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## FISCAL IMPACT REPORT

**SPONSOR** Ruiloba **ORIGINAL DATE** 1/24/2016  
**LAST UPDATED** 2/4/2016 **HB** 62/aHSCAC

**SHORT TITLE** Law Enforcement Protection Fund for Training **SB** \_\_\_\_\_

**ANALYST** Rogers

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
\$0.0	\$200.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
\$0.0	(\$1,900.0)	(\$1,900.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB101

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)

Department of Public Safety (DPS)

### SUMMARY

#### Synopsis of HSCAC Amendment

The House Safety and Civil Affairs Committee amendment to House Bill 62 replaces references to "regional facilities" with "satellite academies."

The bill defines a satellite academy as a law enforcement training academy housed at a community college, college, or university in the state that is not associated with a particular law enforcement agency. The amendment also increases nonrecurring appropriations to regional facilities and the NM law enforcement academy from \$50 thousand to \$200 thousand for fiscal

year 2017.

DFA explains that there are currently two satellite academies that would be added to the current list of institutions eligible for a distribution of \$50 thousand each: Western New Mexico College and Southeastern New Mexico Junior College.

### Synopsis of Bill

HB 62 amends Section 29-13-2.1 NMSA 1978, to include certified regional law enforcement training facilities and the New Mexico Law Enforcement Academy (LEA) in the Law Enforcement Protection Fund (LEPF) Act.

This bill also amends Section 29-13-4 NMSA 1978 by adding a \$50 thousand flat rate distribution for each of the eight regional facilities and the LEA and increases funding per certified officer for qualifying tribal, municipal and university police and county sheriff departments from \$600 to \$1,000.

This bill also amends Section 29-13-7 NMSA 1978 to allow for regional facilities and the LEA to use LEPF distributions to provide basic, advanced or in-service law enforcement training and for purchasing equipment directly related to the training.

The bill makes a \$50 thousand non-recurring appropriation from the state General Fund to the LEPF in fiscal year 2017 for advanced officer training at regional facilities and the academy.

### **FISCAL IMPLICATIONS**

Remaining balances of the LEPF at the end of the fiscal year currently revert back to the general fund. Increasing LEPF distributions results in a corresponding decrease in the balance available for reversion to the general fund.

As amended by the House Safety and Civil Affairs Committee, DFA estimates that, for FY17, the increase in LEPF distributions will be \$1.9 million with a corresponding decrease of \$1.9 million in reversions to the general fund. The \$200 thousand non-recurring appropriation contained in the bill would impact FY17 only.

Currently, any balances in the LEPF revert to the general fund at the end of each fiscal year. Increasing distributions from the LEPF will have an impact on the general fund by lessening the amount of reversions. As amended, both the LFC and the DFA estimate that \$200 thousand less overall will be reverted from the fund in FY17 if the bill becomes law. The estimated total distributions out of the LEPF will be \$1.9 million for FY17.

DFA explained that the LEPF is funded from 10 percent of all money received for fees, licenses, penalties and taxes from life, general casualty, and title insurance business pursuant to the New Mexico Insurance Code, meaning that the revenue received will fluctuate from year to year depending on volume of related insurance business activity.

DFA stated that amending Section 29-13-4C(3) NMSA 1978 would allow for an additional distribution of \$450 thousand from the LEPF based on the current eight regional facilities and the LEA (9 x \$50 thousand = \$450 thousand). In future fiscal years, this amount could change if

new regional facilities are established or existing regional facilities are closed. The \$50 thousand non-recurring appropriation contained in the bill would reduce the impact to the LEPF for FY17 only.

DFA stated that by increasing the per officer allocation from \$600 to \$1,000, based on the 3,901 certified officers funded in FY16 for all qualifying departments, there would be an additional LEPF distribution of  $\$400 \times 3,901 = \$1,560,400$ .

LFC analysis, in concurrence with DFA analysis, shows that there is a negative general fund impact of almost \$1.7 million as a result of the original provisions of HB62. The LFC provided the following analysis of allocations made from the LEPF to the entities identified in HB62:

LFC Analysis of Nonreverted Funds to the General Fund if HB62 is Enacted			
	FY 17	FY 18	FY 19
<b>Current Projected Reversions:</b>	<b>\$ 18,200.0</b>	<b>\$ 19,300.0</b>	<b>\$ 20,300.0</b>
Allocation amounts from HB62:			
Counties	\$ 494.0	\$ 494.0	\$ 494.0
Municipalities	\$ 1,021.2	\$ 1,021.2	\$ 1,021.2
Tribes	\$ 34.0	\$ 34.0	\$ 34.0
Universities	\$ 29.6	\$ 29.6	\$ 29.6
State and Satellite Academies (as amended, adds two satellite academies)	\$ 150.0	\$ 150.0	\$ 150.0
Total <i>Negative</i> impact on General Fund (Reversion of balance over \$100K)	<b>\$ 1,728.8</b>	<b>\$ 1,728.8</b>	<b>\$ 1,728.8</b>
<b>New Projected Reversions</b>	<b>\$ 16,471.2</b>	<b>\$ 17,571.2</b>	<b>\$ 18,571.2</b>

LFC analysis shows that historical reversions from the LEPF were \$7.6 million in FY15, and are projected to be \$15.2 million in FY16.

Historical Reversion from the LEPF	
FY10	\$ 9,920.2
FY11	\$ 9,089.3
FY12	\$ 8,291.1
FY13	\$ 4,575.5
FY14	\$ 3,936.3
FY15	\$ 7,641.5
FY16	\$ 15,200.0

DPS stated that the \$50 thousand that HB 62 would provide would support the basic and advanced officer training programs of the DPS LEA. However, DPS did note that tribal agencies that cite non-Indians into tribal court for civil criminal citations are not eligible to receive the funds.

**SIGNIFICANT ISSUES**

Both the DFA and the LFC believe the most significant issues regarding the bill are its negative fiscal impact to the state general fund and uncertainties surrounding the amount of annual revenue received by the LEPF.

Annual revenues into the LEPF are dependent on the business activity of specific types of insurance. Changes in the insurance industry can make it difficult to make accurate annual

revenue projections.

It is also difficult to project the amount of the transfer that is needed for a particular fiscal year in order to keep the Survivor's Fund at a minimum balance of \$350 thousand as required in Section 29-13-4B NMSA 1978.

This bill also amends Section 29-13-4D NMSA 1978, which allows DFA Local Government Division to reduce allocations if there is insufficient fund balance to permit for the total allocations provided in the act, to include reductions in distributions and allocations to regional facilities and the academy.

DPS believes that HB 62 will have a positive effect on the nine law enforcement academies in New Mexico, including the DPS LEA. While all nine law enforcement academies in NM have established their basic training programs, the bill will allow all nine academies to expand additional training offerings and assist in purchasing much needed equipment for both basic and advanced trainings.

### **ADMINISTRATIVE IMPLICATIONS**

If this bill is enacted, the DFA Local Government Division will have to process payments for the LEA and the regional facilities as part of the LEPF distribution.

The DFA Local Government Division would also be required to update the LEPF Rule, 2.110.3 New Mexico Administrative Code, to include the additional distributions and allowable expenditures included in this bill.

### **RELATIONSHIP**

HB 62 relates to HB 101. HB 101 also amends NMSA 1978, Section 29-13-2.1 to include certified regional law enforcement training facilities and the New Mexico Law Enforcement Academy in the Law Enforcement Protection Fund (LEPF) Act.

This bill also amends NMSA 1978, Section 29-13-4 as follows: 1) increases the minimum balance maintained in the Peace Officer's Survivor's Fund from \$350 thousand to \$750 thousand, which is supported by transfers from the LEPF; 2) increases entitlements for municipal police and county sheriff's departments by \$20 thousand for each "Class", as classified by population using the most recent decennial census; 3) changes the per officer allocation from \$600 to an amount determined by dividing the remaining LEPF balance so that an equal amount is allocated for each tribal, municipal, university and county certified officer; and 4) deletes section D, which currently allows DFA, Local Government Division to reduce LEPF distributions when the fund balance is insufficient to cover total distributions/allocations.

This bill also amends NMSA 1978, Section 29-13-6A to specify that 10 percent of the LEPF balance first be distributed as follows: 25 percent to the New Mexico Law Enforcement Academy and 75 percent equally among regional facilities. These distributions would be made before any other LEPF distributions.

This bill also amends NMSA 1978, Section 29-13-7 to allow for regional facilities and the New Mexico Law Enforcement Academy to use LEPF distributions to provide basic, advanced or in-

service law enforcement training and for purchasing equipment directly related to the training.

HB 101 has a negative general fund impact of \$8,587.3 thousand in FY17.

**OTHER SUBSTANTIVE ISSUES**

Currently, NMSA 1978, Section 29-13-4B requires that transfers to the Peace Officer's Survivor's Fund be made out of LEPF balances as necessary to maintain a minimum \$350 thousand balance in the Survivor's Fund. DFA is concerned about difficulties in projecting the transfer amount for a given fiscal year. When a law enforcement officer is killed in the line of duty, the officer's family receives a \$250 thousand payment. Recently, in one year, \$750 thousand was paid out to surviving families.

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