

Tuesday, October 22 ([click here for webcast](#))

The following members and designees were present on Tuesday, October 22, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, Pat Woods, William E. Sharer, Benny Shendo Jr., David M. Gallegos, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, Brian G. Baca, and Derrick J. Lente. Guest legislators: Senator Michael Padilla and Representatives Art De La Cruz, Joy Garratt, Tara L. Lujan, and Harlan Vincent.

Oil and Gas Dynamics in New Mexico (8:48 AM, [click here for meeting materials](#)). Garrett Golding, a senior business economist at the Federal Reserve Bank of Dallas, presented an overview of current dynamics in global oil markets. Oil demand is slowing, notably in China, due to the rise of electric vehicles, shift to alternative energy sources, and other factors. On the supply side, U.S. production, particularly from the Permian Basin, has been a major contributor to non-OPEC growth. However, U.S. production growth has also slowed, due to capital discipline, consolidation within the industry, and a shrinking inventory of high-quality drilling locations. Despite OPEC's efforts to control production to prevent price drops and maintain market stability, its global market share is diminishing as the United States and other non-OPEC countries increase their output. Mr. Golding emphasized the importance of the regulatory environment in New Mexico, where federal regulations can slow production, but concluded the Permian Basin's output will remain central to U.S. and global oil supply in the coming years.

LFC Economist Ismael Torres said oil and gas setbacks in New Mexico could reduce production, particularly in high-impact areas like the San Juan Basin, which is highly affected by waterway setbacks. An estimated 15 percent of oil wells could be impacted, with a potential loss of around 5 percent of future oil production, leading to an annual fiscal loss of up to \$800 million by the end of the decade. This estimate has caveats, however, including the exclusion of certain production facilities, complexity of interpreting waterway setbacks, and lack of data on indirect economic impacts. The fiscal losses would be particularly impactful on capital outlay and permanent funds, with broader economic effects not fully accounted for. Mr. Torres noted, while it is a conservative estimate, actual costs could be higher due to increased gas production, shifts in restricted production areas, and other factors.

Tourism Department (10:57 AM, [click here for meeting materials](#)). Reporting on 2023 performance, Lancing Adams, acting secretary of the Tourism Department, said total economic impact of tourism in 2023 was a record-breaking \$11.6 billion, including \$811 million in state and local taxes generated. The industry sustained over 93 thousand jobs. Mr. Adams credits the Tourism Department’s drive to deliver on its promise of adventure steeped in culture by developing quality amenities, attractions, and access. Targeted marketing and other key strategies were highlighted. The Route 66 centennial and travel trade programs are among new activity to grow New Mexico tourism. For FY26, the Tourism Department requests \$26.6 million from the general fund, a \$989 thousand increase over FY25. Mr. Adams said the agency requests the increase to hire 2 additional FTE and support the New Mexico Bowl. The Tourism Department

also requests five special appropriations: \$16 million for national advertising, \$1.9 million for the Destination Forward grant program, \$2 million for the Marketing Center of Excellence initiative, \$2 million for the Litter and Beautification campaign, and \$300 thousand for the Special Olympics events.

New Mexico Environment Department (11:58 AM, [click here for meeting materials](#)).

Providing an agency overview, LFC Analyst Austin Davidson said the Environment Department (NMED) protects and restores the state's environment through the administration of federal and state laws and regulations. The agency, which comprises four divisions, also administers water and wastewater infrastructure loans and monitors federal facilities. NMED's budget has grown significantly since FY21 (188 percent), and personnel is up 10.3 percent, respectively. Mr. Davidson said NMED requests \$6 million in nonrecurring funding for its FY26 operating budget, directed to the implementation of compliance and enforcement strategies, including a new division. NMED also requests 10 special appropriations, totaling \$474 million.

Lieutenant Governor (1:49 PM, [click here for meeting materials](#)).

The Office of the Lieutenant Governor requests a flat budget for FY26. Lieutenant Governor Howie Morales explained current funding is sufficient to maintain operations and stay fiscally responsible.

Veterans' Services Department (1:52 AM, [click here for meeting materials](#)).

Brigadier General Jamison Herrera, secretary of the Veterans' Services Department (VSD), said the agency requests a \$2.45 million budget increase for FY26. The secretary explained the rise in veterans served by the agency has increased operation costs and personnel needs. The request includes an expansion of 3 FTE, including two veterans' service officers (VSOs). In August, the agency had five vacant VSO positions. VSD also requests \$20.5 million in capital outlay: \$15 million to build a veteran resource center and \$5.5 million to improve state veterans cemeteries. VSD's operating budget increased from \$7.2 million in FY23 to \$8.3 million in FY24 and \$9.8 million in FY25. VSD reverted \$400 thousand of its FY24 budget. Secretary Herrera highlighted VSD's recent accomplishments.

Indian Affairs Department (2:37 PM, [click here for meeting materials](#)).

Indian Affairs Department (IAD) Secretary Josett Monette said the agency requests a \$5.4 million operating budget for FY26, a \$584 thousand increase over FY25. Majority of the increase is for 5 additional FTE, which the secretary explained will help expand initiatives. IAD's operating budget increased from \$2.7 million in FY22 to \$3.7 million in FY23 and \$4.9 million in FY24. However, the agency reverted \$2.1 million in FY23 and \$1.9 million in FY24. IAD's vacancy rate is currently 32 percent. Secretary Monette noted IAD's recruitment efforts, including participation in hiring events.

Wednesday, October 23 ([click here for webcast](#))

The following members and designees were present on Wednesday, October 23, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Pat Woods, William E. Sharer, Benny Shendo Jr., David M. Gallegos, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, Brian G. Baca, and Derrick J. Lente. Guest legislators: Senator Michael Padilla and Representatives Joy Garratt, Tara L. Lujan, and Harlan Vincent.

Update on *Martinez-Yazzie* Legal Action (8:38 AM, [click here for meeting materials](#)). Reporting on the status of *Martinez-Yazzie* legal action, LFC Analyst Sunny Liu said the plaintiffs filed a motion last month requesting the Legislative Education Study Committee (LESC) to develop a remedial plan for the state. The state has, since ordered by the court in 2018, implemented measures to ensure schools have the resources necessary and all students have a uniform and sufficient education; however, the motion argues the state is still falling short of student outcome targets, experiencing deficiencies within the Public Education Department (PED), and lacking a comprehensive remedial plan. The new motion requests the court to order development of a comprehensive remedial plan that outlines specific actions and multi-year timelines, funding estimates, responsible state actors or agencies overseeing implementation, and objective measures of progress in meeting goals.

LESC Interim Director John Sena said the motion calls on LESC to coordinate the planning process for a remedial action plan, not unilaterally develop the plan itself. It will be a coordinated effort among educational leaders, state and tribal government officials, education experts and advocates, PED, and other participants in the state’s educational system. The motion requests the draft plan be submitted by May 1, 2025. Mr. Sena said LESC might need additional resources to help orchestrate the plan’s development in the short timeline.

PED Secretary Mariana Padilla outlined public school budget priorities for FY26, highlighting efforts to meet requirements of the *Martinez-Yazzie* ruling. PED requests a 4.4 percent increase to continue its progress on improving academic outcomes, special education, and teacher support. Key initiatives include expanded funding for Indian education, structured literacy training, high-impact tutoring, career-connected learning, and school safety. Significant investments have been made in early childhood education, universal meals, and community schools, all aimed at enhancing student outcomes, particularly for economically disadvantaged, English language learners, Native American students, and those with disabilities. The agency is seeing positive results from the summer reading program and career technical education, with increased graduation rates and improved literacy outcomes. Funding is also requested to improve data collection and licensure system, ensuring a more efficient allocation of resources to schools.

State Investment Council (10:30 AM, [click here for meeting materials](#)). Providing a spotlight on investment performance, LFC Economist Brendon Gray said the three large long-term investment funds managed by the State Investment Council (SIC)—land grant permanent fund (LGPF), severance tax permanent fund (STPF), and early childhood education and care fund (ECTF)—grew by \$24.2 billion, or 101.6 percent, over the last five years. This period of rapid growth was propelled by excess oil and gas revenues, accounting for 53.8 percent of the funds’ five-year growth. STPF, however, continues to have lower returns. The fund is important because the state relies on it to overcome potential declines in oil and gas revenue. In the most recent quarter, STPF recorded a one-year return of 6.87 percent, while LGPF’s return was 8.47 percent over that period. This performance gap is estimated to cost the general fund \$160 million over the next 10 years and grow in the future, with billions in lost balances. The low returns are result of differential rate investments into the New Mexico private equity investment program (NMPEIP).

State Investment Officer John Clark acknowledged past shortcomings in the NMPEIP’s structure and performance. Previously, the state relied on a single in-state partner to invest in a limited

number of companies, which lacked diversification and expertise. Since 2016, the program has shifted to work with national venture capital groups that have proven success. In the past two years, the state has invested \$700 million across over 20 venture capital firms, aiming for both fiscal returns and economic impact in New Mexico. While these changes show promise, the older, less effective investments will continue to impact performance for some time. The Small Business Investment Corporation is currently underperforming with low returns and the pandemic-era small business loan recovery program is expected to result in significant losses. Mr. Clark said these legacy programs will continue to exert a negative drag on the state's investment portfolio for the foreseeable future.

Outlining SIC's FY26 budget priorities, Mr. Clark said SIC is managing 12 funds, with assets currently totaling \$57.8 billion. Mr. Clark remarked on SIC's responsibility in growing funding for public schools and early childhood. The Consensus Revenue Estimating Group expects oil and gas revenue to decline over time as the world transitions beyond traditional energy sources. Despite this decline, permanent fund distributions will continue to grow as a share of general fund revenue, thanks to Senate Bill 26 of 2023. Mr. Clark said SIC requests a 10 percent budget increase to operate effectively, pointing out the agency's growing portfolio. The \$80.7 million budget request includes an additional \$6.6 million for manager fees and an additional \$885 thousand for personnel.

Rail Runner Progress Report (11:37 AM, [click here for meeting materials](#)). LFC Program Evaluator Sam Lesemann presented a progress report on the New Mexico Rail Runner (NMRX). NMRX has relatively strong post-pandemic ridership recovery, with average monthly ridership in the first half of 2024 at 77 percent of 2019 average monthly ridership levels, eighth-best among all commuter rail systems and the second-best among peer commuter systems. However, further increases in ridership will be difficult because NMRX operates in one of the most sparsely populated service areas in the country and would have to reverse a long-term ridership decline. Budget surplus has been used to fund some projects designed to improve core service by increasing train speeds or reducing delays. However, the Rio Metro Regional Transit District—NMRX operator—is currently prioritizing a \$58 million two-phase rehabilitation and replacement of its outdated operations and maintenance facility, leaving less surplus funds for service-oriented projects. Lastly, while public transit can reduce carbon emissions, current NMRX ridership levels are low enough that, in FY24, train service generated over 2,000 more tons of carbon dioxide (CO₂) than replacement car trips.

LFC staff recommendations include the adoption of performance targets for key NMRX efficiency and cost-effective metrics, development of a plan for prioritizing core infrastructure improvements, and use of pounds of carbon dioxide emitted per rider to guide decision making around long-term strategy and train operations.

David Harris, executive director of the Department of Transportation Modal Program, thanked LFC staff for their analysis and remarked on the influence of gas prices on train ridership.

Tony Sylvester, planning manager and board liaison of the Rio Metro Regional Transit District, highlighted recent NMRX accomplishments, noting efforts to engage the public to decide projects that improve ridership. Mr. Sylvester said NMRX is expected to remain on strong financial footing

through FY31.

LegisStat: Department of Transportation (1:22 PM, [click here for meeting materials](#)).

Highlighting key information in the staff brief, LFC Analyst Joseph Simon said road conditions worsened since last reported in June, particularly roads not on the national highway system, and on-time project bids and completions decreased. However, the Department of Transportation (NMDOT) is moving quickly to deploy funds for road maintenance projects approved this past session and preparing to put to bid nearly \$320 million in major infrastructure projects in the coming year.

NMDOT Secretary Ricky Serna said New Mexico's deteriorated roads cost residents \$3.3 billion annually (\$1.4 billion in vehicle operating costs; \$919 million in safety costs; and \$1 billion in congestion costs), according to the National Transportation Research Group. Currently, \$6.6 billion is needed to reach an acceptable level of road conditions in the state. New Mexico's bridge conditions are also worsening, with five percent of bridges currently in poor condition. Secretary Serna reported on the status of current funding for road projects, noting a new public-facing dashboard that tracks appropriations by project. In FY24, the agency received about \$506.1 million in federal funding and \$524.6 million in state road funding for road projects. Secretary Serna said the transition to more fuel-efficient and alternative fuel vehicles will decrease gasoline and special fuel tax revenue for the state road fund; meanwhile, road construction costs will rise.

State Auditor (2:51 PM, [click here for meeting materials](#)). State Auditor Joseph Maestas said the accounting profession is facing a significant talent shortage, with many factors contributing to this problem, including pay competition from other sectors, reputation for long hours, and certification hurdles. The shortage is impacting state government in critical areas, including the ability to complete agency audits on time. Outlining recommendations made by the American Institute of Certified Public Accountants, State Auditor Maestas said New Mexico may want to consider amending the 150-hour rule and targeting higher education endowment funding.

For FY26, the Office of the State Auditor (OSA) requests \$5 million from general fund, a \$756 thousand increase over FY25. State Auditor Maestas said majority of the increase is for personnel costs to achieve parity with private industry and proportionally increase staff salaries. The state auditor noted the recent compensation and class study completed by the State Personnel Office only benchmarked five of OSA's non-auditor positions. Most of the agency's auditor positions have unique mandatory specifications. OSA, therefore, requests an agency-specific compensation and class study. OSA's special appropriation requests include \$1 million for the audit fund to contract independent public accountants for special audits.

State Auditor Maestas outlined key findings and recommendations of OSA's recent evaluation on deficiency appropriation requests. OSA found agency deficiency requests increased by \$137.5 million from 2014 to 2024. Justifications for the requests were not always available. Where justifications were available, they were partially attributed to over-expenditure of funds, improper adherence to budget authority, and prior-year unpaid expenditures, among other reasons. Among OSA's recommendations, the state should improve transparency for budgeting deficiency appropriations and revise elements of state law regarding penalties for violating budget authority.

Regulation and Licensing Department (3:34 PM, [click here for meeting materials](#)). Regulation and Licensing Department (RLD) Superintendent Clay Bailey said the agency requests a slight increase of \$647 thousand for FY26. The request, however, includes a \$3.9 million increase from the general fund. The secretary explained \$1.6 million of the general fund increase would be used to fully fund the Manufactured Housing Program instead of mortgage regulatory revenue. RLD also requests the general fund increase to fund 10 authorized but unfunded positions and add another 7 FTE for the Cannabis Control Program. Secretary Bailey detailed RLD's budget request by program and outlined special appropriation requests: \$1.2 million for vehicles and \$745 thousand for equipment. RLD also requests BAR language authorizing an additional 5 percent budget increase.

Thursday, October 24 ([click here for webcast](#))

The following members and designees were present on Thursday, October 24, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Pat Woods, William E. Sharer, Benny Shendo Jr., David M. Gallegos, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, Brian G. Baca, and Derrick J. Lente. Guest legislators: Senator Michael Padilla and Representatives Art De La Cruz, Joy Garratt, Tara L. Lujan, and Harlan Vincent.

Preview of Special Appropriations (8:00 AM, [click here for meeting materials](#)). LFC Analyst Joseph Simon presented requests for special, supplemental, deficiency, and information technology appropriations. Requests currently total \$2.71 billion, including \$2.67 billion from the general fund. The amount is expected to increase when public school requests are submitted. There could also be additional supplemental and deficiency requests. Several agencies have large requests, with five agencies submitting seven requests of more than \$100 million. Common requests include those for information technology, vehicles, and personnel. Lastly, several agencies requested special appropriations for facility improvements, some of which may be duplicated by capital outlay requests. Notable facility requests include \$25.2 million for the judicial branch and \$1.5 million for the Department of Health.

Capital Outlay Requests (9:24 AM, [click here for meeting materials](#)). Presenting 2025 capital outlay requests, LFC Analyst Cally Carswell said state agencies and judicial entities request approximately \$1.3 billion for more than 100 projects. Total requests are roughly 20 percent higher than last year. Three agencies are requesting capital appropriations totaling more than \$100 million. Requests from the courts include funding for the construction of two new magistrate courts and a third round of funding for state cost-sharing of district court renovation and construction. Several major requests are to continue or complete projects to which the Legislature has already made major appropriations, including \$100 million to supplement \$85 million in existing funding to construct the executive office building in Santa Fe and \$120 million to supplement \$103 million in existing funding to construct a new forensic unit at the New Mexico Behavioral Health Institute in Las Vegas. Two agencies request major appropriations for construction of facilities to support programmatic expansions that have not been vetted or funded by the Legislature: \$40 million for a fire-training academy in Santa Fe and \$15 million for a veterans' resource center in Albuquerque. Both of these projects received capital appropriations in 2024 for planning, design, or feasibility studies that have not been completed. Requests from higher education institutions total \$428.7 million. The Higher Education Department recommends funding \$223.4 million of these requests,

more than double the funding included for higher education projects in the 2023 statewide framework. Projects in HED's recommendation include \$50 million for a new humanities building at the University of New Mexico (UNM), \$25 million for renovations to the College of Pharmacy at UNM, \$30 million for planning and design of a new School of Medicine at UNM, and \$15 million for demolition of Cole Village at New Mexico State University.

Ms. Carswell said per square foot construction costs varies significantly across the requests, from about \$1,000 per square foot up to \$1,800 per square foot. Staff from the Department of Finance and Administration and LFC are providing guidelines for legislators sponsoring capital projects.

Miscellaneous Business (10:26 AM).

Action Items. Senator Gonzales moved to adopt the LFC September meeting minutes, seconded by Senator Rodriguez. The motion carried.

Review of Monthly Financial Reports and Information Items. LFC Director Charles Sallee briefed the committee on information items.

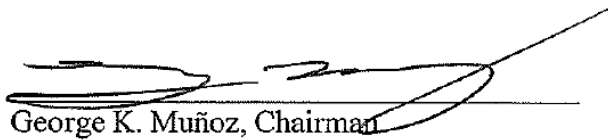
State Personnel Office (10:28 AM, [click here for meeting materials](#)). State Personnel Office (SPO) Director Dylan Lange said Deloitte Consulting completed its analysis on the state's Personnel Act and classification and compensation system in partnership with the Department of Finance and Administration, State Personnel Office, and LFC. Deloitte reviewed the state's personnel processes, competitive market, and job classifications and conducted stakeholder engagement and employee survey. Highlighting key findings and recommendations, Director Lange said state compensation is averaging 10.4 percent above the government market but 4.5 percent below the general industry market, and the state's pay structure is overly complex. SPO is currently upgrading job architecture within the system, a key recommendation before transitioning to one salary structure.

Director Lange said SPO requests \$5.8 million for FY26, a \$1.1 million increase over FY25. The increase includes \$1 million for pay increases and additional personnel and \$84.2 thousand for software and certifications. Director Lange said the increase is needed to implement the recommendations for the state's classification and compensation system.

Mortgage Finance Authority (11:07 AM, [click here for meeting materials](#)). Mortgage Finance Authority (MFA) Director Isidro Hernandez provided a program and budget overview. MFA rebranded to Housing New Mexico this year and is approaching its 50th anniversary. MFA resources, derived from federal, state, and other sources, are allocated to housing programs that support the entire housing continuum—homelessness to homeownership. The agency relies on over 300 partners to deliver services at the local level. In 2024, MFA provided \$651 million in low-interest financing and grants for affordable housing and related services. This year, the Legislature appropriated \$84.6 million to the housing trust fund: \$50 million from the general fund and \$34.6 million from severance tax bond proceeds. To date, 70 percent of the funding is awarded and 18 percent is expended. The funding is expected to support new development and expand services, including down payment assistance and homeless prevention. MFA's operating budget currently totals \$34 million.

New Mexico Finance Authority (12:06 AM, [click here for meeting materials](#)). Chief Executive Officer Marquita Russel said the New Mexico Finance Authority is currently administering 18 programs. Five of these programs receive funding regularly: public project revolving fund, drinking water state revolving fund, water project fund, colonias infrastructure project fund, and local government planning fund. Remaining programs are funded with a single infusion of funds or limited capitalization. About 97 percent of the funding for programs under the State Economic Development Finance Act is federal dollars. These programs include the new markets tax credit and collateral support participation. Ms. Russel reported on the status of key programs and outlined proposed legislation.

With no further business, the meeting adjourned at 12:53 p.m.


George K. Muñoz, Chairman


Nathan P. Small, Vice Chairman

October 23, 2024

MEMORANDUM

TO: Legislative Finance Committee

FROM: Subcommittee A
Representative Meredith A. Dixon, Chair
Senator Pete Campos, Vice Chair
Senator Roberto “Bobby” J. Gonzales
Senator Pat Woods
Representative Brian G. Baca
Representative Jack Chatfield
Representative Debra M. Sariñana
Senator George K. Muñoz
Representative Nathan P. Small

SUBJECT: Subcommittee A Report

Subcommittee A met on October 22nd and 23rd, 2024

(208) New Mexico Compilation Commission. The New Mexico Compilation Commission (NMCC) request keeps all revenue flat with FY25 including a reduction of \$25 thousand in fund balance and a corresponding increase to other revenues for civil action filing fees. The request also includes a \$41.7 thousand decrease in personal service and benefits and a corresponding increase in contractual services. This is because the agency’s director retired at the beginning of FY25 causing a surplus since the retirement contribution liability is no longer budgeted for the retired director. That surplus will be utilized for contractual capacity. The agency does not project budgetary changes in FY26. Note that the agency increased permanent FTEs by one and a corresponding reduction in term FTEs due to the Administrative Office of the Courts approving the term to permanent switch for the position at the end of FY24.

- (342) **Public School Insurance Authority.** NMPSIA self-insures for property and liability coverage, up to \$2 million in losses per incident, for most claims. For losses above \$2 million, NMPSIA purchases excess insurance coverage to spread risk to private insurers. NMPSIA reports the agency continues to struggle with high dollar property and liability claims. Nationally, property insurance markets have seen significant increases, which are reflected in NMPSIA's costs for reinsurance coverage. Recently, some NMPSIA members have experienced high dollar claims related to wind and hail damage. To limit cost increases, the plan increased its deductible for hail and wind claims from \$2.5 million to \$10 million. Over the last 10 years, NMPSIA has paid out \$80.6 million for 143 sexual misconduct claims, significantly increasing NMPSIA's reinsurance costs. Recent legislation to reduce misconduct claims has proven slow to fully implement, but NMPSIA and its loss prevention consultants have been working with school districts and charter schools to increase compliance with the law. NMPSIA requested \$81.8 million for excess insurance coverage in FY25, which provides additional insurance once a claim is made for property damage, liability, crime, or workers' compensation over a certain dollar threshold. The two largest lines of coverage—property and liability have a total increase of \$6.7 million increase over the FY25 operating budget. NMPSIA's excess property and liability insurance coverage for has been growing at an average rate of 13.8 percent over the last five years, from \$48.4 million to \$80.4 million.
- (343) **Retiree Health Care Authority.** RHCA does not receive a general fund appropriation and is fully funded through employer and employee contributions, member premiums, and a distribution from the tax suspense fund. LFC estimates the agency receives an additional \$500 thousand in contributions for state agency employees for every 1 percent salary increase. Together with local governments, payroll contributions from employers and employees grew by \$46.6 million, or 32 percent, between FY20 and FY24. For FY25, the agency requested a base budget of \$411.1 million, a \$4.9 million, or 3.1 percent increase from the FY24 operating budget. Most of this was for medical cost increases, despite declining membership, particularly among pre-Medicare members. The agency requested 1 FTE for Program Support to help manage customer service and financial controls. The additional manager would also provide operational redundancy in the event of a vacancy in senior management. Statute mandates the distribution from the tax suspense fund grow at a 12 percent annual rate, roughly doubling the amount every six years. Revenue in the tax suspense fund would otherwise be directed to the general fund for appropriation by the Legislature.
- (354) **New Mexico Sentencing Commission.** For FY26, the New Mexico Sentencing Commission (NMSC) requested a \$265 thousand increase in general fund appropriations, representing a 17.5% increase from its FY25 budget, bringing the total request to approximately \$1.8 million. The additional funds are intended to cover new staff positions, including a staff attorney and a senior grants administrator, as well as compensation increases for existing staff, which the agency was unable to fund after the last session.

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- (356) **Governor.** The Office of the Governor requested a general fund budget of a \$271 thousand increase, or 4.1 percent, for FY26. The request included an increase of \$202.4 thousand in personnel for the employee liability insurance premium rate increase. The office also requested a \$50 thousand increase in contractual services for legal services, and an increase of \$18.6 in the other category to fund the Department of Information Technology rate increases. In FY24, the office received a \$819.9 thousand, 17.8 percent, increase in personnel to fill vacancies. However, the office reverted \$510.6 thousand, or 9.2 percent, in personnel in FY24 in addition to moving \$145 thousand out of personnel to purchase cubicles, furniture, and technology equipment for new staff.
- (360) **Lieutenant Governor.** The Office of the Lieutenant Governor's FY26 budget request maintains a flat budget with FY25, keeping general fund revenues at \$838.5 thousand. The request allows the office to continue to provide services to residents of the state. The office met FY24 performance measure targets for constituent service files closed, days in session and presided over, and townhall meetings and economic forums participated in. The office continues to provide constituent services and public outreach to New Mexicans focusing on issues in rural communities. The 2023 amendment to Section 8-1-1 NMSA 1978 increased the salary of the lieutenant governor from \$85 thousand to \$144.7 thousand. In addition, the amendment also raised the daily rate of pay for when the lieutenant governor is acting governor from \$250 to \$500. The 2023 amendment became effective June 16, 2023.
- (369) **State Commission of Public Records.** For FY26, the State Commission of Public Records requested a budget of slightly more than \$4 million, reflecting an overall budget increase of \$612.6 thousand, or 17.7 percent, relative to the FY25 operating budget. The request included a total general fund revenue increase of \$662.8 thousand, or 21 percent. The commission requested an increase of \$611.9 thousand, or 20.9 percent, in personnel to give raises to staff and fill vacancies. However, the commission also reports challenges in achieving full staffing and currently has seven of its 35 positions vacant. Due to these staffing shortages, CPR's reference room began operating on limited hours. The agency reverted \$65 thousand in FY24 due to the inability to hire an additional FTE. As a result of these staffing shortages in FY24, CPR had a moderate \$167.1 thousand in funded vacancy savings, but without full staffing, the agency met all performance measures and exceeded some.
- (379) **Public Employees Labor Relations Board.** One of the smallest state agencies, the Public Employees Labor Relations Board requested \$25.5 thousand, or 8.4 percent, mostly in the personnel category as the agency prepares for a transition, with a new executive director. The agency also requested a large increase in the other costs category to purchase equipment to improve webcasting and teleconference capabilities for hearings conducted by the board.
- (394) **State Treasures Office.** The Office of the State Treasurer requested a general fund increase of \$636 thousand, or 13.5 percent, over FY25. The request includes an increase in other state funds of \$148.5 thousand, or 38 percent, from the office's revenue of the

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local government investment pool (LGIP) for a total of \$549.5 thousand. The request also included a \$471 thousand increase in personnel, including a reduction of other state funds in personnel by \$172.4 thousand, or 44.5 percent, and an increase of general fund revenue for personnel. The agency gave out-of-cycle raises above the 6 percent personnel increase authorized by the Legislature, up to an additional 15.7 percent, and had a moderate funded vacancy saving of \$237.8 thousand in FY24. The State Treasurer presented the offices FY26 operating budget request, about the state's general fund core and the state's investment portfolio. Senator Woods asked about the office's FY23 audit finding. The Treasurer stated the audit finding had been resolved. Representative Lujan asked about the Work and Save Program, to which the Treasurer stated that the program is one of the office's priorities moving forward.

- (404) **Board of Examiners for Architects.** The Board of Examiners for Architects (BEA) requested a budget of \$590.4 thousand dollars for FY26, which is \$800 dollars greater than their FY25 operating budget. BEA is requesting to use \$13 thousand, or 3.8 percent, more of its fee revenue, and \$12.2 thousand, or 4.9 percent, less of its fund balance for FY26. This change reflects BEA requesting to use \$352 thousand of its fee revenue, and \$238 thousand of its fund balance. This \$800 dollar increase will be used for contractual services to cover increased audit costs. BEA is requesting a flat budget for personnel services and other services for FY26. BEA's operating budget increased from \$550.0 thousand in FY24 to \$589.6 thousand in FY25, an increase of \$39.6 thousand, or 7.2 percent.
- (410) **Ethics Commission.** The commission was created in legislation in 2019. The commission's primary duties are receiving, investigating, and adjudicating complaints against public officials, public employees, candidates, persons subject to the campaign reporting act, government contractors, lobbyists, and lobbyists' employers. The Ethics Commission requested a total budget increase of \$262.2 thousand in FY26, or a 15 percent increase, creating a total budget of \$1.98 million. The commission's starting budget in 2020 was \$947.8 thousand. In FY25, the commission received an 11 percent increase, which amounted to a 77 percent increase since 2020. A vast majority of the increase in general fund comes from a 19 percent increase in personal services and employee benefits. The requested increase accounts for a base expansion of one FTE. Additionally, the Commission provided out-of-cycle salary adjustments to staff above what the legislature appropriated for FY25 and BAR'd \$60 thousand from contractual services to personal services and employee benefits in order to account for the out of cycle salary adjustments for senior staff. Additionally, the agency requested a non-recurring special appropriation of \$275 thousand for operational costs associated with departmental personnel costs, contracts, and security infrastructure upgrades, equipment, leases and training. These items are typically considered recurring by the LFC.
- (417) **Border Authority.** The Border Authority requested a general fund increase of \$15.9 thousand, or 3 percent, and maintained a flat budget for other revenues compared to the FY25 operating budget. The request includes a general fund increase of \$4.6 thousand for personnel and \$10.8 thousand for operational costs, such as mileage, lodging, IT,

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telecommunications, and advertising. Between 2020 and 2023, the legislature has appropriated \$18.5 million to the Border Authority for capital outlay projects, including \$8.3 million in reauthorized 2019 appropriations. In 2024, the legislature reauthorized \$1.5 million for flood control infrastructure at the Columbus port of entry. As of August 2024, \$16.6 million of total funds remained unspent.

- (446) **Medical Board.** The Medical Board requested an increase of 1.5 percent above the FY25 operating budget. The board's request increased licensing fee revenues and reduced the use of fund balances. The board requested an increase in contractual services spending for legal services. Much of the requested increase in personnel and the other category is for personnel for an expansion FTE for a public information and relations officer.

The agency requested a decrease in the use of fund balance in the operating budget in FY26. Fund balances at the close of FY25 are projected at nearly \$1.8 million. The board received \$2.9 million in revenues over the past several fiscal years, while expenditures were closer to \$3.4 million, resulting in a declining fund balance. The agency issued over 6,560 physician licenses and renewals in FY24, 658 above the previous fiscal year.

- (449) **Board of Nursing.** The board requested, and the committee recommends, a 5.2 percent decrease. The decrease requested by the board was still well above FY24 actual expenditures. The board receives revenues from licensing fees. The board slightly increased personnel by \$35.5 thousand, which would allow the board to fill nearly 3 additional FTE.

- (464) **State Board of Licensing for Professional Engineers and Surveyors.** The board requested a budget increase of \$93.1 thousand, or 6.5 percent, for FY26. The board requested \$1.3 million in fee revenue and \$250 thousand in fund balance. The majority of the agency's requests are for salary increases, approximately \$88.2 thousand, or 11.5 percent, to the boards 8 FTE. The remainder of the request is for \$4.9 thousand to cover DOIT and GSD increases. The agency also requested a reduction of \$31.2 thousand in the fund balance (fill out why after meeting). The board requested a flat budget for its contractual services costs. As of September 2024, the board's fund balance was \$1.36 million. The committee recommends the increase of \$4.9 thousand to cover DOIT and GSD increases but does not recommend the \$88.2 thousand for salary increases.

- (469) **Racing Commission.** The State Racing Commission (SRC) requested a \$2.2 million increase in general fund appropriations, a 70.9 percent increase above the FY25 operating budget. A portion of SRC's request is a \$1.5 million expansion to add seven positions. Including the expansion request, the agency requested an increase of \$1.9 million, or 88.7 percent, for personnel services to fund two veterinarians and the seven FTEs requested in the expansion. The agency requested increasing contractual services by \$101.9 thousand, or 3.4 percent, for increased audit costs and other services, and requested an increase of \$117.9 thousand for other costs, such as supplies for the seven FTEs in the expansion request.

SRC's request without the expansion increases the agency's general funding by \$693.8 thousand, or a 22.7 percent increase above the FY25 operating budget. The agency requested a base increase in the personnel services by \$559.5, or 25.4 percent, to continue funding the two veterinarians they hired in FY24 and hire a criminal investigator. SRC requested an increase of \$32.4 thousand for other costs to pay the rent for their new building. In FY25, SRC received an increase of \$190.8 thousand, a 6.6 percent increase above the FY24 operating budget.

- (479) **Board of Veterinary Medicine.** For FY26, the Board of Veterinary Medicine (BVM) requested a budget of \$1.5 million dollars, a \$15.7 thousand dollar decrease, or 1.1 percent, under the board's FY25 operating budget. The board receives no general fund revenue and is supported by revenues from professional licenses, permits, and examination fees. BVM is requesting to lower its personnel services by \$31.3 thousand, or 10.2 percent, which leaves \$275 thousand allocated in personnel services for FY26, while requesting an increase of \$15.6 thousand dollars for other costs to cover an increase in IT costs. The budget for contractual services remains flat for FY26. In FY25, BVM increased its operating budget by \$1 million, or a 206 percent increase over the FY24 operating budget.
- (539) **State Land Office.** Helen Gaussoin, LFC analyst, told the committee the State Land Office manages state trust lands for designated beneficiaries. It is funded with income from the land maintenance fund, which is revenue from state trust land activities that do not deplete a resource. The Land Office does not receive any general fund revenue but the beneficiaries do and every dollar of land maintenance fund that goes to the office is a dollar the beneficiaries need from the general fund. The office is asking for a nearly 14 percent increase primarily for personnel for three new positions and to fully cover existing personnel expenses, which have been supplemented the last few years with transfers from other spending categories. The \$3.6 million increase for personnel would also cover reclassification of some positions and salary increases across the agency. The agency has asked for a 3.5 percent increases for spending in the other and contractual services categories. The agency's budget increased 35 percent between FY22 and FY25 and is now nearly double what it was in 2014. The increase has been driven extensively by personnel. The agency's workload, based on income, has also increased substantially during that time.
- (604) **Commission for the Deaf and Hard-of-Hearing Persons.** The Commission for Deaf and Hard-of-Hearing Persons requested just over \$2 million in general fund revenue, a 21.9 percent increase over FY25, to offset a continued projected decline in telecommunications relay service (TRS) revenue. The agency request maintains FY25 funding levels, fully funds FTE, and continues the increased contractual funding allocated in FY25 for deaf and deaf-blind support service provider programs. The agency met two of its six FY24 performance targets.
- (605) **Martin Luther King Jr. Commission,** The commission requested a \$493.3 thousand budget for FY26, a 26 percent increase over the FY25 operating budget. The

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commission's request included an additional FTE, increasing the personnel request by \$81 thousand, or 28 percent. The request for contractual services increased by \$12.2 thousand, or 26.3 percent, for audit costs and to expand the commission's annual conference.

- (606) **Commission for the Blind.** The Commission for the Blind requested \$3.2 million in general fund revenue, a 13.6 percent increase over the FY25 operating budget. The requested general fund increase is for independent living services and to leverage more federal revenue. The agency's other revenues are generated from contracts to provide food services at the federal Law Enforcement Training Center (FLETC) in Artesia and at Kirtland Air Force Base in Albuquerque. The commission's request for personnel costs supports projected FY25 expenditures. The other category spending request represented an increase of 15 percent primarily to support care and support services largely supported with federal revenue. The agency met one out of four of its performance targets, including exceeding the target for the number of people who avoided or delayed moving into a nursing home or assisted living facility because of receiving independent living services.
- (644) **Division of Vocational Rehabilitation.** The Division of Vocational Rehabilitation (DVR) requested \$7.3 million from the general fund, a 6.6 percent increase over the FY25 operating budget, and requested an additional 11.8 percent increase in federal revenue. The agency requested an increase of \$200 thousand in fund balance for the Administrative Services Program. The Independent Living Services and Disability Determination programs respectively requested a 50.4 percent and 5.5 percent increase in federal funds. The request for the Rehabilitation Services Program included a 7.3 percent increase in general fund revenue and a 17.3 percent increase in federal funds to support a 40 percent increase in rehabilitation care and support services and a 3.3 percent increase for personnel.
- (645) **Governor's Commission on Disability.** For FY26, the Governor's Commission on Disability requested a budget of \$2.5 million, reflecting an increase of \$265.8 thousand or a 17.3 percent increase, relative to the FY25 operating budget. The request included a general fund increase of 20 percent in general fund revenue, or \$265.8 thousand. The commission requested an increase of \$233 thousand in personnel to fill vacancies. The commission reports challenges in achieving full staffing since the Covid-19 pandemic and currently has two of its 15 positions vacant. In FY23, the commission reverted \$107 thousand. Despite the commission's staffing shortages, all performance measures were met in FY24, which is a marked improvement from FY23.
- (647) **Developmental Disabilities Council.** For FY26 The Developmental Disabilities Council (DDC) requested \$11.9 million in general fund revenue, an increase of \$2.5 million or 27 percent over the FY26 agency operating budget. The request included an expansion of \$98.6 thousand to fund a human resources administrator for the Developmental Disabilities Council program. The agency also requested \$393.4 thousand to fill a deputy director role, hire a contract general counsel, and increases in rent, General Services

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Department (GSD) rate increases, and other operating expenses. In addition, within the Office of Guardianship, the request included an increase of \$1.2 million in additional general fund revenue to support an increase in the number of New Mexicans applying for and receiving guardianship services, as well as an increase of \$818 thousand in the personal services and employees benefits category to fill positions and provide targeted compensation adjustments.

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MEMORANDUM

TO: Legislative Finance Committee

FROM: Subcommittee B
Senator Nancy Rodriguez, Chair
Representative Harry Garcia, Vice Chair
Senator Steven P. Neville
Senator William E. Sharer
Senator Benny Shendo, Jr.
Representative Gail Armstrong
Representative Derrick J. Lente
Senator George K. Muñoz
Representative Nathan P. Small

SUBJECT: Subcommittee B Report

Subcommittee B met on October 22nd and 23rd, 2024

- (210) **Judicial Standards Commission.** The Judicial Standards Commission received a \$48.9 thousand, or 4.5 percent increase above its FY24 budget for FY25. The Judicial Standard Commission's budget request for FY26 was \$39.7 thousand, or 3.5 percent, above its FY25 operating budget. The increases provide funding for pay increases for three staff members that qualify for the Judicial Branch Compensation Initiative and their projected benefits, audit rate increases, and building lease increases. Also included are the costs associated with sending five of the thirteen commission members to the National Center for State Courts Judicial Ethics training and costs associated with sending attorney staff members to national ethics trainings and conference.
- (305) **Attorney General.** The New Mexico Attorney General (NMAG) oversees two programs: Legal Services and Medicaid Fraud, with a total FY25 budget of \$53.1 million and 276 full-time employees (FTE). For FY26, the NMAG requested \$13.5 million, or 25.4% increase in its budget, primarily funded by the Consumer Settlement Fund and federal

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revenues instead of the general fund. This shift is part of a strategy to transition to an enterprise model, reinvesting settlement funds into the agency to reduce reliance on state funds. The budget increase includes adding 30 FTE positions (including attorneys, investigators, and support staff), funding for pay band reclassifications, litigation and audit costs, IT upgrades, and vehicle replacements. Additionally, the NMAG requested a \$6.6 million increase in transfers from the Consumer Settlement Fund, bringing the total to \$22.6 million for FY26.

- (340) **Administrative Hearings Office.** For FY26, the Administrative Hearings Office (AHO) requested a general fund increase of \$199.9 thousand, or 7.8 percent, over the FY25 operating budget. The requested increase included a \$201.1 thousand, or 8.1 percent, increase to personnel services to fund the newly created administrative law judge that was approved last session, to fully fund the approved compensation plan, and to hire a new law clerk. The request also included an increase to the contractual services category by \$30.3 thousand, or 76.3 percent, over the FY25 operating budget. This increase aimed to cover increased audit costs, human resources service costs, increased IT support costs and increased funding for contract attorneys to serve as hearing officers. To offset this increase in contractual services, AHOs requested a \$37 thousand dollar, or 10.2 percent, decrease in their other costs. AHO also requested a \$5.5 thousand, or 4.1 percent, decrease from their other transfers revenue, which they requested to supplement with a \$5.5 thousand request from the general fund revenues. In FY25, AHO received an increase of \$401.5 thousand, or 18.7 percent, above its FY24 General Fund appropriations.
- (352) **Educational Retirement Board.** ERB requested a small decrease from its current year operating budget, with the agency reducing its request for contracts for investment manager fees, which are typically higher to allow the agency to enter into new contracts with investment managers. For FY24, ERBs contracts totaled \$11.1 million; the agency requested \$18 million for FY26, down from \$20 million in FY25. The agency did request a \$606 thousand increase in personnel costs; based on current expenses, this would fully fund the agency's 91 positions. The agency has prioritized maintaining a low vacancy rate.
- (366) **Public Employees Retirement Association.** PERA requested \$6.4 million, or 15 percent, mostly for contractual services for investment management fees. Like with ERB, PERA maintains higher contractual services requests, which provides flexibility to enter into contracts with new investment managers. Both agencies also are typically given budget adjustment authority, if needed to complete new contracts. PERA's request of \$31.2 million for contracts is nearly twice actual contractual services in FY24.
- (460) **State Fair Commission.** The New Mexico State Fair requested a \$415.1 thousand, or 3 percent, increase relative to the FY25 operating budget. State Fair's request included an increase of \$200.1 in enterprise revenue, primarily generated by carnival rides and building rentals, and the increased revenue would primarily be used to cover increases in maintenance and insurance costs. The request also included an increase of \$215 thousand

in general fund for maintenance costs associated with the operations of the African American Performing Arts Center (AAPAC). In FY25, State Fair received \$375 thousand in General Fund revenue for the operations, including programming and maintenance of exhibits, at AAPAC.

(465) **Gaming Control Board.** The Gaming Control Board (GCB) has one program called gaming control. For FY25, the agency received \$324.2 thousand, or 4.9%, general fund revenue increase over the FY24 operating budget. For FY26, GCB requested a total budget increase of \$977.1 thousand. This would represent a 14 percent increase in general fund appropriations for the agency. GCB is fully funded by the General Fund. Most of this general fund request was for \$881.6 thousand in personnel services to fund six vacant positions. Of those six positions, two of them are exempt and four are classified. The agency also requested general fund increases of \$17.8 thousand in contractual services to fund increased maintenance costs for their central monitoring system, and to contract hearing officers. Additionally, \$77.7 thousand was requested for other costs, including in-state travel and in-state training at non-profit bingo centers.

(490) **Cumbres and Toltec Scenic Railroad Commission.** The Cumbres and Toltec Scenic Railroad Commission requested a general fund increase of \$14 thousand, or 3.7 percent, over the FY25 operating budget, primarily for increased property insurance premiums. The agency's property insurance continues to increase as a result of a 2021 fire. Since then, policy limits have increased to respond to the wildfire risk exposure of the railroad fleet and wooden structures. The agency anticipates a flat budget from other revenues, which is predominantly from ticket revenue. In FY24, the railroad had 30 thousand riders and generated \$4.9 million, 6.6 percent lower than revenue generated in FY23. The railroad anticipates generating \$5.4 million in revenue in FY25.

Both New Mexico and Colorado appropriate funding to the railroad for capital expenditures. Between 2020 and 2023, the Cumbres and Toltec railroad commission received \$4.6 million for railroad track improvements, locomotive restoration, wheelsets, and water upgrades. As of August 2024, the commission has expended \$2.6 million, or 56.5 percent, of total capital appropriations on three projects.

(491) **Office of Military Base Planning.** The Office of Military Base Planning and Support (OMBPS) requested a general fund increase of \$259.3 thousand, or 83.8 percent, compared to FY25, primarily for an increase in professional contractual services and funding for the commission to enter into intergovernmental agreements for quality-of-life improvements. The commission requested a flat budget for personnel and increased operational costs by \$9.3 thousand, or 30.5 percent, for employee mileage, meals, and supply inventory. The agency requested to increase contractual services by \$250 thousand, or 315.6 percent, compared to FY25. The majority of the increase includes \$210 thousand for the commission to enter into intergovernmental agreements with governmental entities to support military installations with quality-of-life improvements and infrastructure projects. The commission does not currently provide this type of support to military installations and, as such, would be a new activity for the agency.

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Additionally, the agency requested an increase of \$40 thousand for professional contractual services to track the intergovernmental agreements and ensure deliverables are met.

- (495) **Spaceport Authority.** The Spaceport Authority requested a general fund increase of \$82.8 thousand, or 2 percent, compared to the FY25 operating budget. The agency projected a decrease in other revenues of \$913.4 thousand, or 10.1 percent, which is primarily due to a reduction in Virgin Galactic's user fees. The agency requested \$500 thousand from its fund balance to offset decreased revenue in FY25. Overall, the agency requested a reduction of \$330.6 thousand, or 2.5 percent, from the FY25 total budget.

The agency requested to decrease personnel spending by \$136.2 thousand, or 3.4 percent, compared to FY25. Despite the requested decrease, the agency's request included an additional FTE for a science, technology, engineering, and math (STEM) and workforce development coordinator. The decrease in personnel funding despite the request for an additional FTE is due to a 5.7 percent funded vacancy savings. The agency requested to increase contractual costs by \$487.7 thousand, or 8.3 percent, compared to FY25 including \$615.9 thousand for airspace charges and \$300 thousand for truck repairs. The agency also requested a decrease in legal services of \$244.8 thousand, or 69 percent, compared to FY25.

- (508) **Livestock Board.** NMLB's operating budget has historically been funded by revenue from various fees such as inspection and branding fees, licenses, permits, and accumulated fund balance from these sources. Special levies on livestock are the agency's largest source of revenue, accounting for \$1.7 million in FY24. NMLB's budget request for FY26 was \$3.7 million, or 34.4 percent, above its FY25 operating budget. It included an increase in general fund revenue of \$4.4 million, or 87.8 percent, to provide salary increases for certified law enforcement officers, cover vehicle purchase costs, and staff up the meat inspection program. The agency also requested to cease use of its fund balance (budgeted at approximately \$613 thousand in FY25) and seeks to reduce revenue from fees by \$127.8 thousand. The base budget request includes \$2.3 million in new recurring general fund appropriations for the meat inspection program, which has been slow to get off the ground because authorizing legislation only passed at the end of the 2024 session. Now that the agency has obtained the necessary statutory authority the next step is to seek certification from the USDA's Food Safety Inspection Service, which will allow up to 50 percent of the program's cost to be leveraged for additional federal funding.

- (516) **Department of Game and Fish.** The agency is asking for a budget essentially flat with FY25. Game and Fish pays for operations mostly from the game protection fund and the game protection fund is mostly made up of hunting and fishing license fees and matching federal dollars. The department does not receive revenue from the general fund. The request eliminates a position in program support and uses the funding to cover increasing overhead and increases the transfer from the big game depredation fund by \$70 thousand to cover additional landowner claims.

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The agency is among the beneficiaries of the conservation legacy permanent fund and its request for revenues includes \$2.75 million from that fund. Unlike other beneficiaries, the agency has broad authority to spend that money and has so far focused on research, habitat restoration, and other actions related to species of greatest conservation need as identified in the State Wildlife Action Plan. The department is currently working on an update of that plan, required by the federal government, and has proposed more than doubling the number of species in the plan.

While the agency is asking for almost no increase in its operating budget, it is asking for a \$10 million special appropriation from the general fund for the game protection fund. The agency contends the fund is being depleted and additional revenue is needed unless hunting and fishing licensing fees are increased.

- (522) **Youth Conservation Corps.** The agency's request for \$1.14 million more for FY26 included an 8 percent, or \$455 thousand, increase for contractual services to fund continued contract work and for a new Climate Corps Program. The agency also requested a \$127.1 thousand, or 53.1 percent, increase for personnel to accommodate for the creation of a new position and for the three percent increase given to state employees. The agency also requested \$62 thousand for other for a new contract and grant management software.
- (601) **Commission on the Status of Women.** For FY26, the Commission on the Status of Women requested a \$161.1 thousand increase in general fund, a 38.4 percent increase from FY25. The request accounted for increased costs in personal services and employee benefits due to the commission bringing on a second employee and an out-of-cycle increase to the director's salary in FY25. The commission saw a 38.5 percent increase in FY25.
- (603) **Office of African American Affairs.** The Office of African American Affairs (OAAA) requested a general fund increase of \$30 thousand, a 2.3 percent increase over the FY25 operating budget. The request included an increase for personnel travel costs to allow the agency to do more community outreach statewide. In FY25 the agency received 2 additional FTE for program supervisors. As of October 2024, OAAA had 5 FTE filled of its 10 total positions and \$346 thousand in funded vacancy rates. The agency was actively in the hiring process for several positions. At the close of FY24, the agency met all of its target performance measures.
- (632) **Workers' Compensation Administration.** The Workers' Compensation Administration is funded by revenue generated by a base assessment on worker payroll in New Mexico. The WCA's FY26 operating budget request reflects a net decrease of 2.7 percent because the agency requested the elimination of a \$1 million transfer from fund balance made to the Workforce Solutions Department. The request also included an increase to personnel spending of 4.6 percent, to fund existing filled positions and fill a small number of vacancies. The requested increases would allow WCA to maintain a 10 percent vacancy rate and cover increased contractual services costs associated with an IT modernization

project, financial auditing, and security services. Since the pandemic, WCA expenditures have grown faster than revenue generated by the assessment. As such, the WCA is projected to have insufficient revenue and fund balance in FY26 to sustain current expenditure levels.

- (662) **Miners' Hospital.** Miners' Hospital of New Mexico, a 25-bed acute care, long-term care, and primary care hospital in Colfax County, serves patients from northern New Mexico. The hospital is state-owned and receives patient revenues from private third-party insurance payers, Medicare, and Medicaid and land grant permanent fund revenue. The hospital requested a 1 percent decrease in personnel services and a 12 percent decrease in contractual services. The other category request is a 24 percent increase due to healthcare cost inflation. This amounts to a 1 percent, or \$406.5 thousand increase. In previous years, Miners' was financially struggling. However, the legislature made an appropriation to settle the hospital's debt, added a new IGT to leverage more federal revenue, and provided a supplemental appropriation to pay off the hospital's negative fund balance, the hospital's finances are in a better position than previous years. Importantly, for FY25, the hospital received a \$3.6 million special appropriation to eliminate debt service. However, Miners' did not eliminate their debt service and instead spent \$550 thousand of the special appropriation to buy into the IGT. Miners' must make a minimum payment of \$1.2 million by May 2025.
- (668) **Office of Natural Resources Trustee.** For FY26, ONRT requested a total budget of \$10.5 million, made up of \$970 thousand from the general fund and \$9.5 million from the natural resources trustee fund for damage assessment and restoration, for a total decrease of 4 percent, but a general fund increase of \$170 thousand, or 21.3 percent. The agency also requested a \$130 thousand expansion for a program coordinator. The recommendation supports the request for the reduction from the trust fund and it provides for a smaller increase from the general fund, resulting in a total increase of \$40 thousand, or 5 percent. ONRT, which generally spends about 90 percent of its general fund appropriation on staff, sought a \$170 thousand, or 23 percent increase, for personnel for FY25. With 5 FTE, the agency is nearly fully staffed, though as of September 2024 had funded vacancy dollars totaling \$136.7 thousand.
- (705) **Department of Military Affairs.** The Department of Military Affairs is funded primarily through federal funds and state general fund appropriations. In many areas of the budget, state funds are used as a match to leverage federal funds. DMA requested a total budget increase of \$3.1 million for FY26, including a \$1.7 million base budget increase and \$1.4 million in expansion requests. The request included a \$2.2 million increase in general fund revenue, an increase of 22.9 percent. In the base, DMA requested an increase of almost \$850 thousand from the general fund, including about \$310 thousand to match federal funds for the Job ChalleNGe and Youth ChalleNGe academies. The agency requested expansions totaling \$1.4 million to augment recruitment and retention efforts by hiring a tutor for the Armed Services Vocational Aptitude Battery (ASVAB), and provide recruiting stipends. The expansion also included \$1.1 million to formalize a new Governor's Summer ChalleNGe program the agency piloted this year.

- (750) **Crime Victims Reparation Commission.** CVRC requested a total budget increase of \$4.1 million in FY26. The agency anticipates a slight increase in federal funds in FY26 and requested an increase of \$4 million from the general fund. This would represent a 29 percent increase in general fund appropriations to the agency. Most of this general fund request was for \$2 million to increase the funding provided for sexual assault services, \$1 million to replace federal revenue the agency anticipates losing due to cuts to the federal Victims of Crime Act. The agency also requested general fund increases of \$1 million for direct monetary support for crime victims. Notably, the agency received a total of \$7 million in non-recurring GRO appropriations in the 2024 session, with some of these requested increases attempt to make recurring.
- (940) **Public School Facilities Authority.** The Public School Facilities Authority staffs the Public School Capital Outlay Council and is responsible for providing support in prioritizing and vetting school replacement and improvement projects, administering construction grants, assisting school districts with developing and implementing five-year master plans and preventative maintenance plans, and overseeing all state-funded public school construction. PSFA's budget request for FY26 was \$7.9 million, a \$483 thousand, or 6.5 percent, increase from FY25 operating levels. The agency's FY26 request includes funding to add 2 FTE to address an anticipated increase in new projects and to enhance in-house expertise in energy efficient design. The agency also requested a 3 percent increase to its personnel budget for performance-based salary adjustments for existing employees.
- (949) **Education Trust Board.** The Education Trust Board manages 529 college savings plans available to consumers in New Mexico and nationwide. The agency is fully funded through administrative fees assessed on the plans and does not receive a general fund appropriation. Additionally, the agency establishes its operating budget through a budget adjustment request and is not included in the General Appropriation Act. For FY26, the agency requested a \$91.4 thousand, or 2.8 percent, decrease. The majority of the decrease, \$70 thousand, is in the contractual services category for marketing and outreach.