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FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/06

SPONSOR Hobbs LAST UPDATED _____ HB 45

SHORT TITLE Service Members' Life Insurance Fund SB _____

ANALYST Peery

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$1,500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$1,500.0		Recurring	Service Mem- bers' Life Insur- ance Reim- bursement Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$369.5			\$369.5	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Military Affairs (DMA)
 Department of Finance and Administration (DFA)
 Attorney General's Office (AGO)
 Veterans' Service Department (VSD)

SUMMARY

Synopsis of Bill

House Bill 45 appropriates \$1,500.0 from the general fund to Service Members' Life Insurance Reimbursement Fund for the purpose of paying premium reimbursements pursuant to the provisions of Section 20-4-7.3 NMSA 1978. Section 20-4-7.3 NMSA 1978 pertains to service members' life insurance reimbursement fund created in the state treasury. The fund consists of legislative appropriations to the fund, gifts, grants, donations, bequests to the fund and income from investment of the fund. The fund is administered by the Department of Military Affairs, and money in the fund is appropriated to the Department of Military Affairs for the purpose of reimbursing eligible members of the New Mexico National Guard for premiums paid for benefits under the Servicemembers' Group Life Insurance (SGLI) program.

FISCAL IMPLICATIONS

The appropriation of \$1,500.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

The Department of Military Affairs reports the cost of the SGLI reimbursements for fiscal years 2005 and 2006 are \$1,369,550. The department reports due to increases in premiums from \$16.50 to \$26.00 a month they will be short \$369,550 in FY06 in paying out reimbursement. The Department of Military Affairs has requested a supplemental in FY06 to cover the increase in insurance premiums. The department estimates costs for the SGLI reimbursement to be \$1,204,320 in fiscal year 2007.

SIGNIFICANT ISSUES

The proposed legislation will reimburse the monthly premium of \$26.00 to cover 3,800 active duty New Mexico National Guard members with an SGLI policy of \$400,000 for fiscal year 2007. Of the active duty National Guard member, 564 are currently in combat zones.

ADMINISTRATIVE IMPLICATIONS

The Department of Military Affairs reports the reimbursement of SGLI premiums is problematic due to the reverting of unexpended funds at the end of the fiscal year. The department states they would not be able to reimburse premiums for the final months of fiscal year 2007 due to the unexpended balance reverting before reimbursement data is available.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The proposed legislation has a direct relationship with Section 20-4-7.3 NMSA 1978.

ALTERNATIVES

The Department of Military Affairs suggests that the Service Members' Life Insurance Reimbursement Fund be non-reverting or budgetary authority be given to the department to extend the appropriation beyond the appropriated fiscal year in order to reimburse SGLI premiums for national guard members.

RLP/mt