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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/09

SPONSOR Griego, P LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE GSD Equipment Replacement Plans and Fund SB 425

ANALYST Archuleta

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	Indeterminate	Indeterminate	Indeterminate	

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to House Bill 523

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

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>	Indeterminate	Indeterminate	Indeterminate			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

General Services Department (GSD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 425 requires GSD to establish, maintain and submit to the Department of Finance and Administration and the Legislature a 5 year equipment replacement plan and reconciliation report for each GSD's enterprise funds no later than December 1<sup>st</sup> of each year. The bill establishes an equipment replacement revolving fund that is to be used to administer each of GSD's revolving funds.

Income from investment of the funds shall be credit to the funds and money in the funds shall not revert at the end of a fiscal year. Expenditures from the funds shall be made only by appropriation from the legislature and only for the purpose of acquiring and replacing capital equipment used to provide enterprise services, pursuant to the 5 year equipment replacement plan.

The bill requires that the appropriate journal entries occur in each calendar quarter reflecting the applicable depreciation based on the departments published cost structures for the calculation of the rates. All transfers to these funds must reconcile with the recorded amounts due.

Lastly, the bill allows GSD to transfer operating funds to the replacement fund to establish beginning balances based on the FY09 audit.

### **FISCAL IMPLICATIONS**

According to GSD, the department would utilize the permissive language to establish the Vehicle Replacement Fund that would consist of approximately \$4.5 million for the purchase of vehicles under the control of GSD. Revenue collected for the lease of vehicles would be transferred from the Transportation Services Fund to the Vehicle Replacement Fund for the purpose of acquiring vehicles.

### **SIGNIFICANT ISSUES**

According to GSD, the bill would provide for a clear framework for indentifying monies to be separated for operational purposes from depreciation and replacement funds.

### **PERFORMANCE IMPLICATIONS**

Senate Bill 425 requires the development of a 5 year equipment replacement plan prior to expenditures occurring. According to GSD, this bill will provide for enhanced transparency and more accurate reporting and tracking of revenues and expenditures.

### **ADMINISTRATIVE IMPLICATIONS**

Senate Bill 425 will require GSD to reconcile monies collected for the replacement of equipment and transferred into the equipment replacement funds on a quarterly basis.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to House Bill 524 which creates the Vehicle Replacement Fund and the Transportation Services Division.

### **TECHNICAL ISSUES**

Senate Bill 425 indicates that transfers to the equipment replacement funds will begin July 1, 2009 and determined by the audited financial statements of the department as of June 30, 2009. The deadline for submitting the department's annual audit is December 15, 2009; therefore, it is unlikely that funds will be transferred to these funds in accordance with the replacement plan.