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FISCAL IMPACT REPORT

ORIGINAL DATE 09/14/11
 SPONSOR Roch LAST UPDATED 09/16/11 HB 28/aHHGAC
 SHORT TITLE Medicaid and Supplemental Nutrition Assistance SB _____
 ANALYST Chabot/Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NMRRF account balance, estimated from \$4,640.8 to \$11,809.8	Nonrecurring	New Mexico Recovery and Reinvestment Fund (NMRRF)
	\$450.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$10,716.0 to \$27,270.0		Nonrecurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 3

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of HHGAC Amendment

The House Health and Governmental Affairs Committee amendments to House Bill 28 clarify the entire balance of the NMRRF fund is appropriated (not just the \$6.2 million on page 1) to HSD for the Medicaid program and that the \$450 thousand in the bill for the state supplemental

nutrition program is for program expenses and not to match federal funds. A second amendment clarifies that an amount equivalent to the transfer from NMRRF is made available from the current appropriations to address prior year Medicaid program shortfalls.

Synopsis of Original Bill

House Bill 28 appropriates to the Human Services Department (HSD) an estimated \$6.23 million dollars from the New Mexico recovery and reinvestment fund (NMRRF) for the purpose of increasing the appropriation for Medicaid in the first quarter of FY12 and \$450.0 thousand dollars from the general fund for FY12 to match federal funds for the federal supplemental nutrition assistance fund.

FISCAL IMPLICATIONS

The appropriation from the NMRRF will draw all money from the fund leaving no balance to be reverted to the federal government. This is within the original purpose for creation of the fund in NMSA 1978 Section 6-4-2.5.

HSD estimates that the NMRRF balance, which was \$4,640.8 million at June 30, 2011, may increase to \$11,809.8 based upon outstanding reversions pending from HSD and the Department of Health (DOH). Because the federal matching rate is 69.78%, the additional Medicaid funds received by the state would range from \$10.7 million to \$27.2 million depending on the final amount transferred from the NMRRF fund.

Federal stimulus funds have been used to continue the state SNAP supplement the first quarter of FY12. The appropriation of \$450.0 thousand contained in this bill will continue the state SNAP supplement through the remainder of FY12. The agency has requested funding for this program to continue in their FY13 budget request. Any unexpended or unencumbered balance of the \$450 thousand remaining at the end of FY12 shall revert to the general fund.

SIGNIFICANT ISSUES

Section 1 of the bill provides for appropriation of funds from NMRRF which was created by Laws 2009 Chapter 126 to provide a fund separate and apart from the general fund to capture unexpended Medicaid appropriations resulting from a change in the federal medical assistance percentage contained in the federal American Recovery and Reinvestment Act of 2009. Any revenues deposited in the fund must be used by the end of the first quarter of FY12 or the funds will be returned to the federal government.

According to the governor's proclamation for the first special session of the 50th Legislature, an estimated \$6.23 million is available in the fund; however, the Statewide Human Resources, Accounting and Financial Management Reporting System (SHARE) fund balance for the NMRRF (Fund 10820) is \$4.64 million. The Department of Finance and Administration (DFA) and HSD are trying to reconcile the fund and make deposits of revenue owed to it. HSD estimates the fund balance may grow to \$11.8 million when the deposits are made. This estimate is found in the following table:

New Mexico Recovery and Reinvestment Fund

(\$ in thousands)	Estimate
NMRRF Balance	\$4,640.8
FY10 and FY11 DOH Reversions	\$2,270.0
FY10 HSD Reversion	\$4,899.0
Total	\$11,809.8

Provisions in the enabling statute allowed the governor, with state board of finance approval, to transfer balances to the general fund at the end of FY09, FY10 or FY11 if there was insufficient general fund to meet obligations. All other transfers require appropriation by the Legislature and must solely be used for Medicaid expenses.

Any transfer from the NMRRF fund will provide an FY12 budget increase for the Medicaid program. Currently, HSD estimates that expenditures could exceed budgeted revenues by up to \$17.9 million for FY12 for the Medicaid program. The revenue from the NMRRF would therefore help reduce the general fund shortfall for the Medicaid program. However, the HSD Medicaid budget includes a \$19.6 million set-aside to pay back the federal government if certain expenditures are denied by the federal government. This has been included in the Medicaid forecast for several years but there has been no action on the part of the federal government to collect these funds. If the transfer from the NMRRF fund is not needed to address an FY12 shortfall, the extra revenue in the Medicaid budget could also be used to pay down a portion of up to negative balances in the state treasury (exceeding \$100 million) that have accumulated due to Medicaid administrative billing and claiming errors. Suggested language to achieve this objective is provided below under “amendments.”

Section 2 of the bill appropriates \$450 thousand “to provide matching funds for the federal supplemental nutrition assistance program (SNAP).” However, the funds actually are for a state supplemental program as SNAP is a 100 percent federally funded program and requires no state match. According to HSD, the funding is to provide state funding of up to \$9 per month to supplement the federal program for seniors and disabled household to ensure individuals receive a distribution of \$25 per month. HSD estimates 4,927 individuals will use the state supplement in FY12.

An issue is whether or not the state can afford to supplement federal programs which may face reductions in the future. The Legislature considered this request in the 2011 Session but did not fund it in the GAA. The GAA of 2011 appropriated \$39 million from the general fund to the HSD Income Support Division. The agency states none of the appropriation is available to provide funding for state supplement to SNAP.

The bill has an emergency clause.

PERFORMANCE IMPLICATIONS

Performance measures for the Medicaid program are included in the GAA of 2011; however, there are no performance measures for a state funded nutrition program. HSD does have internal measures in its Strategic Goal 3: Combat Hunger and Improve Nutrition.

DUPLICATION

House Bill 28 is duplicated by Senate Bill 3.

AMENDMENTS

The following amendments are suggested to address technical issues with the legislation and to provide additional clarity in the use of the NMRRF funds:

- 1) The bill contains an estimate of \$6,230,000 which is subject to change. To clarify that the bill will appropriate the entire balance of the funds the following changes are suggested:
 - a. Page 1, line 19 strike “entire”.
 - b. Page 1, line 20 strike the comma.
 - c. Page 1, line 21 strike entire line.
 - d. Page 1, line 22 strike “(\$6,230,000),”.
- 2) To clarify that the proceeds from the NMRRF fund can help HSD address prior year over-expenditures the following changes are suggested:
 - e. Page 2, line 1 add new SECTION 2. APPROPRIATION ADJUSTMENT GENERAL APPROPRIATION ACT OF 2011.—The general fund appropriation in the other category for the Medical Assistance program of the Human Services Department includes an amount equal to the transfers from the New Mexico recovery and reinvestment fund received after September 1, 2011 that will be used to address shortfalls in FY11 and prior years.
- 3) To clarify that the general fund appropriation for the supplemental nutrition assistance program is for program expenses and not to match federal funds the following changes are suggested:
 - f. Page 2, line 1 strike “2” and insert “3”.
 - g. Page 2, line 5 strike “matching funds for the federal” and insert “supplement the federal supplement assistance program month benefit for elderly or disabled households without earned income.”
 - h. Page 2, line 9 strike “3” and insert “4”.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The balance remaining in the NMRRF at the end of the first quarter of FY12 will be returned to the federal government, and there will be no state supplement to the federal SNAP program.

GAC/svb