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## FISCAL IMPACT REPORT

ORIGINAL DATE 10/19/09

SPONSOR Smith LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Reduce 2009 General Fund Appropriations SB 16

ANALYST Chabot

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	(\$317,000.0)	Nonrecurring	General Fund
	\$91,000.0	Nonrecurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of Bill

Senate Bill 16 reduces appropriations set out under the general fund column in Section 4 of the General Appropriation Act of 2009 by 16.3 percent rounded to the nearest \$100 except for the following:

- The developmental disabilities support program of the Department of Health—zero percent;
- The medical assistance program of the Human Services Department (HSD)—zero percent;
- The instruction and general purposes category for every public post-secondary educational institution—zero percent;
- Every other category in higher education—3 percent; and
- Public school support—zero percent.

The bill allocates \$91 million from the American Recovery and Reinvestment Act (ARRA) of 2009 for distribution to school districts through the state equalization guarantee distribution for fiscal year 2010.

### FISCAL IMPLICATIONS

This bill would exempt \$3.5 billion from any solvency reductions. In order to have a 6 percent reserve level, the appropriated expenditures need to be reduced by \$653 million out of a total

## **Senate Bill 16 – Page 2**

general fund appropriation of the \$5.471 billion appropriation leaving \$1.95 billion from which to take the remaining reductions. This would require the 16.3 percent reduction or \$317 million from the other agencies.

The appropriation of a negative \$317 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

The bill also distributes \$91 million of the state equalization guarantee for distribution to school districts in FY2010.

### **SIGNIFICANT ISSUES**

Exempting approximately 64 percent from funding reductions will greatly increase the percentage reductions needed to be taken from other agencies.

While the bill exempts appropriations to the Medical Assistance program of HSD, it does not exempt appropriations of \$294.2 million to the Medicaid physical health managed care program or \$62.4 million to the Medicaid behavioral health program in Section 4 of the HSD appropriations.

Using ARRA planned for use in FY2011 in FY2010 may exacerbate revenue issues in FY2011.

The 3 percent reduction to higher education would include a reduction of that percentage to the Higher Education Department and to the Educational Retirement Fund.

### **PERFORMANCE IMPLICATIONS**

Reductions in appropriations may reduce executive agency's ability to meet performance targets related to performance measures in the 2009 General Appropriation Act (Laws 2009, Chapter 124).

### **ADMINISTRATIVE IMPLICATIONS**

The Department of Finance and Administration will have to calculate reductions by each agency and issue instructions for submitting new FY10 operating budgets.

### **TECHNICAL ISSUES**

The sponsor needs to determine if the other Medicaid programs were to be considered for exemption from reduction. If so intended, on Page 1, line 25 after "the" add "medicaid physical health managed care,"; and after "assistance" add "and medicaid behavioral health" and add "s" to "program".

The bill does not mention appropriations to other institutions funded under higher education appropriations such as the New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired or the New Mexico School for the Deaf which also have appropriation categories for instruction and general support. If so intended, on page 2, line 3 after the word "institution" add "and special schools."

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

A solvency bill must be enacted to bring appropriated expenditures in line with projected revenues.

**POSSIBLE QUESTIONS**

1. Did the sponsor intend to include Medicaid physical health managed care and Medicaid behavioral health programs in the 16.3 percent reduction?
2. Should New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired and the New Mexico School for the Deaf be exempted from the 16.3 percent reduction?

GAC/svb