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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/07  
 SPONSOR Zanetti LAST UPDATED 2/20/07 HB 1238  
 SHORT TITLE Reversion of Military Service Insurance Fund SB \_\_\_\_\_  
 ANALYST Peery-Galon

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NA	NA	NA	NA

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Response Received From

Department of Military Affairs (DMA)  
 State Treasurer

#### No Responses Received From

Department of Finance Administration

### SUMMARY

#### Synopsis of Bill

House Bill 1238 amends Section 20-4-7.3 NMSA 1978 to make the Service Member's Life Insurance Reimbursement Fund a non-reverting fund in the State Treasury.

### FISCAL IMPLICATIONS

The Service Member's Life Insurance Reimbursement Fund was created to provide New Mexico National Guard service members refunds for paid federal Servicemembers Group Life Insurance (SGLI). DMA reports the reimbursements can occur months after the premiums are paid. Currently, statute does not state that the Service Member's Life Insurance Reimbursement Fund is reverting or non-reverting. Because of this, the Department of Finance Administration directs DMA to revert any money unexpended at the end of a fiscal year in the Service Member's Life Insurance Reimbursement Fund. DMA reports in fiscal year 2007, the reimbursements for SGLI will be deficient two months of funding due to the department paying two months costs from fiscal year 2006 from fiscal year 2007 funds. DMA states due to the money reverting from the

fund, the department will experience an annual deficit of \$250 thousand in paying SGLI.

**SIGNIFICANT ISSUES**

The Service Member's Life Insurance Reimbursement Fund is comprised of appropriations, gifts, grants, donations, bequests to the fund and income from investment of the fund. The State Treasurer states the proposed legislation would clarify that the fund holding and earnings are non-reverting. Interest earnings are based on the State Treasurer Office's general fund rate of return and is apportioned by the office on a monthly basis.

Both the LFC and executive recommended \$1,228,000 for the Department of Military Affairs for the Service Member's Life Insurance Reimbursement Fund in fiscal year 2008. This amount will refund the monthly premium of \$28.00 to cover approximately 3,936 New Mexico National Guard members with an SGLI policy of \$400,000.

**ADMINISTRATIVE IMPLICATIONS**

State Treasurer states the Service Member's Life Insurance Reimbursement Fund is administered by the Department of Military Affairs.

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