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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/13
LAST UPDATED 02/25/13 **HB** 252/aHJC

SPONSOR Rehm

SHORT TITLE Law Enforcement Fund & Retirement **SB** _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
(\$8,291.0)	(\$3,832.0)	(\$5,385.0)	(\$6,275.0)	(\$6,739.0)	Recurring	General Fund
	\$3,832.0	\$5,385.0	\$6,275.0	\$6,739.0	Recurring	Local Law Enforcement
\$8,291.0					Nonrecurring	PERA

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Public Employees Retirement Association (PERA)
 New Mexico Municipal League (NMML)

SUMMARY

Synopsis of HJC Amendment

The House Judiciary Committee Amendment clarifies that the balance normally reverted to the General Fund be instead transfered to PERA in FY13. The distributions to police departments would occur prior to the transfer.

Synopsis of Original Bill

House Bill 252 (HB 252) amends Section 29-13-4, 1978 to increase distributions from the Law Enforcement Protection fund to current recipients by one-third. Current recipients include municipal, county, university, and tribal police departments.

For the fiscal year ending June 30, 2013 the bill requires that any balance remaining in the fund be transferred to the employer accumulation account to reduce the unfunded liability of the

municipal police division retirement plan.

Effective Date: Emergency Clause

FISCAL IMPLICATIONS

The Law Enforcement Protection Fund receives 10 percent of all non-health related insurance premium taxes. Unencumbered balances are then reverted annually to the General Fund.

However, in FY13, there is a temporary provision to revert balance to the PERA fund. The distribution to local law enforcement would occur prior to that temporary reversion to PERA and reduce this amount by one-third. Thereafter, the annual reversion to the General fund would be reduced by one-third.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

SIGNIFICANT ISSUES

The amount of distributions to Municipal Police Departments has not been adjusted since 1993. The rate of inflation between 1993 and 2011 was approximately 50 percent and the increase proposed in this legislation matches that.

The New Mexico Municipal League supports increasing the distribution amounts to police agencies.

For the year ending June 30, 2012, the municipal police division is 65.8 percent funded and has a \$782.4 million unfunded liability.

Municipal police coverage plans 3, 4 and 5 allows retirement at any age with 20 or more years of credited service.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate