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FISCAL IMPACT REPORT

ORIGINAL DATE 03/10/09
LAST UPDATED 03/16/09 **HB** 920/HAFCS/aSFC

SPONSOR HAFC

SHORT TITLE Public Peace, Health, Safety and Welfare **SB** _____

ANALYST Earnest/Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
\$100,000.0 - \$150,000.0			Nonrecurring	NM Recovery and Reinvestment Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of SFC amendment

The Senate Finance Committee amendment includes mostly technical changes to clarify that the fund will capture unexpended appropriations, instead of excess revenues. In addition, in Subsection C, the amendment requires “the secretary of finance and administration, in consultation with the director of the Legislative Finance Committee,” to determine the source of the unexpended balances, instead of the director of the State Budget Division of DFA.

Synopsis of Original Bill

The House Appropriations and Finance and Committee substitute for House Bill 920 creates the New Mexico recovery and reinvestment fund, consisting of revenue attributable to an increase in the federal medical assistance percentage (FMAP) included in the federal stimulus bill – the American Recovery and Reinvestment Act (ARRA).

If revenue and transfers to the general fund at the end of FY09, FY10 or FY11 are not sufficient to meet general fund appropriations, unappropriated balances in the fund may be transferred by the governor, with Board of Finance approval, up to the amount needed to cover the shortfall.

Money in the fund may be appropriated by the Legislature solely for Medicaid expenses in FY10, FY11 and the first quarter of FY12.

The bill declares an emergency.

FISCAL IMPLICATIONS

The bill makes a significant change to statute governing state funds to comply with provisions of the recently enacted federal stimulus bill. Without the bill, the state may not be able to take advantage of the needed federal funds.

LFC estimates the FY09 reversion due to the enhanced FMAP to range from \$130 million to \$150 million. HSD estimated “more than” \$100 million. This reversion would be deposited in the fund. Any amount not transferred from the fund to meet FY10 appropriations will be available for Medicaid appropriations in FY10, FY11 and FY12.

Currently, general fund appropriations in the General Appropriation Act, as passed by the House, are in balance with FY10 revenue, including a \$103.7 million transfer from reserves. HB 920 creates extra insurance that FY10 will remain solvent with a responsible level of reserves. This is important given the downside risk to FY10 revenues due to continued weakness in the economy and energy markets.

SIGNIFICANT ISSUES

Section 5001(f)(6) of the federal stimulus bill, the American Reinvestment and Recovery Act (ARRA), makes a state ineligible for an increase if any of the funds are deposited in a reserve or rainy day account. The bill states:

STATE’S APPLICATION TOWARD RAINY DAY

A State is not eligible for an increase in its FMAP . . . if any amounts attributable (directly or indirectly) to such increase are deposited or credited into any reserve or rainy day fund of the State.

By New Mexico statute, all general fund reversions are deposited in the appropriation account as revenue in the current fiscal year. Any amount in the appropriation account not needed at the end of the fiscal year is transferred to the operating reserve account.

To ensure compliance with ARRA, this bill sets aside Medicaid reversions attributable to the FMAP increase for future appropriations to Medicaid or state budget shortfalls as intended by the federal stimulus bill.

The Human Services Department will be required to certify that the FMAP increase will not result an increase in state reserve funds. According to HSD “the American Recovery and Reinvestment Act requires that the Human Services Department make certain assurances that are enumerated in a letter from the Center for Medicare and Medicaid Regional Office. The department was notified that ‘With the acceptance of this grant award and draw of such funds from the Payment Management System sub account, you agree that: . . . 2) Your State is eligible for the increased FMAP because no amounts attributable (directly or indirectly) to such increased FMAP are deposited or credited to any reserve or rainy day fund of the State. (Section 5001(f) (3) of ARRA).’” This bill should help meet that requirement.