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FISCAL IMPACT REPORT

ORIGINAL DATE 02/23/21
 SPONSOR Lundstrom LAST UPDATED 04/13/21 HB 2
 SHORT TITLE General Appropriations Act of 2021 SB _____
 ANALYST Sallee

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$7,324,938.2	Recurring	General Fund
	\$4,477,259.2	Recurring	Other State Funds
	\$730,380.3	Recurring	Internal Service Funds/Interagency Transfers
	\$8,843,543.2	Recurring	Federal Funds
	\$98,539.0	Recurring	General Fund
\$1,670,770.8		Nonrecurring	General Fund
\$123,326.3		Nonrecurring	Other State Funds
\$100.0		Nonrecurring	Internal Service Funds/Interagency Transfers
\$32,854.2		Nonrecurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Bill 2 appropriates money from the general fund, other revenue, internal services funds/interagency transfers, and federal funds for the FY22 operation of state agencies, higher education, and public schools.

- Section 1, Short Title
- Section 2, Definitions
- Section 3, General Provisions

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- Section 4, FY22 Appropriations
- Section 5, Special Appropriations
- Section 6, Supplemental & Deficiency Approps
- Section 7, Data Processing Appropriations
- Section 8, Compensation
- Section 9, Transportation
- Section 10, Fund Transfers
- Section 11, Additional Contingent Appropriations
- Section 12, Additional FY21 BAR Authority
- Section 13, FY22 BAR Authority
- Section 14, Transfer Authority
- Section 15, Severability

There is no effective date of this bill, however a General Appropriation Act goes into effect upon signature of the Governor.

FISCAL IMPLICATIONS

The appropriations contained in this bill can be summarized as follows:

HAFC Substitute for HB 2 & HB 3 - General Appropriations Act					
	General Fund	Other State Funds	Internal Service Funds/ Interagency Transfers	Federal Funds	Total
Section 4. Recurring Appropriations					
<i>GENERAL APPROPRIATION ACT:</i>					
A. LEGISLATIVE	\$4,315.8	\$0.0	\$0.0	\$0.0	\$4,315.8
B. JUDICIAL	\$323,286.5	\$26,970.3	\$14,610.0	\$4,821.4	\$369,688.2
C. GENERAL CONTROL	\$156,695.2	\$1,559,625.5	\$105,827.4	\$27,374.4	\$1,849,522.5
D. COMMERCE & INDUSTRY	\$64,296.7	\$88,402.0	\$20,884.4	\$780.0	\$174,363.1
E. AGRICULTURE, ENERGY & NATURAL RESOURCES	\$77,909.1	\$85,379.0	\$19,336.7	\$41,615.3	\$224,240.1
F. HEALTH, HOSPITALS & HUMAN SERVICES	\$1,969,536.2	\$305,742.0	\$487,937.8	\$7,120,702.6	\$9,883,918.7
G. PUBLIC SAFETY	\$474,104.5	\$101,508.1	\$24,122.2	\$71,199.2	\$670,934.0
H. TRANSPORTATION	\$0.0	\$597,007.0	\$12,300.0	\$404,145.4	\$1,013,452.4
I. OTHER EDUCATION	\$34,271.5	\$37,335.4	\$796.1	\$44,803.4	\$117,206.4
J. HIGHER EDUCATION	\$866,798.6	\$1,613,436.8	\$44,565.7	\$641,801.5	\$3,166,602.6
K. PUBLIC SCHOOL SUPPORT	\$3,353,724.1	\$62,353.1	\$0.0	\$486,300.0	\$3,902,377.2
Recurring Grand Total Section 4	\$7,324,938.2	\$4,477,759.2	\$730,380.3	\$8,843,543.2	\$21,376,621.0
Sections 5, 6, 7,					
Section 5. Special Appropriations	\$121,597.6	\$99,548.0	\$100.0	\$0.0	\$221,245.6
Section 6. Supplemental and Deficiency Appropriations	\$30,134.2	\$284.2	\$0.0	\$0.0	\$30,418.4
Section 7. Information Technology Appropriations	\$0.0	\$23,494.1	\$0.0	\$32,854.2	\$56,348.3
Section 8. Compensation Appropriations	\$98,539.0	\$0.0	\$0.0	\$0.0	\$98,539.0
Section 9. Road Appropriations	\$500,000.0	\$0.0	\$0.0	\$0.0	\$500,000.0
Section 10. Fund Transfers	\$260,000.0	\$0.0	\$0.0	\$0.0	\$260,000.0
Section 11. Additional Contingent Appropriations	\$660,500.0	\$0.0	\$0.0	\$0.0	\$660,500.0
Non-Recurring Grand Total	\$1,670,770.8	\$123,326.3	\$100.0	\$32,854.2	\$1,827,051.3

Appropriations from the general fund revert to the general fund at the end of FY22, or unless otherwise indicated in the bill or provided by law.

OTHER SUBSTANTIVE ISSUES

The Senate Finance Committee amendment for the General Appropriation Act would appropriate, with the feed bill, a total of \$7.44 billion for FY22, an increase of 4.9 percent over the current budget year with much of the \$344 million increase used to restore general fund dollars to costs temporarily covered with federal funds.

Public Education. HB2 Sub makes general fund appropriations for FY22 of \$3.39 billion, up \$175 million, or 5.5 percent from FY21. HB2 provides \$110 million for extended learning time programs, or 10 extra days for all grades K-12, and \$120 million for K-5 plus programs, which provide an extra 25 days for all at-risk elementary schools. HB2 also eliminates credit for local revenue, notably impact aid. Federal stimulus in December 2020 will provide school districts an additional \$439 million and the recently enacted federal American Rescue Plan of 2021 further provides an additional \$1 billion for public school operations, addressing possible enrollment losses not covered by the formula. Section 5 also includes \$20 million for targeted funding to at-risk schools (the family income index) and the bill includes fund transfers of \$20 million for community schools. The amendment adds \$692 thousand for food and nutrition programs.

Higher Education. Despite declining enrollment in college campuses, HB2 increases Instruction and General Funding including replacing the federal fund swap. The HB2 amendment increases the opportunity scholarship program by \$2 million in recurring appropriations and another \$11 million non-recurring appropriations. The amendment adds another \$10.5 for the lottery scholarship in addition to the \$5 million special appropriation included in the House version of the bill. The amendment boosts athletics programs \$500 thousand each at NMSU and UNM, adjusts I&G appropriations for WNMU and ENMU.

Health and Human Services. HB2 increases general fund appropriations for Medicaid by \$64 million. This replaces the FY21 federal fund swap and will support a temporary increase in enrolment of about 10 percent based on an enhanced federal match of 6.2 percent at least through the end of calendar 2021.

FY22 general fund appropriations to the Department of Health are \$313 million, up \$10 million or 3.4 percent. The appropriations, with the enhanced Medicaid match, allow continued expansion of the community supports waiver for clients with developmentally disabilities and the bill expands funding for teen suicide prevention.

The SFC amendment boosts Aging network funding by \$633 thousand, \$1.3 million for the Environment Department, and \$600 thousand for CYFD to expand a texting program for youth needing protective services.

Education Retirement. An amendment to section 8 of the bill provides \$34 million to DFA to distribute to schools and universities to increase the employer contribution rate for FY22 by one percent to 15.15 percent. The Education Retirement Fund's Annual Report showed assets of \$13 billion and an unfunded liability as least \$7.9 billion.

Early Childhood. Total appropriations to the Early Childhood Education and Care Department are up \$22 million to expand pre-k, expand home visiting, increase provider rates for the family infant toddler program, and increase funding to support child care workers. Section 5 includes \$7 million to endow early childhood positions at institutions of higher education to help address the need for more high quality, early childhood educators contingent on institutional matching funds.

Public Safety. The General Fund appropriation for the corrections department is about flat in FY22, but an inmate population decline of more than 10 percent allows investment in recidivism reduction programs, substance abuse treatment programs, and extra raises of about 6 percent for public correctional officers.

The general fund appropriation to the Department of Public Safety, also flat at \$129 million takes advantage of vacancy savings to implement an additional recruit school, provide training for officers and maintain 6 percent state police officer raises implemented in FY21.

Compensation. HB2 provides a 1.5 percent cost of living adjustment for all school, higher education and agency employees at a cost of \$64.5 million. The bill appropriates \$600 thousand for an additional 2 percent increase for judges as a recurring special appropriation in Section 5.

Special, Supplemental and other Appropriations. HB2 has one-time general fund appropriations in Sections 5 and 6 of \$119 million. Significant items include \$5 million for tourism marketing, \$17.5 million for LEDA, \$7 million for JTIP, \$12 million for water litigation, \$3 million for state police vehicles, \$20 million to pay school districts for impact aid credits, \$4 million for the State Fair, \$7.6 million for a GSD health insurance shortfall (up \$1 million in the amendment), and \$5 million for the Carlsbad brine wells. The amendment adds \$15.5 million to boost the lottery scholarship to 90 percent of tuition, adds \$11 million for the opportunity scholarship.

General Fund transfers include \$20 million to the early childhood trust fund, \$20 million for teacher affordability scholarships, \$5 million for teacher loan repayment. The amendment adds \$5 million for the higher education endowment fund and reduces the transfer for college affordability scholarships down to \$15 million. The amendment transfers \$100 million to the lottery scholarship fund to support future scholarships contingent on transfers of federal stimulus aid to the appropriation contingency fund.

Section 10 makes General Fund appropriations of \$300 million for state and local transportation programs. The \$170 million in state projects were identified based on priorities for major investment projects and smaller projects identified by DOT. SFC amendments provide that DOT “may” expend the appropriations on the identified projects and lists additional projects valued at \$85 million identified by legislative staff from DOT plans. The section includes an additional \$200 million contingent on transfers of the state of New Mexico’s share of the coronavirus COVID-19 state relief funding from the federal American Rescue Plan.

American Rescue Plan/Federal Stimulus Plan. President Biden recently signed the federal American Rescue Plan stimulus bill. The bill includes \$350 billion in broad coronavirus relief aid to states, tribes and localities. The Federal Funds Information Service reports the State of New Mexico should receive \$1.6 billion for emergency responses, services impaired by lost revenue and certain infrastructure projects. SFC amendments provide for the deposit of the Federal revenue in Appropriation Contingency Fund of the General Fund. Further the amendments provide for use

of \$1.1 billion to replace lost revenue. The amendment spends \$600 million for unemployment insurance costs, among other items.

Other Key Related Bills. The General Fund financial summary reflects \$402 million for economic relief measures, SB1, SB2 and HB11. The financial summary also includes SB377, a Supplemental General Appropriation Act, with \$325 million from the General Fund to replenish the Unemployment Trust Fund, \$25 million for member initiatives and \$30 million for broadband.

General Fund Reserves. The financial summary shows FY22 ending General Fund balances of \$1.77 billion, or almost 24 percent. The financial summary excludes revenue and spending from the state of New Mexico's share of the coronavirus COVID-19 state relief funding from the American Rescue Plan due to all the contingencies.

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