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FISCAL IMPACT REPORT

ORIGINAL DATE 3/01/2017

SPONSOR Maestas/Ely LAST UPDATED _____ HJM 19 _____

SHORT TITLE Earmarked & Agency Fund Study Committee SB _____

ANALYST Leger _____

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	*see fiscal implications	*see fiscal implications		*see fiscal implications	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 358
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (for HB 358)

SUMMARY

Synopsis of House Joint Memorial

House Joint Memorial 19 requests the Legislative Finance Committee (LFC) to name a subcommittee to study the proliferation of earmarked funds and statutory and agency-created administrative funds.

FISCAL IMPLICATIONS

Costs associated with HJM 19 would include mileage and per diem for subcommittee members and likely redirect staff and/or a contractor to staff the subcommittee. Costs could range up to \$50 thousand.

SIGNIFICANT ISSUES

HJM 19 tasks the subcommittee with the following:

- Consider whether earmarked or other special funds should retain the income from investment of funds or the money should go to the general fund;

- Study the revenue sources, management and efficiency of earmarked funds;
- Assess the costs and benefits of these separate funds, including whether the need for an earmarked fund still exists;
- Study statutory fees and state agency-created administrative fees, how they are accounted for, their uses and whether they are subject to appropriation by the legislature;
- Assess the practice of allowing state agencies to keep and budget fees rather than depositing them in the general fund; and
- Consider any other matter concerning earmarked funds, administrative fees and public money

The subcommittee report must be presented to the full legislative finance committee by November 1, 2017, including recommendations for legislative action.

DFA reports in its analysis to HB 358, there could be up to 400 funds that will need to be analyzed and understood. When coupled with various revenue streams, the combination requiring investigation could grow exponentially. The study would require the aid of resources outside of the core study committee, some of which may need to possess detailed knowledge of processes used by each fund's custodian and a thorough understanding, Governmental Accounting Standards, and the State's SHARE system.

PERFORMANCE IMPLICATIONS

The mission of the LFC is to provide the Legislature with objective fiscal and public policy analyses, recommendations, and oversight of state agencies to improve performance and to ensure accountability through the effective allocation of resources for the benefit of all New Mexicans. The LFC consistently produces evaluations and studies on a number of policy and fiscal issues. The LFC's Program Evaluation Unit maintains a work plan of evaluations and/or studies approved by the LFC. This study is not currently on the work plan and would require a reprioritization of pending evaluations and/or studies and approval by the LFC.

ADMINISTRATIVE IMPLICATIONS

DFA also points out that, a cooperative effort will need to be undertaken by state agencies. Over the next nine months, agency financial experts will be focused on the SHARE 9.2 Upgrade.

RELATIONSHIP

House Bill 358 proposes to create a new joint interim committee of the legislature, the public fees and funds study committee. The purpose of the committee is to:

- Study federal and state constitutional, statutory and rule provisions governing special funds;
- Study the proliferation of earmarked and other funds and accounts;
- Assess the costs and benefits of separate funds and accounts;
- Study statutory fees and state agency-created administrative fees;
- Assess the efficiency of allowing state agencies to keep and budget fees rather than depositing them into the general fund for appropriation by the legislature; and
- Study other matters pertaining to money received from the public and accounted for separately.

House Joint Memorial 19 – Page 3

House Bill 358 includes an appropriation of \$40 thousand.

The General Appropriation Act includes funding for the operations of the LFC.

JLL/jle