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FISCAL IMPACT REPORT

SPONSOR <u>De La Cruz/Dixon/Martinez, A</u>	LAST UPDATED <u>2/3/2024</u>	ORIGINAL DATE <u>1/24/2024</u>
SHORT TITLE <u>Law Enforcement Retention Disbursements</u>	BILL NUMBER <u>193/aHJC/aHAFC</u>	ANALYST <u>Sanchez</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	No Fiscal Impact	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis was Solicited but Not Received From
 Department of Finance and Administration (DFA)
 Department of Public Safety (DPS)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of HAFC Amendment to House Bill 193

The House Appropriations and Finance Committee amendment removes the \$1 million recurring appropriation from the bill.

Synopsis of HJC Amendment to House Bill 193

The House Judiciary Committee amendment revises Section 1, (D) (2) which previously read an officer must remain employed at “a” law enforcement agency for an additional year, to be eligible for the retention differential disbursement. However, HJC amended this section to read an officer must remain employed at “the same” law enforcement agency for an additional year. The intent behind the edit (as explained by analysis from the Department of Public Safety) is to ensure that officers remain with their existing agency for a period of at least one year after their year of eligibility.

Synopsis of Original House Bill 193

House Bill 193 (HB193) amends Section 9-19-14 NMSA 1978 “Law Enforcement Retention Fund” (the statute) to specify differential retention disbursements for “*full-time certified*” law enforcement officers meeting certain tenure levels. The amendments require officers to “*complete*” four, nine, 14, or 19 years of service rather than “*reach*” those milestones. The bill further amends the statute to allow for disbursements to officers who have transferred laterally between law enforcement agencies within the state.

HB193 amends the statute to allow for disbursements of up to 5 percent of an officer's annual base salary upon completing an additional year of service (five, 10, 15, or 20 years) with a law enforcement agency.

HB193 further amends the statute to allow for disbursements of up to 5 percent of an officer's annual base salary upon completing each additional year of service after 21 years. The yearly retention differential beyond 21 years of service requires the officer to remain employed as a full-time law enforcement officer at the same law enforcement agency.

HB193 amends the statute to add a requirement that law enforcement agencies must be compliant with the Law Enforcement Training Act at the time the funding request is made, and must have submitted the agency's most current roster of full-time certified law enforcement officers to the New Mexico Law Enforcement Academy by April 1 of each year.

House Bill 193 appropriates \$1 million from the general fund to the law enforcement protection fund for the purpose of implementing retention differential disbursements in FY25.

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 shall not revert to the general fund. This bill provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

House Bill 193 would expand the pool of officers eligible to receive differential retention disbursements by making officers who transfer between departments (lateral transfers) and officers who have exceeded 21 years of service eligible. Any expansion of the pool of eligible officers would likely require additional revenue to maintain the solvency of the law enforcement retention fund (LERF).

Currently, law enforcement protection fund revenues are 10 percent of all money received for fees, licenses, penalties, and taxes from life, general casualty, and title insurance business (Except for money received from health insurance) collected by the New Mexico Public Regulation Commission. Under current law, balances in excess of \$100 thousand revert to the LERF.

Although current payouts from the LERF for differential retention disbursements have averaged approximately \$2.8 million since FY23, adding eligibility for lateral transfers and officers with 20 plus years of service is expected to add approximately \$3 million in annual disbursements. Lateral transfers are expected to add approximately \$2.2 million annually, whereas the annual disbursements for officers with 20 plus years of service are expected to add between \$800 thousand and \$1 million annually.

Although revenue from the law enforcement protection fund is projected to increase in future fiscal years (see Attachment 1), as more law enforcement agencies become aware of the funding source, there is a possibility revenues may exceed expenditures as salaries grow. Projections show an expectation that fund balances will trend upward in FY25-26 but without additional information from the Department of Public Safety on expected increases in salaries at law enforcement agencies, or projections on balance transfers from the LEPF from the Department of Finance and Administration, these estimates are rough, at best. This analysis could be updated if that analysis is received.

SIGNIFICANT ISSUES

Research shows the certainty of punishment is a significantly more effective deterrent to criminal behavior than the severity of punishment, with the severity of punishment having no impact on crime reduction beyond the certainty of being caught. In New Mexico, however, punishment has grown less certain as crime has increased, with fewer violent crimes solved and more violent felony cases dismissed. Improving policing and increasing cooperation and coordination among criminal justice partners could help increase the certainty of punishment for the most violent offenses and provide a stronger deterrent to serious crime.

Investing in recruiting and retaining high-quality law enforcement officers is an important component of protecting and improving public safety. To the extent HB193 is effective at improving law enforcement officer retention and increasing force strength, the bill may improve DPS's performance on metrics related to officer vacancy rates and turnover, as well as improvement on metrics related to proactive law enforcement operations and arrests, which are impacted by force strength.

Attachments

1. Law Enforcement Retention Fund Projected Revenues & Expenditures FY23 to FY26

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**Law Enforcement Retention Fund Projected Revenues & Expenditures
FY23 to FY26**

	ACTUALS	PROJECTED	PROJECTED	PROJECTED
	FY23	FY24	FY25	FY26
BEGINNING BALANCE	\$624	\$2,937,132	\$3,774,476	\$3,930,249
REVENUE				
LEPF Transfers due to Laws 2022, Ch. 56	\$ 4,800,000	\$ 3,856,444	\$ 5,374,873	\$ 7,038,166
Additional Appropriation (HB 193)			\$ 1,000,000	\$ 1,000,000
TOTAL REVENUE	\$ 4,800,624	\$ 3,856,444	\$ 6,374,873	\$ 8,038,166
EXPENDITURES				
Distributions to Law Enforcement Agencies due to Laws 2022, Ch. 56	\$ 1,863,492	\$ 2,800,000	\$ 2,800,000	\$ 3,000,000
Administrative Expenses	\$ -	\$ 219,100	\$ 219,100	\$ 219,100
Addition of Lateral Transfers (HB193)	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000
Addition of Officers with 21+ years of service (HB 193)	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
TOTAL EXPENDITURES	\$ 1,863,492	\$ 3,019,100	\$ 6,219,100	\$ 6,419,100
ENDING BALANCE	\$ 2,937,132	\$ 3,774,476	\$ 3,930,249	\$ 5,549,315

Source: LFC files