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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 03/02/21

**SPONSOR** HAFC **LAST UPDATED** \_\_\_\_\_ **HB** 238/HAFCS

**SHORT TITLE** Fire Protection Grant Fund Changes **SB** \_\_\_\_\_

**ANALYST** Rabin

### REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24		
NFI	(\$19,070.4)	(\$20,070.4)	(\$20,570.4)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates Senate Bill 256 (as amended by STBTC)

### SOURCES OF INFORMATION

LFC Files

#### Responses to Introduced Bill Received From

Department of Finance and Administration (DFA)  
Governor's Office  
New Mexico Counties

#### Responses to Introduced Bill Not Received From

Department of Homeland Security and Emergency Management (DHSEM)

### SUMMARY

#### Synopsis of Bill

The House Appropriations and Finance Committee (HAFC) substitute for House Bill 238 amends statute governing the fire protection fund (FPF) to mandate that 100 percent of projected remaining balances in the fund be distributed to the fire protection grant fund (FPGF). The bill further modifies the FPGF to be nonreverting and directs any monthly interest earned on its cash balances be credited to the fund. Currently, 40.2 percent of projected FPF balances are distributed to the FPGF, with the remaining projected balance and any residual year-end funds in excess of projected balances reverting to the general fund; remaining balances in the FPGF also revert to the general fund.

The bill further requires the Fire Protection Grant Council to develop criteria for assessing the

critical needs of recruiting and retention programs for volunteer fire fighters, and provides that grant assistance to pay stipends to volunteer firefighters may be considered for areas not deemed “underserved areas.”

The effective date of this bill is July 1, 2021.

**FISCAL IMPLICATIONS**

The FPF and FPGF intercept general fund revenue and redirect it toward distributions and grants to local fire departments. Remaining balances at the end of the fiscal year revert to the general fund, so any changes to the fund's revenues or distributions will impact the general fund.

Under current law, 40.2 percent of projected FPF balances are distributed to the FPGF, with the remaining balance (including any residual year-end balances) reverting to the general fund; remaining balances in the FPGF also revert to the general fund. In FY20, general fund reversions from the FPF totaled \$13.9 million, and the Public Regulation Commission (PRC) projects \$15.8 million in reversions in FY21.

Based on prior year revenues and expenditures, as well as requested expenditures for FY22, this analysis projects general fund reversions from the FPF under current law of \$18.9 million in FY22, \$19.9 million in FY23, and \$20.4 million in FY24. Detail of projected revenues and expenditures are outlined in the chart below:

**Projected Fire Protection Fund Revenue & Expenditures**  
FY21 to FY24

Revenue/Expenditure	FY21	FY22	FY23	FY24
<b>Estimated fire protection fund (FPF) revenue</b>	<b>\$94,256.8</b>	<b>\$94,256.8</b>	<b>\$95,092.9</b>	<b>\$95,929.0</b>
FPF Distributions to fire districts (including payment of NMFA loans) and 40.2% FPGF distribution	\$70,864.3	\$69,000.0	\$69,336.1	\$69,672.2
PERA distribution	\$750.0	\$750.0	\$750.0	\$750.0
Operational costs for State Fire Marshal's Office	\$4,531.8	\$5,125.0	\$5,125.0	\$5,125.0
Burn building construction costs	\$2,300.9	\$500.0	\$0.0	\$0.0
<b>Total expenditures</b>	<b>\$78,446.9</b>	<b>\$75,375.0</b>	<b>\$75,211.1</b>	<b>\$75,547.2</b>
<b>Reversion to General Fund</b>	<b>\$15,809.9</b>	<b>\$18,881.8</b>	<b>\$19,881.8</b>	<b>\$20,381.8</b>

Source: PRC; LFC files and analysis

The above analysis relies on the following assumptions:

- FPF revenue in FY22 will be flat with FY21;
- FPF revenue in FY23 and FY24 will increase \$836.1 thousand compared with the previous fiscal year;
- Expenditures for FPF distribution and FPGF grants in FY22 will be equal to the projected amount budgeted in the State Fire Marshal’s Office FY22 appropriation request;
- Operational costs for the State Fire Marshal’s Office will be equivalent to the amount included in the LFC’s FY22 budget recommendation; and,
- Construction on the burn building can be completed with the \$500 thousand in funds requested for FY22 through the capital outlay process.

Additionally, the FPGF reverted \$188.6 thousand in FY20. Assuming similar reversions in future

fiscal years, total reversions to the general fund from both the FPF and the FPGF will total \$16 million in FY21, \$19.1 million in FY22, \$20.1 million in FY23, and \$20.6 million in FY24. If this revenue is redirected to the FPGF beginning in FY22, the general fund will see reduced revenue of \$19.1 million in FY22, \$20.1 million in FY23, and \$20.6 million in FY24.

Under the provisions of this bill, residual year-end balances in the FPF still revert to the general fund. Notably, because these residual balances are funds in excess of projections, this does not impact the *projected* fiscal impact of the bill.

## **SIGNIFICANT ISSUES**

Revenue to the FPF comes from the 3 percent premium tax on auto and fire insurance collected by the Office of the Superintendent of Insurance.

Although the Department of Homeland Security and Emergency Management (DHSEM) (to which the State Fire Marshal's Office, and related funds, will transfer from the Public Regulation Commission in FY22) did not submit analysis for the introduced version of this bill, in its analysis for a similar bill (Senate Bill 256),<sup>1</sup> the agency explained that the fire protection grant fund "is an essential supplemental funding resource for fire departments to apply for additional funding for high dollar projects, which ultimately result in better outcomes, for protecting New Mexico communities from fire emergencies. This important fund allows fire departments of any size to apply for funds to obtain essential apparatus (fire engines), firefighting and rescue equipment, firefighter personal protective equipment (PPE), and fire stations in areas where funding resources are limited."

In its analysis of the introduced version of SB256, DHSEM reported that there was \$10.8 million available in the FPGF in FY20, while grant applications totaled \$45.8 million. In FY21, the agency reports \$6.2 million was available and \$16.8 million was requested. The agency noted these unfulfilled needs leave fire departments without essential firefighting apparatus, equipment, PPE, water supplies, and appropriate fire stations, all of which are essential to emergency response preparedness. In its analysis of the introduced version of HB238, New Mexico Counties similarly stated that needs related to nonpersonnel operations, infrastructure, apparatus and equipment, training, emergency medical services, insurance, telecommunications, technology, volunteer retention, and water storage and unfulfilled.

## **DUPLICATION**

HB238/HAFCS duplicates Senate Bill 256 as amended by the Senate Tax, Business and Transportation Committee.

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<sup>1</sup> This DHSEM analysis was submitted in response to the introduced version of SB256, which did not duplicate HB238/HAFCS. However, the amended version of SB256 does duplicate HB238/HAFCS.