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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/10

SPONSOR Wallace LAST UPDATED \_\_\_\_\_ HB 114

SHORT TITLE Postpone Fire Protection Fund Distribution SB \_\_\_\_\_

ANALYST Clifford

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$2,150.0	\$2,080.0	Recurring	General Fund
	(\$2,150.0)	(\$2,080.0)	Recurring	Fire Protection Grant Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

Delays increases in the distribution from the fire protection fund to the fire protection grant fund. Increased distributions are pushed forward by one year beginning in FY11, resulting in a recurring shift of revenue from the fire protection grant fund to the general fund.

### FISCAL IMPLICATIONS

The consensus revenue estimating group projects the fund balance in the fire protection fund as of the end of FY11 to be \$32 million. Under present law 20.1% of that amount would be distributed to the fire protection grant fund and the remainder to the general fund. Under the proposal, 13.4% would be distributed to the grant fund, generating \$2.1 million of additional revenue for the general fund.

The current and proposed schedules of distributions are shown in the following table. Dollar amounts are in thousands, and the grant fund impacts will be the negative of the general fund impacts shown.

Fiscal Year	Present Law:		Present Law:		General Fund Revenue Impact
	General Fund	F.P. Grant Fund	General Fund	F.P. Grant Fund	
2010	86.6%	13.4%	86.6%	13.4%	--
2011	79.9%	20.1%	86.6%	13.4%	\$2,150.0
2012	73.2%	26.8%	79.9%	20.1%	\$2,080.0
2013	66.5%	33.5%	73.2%	26.8%	\$2,020.0
2014	59.8%	40.2%	66.5%	33.5%	\$1,960.0
2015	53.1%	46.9%	59.8%	40.2%	\$1,900.0

**SIGNIFICANT ISSUES**

Laws 2006, Chapter 103 (HB 497) set aside all growth in the fire protection fund for distribution to fire districts. Laws 2007, Chapter 152 (HB 466) eliminated the general fund reversion from the fire protection fund by 2021 by gradually increasing distributions from the fire protection fund to the fire protection grant fund. Revenue in the fire protection grant fund is used to pay debt service on bonds. Since the proposal does not reduce grant fund revenue below the current level, it should not have a negative impact on outstanding bonds. The proposal would help with the budget deficit in the general fund without changing the long-term policy of gradually shifting revenue to the grant fund.

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

Balancing the FY11 general fund budget will be more difficult.

**POSSIBLE QUESTIONS**

What is the current status of the grant fund bonding program? Are most grant fund revenues currently pledged to debt service on outstanding bonds?

TC/mt

***The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:***

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

***More information about the LFC tax policy principles will soon be available on the LFC website at [www.nmlegis.gov/lcs/lfc](http://www.nmlegis.gov/lcs/lfc)***