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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/11

SPONSOR Varela LAST UPDATED _____ HB 91

SHORT TITLE Transfer from Other Accounts to General Fund SB _____

ANALYST Burrows/Griego

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
(\$15,340)			Nonrecurring	College Affordability Endowment Fund
(\$2,500)			Nonrecurring	Workers Compensation Administration Fund
(\$2,000)			Nonrecurring	Primary Care Capital Fund
(\$1,500)			Nonrecurring	Water & Wastewater Grant Fund
(\$750)			Nonrecurring	Trail Safety Fund
(\$500)			Nonrecurring	Public Works Apprentice & Training
(\$500)			Nonrecurring	Youth Conservation Corps
(\$300)			Nonrecurring	Traumatic Brain Injury Fund
(\$250)			Nonrecurring	DWI Prevention & Education Fund
\$23,640			Nonrecurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Department of Game and Fish (DGF)
 Public Regulation Commission (PRC)
 New Mexico Environment Dept (NMED)
 Energy, Minerals and Natural Resources (EMNRD)
 Higher Education Department (NMHED)

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Department of Transportation (DOT)
Aging and Long-Term Services Dept (ALTSD)
Worker's Compensation Administration (WCA)
Department of Workforce Solutions (DWS)
New Mexico Finance Authority (NMFA)

Responses Not Received

Department of Finance and Administration (DFA)

Other Responses

The Brain Injury Assn of New Mexico

SUMMARY

Synopsis of Bill

House Bill 91 proposes to transfer \$23.6 million from state funds to the general fund.

The provisions of the bill transfer cash balances to the general fund from various state funds for the purpose of meeting general fund appropriations. LFC staff carefully analyzed all funds, including outstanding encumbrances or other commitments against the balance to ensure availability of the funds for transfer to the general fund, and that sufficient amounts remain to cover any outstanding obligations. The bill will carry emergency language.

Information related to the funds:

College Affordability Endowment Fund. The college affordability endowment fund distributes funds annually to the college affordability scholarship fund based on annual income from investment. Statute requires an annual distribution of \$2 million from this fund to the college affordability scholarship fund. As of 1/20/11, fund balance is \$23.2 million, before deduction of the FY11 distribution of \$2.3 million. Fund transfer in this bill is \$15.3 million.

Workers Compensation Administration Fund. The agency projects the fund balance will be \$4.4 million at the end of FY11. \$1 million of this balance was budgeted for the Labor Relations Program at the Workforce Solutions Department, and \$2.5 million is available for transfer.

Primary Care Capital Fund. The primary care capital revolving loan fund was created by the 1994 Legislature to provide financial assistance to small primary healthcare clinics for infrastructure, construction and capital equipment purchases with a useful life of more than three years. Sixteen loans have been made to date. Current fund balance is \$2.7 million as of 12/31/10. Fund transfer in this bill is \$2.0 million.

Water and Wastewater Grant Fund. This fund was created by the 1999 Legislature to fund grants for 38 public water and wastewater systems. The fund purpose has been met following completion of the remaining projects in FY10. Fund transfer in this bill is \$1.5 million.

Trail Safety Fund. This fund consists of revenues from off-highway motor vehicle registration and user fees, grants and donations. No more than thirty percent of the fund may be used for administrative overhead, and at least fifty percent shall be devoted to law enforcement and

education. Current fund balance is \$1.9 million as of 12/31/10. Fund transfer in this bill is \$750 thousand.

Public Works Apprentice and Training Fund. Pursuant to the Public Works Apprentice and Training Act (Section 13-4D NMSA 1978), the Department of Workforce Solutions makes disbursements from this fund to approved apprentice and training programs throughout the state of New Mexico. The current fund balance is \$2.5 million as of 12/31/10. Fund transfer in this bill is \$500 thousand.

Youth Conservation Corps Fund. This fund was created to provide employment to young persons in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. Current fund balance is \$2.4 million as of 12/31/10. Fund transfer in this bill is \$500 thousand.

Brain Injury Services Fund (also known as the Traumatic Brain Injury Fund). The brain injury services fund is administered by the Department of Aging and Long-Term Services and is used to institute and maintain a statewide brain injury services program designed to increase the independence of persons with traumatic brain injuries. Fund transfer in this bill is \$300 thousand.

DWI Prevention and Education Fund. Administered by the Department of Transportation from driver's license reinstatement fees for former DWI offenders (Section 66-5-30 NMSA 1978). Funds are used for DWI prevention and education programs. Current fund balance is \$1.7 million as of 12/31/10. Fund transfer in this bill is \$250 thousand.

FISCAL IMPLICATIONS

The revenue impact assumes that the amounts transferred from the insurance suspense fund, the natural resources trustee, the recycling and illegal dumping fund, and the responsible parties fund are removed from the bill through amendment (see Other Substantive Issues).

SIGNIFICANT ISSUES

The December 2010 consensus revenue estimate projects a recurring general fund shortfall for FY12 of approximately \$215 million. This bill is recommended by the LFC to address general fund solvency. These transfers, as companions to the LFC recommendation for the General Appropriation Act, allow general fund reserves in FY11 and FY12 to reach 5 percent (see Volume 1, page 139). The LFC proposal to address fiscal solvency includes a plan to transfer state fund balances to the general fund.

AMENDMENT

Recommended amendments following agency input:

- On page 1, strike lines 24 through 25 in its entirety;
- On page 2, strike lines 10 through 11 in its entirety;
- On page 2, strike lines 18 through 25 in its entirety;
- On page 2, lines 3-4, change “workers’ compensation retention fund” to “workers’ compensation administration fund.”

According to the Attorney General's Office, legislation may be necessary to transfer an additional \$20 million from the New Mexico Finance Authority (NMFA) to the general fund for the purpose of meeting general fund appropriations. An amendment to House Bill 91 that includes transfer of these funds may be considered.

DFA staff has identified other funds that may be available for transfer. An amendment may be necessary to include transfer of these funds.

OTHER SUBSTANTIVE ISSUES

The Higher Education Department reports the purpose of the college affordability endowment fund is to provide financial need to New Mexico college and university students who do not qualify for other state grants or scholarships. Approximately 2,000 students per academic year receive \$2,000 grants from the fund. HED estimates the balance of the fund will be depleted in FY13 as a result of House Bill 91 and annual transfers required by statute (Section 21-21L-8 NMSA 1978).

The WCA states that House Bill 91 will impact the WCA's ability to respond to emergencies beyond daily operations, and that the bill could affect funding availability to enforce the Worker's Compensation Act.

The NMFA reports that House Bill 91 could reduce funding available for capital improvements to rural primary care health clinics or water and wastewater systems. Moreover, the NMFA has earmarked these funds as part of a \$20 million contribution to the general fund, and has requested that all transfers be included in the same legislation.

DOH states that nine community health centers received loans from the primary care capital fund in FY09, and that this proposal could reduce funding available for future loans.

According to DGF, the trail safety fund receives about \$650 thousand in revenue annually, and the current fiscal year operating budget is \$360 thousand. DGF reports that House Bill 91 could prevent DGF from expanding programs pursuant to the Off-Highway Motor Vehicle Act (Section 66-3-1019).

DWS states that 15 percent of contributions to the Public Works Apprenticeship Training Fund are statutorily earmarked to administer the fund, and are used to supplement general fund appropriations to the Labor Relations Division. DWS reports that this proposal could reduce its ability to subsidize the labor relations program following general fund cuts, and could reduce funding available for registered apprenticeship programs.

EMNRD reports that the age group employed through the YCC has the highest rate of unemployment in the U.S., and youth in communities where projects are located often have few alternative employment opportunities. Further, the economies in these communities could be negatively affected by the loss of revenue.

The PRC reports that funds in this bill will revert to the general fund on June 20, 2011; therefore,

an amendment is recommended removing these transfers from the bill.

NMED reports that House Bill 91 will result in FY12 shortfalls to the recycling and illegal dumping fund and the responsible parties prepayment fund. NMED also reports that the transfer amounts in this bill from the natural resources trustee are restricted for implementation of restoration projects per federal statute. Therefore, an amendment is recommended to remove transfers from these three funds from the bill.

According to the DDPC, this bill, coupled with the elimination of general fund contributions beginning in 2008, would total approximately \$500 thousand in reductions to the Brain Injury Services Fund. The DDPC states that waiting lists for services currently exist in two of five regions, and this number could increase under House Bill 91.

ALTSD reports that the \$300 thousand transfer proposed in this bill represents about 21 percent of anticipated revenues based on FY10 actuals, and that reducing revenue available in the fund could have an impact in future years.

According to the Brain Injury Association of New Mexico approximately 600-650 individuals with traumatic brain injuries will require services through the traumatic brain injury trust fund. Concerns were raised that current funding contained in the General Appropriation Act for FY11 may not cover needs.

DOT reports that New Mexico leads the nation in number of youth who begin drinking before the age of 13 years, and that alcohol-related problems cost the state \$2.8 billion in 2007. House Bill 91 could impact programs targeting prevention of impaired driving and underage drinking.

COMPANIONSHIP

House Bill 91 is companion to House Bill 2 and House Bill 7, which pertain to the General Appropriation Act.

As a companion to House Bill 91, transfer of \$20 million from NMFA to the general fund is recommended.

LKB/mew