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FISCAL IMPACT REPORT

ORIGINAL DATE 2/12/19

SPONSOR Candelaria LAST UPDATED _____ HB _____

SHORT TITLE State Agency Fund Reversion Date SB 502

ANALYST Chabot

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Corrections Department (NMCD)

Department of Finance and Administration (DFA)

Energy, Minerals and Natural Resources Department (EMNRD)

Office of the State Auditor (OSA)

SUMMARY

Synopsis of Bill

Senate Bill 502 bill reduces the time for agencies to revert unreserved, undesignated general fund balances in reverting funds and accounts by August 31 each year instead of the current date of September 30. It reduces the time for the DFA FCD Director to adjust incorrect reversion to 30 days after the release of the agency audit. After the 30-day period, the director may modify an over-reversion in amounts less than \$10,000.

FISCAL IMPLICATIONS

The bill has no appropriation and has no direct fiscal impact but shortens the time to revert funds (see Significant Issues).

SIGNIFICANT ISSUES

DFA assesses accelerating the due date of reversions to August 31st will allow the State General Fund audit to be completed timely and will allow the State to move up the due date of all agency audits which should lead to a timelier CAFR. By also allowing the DFA/FCD Director the ability to adjust over-reversions up to \$10,000, this accelerated due date should not pose a large

issue to agencies that may submit incorrect reversions. The amended bill allows agencies to request adjustments up to 30 days after their final audit is released and also allows the FCD Director to adjust prior year over-reversions up to \$10,000 which will improve the efficiency in addressing minor over reversions.

The NMCD states this bill would have a moderate impact on the NMCD and other large agencies. Many of the fiscal deadlines to close out the year's end have been already been shortened. The Department typically relies on a review of the financial statements by external auditors before a reversion is calculated or determined. With the shortened deadlines imposed in this bill, this external audit review process may not always occur and the NMCD is likely to revert funds that have not been audited.

EMNRD has similar concerns and states federal fire reimbursements can take several months to collect all invoices. By reducing the reversion deadline by 30 days, the state would have a higher federal receivable on financial statements until actual federal reimbursement is collected.

TECHNICAL ISSUES

EMNRD assesses the language on page 2, lines 10-12 is awkward and could be ambiguous. It recommends it be changed to “The director may reduce an over-reversion from prior fiscal years by an amount no greater than ten thousand dollars (\$10,000).”

GAC/al