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FISCAL IMPACT REPORT

SPONSOR Lujan DATE TYPED 3/8/05 HB 10/aHF1#1

SHORT TITLE National Guard Life Insurance Reimbursement SB _____

ANALYST Peery

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$1,000.0				Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
\$1,000.0			Recurring	Service Members Life Insurance Reimbursement Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General Office (AGO)
 Department of Military Affairs (DMA)
 Department of Veterans Services (DVS)
 State Treasurer's Office (STO)

No Response

Department of Finance Administration (DFA)

SUMMARY

Synopsis HFI #1 Amendment

House Floor Amendment #1 on page 2, line 6, strikes the wording “with limits up” and inserted in its place is “that are currently limited”. The new wording clarifies that the New Mexico National Guard members are eligible for life insurance policies that are currently limited to \$250,000 through the federal SGLI program.

Synopsis of Original Bill

House Bill 10 appropriates \$1,000.0 from the general fund to create the “Service Members’ Live Insurance Reimbursement Fund” in the State Treasurer’s Office to provide the New Mexico National Guard service members refunds for paid federal Service members Group Life Insurance (SGLI).

The bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$1,000.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

The proposed appropriation will refund the monthly premiums (\$16.25) to cover 4,300 active duty New Mexico National Guard members with an SGLI policy of \$250,000 for five quarters. Of the 4,300 active duty National Guard members, 265 are currently in combat zones.

Continuing Appropriations

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

ADMINISTRATIVE IMPLICATIONS

This bill would require the Department of Military Affairs to adopt rules regulating the program.

OTHER SUBSTANTIVE ISSUES

The Attorney General’s Office states that the dual federal and state nature of the New Mexico National Guard, the authority granted to the Legislature to provide for “maintenance”, the status of its members as “state employees”, and other benefits already conferred by state law, reimbursement to eligible members of the New Mexico National Guard for life insurance premium payments should be construed as part of their compensation for services to the state. The Attorney General’s Office feels it is unlikely that the reimbursement as specified in this bill would be held by a New Mexico Court to violate the “anti-donation” clause of the State Constitution.

Legislative Council Services states that eligibility as defined on page 3, line 9 through 15, of the proposed bill is for active duty National Guard members.

ALTERNATIVES

A recent Albuquerque Journal article states Defense Department officials have negotiated a proposed increase in military death benefits. The proposal has two main components. Designated beneficiaries or next of kin of service members killed in action would receive an additional payment of \$150,000 under SGLI regardless of coverage. Also, the lump-sum military death payment would be raised to \$100,000, but only from deaths resulting from combat. At current rates, monthly premiums for the added \$150,000 in coverage would be \$9.75. The \$400,000 maximum coverage would cost \$26 a month. Premiums on the first \$150,000 of SGLI coverage would be paid by the federal government while members service in combat areas. For the 2 percent of members who decline SGLI, the \$150,000 in coverage would take effect automatically while they serve in a combat area with the federal government picking up the cost. The death benefit legislation is expected to be approved by the House.

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