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FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 02/15/01 HB 641
 SHORT TITLE: Appropriation Contingency Fund SB _____
 ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$163 million				Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
\$163 million			Non-recurring	Appropriation Contingency Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with and relates to House Bill 867 and Senate Bill 817, which create a “medicaid reserve fund” for the purpose of meeting Medicaid budget shortfalls, but do not contain an appropriation.

SOURCES OF INFORMATION

LFC Files

No response received:

Department of Finance and Administration
 Human Services Department

SUMMARY

Synopsis of Bill

House Bill 641 transfers \$163 million from the general fund to the appropriation contingency fund and adds contingency language to allow the Human Services Department to request budget increases

from the appropriation contingency fund in the event that appropriations for Medicaid expenses in the General Appropriation Act of 2001 are insufficient.

Significant Issues

The appropriations contingency fund was created in statute in 1991 and has been used since then to provide contingency funds for emergencies or disasters. For example, the General Appropriation Act of 1999 allowed DFA to transfer from the general fund operating reserve up to \$10 million to the appropriation contingency fund to pay for executive emergency declarations.

The revenues of the appropriation contingency fund are specifically appropriated by the legislature. Expenditures from the fund must be authorized by the legislature.

The appropriation contained in the bill is a transfer from one part of the general fund to another constituent part. The appropriation contingency fund is part of the general fund, but balances in that fund are not counted in the calculations that apply to the reserve accounts, such as the general fund tax stabilization reserve or the taxpayers dividend fund.

Regular appropriations for Medicaid are always estimates based on prior year's spending and anticipated growth. In the past several years, these estimates have been too low, causing budget shortfalls. As a result, the Human Services Department (HSD) has sought supplemental appropriations from the legislature. This year, HSD requested \$64 million in general fund for Medicaid supplementals and deficiencies. LFC staff expects they will need approximately \$53 million.

FISCAL IMPLICATIONS

The appropriation of \$163 million contained in this bill is a non-recurring expense to the general fund. The appropriation does not revert to the general fund.

TECHNICAL ISSUES

The bill does not contain an emergency clause.

OTHER SUBSTANTIVE ISSUES

The bill deletes obsolete language

The current balance of the appropriation contingency fund is \$7.2 million.

LP/njw