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FISCAL IMPACT REPORT

SPONSOR Chasey **ORIGINAL DATE** 02/22/11 **LAST UPDATED** 03/01/11 **HJR** 23
SHORT TITLE Election of Superintendent of Insurance, CA **SB** _____
ANALYST Wilson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$104.0				General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

House Joint Resolution 23 will amend the Constitution to remove the Insurance Division from the PRC and make the Superintendent of Insurance an elected office.

In accordance with Section 1-16-4 NMSA 1978, upon receipt of the certified proposed constitutional amendment or other question from the Secretary of State, the county clerk shall include it in the proclamation to be issued and shall publish the full text of each proposed Constitutional amendment or other question in accordance with the constitution of New Mexico.

FISCAL IMPLICATIONS

Although the county clerk includes the proposed amendments in his/her proclamation, it is the responsibility of the State to pay for the costs associated with the publication per Section 1-16-11 NMSA 1978. The approximate cost per constitutional amendment is \$104,000.

The PRC provided the following:

Separating the Insurance Division from the PRC will result in significantly increased costs to the State. As a division within the PRC, the Insurance Division shares the cost of support functions such as the Chief of Staff, accounting, human resources, consumer relations, and computer assistance. Additionally, the Insurance Division maintains

computer software on servers owned by the PRC. Although the PRC's need for some of those support functions may decline somewhat if the Insurance Division is separated from the PRC, it is very likely that the cost to the Insurance Division of having to hire separately those support functions and acquiring their own servers will greatly exceed any cost savings to the PRC.

SIGNIFICANT ISSUES

The PRC notes that the appointment of a new Superintendent of Insurance has resulted in significant improvements in the Insurance Division's efficiency, method of operation and morale. Changing the Superintendent of Insurance from an appointed to an elected position and placing the Insurance Division into an entirely new agency would not, by themselves, result in improvements in the Insurance Division's performance beyond those that would be experienced if the status quo were maintained. Thus, the increased costs to the State of creating a separate insurance agency would not be accompanied by any commensurate benefits

The Insurance Division is an anomalous fit within the PRC since it is the only Division with its own statutes and with a division head, the Superintendent who is statutorily charged with executing those statutes. Since the establishment of the PRC, conflicts have continually existed between the Superintendents and the PRC over their relative bounds of authority.

ALTERNATIVES

The Governor could appoint the Superintendent of Insurance with the Insurance Department as a stand-alone agency under the Superintendent.

The joint resolution could also move the Insurance Department into a cabinet such as the Regulation & Licensing Department where the Financial Institutions Divisions is located.

DW/bym