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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/11

SPONSOR Sandoval LAST UPDATED \_\_\_\_\_ HB 235

SHORT TITLE Create Veterans' National Cemetery Fund SB \_\_\_\_\_

ANALYST Esquibel

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$125.8	\$125.8	Recurring	Veterans' National Cemetery Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Veterans' Services Department (VSD)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

This bill creates Veterans' National Cemetery Fund in the state treasury consisting of appropriations, gifts, grants donations and amounts designated by statute for the purpose of collecting contributions to be used for the purchase of additional acreage for the Santa Fe National Cemetery. After the fund reaches \$1,070,000, additional collections will be distributed to the substance abuse education fund. The bill continues providing for contributions through designation on the personal income tax form.

### FISCAL IMPLICATIONS

This bill amends the Income Tax Act to create the Veterans' National Cemetery Fund. This fund is created as a nonreverting fund in the State Treasury and consists of appropriations, gifts, grants, donations and amounts designated pursuant to Section 7-2-28 NMSA 1978. The Veterans' Services Department shall administer the fund and money in the fund is appropriated to the Veterans' Services Department to carry out the intent of Section 7-2-27.

The Veterans' Services Department (VSD) indicates the fund currently is in suspense at TRD with a balance of \$125,798 as of December 31, 2010. This bill would allow VSD to transfer this balance to the City of Santa Fe.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

### **SIGNIFICANT ISSUES**

The Veterans' Services Department (VSD) indicates the National Cemetery Fund was in existence until the Veteran Services Act was enacted in 2004. When the VSA was passed, the language dealing with this fund was left out and thus the fund has been in suspense since that time. The original intent of this fund was to reimburse the City of Santa Fe for land that was transferred to the National Cemetery. The transfer has taken place under an agreement between the City and the National Cemetery Administration to extend the life of this cemetery.

The VSD indicates this bill is a technical fix that would allow the transfer of this fund to the City of Santa Fe.

Currently, Section 7-1-6.18 NMSA 1978 provides for a distribution of voluntary tax refunds designations pursuant to Section 7-2-28 to the "Veterans' National Cemetery Fund," but no fund was statutorily created. HB-235 rectifies this inconsistency.

### **ADMINISTRATIVE IMPLICATIONS**

TRD indicates this bill has low impact on the distribution process. Change to PIT forms would be required by December 31, 2011. Once programming changes are made to GenTax by the Information Technology Division (ITD), Financial Distributions Bureau (FDB) staff will need to verify the changes by performing selected tests of data and functionality, prior to authorizing ITD to move changes into production. Within the state's central accounting system (SHARE) a new subaccount would need to be created by FDB staff to account for receipts from the optional designation of personal income tax refunds made by the taxpayer to the "Veterans' National Cemetery Fund". An additional subaccount would need to be created in SHARE by FDB staff to account for the distributions to the Veterans' National Cemetery Fund and the Substance Abuse Education Fund. The distribution would follow the same voluntary contribution process that is already in place.

RAE/svb