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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-25-09

SPONSOR Nunez LAST UPDATED \_\_\_\_\_ HB 781

SHORT TITLE Equine Protection Fund SB \_\_\_\_\_

ANALYST Aubel

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	Unknown	Unknown	Unknown	Equine Protection Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Administrator - DFA		\$55.0*	\$55.0*	\$110.0*	Recurring	General Fund
Administrator - NMLB		Minimal	Minimal	Minimal	Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

\* Estimated with DFA as the administrator of the fund. Fiscal impact would be minimal with the NMLB designated as the administrator.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Livestock Board (NMLB)  
 Department of Finance and Administration (DFA)  
 Board of Veterinary Medicine (BVM)

### SUMMARY

#### Synopsis of Bill

House Bill 781 creates the Equine Protection Fund in the State Treasury to receive funds from donations, appropriations and contributions. The fund is to be used to make grants to government entities or contract with persons to assist with the humane care, treatment,

rehabilitation and disposition of equines. The legislation identifies the Department of Finance and Administration (DFA) as the entity to administer the fund. The Secretary of DFA is to appoint an advisory committee that will make recommendations for disbursements from the fund. In addition, the Secretary is to adopt rules for disbursing money from the fund.

## **FISCAL IMPLICATIONS**

HB 781 does not provide for an appropriation but creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The fiscal impact of future appropriations is unknown. No general fund appropriations are made in the bill for FY10 and FY11, and it is unlikely—given revenue projections—that this scenario will change. However, other funding sources could materialize.

As currently structured, HB 781 establishes the Secretary of DFA as the administrator of the fund. This will add a level of oversight that will affect the department in terms of both to the time and attention this type of oversight entails. Assuming the program is initiated through some funding source, it can be reasonable assumed at least 1 FTE and other expenses would be required. Using the average state salary of \$42.1 thousand, with benefits this yields an annual cost of about \$55 thousand. Because no administrative fee is contained in the bill to cover program costs from the fund, this would be a recurring cost to the general fund.

However, most likely this cost could be avoided if the bill was amended to designate the NMLB the administrator of the fund, as it is likely that the current staff could assume program administration with minimal fiscal impact.

## **SIGNIFICANT ISSUES**

According to DFA, the Livestock Board has seen an increasing number of livestock cruelty reports. In all of 2007 there were 41; by September 2008 there were 134. The cases of animal cruelty are most likely increasing due to the economic situation as owners cannot afford to keep their animals fed.

BVM also points to another possible cause of the increase in animal cruelty. With the federal ban on horse slaughter, many states -- including New Mexico -- have experienced an increase in unwanted equines, particularly those that are aged or unsound. With the rising costs to maintain an equine, there are very few alternatives for the equine owner. Unfortunately, many have turned their animals out and many are starving to death. This fund would help ease the equine issue by providing more humane alternatives for equine owners

DFA provides the following suggestion regarding HB 781:

The Livestock Board's mission is to protect the integrity of New Mexico's livestock industry. The board's team consists of over 60 full time inspectors and over 60 full and part time deputies who continuously patrol and perform inspections around the state to help keep the state's livestock free from disease and safe from theft. The Office of the State Veterinarian is part of the Livestock Board and that office's team of veterinarians

collaborates with various government and private sector partners to ensure that the state remains free of disease. HB 781 should consider establishing the NMLB as the administrator of the fund rather than DFA since it is statutorily responsible for addressing livestock cruelty, abandonment and abuse issues.

According to the Livestock Board, the agency has already established a program for equine rescue:

In conjunction with the livestock industry, equine industry veterinarians and humane associations, a procedure for the care of abandoned and neglected horses has been established and implemented in New Mexico. The New Mexico Livestock Board licenses and reviews equine rescue facilities in the state. These facilities have subscribed to the standards of care as prescribed by the American Association of Equine Practitioners.

It would appear that this agency would have the expertise and connections to implement the objectives of this bill.

### **ADMINISTRATIVE IMPLICATIONS**

The Secretary of DFA has numerous responsibilities and already participates as a member of several boards, including the Board of Finance. It would appear adding another responsibility to oversee this program might be burdensome. It would also require DFA acquiring someone with the expertise on equines for adequate oversight.

Typically, such volunteer advisory committee members are partially compensated for their time by per diem reimbursements. HB781 does not provide for this compensation, which may reduce the pool of willing, knowledgeable participants.

In addition, such programs funded from special funds usually allow an administrative portion of the fund to cover program costs—such as any operating costs, including the per diem cost mentioned above. This administrative fee usually ranges from 1 percent to 2.5 percent.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

A funding source for protecting horses in New Mexico will not be created, which may result in a higher number of equine being unduly abused.