

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS

Bill No: *CS/HB 10

49th Legislature, 1st Session, 2009

Short Title: Appropriation Reduction & Budget Adjustment

Sponsor(s): Representatives Luciano “Lucky” Varela and Henry “Kiki” Saavedra

Analyst: Peter B. van Moorsel

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HOUSE APPROPRIATIONS AND FINANCE COMMITTEE SUBSTITUTE
FOR HOUSE BILL 10

Bill Summary:

Among its provisions, CS/HB 10, with emergency clause, creates two new sections of the *General Appropriation Act of 2008*, as follows:

- **Section 1** ó Reduces FY 09 General Fund appropriations in Section 4 by 2.5 percent, with the following exceptions (listed by size of reduction):
 - **5.0 percent:** Personnel Board, Public Employee Labor Relations Board, Regulation and Licensing Department, the Energy, Minerals & Natural Resources Department, the State Engineer, and the Department of Environment;
 - **3.9 percent:** Economic Development Department;
 - **3.8 percent:** **Public Education Department (PED);**
 - **3.0 percent:** Taxation & Revenue Department, the Cultural Affairs Department, and the Aging and Long-term Services Department;
 - **2.4 percent:** Veterans Services Department;
 - **2.1 percent:** Workforce Solutions Department;
 - **1.9 percent:** District Attorneys, Administrative Office of the District Attorneys, the Public Defender Department, the Children, Youth and Families Department, the Corrections Department and the Department of Public Safety;
 - **1.8 percent:** Division of Vocational Rehabilitation;
 - **1.6 percent:** Developmental Disabilities Planning Council;
 - **1.4 percent:** Supreme Court Law Library, the New Mexico Compilation Commission, the Judicial Standards Commission, the Court of Appeals, the Supreme Court, the Administrative Office of the Courts, the Supreme Court Building Commission, the District Courts, and the Bernalillo County Metropolitan Court; and
 - the appropriation to the Lieutenant Governor is not reduced.

In addition to the above reductions, Section 1 of CS/HB 10 also:

- decreases by 1.0 percent the FY 09 appropriation to the Medical Assistance and the Medicaid Behavioral Health programs of the Human Services Department (HSD);

- further reduces the General Fund appropriation to the Medical Assistance Program of HSD by approximately \$24.6 million¹;
 - **further reduces the public school transportation distribution by \$4.0 million;**
 - further reduces the total appropriation from the General Fund to each agency by an amount equal to **2.5 percent of the compensation appropriation to each respective agency** made in Section 8 of the *General Appropriation Act of 2008*. Each agency is required to use program transfers, category transfers, cash balances, vacancy savings and other available funds to provide the compensation increases provided for in Section 8 of the *General Appropriation Act of 2008*; and
 - authorizes the State Budget Division of the Department of Finance and Administration (DFA) to reduce, where required, appropriations from other state funds, internal services funds/interagency transfers, and federal funds to reflect the revised General Fund appropriations.
- **Section 2** ó Provides additional FY 09 budget adjustment authority by allowing state agencies, subject to DFA approval, to request category transfers between any categories and between programs.

* The bill contains an emergency clause.

Fiscal Impact:

According to the Legislative Finance Committee (LFC) Fiscal Impact Report for CS/HB 10, the above reductions to the appropriations in the *General Appropriation Act of 2008* would result in an FY 09 increase in the General Fund of approximately \$163.9 million, including:

- approximately \$126.3 million from the reductions to appropriations in Section 4, ranging from 5.0 percent to 1.4 percent;
- approximately \$8.0 million from the 1.0 percent reduction in the appropriation to the HSD Medical Assistance and the Medicaid Behavioral Health programs;
- approximately 24.6 million from the additional reduction in the appropriation to the Medical Assistance Program;
- \$4.0 million from the reduction to the public school transportation distribution; and
- approximately \$1.0 million from the additional reduction in the amount of 2.5 percent of the compensation appropriations in Section 8.

CS/SB 79, *Fund Transfers & Appropriation Cuts*, is a companion bill to CS/HB 10 that appropriates approximately \$35.8 million from the ðeducation lockboxö to the State Equalization Guarantee (SEG) distribution. This appropriation minimizes the reduction to the SEG distribution.

The table below illustrates the effect of the reductions made in CS/HB 10; and the reductions and appropriation made in CS/SB 79 on FY 09 education-related appropriations:

¹ *CS/SB 79 ó *Fund Transfers & Appropriation Cuts*, is a companion bill to *CS/HB 10 that increases the distribution from the Tobacco Settlement Permanent Fund to the Tobacco Settlement Program Fund and appropriates approximately \$24.6 million from the Tobacco Settlement Program Fund to the HSD Medical Assistance Program to offset the above appropriation reduction.

(dollars in thousands)	Initial Appropriation	Adjusted Appropriation	Reduction (\$)	Reduction (%)
Public School Support (Reduction made in HB 10)	\$2,551,011.5	\$2,483,236.2 *	(\$67,775.3)	-2.7%
Related Appropriations: Recurring				
PED Budget (HB 10)	\$17,135.0	\$16,483.9	(\$651.1)	-3.8%
PED Compensation (2009 GAA, Section 8) (HB 10)	\$309.3	\$301.6	(\$7.7)	-2.5%
Other Related Appropriations (HB 10)	\$37,708.4	\$36,765.7	(\$942.7)	-2.5%
SB 165 (HB 2 Jr.) (SB 79)	\$1,900.0	\$1,852.5	(\$47.5)	-2.5%
Subtotal Related Appropriations: Recurring	\$57,052.7	\$55,403.6	(\$1,649.1)	-2.9%
TOTAL	\$2,608,064.2	\$2,538,639.8	(\$69,424.4)	-2.7%
"Education Lockbox" Appropriation			\$35,753.6	
TOTAL ADJUSTED EDUCATION-RELATED APPROPRIATIONS	\$2,608,064.2	\$2,574,393.4	(\$33,670.8)	-1.3%

* The adjusted appropriation for Public School Support includes a further \$4.0 million reduction to the Transportation Distribution in the amount appropriated during the 2008 Special Session for school transportation fuel costs.

Issues:

FY 09 Solvency Plan

Due in part to the current economic recession and reduced oil and natural gas revenues, the December 2008 consensus revenue estimate projected a \$454.0 million deficit for FY 09.

CS/HB 10 is part of a three-pronged solvency plan proposed by the LFC to address the projected revenue shortfall. The solvency plan comprises four bills ó in addition to CS/HB 10, the LFC solvency plan includes the following legislation:

- *HB 9, *Capital Outlay Cuts & Reauthorizations* ó Among its provisions, proposes to void certain General Fund projects appropriated in previous years totaling \$104.9 million and to revert these dollars to the General Fund; void certain severance tax bond projects authorized in previous years totaling approximately \$26.6 million and to revert the dollars to severance tax bond capacity; and reauthorizes nearly all of the severance tax bond dollars to continue viable General Fund projects.
- *CS/SB 79, *Fund Transfers & Appropriation Cuts* ó Reduces certain appropriations from the General Fund, including a 2.5 percent reduction of FY 09 appropriations for the legislative branch; appropriations in Laws 2008, Chapter 6 (SB 165, also known as HB2 Junior); and appropriations enacted in the 2008 special session. Transfers money from other state funds to the General Fund, including \$58.4 million from the Public School Capital Outlay Fund and \$5.5 million from the Public School Capital Improvements Fund; distributes annual payment from participating tobacco manufacturers to the Tobacco Settlement Program Fund and dollars from the Tax Stabilization Reserve to the General Fund appropriation account for meeting FY 09 appropriations. Among its other provisions, appropriates \$35.8 million from the appropriation contingency fund (education lockbox) to the State Equalization Guarantee for distribution to public schools.
- *SB 80a, *Corporate Income Tax Reporting Dates* ó Amends the *Corporate Income and Franchise Tax Act* to require four (rather than three) payments of estimated corporate income tax. The emergency clause makes the Corporate Income Tax payment change effective in tax year 2009.

Related Bills:

- *CS/HB 8a *Estimated Tax Payments & Withholding*
- *HB 9 *Capital Outlay Cuts & Reauthorizations*
- *CS/SB 79 *Fund Transfers & Appropriation Cuts*
- *SB 80a *Corporate Income Tax Reporting Dates*