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FISCAL IMPACT REPORT

SPONSOR Lopez DATE TYPED 2/3/05 HB _____

SHORT TITLE Retiree Health Care Authority Expenses SB 322

ANALYST Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$950.0				Non-Recurring	Retiree Health Care Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 117, Senate Bill 224.

SOURCES OF INFORMATION

Department of Finance and Administration (DFA)
New Mexico Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

Senate Bill 322 would appropriate \$950 thousand to the Retiree Health Care Authority (RHCA) for operational expenses in FY05, including a Santa Fe satellite office. Any unexpended or unencumbered amounts would revert to the Retiree Health Care Fund at the end of FY05. The bill contains an emergency clause which would make the bill effective upon enactment

Significant Issues

RHCA believes a supplemental appropriation is essential to continue FY05 operations. The Department of Finance and Administration (DFA) counters that supplemental funding is not required since RHCA can request an increase in operating budget funds thru the budget adjustment review (BAR) process. There is also disagreement over the need for a satellite office for Santa Fe.

RHCA provides: the Governor line-item vetoed \$1,231.0 of the RHCA's operating funds for FY05 and proposed to partially re-appropriate the funds to the vetoed categories via BARs from the Benefits Division of the agency's budget, for selected activities only. The RHCA and other interested parties filed a lawsuit claiming that this funding mechanism would unconstitutionally

usurp the Legislature's sole authority to make appropriations; that suit is pending. An immediate supplemental appropriation for FY05 is critical to maintain program operations. This approach would address the immediate crisis without compromising either the Governor's or the RHCA's position. In addition, the establishment of a Santa Fe satellite office is critical to the agency's ability to fulfill its mission to the second-largest retiree population center in New Mexico, and has been requested by the members.

DFA notes that the agency already has statutory authority to increase its budget as necessary, without additional legislation and without having to draw upon the General Fund. This authority is provided in Section 11(E)(15) of the General Appropriation Act of 2004, which states "the retiree health care authority may request budget increases from internal service funds/interagency transfers and other state funds."

In regards to the satellite office, DFA notes that it is not clear why a satellite office in Santa Fe is necessary now that the agency has consolidated its operations in a single office in Albuquerque. Members of the Retiree Health Authority live throughout the state and a significant portion of the agency's business is conducted by telephone, fax, mail and email. Establishing a satellite office would be counter to the executive's goal of keeping the agency's administrative costs at a minimum by realizing cost efficiencies through consolidated operations within the agency and housing the agency in lower-cost state-owned space.

FISCAL IMPLICATIONS

RHCA asserts that supplemental funding is essential to continue their operations. They have already transferred \$410 thousand funding via BARs from the intact personal services category to the other category. However, without availing itself of a funding mechanism that it believes to be illegal (i.e. using budget increase authority) and with inadequate funds remaining in Personal Services, the RHCA will exhaust available funds by April 2005.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 224 and HB 117 provide RHCA with an appropriation of \$615 thousand for FY05 from the general fund.

ALTERNATIVES

According to DFA, this bill is not necessary--the agency can request any necessary increases to its FY05 budget under existing statutory authority, subject to State Budget Division approval. RHCA believes this would be unconstitutional.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

RHCA states that their program operations for the remainder of FY05 will be jeopardized.

GG/lg:yr