GSD aviation fleet consists of a 1976 E90 King Air, 1978 C90 King Air and 1982 Twin Commander.

The current customer base includes: School for the Visually Handicapped, Department of Health/Children's Medical Services, State Engineer, Department of Transportation, Economic Development Department, Environment Department, University of New Mexico, Public Education Department, Children Youth and Families, Taxation and Revenue Department, Human Services Department, Legislative Finance Committee, Supreme Court, Governor, Lt. Governor, Department of Finance and Administration, Tourism Department, Department of Aging and Long-term Care and Department of Cultural Affairs.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The state passenger carrying aircraft fleet will be continue to be funded and operated at GSD.

AMENDMENTS

NMDOT suggest making the transfer effective on July 1, 2005.

GG/lg:yr