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FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/2020
 SPONSOR Ramos LAST UPDATED 2/12/2020 HB _____
 SHORT TITLE Fire Protection Fund Transfers for Volunteer SB 322
 ANALYST Martinez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(\$16,057.0) – (\$30,000.0)	(\$18,150.0) – (\$30,000.0)	(\$20,000.0) – (\$30,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 322 changes fire protection fund distributions by phasing out general fund transfers of remaining balances after all statutory percentage distributions are made within a five-year period. By 2024 zero transfers will be made to the general fund from the fire protection fund.

This bill also provides 20 percent of the money available in the fire protection grant fund to be used by the fire protection grant council for grants to assist volunteer firefighter recruitment and retention programs that give priority to underservice areas as determined by the council.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

SB322 will phase out transfers to the general fund from the fire protection fund by 2024. This will have a significant negative impact on the general fund revenue.

Fire protection fund transfers to the general fund:

- FY18: \$30.4 million
- FY19: \$22.4 million
- FY20: \$16.0 million (projected)
- FY21: \$18.1 million (projected)
- The general fund transfer for FY22 is projected to be approximately \$20 million; this is a low estimate based on the assumption the fire protection fund revenue will stay on trend with the last two fiscal year increases, without expenses such as the “burn building” in FY20, which cost \$2.3 million. However, it should be noted that transfers have been as high as \$30 million in the last five years.

A total of \$94.6 million was collected in fire protection fund revenue in FY19 (see chart below). Of that, \$56.6 million was distributed to local fire districts, \$9 million was distributed in grant funds, \$4.6 million was expensed within the PRC for staff and administrative purposes, \$750 thousand was distributed to the Public Employees Retirement Association, and \$22.2 million transferred to the general fund. New-Mexico-certified fire departments apply for fire protection grants on an annual basis. Counties are currently spending fire protection grant awards on facility improvements, firefighting equipment, dedicated fire suppression water supply, training, communication equipment, etc.

FY19 Fire Protection Fund Revenue & Expenditures	
Actual Fire Protection Fund (FPF) Revenue from OSI (per NM State § 59A-53.2) and PRC Fireworks Licenses (per NM Stat § 60-2C-4 D)	94,645,246
Less: FPF Distributions to Fire Districts (per NM Stat § 59A-53.4)	56,642,996
Less: PERA Distribution (per NM Stat § 59A-53-5.1 A. (1))	750,000
Less: FY19 Intra-Agency Transfer to P611 Operating Budget	489,700
Less: FY19 Intra-Agency Transfer to P612 Operating Budget	3,534,900
Less: FY19 Intra-Agency Transfer to P613 Operating Budget	661,500
Less: Intra-Agency Transfer to Fire Protection Grant Fund (FPGF) (per NM Stat § 59A-53-5.2 A. (4))	10,103,871
Reversion to State General Fund (Ties to FY19 Audit Report) Reverted 11.26.19	22,462,279

Source: Public Regulation Commission

FY20 Projected Fire Protection Fund Revenue & Expenditures	
2% Increase Estimated Fire Protection Fund (FPF) Revenue from OSI (per NM State § 59A-53.2) and PRC Fireworks Licenses (per NM Stat § 60-2C-4 D)	96,538,151
Less: FPF Distributions to Fire Districts (per NM Stat § 59A-53.4)	61,345,485
Less: PERA Distribution (per NM Stat § 59A-53-5.1 A. (1))	750,000
Less: Intra-Agency Transfers to Firefighter's Survivor Fund (per NM Stat § 59A-53-7 C.)	496,836
Less: FY20 Intra-Agency Transfer to P611 Operating Budget	489,700
Less: FY20 Intra-Agency Transfer to P612 Operating Budget	3,643,300
Less: FY20 Intra-Agency Transfer to P613 Operating Budget	661,500
Less: Burn Building Construction (per 2018 House Bill 306, Section 52 Capital Outlay Appropriation) to be Expended in FY20. ITB opened at State Purchasing on 12.6.19	2,300,000
Subtotal Amt. Left Before FPGF Distribution	26,851,330
40.02% FPGF Dist. Amt. (per NM Stat § 59A-53-5.2 A. (4)) (Amount provided to SFMO on 11.22.19 for Fire Grant Council allocation calculation to recipients and to be distributed in January, 2020)	10,794,235
Reversion to State General Fund	16,057,095

Source: Public Regulation Commission

The Public Regulation Commission provided the following:

This bill has no fiscal impact on the operating budget of PRC.

SIGNIFICANT ISSUES

SB322 Section 2A: Currently the fire protection fund receives the 3 percent premium tax on auto and fire insurance collected by the Office of the Superintendent of Insurance (OSI). The fees are collected in the insurance suspense fund within OSI and by statute transferred to the fire protection fund. Once in the fire protection fund, the diverted general fund revenue is then distributed according to statutory formula within the PRC. After all statutory formula distributions are made, the remaining balance then transfers back to the general fund.

SB322 Section 2A: Also removes the following language from Laws 2017, Chapter 1, “all FY17 balances of the... fire protection fund, fire protection grant fund... to revert rather than carry forward for spending in FY18.” Laws 2017, Chapter, 1 aligned each of the funds’ revenue with spending during the same fiscal year going forward beginning in FY18. The bill temporarily halted spending from the fire protection fund to the fire protection grant fund, thus transfers would began again in FY19 at the current allocation of 40.2 percent of remaining fire protection fund balances.

SB322 Section B1: Removes the accounting correction made in Laws 2017, Chapter 1, that aligned the fire protection funds revenue with spending during the same year and replaces it with “distributions shall equal the total amount to be distributed during the succeeding year.”

The Public Regulation Commission provided the following:

The shortage of volunteer firefighters in the state affects fire protection services in communities and increases insurance rates for New Mexico insurance consumers within those communities. Co-contributing factors to increased insurance rates are the absence of dedicated fire protection water systems and necessary equipment for firefighters and fire suppression.

PERFORMANCE IMPLICATIONS

The Public Regulation Commission provided the following:

Lack of volunteer firefighters, water sources and fire suppression equipment increases insurance rates for N.M. insurance consumers in underserved communities.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The Public Regulation Commission provided the following:

The NM Fire Grant Fund exists to supplement the allotments from the Fire Protection Fund received through the PRC and State Fire Marshal from insurance premiums paid by citizens of the state of New Mexico. State law provides for the distribution of fire grant funds as supplemental allocations to fire departments that are certified by the SFMO and fulfill the requirements set forth in the fire grant application process. The Fire Grant Fund

provides support under NMSA Chapter 59A article 53-18 and 19. Per criteria set forth in 19 (D) (6) funding may be utilized “for stipends for volunteer firefighters in underserved areas.” In response to a declining volunteer firefighter service to increase recruitment and retention, additional funding is requested.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Public Regulation Commission provided the following:

New Mexico is currently experiencing a shortage of volunteer firefighters and does not have a steady flow of new personnel to provide fire protection services in underserved areas of the state. The inability to maintain minimum staffing levels as required by national fire protection standards will affect insurance rates resulting in higher premium rates for the consumer.

JM/sb