

STATE OF NEW MEXICO

REPORT OF THE LEGISLATIVE FINANCE COMMITTEE
TO THE FIFTY FIRST LEGISLATURE
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LEGISLATING FOR RESULTS:
APPROPRIATION RECOMMENDATION

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BUDGET SUMMARY
(Dollars in Thousands)

	FY12 2011-2012 Actuals	FY13 Operating Budget	FY14		
			Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY13
111 Legislative Council Service	4,739.1	5,483.4	5,560.0	5,560.0	1.4%
112 Legislative Finance Committee	3,657.7	3,922.8	4,016.3	4,016.3	2.4%
114 Senate Chief Clerk	813.9	1,111.9	1,135.2	1,135.2	2.1%
115 House Chief Clerk	820.3	1,065.1	1,102.7	1,102.7	3.5%
117 Legislative Education Study Committee	1,181.7	1,194.0	1,212.8	1,212.8	1.6%
119 Legislative Building Services (GAA)	3,702.0	3,881.6	3,988.2	3,988.2	2.7%
131 Legislative Information Systems	531.6	533.1	632.1	549.1	3.0%
131 Interim Committee Expenses	482.8	861.2	861.2	861.2	0.0%
131 Pre-Session Expenses	274.6	426.6	426.6	426.6	0.0%
131 Legislative Internship Program	42.6	42.6	42.6	42.6	0.0%
131 Senate Rules Interim Committee	19.5	20.5	20.5	20.5	0.0%
131 Energy Council Dues (GAA)	32.0	32.0	32.0	32.0	0.0%
TOTAL	\$16,297.8	\$18,574.8	\$19,030.2	\$18,947.2	2.0%
NON-RECURRING					
2013 Legislature		\$9,212.3*			
2012 Legislature		\$5,015.4			
2011 Legislature		\$8,774.8			
2010 Legislature		\$4,878.1			

*Appropriation for the 2013 60-day legislative session will be made by the Legislature in January 2013. The budgeted amount of \$9,212.3 was provided by the Legislative Council Service.

Appropriation for the 2014 30-day legislative session will be made by the Legislature in January 2014.

TRANSMITTAL OF ESTIMATES

Appropriation estimates for the operation of the legislative branch of government are transmitted herewith by the Legislative Finance Committee. Estimates have been supplied by the Legislative Council Service, Legislative Finance Committee, Legislative Education Study Committee, Legislative Building Services, Senate chief clerk, and House chief clerk.

All appropriations to the legislative branch of government are made through the feed bill, except for those indicated by (GAA), which are made through the General Appropriation Act.

STATUTORY AUTHORITY:

Sections 18-1-1 through 18-1-12 NMSA 1978 provide for a Supreme Court Law Library for use by all citizens of New Mexico. The management, control, and supervision of the library are the responsibility of a board of trustees consisting of the Supreme Court justices. In addition to general circulation, the Supreme Court Law Library provides reference support, acquisition and update of legal materials, and research assistance. Its other major function is to provide guidelines, rules, and training to ensure the maintenance of all district court libraries.

MISSION:

The mission of the Supreme Court Law Library is to provide access to the primary law and related legal materials to the citizens of the state of New Mexico, including the judiciary, the Legislature, and the executive branches of state government, as well as the general public, and in so doing fulfill the constitutional requirement of providing equal access to justice.

BUDGET SUMMARY (dollars in thousands)					
FY14 – 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,483.8	1,505.6	1,565.1	1,546.7	2.7
Other Revenues	1.8	1.8	1.8	1.8	0.0
SOURCES TOTAL	1,485.6	1,507.4	1,566.9	1,548.5	2.7
USES					
Personal Services and Employee Benefits	608.7	628.9	686.6	670.0	6.5
Contractual Services	333.1	382.2	382.2	382.2	0.0
Other	540.3	496.3	498.1	496.3	0.0
TOTAL USES	1,482.1	1,507.4	1,566.9	1,548.5	2.7
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

For FY14, the Supreme Court Law Library requested an increase of \$59.5 thousand, or 3.9 percent, over the FY13 operating budget. As of September, there were no vacant positions at the library. The committee recommendation provides the library with an overall increase of \$41 thousand, or 2.7 percent. The recommendation applies the entire increase to the personal services and employee benefits category while the contractual services and other costs categories are maintained at their FY13 levels. The recommendation provides adequate funding for the increase in medical insurance, as well as the 1.5 percent retirement swap, and fully funds all positions.

SUPREME COURT LAW LIBRARY

The purpose of the supreme court law library is to provide and produce legal information for the judicial, legislative and executive branches of state government, the legal community and the public at large so they may have equal access to the law, effectively address the courts, make laws and write regulations, better understand the legal system, and conduct their affairs in accordance with the principles of law.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Percent of updated titles	59.5%	56.0%	70%	70%	70%
Quality	Percent of staff time spent on shelving and updating library materials	23.00%	21.5%	<20%	<20%	<20%
Output	Number of website hits	104,208	104,820	100,000	100,000	100,000
* Output	Number of research requests	8,883	8,871	8,000	8,000	8,800

STATUTORY AUTHORITY:

The New Mexico Compilation Commission was established by Sections 12-1-1 through 12-1-14 NMSA 1978 and is responsible for publishing, selling, and distributing the New Mexico Statutes Annotated (NMSA), opinions and rules of the court, "New Mexico Reports," Attorney General opinions, the "Magistrate and Metropolitan Bench Book," and the "Juvenile Probation Officers Manual." The commission also maintains a computer database of each publication. In addition, the commission drafts Supreme Court rules, jury instructions, and civil and criminal forms on a contractual basis. It serves as staff to the Supreme Court rules committee, assists in the publication of the Secretary of State's session laws, and is authorized to prepare and keep current parallel tables of the New Mexico statutes.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	400.0	400.0	400.0	350.0	-12.5
Other Revenues	1,279.2	1,579.3	1,311.9	1,311.6	-16.9
Fund Balance	140.0	0.0	0.0	0.0	
SOURCES TOTAL	1,819.2	1,979.3	1,711.9	1,661.6	-16.0
USES					
Personal Services and Employee Benefits	438.6	506.6	556.9	506.6	0.0
Contractual Services	1,152.1	1,339.7	1,000.0	1,000.0	-25.4
Other	136.9	133.0	155.0	155.0	16.5
TOTAL USES	1,727.6	1,979.3	1,711.9	1,661.6	-16.1
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

BUDGET ISSUES:

For FY14, the commission requested an increase in the personal services and employee benefits category of \$50.3 thousand, or 9.9 percent, as well as an increase in the other costs category of \$22 thousand, or 16 percent. These increases were offset by a requested decrease of \$339.7 thousand, or 25.4 percent, in the contractual services category. The decrease is attributable to the completion of contracts for enhancements of the New Mexico One Source of Law DVD. The net effect of the request of the commission would reduce the FY14 budget by \$267.4 thousand, or 13.5 percent.

For FY14, the commission's budget request consisted of three revenue components: a transfer from the Legislative Council Service of \$400 thousand, \$664 thousand from civil filing fees, and \$636 thousand from the sale of products. In addition, the commission anticipated maintaining a fund balance of \$120.3 thousand through the close of FY14.

The committee recommendation includes a \$317.7 thousand, or 16 percent, decrease relative to the FY13 operating budget. The recommendation fully funds the agency request in the contractual services and other categories and holds the personal services and employee benefits category flat relative to FY13 but 15.5 percent higher than FY12 actual expenditures. The commission has not added positions and is capable of absorbing the increases in insurance and retirement costs. The committee recommendation allows the commission to maintain all authorized positions, but does not provide funds for compensation increases.

NEW MEXICO COMPILATION COMMISSION

The purpose of the New Mexico compilation commission is to publish in print and electronic format, distribute and sell (1) laws enacted by the legislature, (2) opinions of the supreme court and court of appeals, (3) rules approved by the supreme court, (4) attorney general opinions and (5) other state and federal rules and opinions. The commission ensures the accuracy and reliability of its publications.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,255.7	\$1,277.1	\$1,300.0	\$1,300	\$1,300

STATUTORY AUTHORITY:

An amendment to Article VI, Section 32, of the New Mexico Constitution created the Judicial Standards Commission to provide a means for disciplining judges at all levels of the judiciary. The commission consists of 11 members: six lay people appointed by the governor, two attorneys elected by the New Mexico Bar Association board of commissioners, and three members appointed by the Supreme Court. The latter three positions are filled by a Supreme Court justice, a magistrate judge, and a Court of Appeals or district court judge. The six lay members serve five-year terms, while the attorney and judge members serve four-year terms.

MISSION:

The Judicial Standards Commission serves to protect the public from the improper conduct and behavior of judges, to preserve the integrity of the judicial process, to maintain public confidence in the judiciary, to create a greater awareness of proper judicial behavior on the part of the judiciary and the public, and to provide for the expeditious disposition of complaints of judicial misconduct. The commission also maintains a duty to the judiciary to maintain the strict confidentiality of all matters before the commission until such time as the matters are filed in the New Mexico Supreme Court.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	706.9	742.9	821.2	766.5	3.2
Other Revenues	8.5	25.0	10.0	10.0	-60.0
SOURCES TOTAL	715.4	767.9	831.2	776.5	1.1
USES					
Personal Services and Employee					
Benefits	556.6	607.2	682.4	627.7	3.4
Contractual Services	21.0	28.0	28.3	28.3	1.1
Other	133.9	132.7	120.5	120.5	-9.2
TOTAL USES	711.5	767.9	831.2	776.5	1.1
FTE					
Permanent	7.0	7.0	8.0	7.0	0.0
Temporary	1.0	0.0	0.0	0.0	0.0
TOTAL FTE POSITIONS	8.0	7.0	8.0	7.0	0.0

BUDGET ISSUES:

For FY14, the Judicial Standards Commission requested an increase of \$63.3 thousand, or 8.2 percent, over its FY13 operating budget. The commission requested funding for an additional permanent FTE position. The position, a paralegal, would replace a temporary FTE position deleted during the 2012 legislative session.

The recommendation fully funds the agency request in the contractual services and other cost categories and provides a 3.4 percent increase in the personal services and employee benefits category. The recommendation fully funds all positions at the agency but does not provide funding for the hiring of an additional FTE.

In FY12, the commission received 230 complaints and disposed of 152 cases. Of the 152 cases disposed, the commission concluded 20 cases (involving 11 judges) through formal proceedings and issued three informal letters of caution. Seventy-four cases were dismissed, and 51 were found to be unsubstantiated. In two cases, judges were referred for informal remedial measures (which can include mentorship, education, counseling, or other assistance). The commission abated two pending cases after the judges were removed or permanently retired or resigned through formal proceedings.

A constitutional amendment on the ballot this election cycle, if passed, would add two additional members to the commission, a magistrate judge and a member of the public. If passed, the commission will need additional funding to support the travel needs of additional commission members.

RECOMMENDED LANGUAGE:

Any unexpended balances remaining at the end of fiscal year 2013 in other state funds from funds received from trial cost reimbursements from respondents shall not revert to the general fund.

JUDICIAL STANDARDS COMMISSION

The purpose of the judicial standards commission program is to provide a public review process addressing complaints involving judicial misconduct to preserve the integrity and impartiality of the judicial process.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	0.6	1	4	4	1
Output	Time for release of annual report to the public, from the end of the fiscal year, in months	2	2	3	3	2
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	2	2.5	6	6	2

STATUTORY AUTHORITY:

The Court of Appeals was established by constitutional amendment in 1965. Its statutory authority is found in Sections 34-5-1 through 34-5-14 NMSA 1978. The court has no original jurisdiction but reviews certain types of cases on appeal: violations of municipal or county ordinances where a fine or imprisonment is imposed; decisions of state administrative agencies; all actions under the Workers' Compensation Act, the New Mexico Occupational Disease Disablement Law, the Subsequent Injury Act, and the federal Employers' Liability Act; and criminal action from the district courts, except those involving the death penalty or life imprisonment. Section 34-5-8 NMSA 1978 was amended in 1983 to include appeals of civil actions not specifically reserved for the jurisdiction of the Supreme Court by the Constitution or by law. The Court of Appeals consists of 10 judges elected statewide for eight-year terms and maintains offices in Santa Fe and Albuquerque.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,339.4	5,514.3	5,814.3	5,691.1	3.2
Other Revenues	1.0	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,340.4	5,515.3	5,815.3	5,692.1	3.2
USES					
Personal Services and Employee Benefits	4,887.4	5,051.0	5,300.5	5,220.3	3.4
Contractual Services	26.7	75.8	78.8	75.8	0.0
Other	415.5	388.5	436.0	396.0	1.9
TOTAL USES	5,329.6	5,515.3	5,815.3	5,692.1	3.2
FTE					
Permanent	61.5	61.5	61.5	61.5	0.0
TOTAL FTE POSITIONS	61.5	61.5	61.5	61.5	0.0

BUDGET ISSUES:

For FY13, the Court of Appeals requested an increase of \$300 thousand, or 5.4 percent, over the FY13 operating budget. The court's request imposed a 1 percent vacancy rate for personal services and employee benefits and increased the other costs category by \$47.5 thousand, or 12 percent. The request included funding to fill vacant positions as well as increases for training and travel expenses. The committee recommendation includes an increase of \$176.8 thousand, or 3.2 percent, and applies a 2.5 percent vacancy rate to the court. The recommendation includes increases of \$169.3 thousand, or 3.4 percent, for personal services and employee benefits and a \$7.5 thousand, or 1.9 percent, in the other costs category for travel and training expenses.

COURT OF APPEALS

The purpose of the court of appeals program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

	<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	104%	100%	95%	95%	95%

STATUTORY AUTHORITY:

Article VI of the constitution of New Mexico provides for a Supreme Court consisting of five justices, including a chief justice. The Supreme Court is considered the court of last resort in the state of New Mexico, having original jurisdiction in quo warranto and the mandamus against all state officers, boards, and commissions, as well as superintending control over all lower courts. The Supreme Court also has the power to issue writs.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,783.9	2,879.3	3,247.3	3,019.9	4.9
SOURCES TOTAL	2,783.9	2,879.3	3,247.3	3,019.9	4.9
USES					
Personal Services and Employee Benefits	2,639.4	2,777.0	3,145.0	2,917.6	5.1
Contractual Services	12.4	14.2	14.2	14.2	0.0
Other	128.5	88.1	88.1	88.1	0.0
TOTAL USES	2,780.3	2,879.3	3,247.3	3,019.9	4.9
FTE					
Permanent	34.0	34.0	35.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	35.0	34.0	0.0

BUDGET ISSUES:

For FY14, the Supreme Court requested a base increase of \$259.5 thousand, or 9 percent, over the FY13 operating budget and an expansion of \$108.5 thousand for one full-time staff attorney position. The expansion funding resulted in a total requested increase of \$368 thousand, or 12.8 percent, over the FY13 operating budget. The entirety of the requested increase was in the personal services and employee benefits category. As of September, the Supreme Court was maintaining 7 vacant FTE, or a 20.6 percent vacancy rate. The court's average vacancy rate over the past two years was 11 percent.

The committee recommendation for the Supreme Court includes an increase of \$140 thousand, or 4.9 percent, to allow the court to hire a staff attorney and offset the medical insurance and retirement cost increases. The recommendation applies a 3.3 percent vacancy rate, lower than the current and historic vacancy rates, and fully funds the agency request in the contractual services and other costs category. The lower recommended vacancy rate allows the court to reclassify a vacant position into a staff attorney.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Sections 35-8-7 and 38-5-15 NMSA 1978, the supreme court has the authority to reduce juror pay as needed to stay within the appropriation for the jury and witness fund.

BASE EXPANSION:

The Supreme Court requested an expansion for a full-time staff attorney, 1 FTE, and funding of \$108.5 thousand. The committee does not recommend the expansion but includes funding necessary for the reclassification of a vacant position to a staff attorney position.

BASE EXPANSION LISTING
FY14 - 2013-2014

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	<u>Attorney-general counsel staff-1 FTE</u>	<u>(P216)</u>	<u>108.5</u>	<u>0.0</u>
TOTAL			108.5	0.0

SUPREME COURT

The purpose of the supreme court program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
*	Explanatory Cases disposed as a percent of cases filed	102.6%	94.2%	98%	98%	98%

STATUTORY AUTHORITY:

The Supreme Court Building Commission was established by Sections 34-3-1 through 34-3-3 NMSA 1978. The commission consists of three New Mexico residents appointed by the Supreme Court who serve without pay. The building superintendent is directly responsible to the commission for supervision of custodial staff and for the preservation and maintenance of the Supreme Court building and its grounds. The commission is further charged with maintaining accurate fixed assets records for furniture, fixtures, and equipment acquired by the judiciary.

BUDGET SUMMARY (dollars in thousands)					
FY14 – 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	777.5	833.4	879.4	841.4	1.0
SOURCES TOTAL	777.5	833.4	879.4	841.4	1.0
USES					
Personal Services and Employee Benefits	617.9	665.1	714.7	676.7	1.7
Contractual Services	8.3	10.7	7.1	7.1	-33.6
Other	148.0	157.6	157.6	157.6	0.0
TOTAL USES	774.2	833.4	879.4	841.4	1.0
FTE					
Permanent	15.8	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.8	15.0	15.0	15.0	0.0

BUDGET ISSUES:

For FY14, the Supreme Court Building Commission requested an increase of \$46 thousand, or 5.5 percent, over the FY13 operating budget. The commission is not currently maintaining any vacant positions, and the entirety of the requested increase was in the personal services and employee benefits category. The requested increase would be used for employee compensation. The committee recommendation increases the personal services and employee benefits category by \$11.6 thousand, or 1.7 percent, and allows the building commission to fill all positions and fund increased medical insurance premiums and PERA contributions.

The Legislature approved \$700 thousand in capital improvement funds during the 2011 special session, which allowed the commission to repair the roof of the Supreme Court facility. Repairs are anticipated to be complete by the end of calendar year 2012.

SUPREME COURT BUILDING COMMISSION

The purpose of the supreme court building commission is to retain custody and control of the supreme court building and its grounds, to provide care, preservation, repair, cleaning, heating and lighting and to hire necessary employees for these purposes.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Quality	Accuracy of fixed-assets inventory records	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

The Administrative Office of the Courts (AOC) is statutorily created in Sections 34-9-1 through 34-9-16 NMSA 1978 to be established in the seat of government and supervised by a director appointed by the New Mexico Supreme Court. The agency has four recognized programs: Administrative Support, Magistrate Court, Statewide Judiciary Automation, and Special Court Services. The AOC is the oversight agency for the judiciary, supervising all matters relating to the administration of the courts.

MISSION:

The mission of the Administrative Office of the Courts (AOC) is to administer the Magistrate Court Program and the Statewide Judiciary Automation Program, provide guidance and technical assistance to all judicial agencies, and provide funding and oversight for special court services.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	38,252.7	40,678.5	45,849.4	43,025.5	5.8
Other Transfers	3,200.0	2,359.4	1,628.8	2,128.8	-9.8
Federal Revenues	1,009.5	966.1	966.1	966.1	0.0
Other Revenues	11,417.0	11,991.2	11,534.6	11,534.6	-3.8
Fund Balance	1,640.2	894.4	984.2	984.2	10.0
SOURCES TOTAL	55,519.4	56,889.6	60,963.1	58,639.2	3.1
USES					
Personal Services and Employee Benefits	26,168.9	27,893.6	29,194.0	28,320.8	1.5
Contractual Services	8,828.4	9,367.3	9,636.9	9,586.9	2.3
Other	17,776.2	17,345.5	19,345.5	18,013.8	3.9
Other Financing Uses	1,920.4	2,283.2	2,786.7	2,717.7	19.0
TOTAL USES	54,693.9	56,889.6	60,963.1	58,639.2	3.1
FTE					
Permanent	367.8	370.3	371.8	370.3	0.0
Term	69.5	69.5	69.5	69.5	0.0
TOTAL FTE POSITIONS	437.3	439.8	441.3	439.8	0.0

BUDGET ISSUES:

The Administrative Office of the Courts (AOC) requested a \$5.2 million, or 12.7 percent, increase from the general fund over the FY13 operating budget. The total requested budget of \$61 million would provide the AOC \$4.1 million over the FY13 appropriation. The request increased funding from the general fund in all four programs within the AOC: the Administrative Services program was increased by \$1.2 million, or 17 percent; the Statewide Automation program by \$992 thousand, or 39 percent; the Magistrate Court program by \$1.8 million, or 8 percent; and the Special Court Services program by \$1.1 million, or 14 percent.

The majority of the requested increase in Administrative Services, \$763.7 thousand, would be applied to the Jury and Witness Program to allow jury pay to be increased to the state minimum wage of \$7.50 per hour, as well as to pay for rising interpreter costs. The increase in the Statewide Automation program is meant to offset diminishing fee revenues. The Supreme Court automation fund (SCAF) is assessed on civil case filings, which have been declining. The SCAF balance declined from \$2.2 million at the close of FY11 to an anticipated \$195.6 thousand at the close of FY13. The funding increase in the Magistrate Court program will be used primarily for the continued costs of facility leases and improvements. The funding increase in Special Court Services will support the operations of drug court programs statewide. The AOC requested an increase of \$900 thousand from the general fund for drug courts.

The committee recommendation provides the AOC with an increase of \$2.3 million, or 5.8 percent, from the general fund. The committee recommendation prioritizes the Judicial Information Division (JID), the Magistrate Courts, and Drug Court Programs statewide with spending in these areas making up 92 percent of the FY14 recommended increase. In the magistrate courts, the committee recommends a \$1.4 million, or 6.1 percent, increase from the general fund. However, the overall increase for the program would be 2.6 percent due to the erosion of fee revenue. The increase of \$789 thousand, or 9.9 percent, in the other category would ensure that magistrate courts have sufficient funding to meet current lease obligations as well as funding for facility maintenance and enhancements. The JID is similarly situated; the committee recommendation for a 13.8 percent increase in general fund would result in an overall increase of 1.3 percent for the program.

The JID is in the final stages of the statewide implementation of the Odyssey Case Management System (CMS). The JID expects that all district and magistrate courts will be using the new CMS by the close of 2012. Following the successful implementation of the CMS in district and magistrate courts, the JID will begin implementation in the Bernalillo County Metropolitan Court, as well as the Court of Appeals and the Supreme Court. A preliminary study of the CMS performed by the National Center for State Courts at the request of the AOC indicates potential large gains in worker productivity, particularly for civil cases, where a 44.2 percent decrease in time to file was recorded. The findings of this study are promising, and should the trends noted persist throughout all districts, it might lead to a significant reduction in the need for clerical staff in the coming years.

After the successful completion of the Odyssey implementation, the JID intends to shift focus to electronic filing (e-filing) of court documents. Implementation of e-filing in some district courts for civil cases has already begun; The JID plans to continue to expand civil e-filing and begin criminal e-filing. The JID anticipates statewide implementation of e-filing for civil cases by March 2013.

The recommendation for the Special Court Services program includes \$400 thousand from the general fund to enhance the operations of drug courts statewide. The increase in drug-court funding would be distributed by the Drug Court Advisory Committee (DCAC) based on program needs. The recommendation also continues a transfer of \$500 thousand to the AOC for drug courts from the local DWI grant fund, which supports county-based anti-DWI initiatives.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 11-6A-3 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts in the other financing uses category includes five hundred thousand dollars (\$500,000) from the local DWI grant fund for drug courts. Any unexpended balances from appropriations made from the local DWI grant fund remaining at the end of fiscal year 2014 shall revert to the local DWI grant fund.

BASE EXPANSION:

In Administrative Support, the AOC requested 1 FTE, a program manager for signed language access, and no funding. The AOC intends to support the expansion by shifting funds from contractual services to personal services and employee benefits. In Special Court Services, the AOC requests 0.5 FTE and \$35 thousand for the position. The AOC requested expansion funding to support the travel of the Judicial Nominating Commission and the Alternative Dispute Resolution Commission. The committee recommendation does not provide funding or positions for any of the expansion items.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Program Manager, Signed Language Access 1 FTE	(P559)	0.0	0.0
2	Domestic Violence Statewide Program Manager	(P620)	176.5	0.0
TOTAL			176.5	0.0

ADMINISTRATIVE SUPPORT

The purpose of the administrative support program is to provide administrative support to the chief justice, all judicial branch units and the administrative office of the courts so that they can effectively administer the New Mexico court system.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,963.6	7,271.2	8,524.7	7,478.3	2.8
Other Transfers	483.5	619.4	619.4	619.4	0.0
Federal Revenues	1,009.5	966.1	966.1	966.1	0.0
Other Revenues	2,172.4	2,025.0	2,025.0	2,025.0	0.0
Fund Balance	152.9	100.0	180.0	180.0	80.0
SOURCES TOTAL	10,781.9	10,981.7	12,315.2	11,268.8	2.6
USES					
Personal Services and Employee Benefits	3,329.5	3,159.9	3,637.8	3,355.1	6.2
Contractual Services	1,145.9	1,696.0	1,539.2	1,539.2	-9.2
Other	6,299.0	6,125.8	7,138.2	6,374.5	4.1
TOTAL USES	10,774.4	10,981.7	12,315.2	11,268.8	2.6
FTE					
Permanent	37.8	38.8	39.8	38.8	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	40.8	41.8	42.8	41.8	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Average cost per juror	\$53.86	\$49.76	\$50	\$50	\$50

STATEWIDE JUDICIARY AUTOMATION

The purpose of the statewide judicial automation program is to provide development, enhancement, maintenance and support for core court automation and usage skills for appellate, district, magistrate and municipal courts and ancillary judicial agencies.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,315.9	2,536.6	3,529.1	2,886.2	13.8
Other Revenues	5,431.6	5,834.4	5,783.8	5,783.8	-0.9
Fund Balance	1,487.3	584.4	400.0	400.0	-31.6
SOURCES TOTAL	9,234.8	8,955.4	9,712.9	9,070.0	1.3
USES					
Personal Services and Employee Benefits	4,265.0	4,698.1	5,130.0	4,787.1	1.9
Contractual Services	1,644.6	1,066.2	1,486.2	1,486.2	39.4
Other	2,996.9	3,191.1	3,096.7	2,796.7	-12.4
TOTAL USES	8,906.5	8,955.4	9,712.9	9,070.0	1.3
FTE					
Permanent	42.5	42.5	42.5	42.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	51.5	51.5	51.5	51.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Quality	Percent of accurate driving-while-intoxicated court reports	87.4%	73%	98%	98%	98%
Output	Number of help desk calls for assistance resolved	14,096	24,983	6,000	6,000	20,000
Quality	Average time to resolve automation calls for assistance, in hours	19.1	8.6	12	12	8
Quality	Judicial computer user qualitative rating of judicial information program help desk support	4.8	4.9	3	3	3

MAGISTRATE COURT

The purpose of the magistrate court and warrant enforcement program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status in order to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	22,116.7	23,209.2	25,054.5	24,618.3	6.1
Other Transfers	1,307.1	800.0	400.0	400.0	-50.0
Other Revenues	3,813.0	4,131.8	3,725.8	3,725.8	-9.8
Fund Balance	0.0	210.0	342.6	342.6	63.1
SOURCES TOTAL	27,236.8	28,351.0	29,522.9	29,086.7	2.6
USES					
Personal Services and Employee Benefits	18,232.2	19,604.5	19,959.8	19,769.1	0.8
Contractual Services	325.0	738.5	520.6	520.6	-29.5
Other	8,465.6	8,008.0	9,042.5	8,797.0	9.9
TOTAL USES	27,022.8	28,351.0	29,522.9	29,086.7	2.6
FTE					
Permanent	284.5	284.5	284.5	284.5	0.0
Term	57.5	57.5	57.5	57.5	0.0
TOTAL FTE POSITIONS	342.0	342.0	342.0	342.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.43	\$3.09	\$2.8	\$2.8	\$3.1
* Explanatory	Cases disposed as a percent of cases filed	106.1%	101.7%	95%	95%	95%
Efficiency	Percent of magistrate courts financial reports submitted to fiscal services division and reconciled on a monthly basis	97.8%	98.6%	100%	100%	100%

SPECIAL COURT SERVICES

The purpose of the special court services program is to provide court advocates, legal counsel and safe exchanges for children and families; to provide judges pro tem; and to adjudicate water rights disputes so the constitutional rights and safety of citizens, especially children and families, are protected.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,856.5	7,661.5	8,741.1	8,042.7	5.0
Other Transfers	1,409.4	940.0	609.4	1,109.4	18.0
Fund Balance	0.0	0.0	61.6	61.6	
SOURCES TOTAL	8,265.9	8,601.5	9,412.1	9,213.7	7.1
USES					
Personal Services and Employee Benefits	342.2	431.1	466.4	409.5	-5.0
Contractual Services	5,712.9	5,866.6	6,090.9	6,040.9	3.0
Other	14.7	20.6	68.1	45.6	121.4
Other Financing Uses	1,920.4	2,283.2	2,786.7	2,717.7	19.0
TOTAL USES	7,990.2	8,601.5	9,412.1	9,213.7	7.1
FTE					
Permanent	3.0	4.5	5.0	4.5	0.0
TOTAL FTE POSITIONS	3.0	4.5	5.0	4.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of required events attended by attorneys in abuse and neglect cases	5,730	6,771	7,000	7,000	7,000
* Output	Number of cases to which court-appointed special advocates volunteers are assigned	869	859	1,000	1,000	1,000
* Output	Number of monthly supervised child visitations and exchanges conducted	1,125	2,516	1,000	1,000	2,500

STATUTORY AUTHORITY:

The New Mexico district courts are statutorily created in sections 34-6-1 through 34-6-46 NMSA 1978. New Mexico has 13 judicial districts over which 90 judges preside. Distribution and number of judgeships is determined in New Mexico statute. In the last seven years, 17 district judgeships have been created.

The district courts have jurisdiction over all matters not specifically excepted by the New Mexico Constitution, including common law disputes, felony criminal actions, and statutorily directed matters involving children. The district courts have appellate jurisdiction over most decisions rendered by lower courts and administrative agencies. They may appoint or remove conservators, guardians, and specified public officials. They may commit persons to the care of the state, issue writs of aid of jurisdiction, and promulgate court rules consistent with rules established by the Supreme Court.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	64,992.4	67,709.6	71,344.0	69,565.2	2.7
Other Transfers	4,871.6	4,807.6	5,301.0	5,301.0	10.3
Federal Revenues	138.5	0.0	0.0	0.0	0.0
Other Revenues	2,611.4	2,791.0	4,386.7	4,529.4	62.3
Fund Balance	783.7	519.4	565.9	605.9	16.7
SOURCES TOTAL	73,397.6	75,827.6	81,597.6	80,001.5	5.5
USES					
Personal Services and Employee Benefits	62,671.5	66,504.7	69,895.1	69,081.3	3.9
Contractual Services	5,114.3	5,960.5	6,617.2	6,127.8	2.8
Other	4,880.1	3,362.4	5,085.3	4,792.4	42.5
TOTAL USES	72,665.9	75,827.6	81,597.6	80,001.5	5.5
FTE					
Permanent	961.5	964.0	969.0	951.1	-1.3
Term	65.3	68.8	96.0	96.0	39.5
TOTAL FTE POSITIONS	1,026.8	1,032.8	1,065.0	1,047.1	1.4

BUDGET ISSUES:

District courts participate in the judicial “unified budget” by proposing and gaining support for their requested budgets through the judiciary budget committee and the Chief Judges Council (CJC). For FY14, the budget committee recommended courts request increases of no more than 3 percent unless justifiable to the committee. The unified budget also included a request for nine additional judgeships. During the 2012 legislative session, House Bill 186 provided three additional judgeships but was vetoed by the governor.

For FY14, district courts requested \$71.3 million from the general fund, an increase of \$3.6 million, or 5.4 percent, over the FY13 operating budget. District courts requested an average vacancy rate of 2 percent, while the statewide average vacancy rate was 8.7 percent in September 2012, down from the two-year average vacancy rate of 10.6 percent. The request will allow courts to fill critical vacant positions, upgrade aging information technology systems, address security needs, reinstate maintenance contracts, and keep up with increasing costs for supplies and equipment. Of the 13 judicial districts in the state, only two, the 8th Judicial District Court and 9th Judicial District Court, requested expansion items.

The committee recommends a \$1.9 million, or 2.7 percent, increase from the general fund over the FY13 operating budget. The committee recommendation will provide courts with funding necessary to offset the increases in health insurance rates and retirement contributions. The recommendation provides district courts with an average 3.8 percent vacancy rate.

The committee recommends authorizing all 30.3 FTE requested and deleting 16 FTE vacant for two years or longer, a total increase of 14.3 FTE over FY13. The 2nd Judicial District Court requested 23.5 term FTE as a result of a memorandum of understanding with Bernalillo County to support pretrial services. The 3rd Judicial District Court requested an additional 3.8 FTE as the result of a grant from the Human Services Department. The 11th Judicial District Court requested an increase of 3 permanent FTE to reflect current staffing levels in the court.

By the close of FY13, the Odyssey case management system (CMS) will be in use in all districts. Preliminary results from a study on the possible efficiency gains realized through implementation of the new CMS are promising; the study shows staff time required to process a civil case declined 44 percent from the 2004 staff time study.

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,890.9	6,175.7	6,499.9	6,285.5	1.8
Other Transfers	458.7	489.1	564.1	564.1	15.3
Federal Revenues	48.3	0.0	0.0	0.0	0.0
Other Revenues	318.7	466.9	466.9	466.9	0.0
SOURCES TOTAL	6,716.6	7,131.7	7,530.9	7,316.5	2.6
USES					
Personal Services and Employee Benefits	5,983.7	6,504.2	6,598.1	6,541.7	0.6
Contractual Services	287.6	364.3	382.8	364.7	0.1
Other	414.6	263.2	550.0	410.1	55.8
TOTAL USES	6,685.9	7,131.7	7,530.9	7,316.5	2.6
FTE					
Permanent	86.0	86.0	86.0	86.0	0.0
Term	8.8	8.8	8.8	8.8	-0.6
TOTAL FTE POSITIONS	94.8	94.8	94.8	94.8	-0.1

FIRST JUDICIAL DISTRICT

The purpose of the first judicial district court program, statutorily created in Santa Fe, Rio Arriba and Los Alamos counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100.7%	90.3%	100%	100%	100%
* Quality	Recidivism of adult drug-court graduates	19.3%	18.7%	9%	9%	8%
* Quality	Recidivism of juvenile drug-court graduates	17.2%	13.8%	15%	15%	10%
Output	Number of adult drug-court graduates	33	16	20	20	20
Output	Number of juvenile drug-court graduates	9	5	17	17	17
Output	Median number of days to process vendor payment vouchers	13	11.3	15	15	12
Output	Number of days to process juror payment vouchers	2.5	10.7	5	5	5
Explanatory	Graduation rate, juvenile drug court	40.9%	45.4%	50%	50%	50%
Explanatory	Graduation rate, adult drug court	56.9%	28.6%	45%	45%	45%

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	20,103.8	21,051.5	22,027.1	21,594.0	2.6
Other Transfers	971.2	976.3	986.0	986.0	1.0
Other Revenues	1,567.3	1,738.5	3,292.2	3,292.2	89.4
Fund Balance	549.0	256.7	281.9	281.9	9.8
SOURCES TOTAL	23,191.3	24,023.0	26,587.2	26,154.1	8.9
USES					
Personal Services and Employee Benefits	21,399.5	22,772.2	24,096.8	24,096.8	5.8
Contractual Services	250.7	242.1	589.1	242.1	0.0
Other	1,120.6	1,008.7	1,901.3	1,815.2	80.0
TOTAL USES	22,770.8	24,023.0	26,587.2	26,154.1	8.9
FTE					
Permanent	326.5	326.5	326.5	321.0	-1.7
Term	28.5	32.0	55.5	55.5	73.4
TOTAL FTE POSITIONS	355.0	358.5	382.0	376.5	5.0

SECOND JUDICIAL DISTRICT

The purpose of the second judicial district court program, statutorily created in Bernalillo county, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100.0%	94.3%	95%	95%	95%
* Quality	Recidivism of adult drug-court graduates	3.6%	7.8%	8%	8%	8%
* Quality	Recidivism of juvenile drug-court graduates	27.6%	16.3%	10%	10%	10%
Output	Number of adult drug-court graduates	134	72	130	130	130
Output	Number of juvenile drug-court graduates	16	12	20	20	20
Output	Median number of days to process vendor payment vouchers	1	1	5	5	5
Output	Number of days to process juror payment vouchers	14	20	14	14	14
Explanatory	Graduation rate, adult drug court	67.3%	72%	55%	55%	70%
Explanatory	Graduation rate, juvenile drug court	57.1%	46.2%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,827.4	6,064.4	6,355.1	6,188.8	2.1
Other Transfers	622.5	668.8	916.3	916.3	37.0
Other Revenues	158.3	131.2	141.2	171.2	30.5
Fund Balance	43.3	65.0	55.0	55.0	-15.4
SOURCES TOTAL	6,651.5	6,929.4	7,467.6	7,331.3	5.8
USES					
Personal Services and Employee Benefits	5,487.0	5,948.7	6,384.1	6,233.8	4.8
Contractual Services	708.9	779.4	761.8	761.8	-2.3
Other	427.2	201.3	321.7	335.7	66.8
TOTAL USES	6,623.1	6,929.4	7,467.6	7,331.3	5.8
FTE					
Permanent	85.3	85.3	85.3	84.8	-0.5
Term	6.5	6.5	10.3	10.3	57.7
TOTAL FTE POSITIONS	91.8	91.8	95.5	95.1	3.6

THIRD JUDICIAL DISTRICT

The purpose of the third judicial district court program, statutorily created in Dona Ana county, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	92.6%	98.3%	95%	95%	95%
* Quality	Recidivism of adult drug-court graduates	9.3%	22.5%	10%	10%	8%
* Quality	Recidivism of juvenile drug-court graduates	13.5%	12.3%	15%	15%	10%
Output	Number of adult drug-court graduates	27	20	30	30	30
Output	Number of juvenile drug-court graduates	24	16	25	25	25
Output	Median number of days to process vendor payment vouchers	10	4	5	5	5
Output	Number of days to process juror payment vouchers	20	18.75	14	14	14
Explanatory	Graduation rate, adult drug court	71%	71.4%	70%	70%	75%
Explanatory	Graduation rate, juvenile drug court	66.7%	61.5%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,943.3	2,067.0	2,231.0	2,117.5	2.4
Other Transfers	112.1	48.4	124.1	124.1	156.4
Other Revenues	27.2	25.0	25.0	25.0	0.0
Fund Balance	0.0	2.0	2.0	2.0	0.0
SOURCES TOTAL	2,082.6	2,142.4	2,382.1	2,268.6	5.9
USES					
Personal Services and Employee Benefits	1,850.8	1,944.5	2,000.2	1,980.3	1.8
Contractual Services	91.4	65.7	191.5	156.1	137.6
Other	157.7	132.2	190.4	132.2	0.0
TOTAL USES	2,099.9	2,142.4	2,382.1	2,268.6	5.9
FTE					
Permanent	29.5	29.5	29.5	29.5	0.0
TOTAL FTE POSITIONS	29.5	29.5	29.5	29.5	0.0

FOURTH JUDICIAL DISTRICT

The purpose of the fourth judicial district court program, statutorily created in Mora, San Miguel and Guadalupe counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	104.8%	101.3%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	<1	<1	5	5	3
Output	Number of days to process juror payment vouchers	3.5	2.0	7	7	4
Explanatory	Graduation rate, juvenile drug court	100%	60%	70%	70%	70%
* Quality	Recidivism of juvenile drug-court graduates	18.7%	11.1%	15%	15%	10%
Output	Number of juvenile drug-court graduates	11	6	10	10	10

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,651.3	5,839.8	6,129.2	6,058.7	3.7
Other Transfers	281.0	268.4	320.6	320.6	19.4
Federal Revenues	9.1	0.0	0.0	0.0	0.0
Other Revenues	120.9	105.0	105.0	120.0	14.3
Fund Balance	11.0	20.0	20.0	20.0	0.0
SOURCES TOTAL	6,073.3	6,233.2	6,574.8	6,519.3	4.6
USES					
Personal Services and Employee Benefits	5,030.7	5,408.2	5,519.1	5,550.8	2.6
Contractual Services	592.1	591.2	720.7	658.7	11.4
Other	380.0	233.8	335.0	309.8	32.5
TOTAL USES	6,002.8	6,233.2	6,574.8	6,519.3	4.6
FTE					
Permanent	82.0	82.0	82.0	81.0	-1.2
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	83.0	83.0	83.0	82.0	-1.2

FIFTH JUDICIAL DISTRICT

The purpose of the fifth judicial district court program, statutorily created in Eddy, Chaves and Lea counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory Output	Cases disposed as a percent of cases filed	97.4%	94.9%	95%	95%	95%
	Median number of days to process vendor payment vouchers	3.9	3.9	5	5	5
Output	Number of days to process juror payment vouchers	4.6	4.8	7	7	5

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,893.4	3,010.3	3,152.8	3,101.3	3.0
Other Transfers	110.0	98.8	103.8	103.8	5.1
Federal Revenues	80.7	0.0	0.0	0.0	0.0
Other Revenues	11.0	11.0	17.0	17.0	54.5
Fund Balance	10.8	14.8	12.0	12.0	-18.9
SOURCES TOTAL	3,105.9	3,134.9	3,285.6	3,234.1	3.2
USES					
Personal Services and Employee Benefits	2,253.5	2,386.0	2,475.7	2,444.2	2.4
Contractual Services	615.8	610.2	640.6	640.6	5.0
Other	221.9	138.7	169.3	149.3	7.6
TOTAL USES	3,091.2	3,134.9	3,285.6	3,234.1	3.2
FTE					
Permanent	35.5	35.5	35.5	34.5	-2.8
Term	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	35.0	-2.8

SIXTH JUDICIAL DISTRICT

The purpose of the sixth judicial district court program, statutorily created in Grant, Luna and Hidalgo counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	99.9%	99.8%	95%	95%	95%
* Quality	Recidivism of juvenile drug-court graduates	10.3%	5.9%	13%	13%	10%
Output	Number of juvenile drug-court graduates	16	15	9	9	9
Output	Median number of days to process vendor payment vouchers	9.5	12.9	5	5	5
Output	Number of days to process juror payment vouchers	9	12	14	14	5
Explanatory	Graduation rate, juvenile drug court	80%	78.9%	90%	90%	90%

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 – 2013-2014</u>				
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,055.4	2,124.9	2,264.2	2,191.1	3.1
Other Transfers	412.7	395.0	395.0	395.0	0.0
Other Revenues	23.8	26.0	28.0	28.0	7.7
Fund Balance	0.0	5.0	5.0	5.0	0.0
SOURCES TOTAL	2,491.9	2,550.9	2,692.2	2,619.1	2.7
USES					
Personal Services and Employee Benefits	1,924.5	2,031.1	2,159.9	2,086.8	2.7
Contractual Services	312.0	367.9	365.7	365.7	-0.6
Other	235.2	151.9	166.6	166.6	9.7
TOTAL USES	2,471.7	2,550.9	2,692.2	2,619.1	2.7
FTE					
Permanent	32.0	32.0	32.0	28.0	-12.5
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	32.0	-11.1

SEVENTH JUDICIAL DISTRICT

The purpose of the seventh judicial district court program, statutorily created in Torrance, Socorro, Catron and Sierra counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	101.2%	108.9%	95%	95%	95%
	Output	2.5	2.2	5	5	5
Output	Median number of days to process vendor payment vouchers					
	Number of days to process juror payment vouchers	0.7	2.5	7	14	3

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,562.3	2,613.6	2,827.6	2,662.4	1.9
Other Transfers	100.3	95.3	95.3	95.3	0.0
Other Revenues	47.2	56.0	71.0	71.0	26.8
SOURCES TOTAL	2,709.8	2,764.9	2,993.9	2,828.7	2.3
USES					
Personal Services and Employee Benefits	1,910.1	1,933.7	2,120.5	2,022.3	4.6
Contractual Services	655.5	730.4	763.6	705.6	-3.4
Other	123.3	100.8	109.8	100.8	0.0
TOTAL USES	2,688.9	2,764.9	2,993.9	2,828.7	2.3
FTE					
Permanent	27.5	30.0	31.0	30.0	0.0
TOTAL FTE POSITIONS	27.5	30.0	31.0	30.0	0.0

BASE EXPANSION:

The 8th Judicial District Court requested one court clerk position. The committee does not recommend this request.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
<u>1</u>	<u>Court clerk 1 FTE</u>	<u>(P238)</u>	<u>54.0</u>	<u>0.0</u>
TOTAL			54.0	0.0

EIGHTH JUDICIAL DISTRICT

The purpose of the eighth judicial district court program, statutorily created in Taos, Colfax and Union counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	87.9%	91.8%	95%	95%	95%
* Quality	Recidivism of adult drug-court graduates	4.7%	1.8%	10%	10%	8%
* Quality	Recidivism of juvenile drug-court graduates	7.7%	5.1%	5%	5%	5%
Output	Number of adult drug-court graduates	23	14	20	20	20
Output	Number of juvenile drug-court graduates	8	21	15	15	15
Output	Median number of days to process vendor payment vouchers	2.5	1.4	5	5	5
Output	Number of days to process juror payment vouchers	<1	<1	7	7	3
Explanatory	Graduation rate, juvenile drug court	32%	65.6%	70%	70%	70%
Explanatory	Graduation rate, adult drug court	59%	42.4%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,973.1	3,078.8	3,321.9	3,172.3	3.0
Other Transfers	585.8	607.1	612.6	612.6	0.9
Other Revenues	57.7	58.0	63.0	83.6	44.1
SOURCES TOTAL	3,616.6	3,743.9	3,997.5	3,868.5	3.3
USES					
Personal Services and Employee Benefits	3,290.2	3,413.1	3,623.5	3,494.7	2.4
Contractual Services	109.6	114.1	111.0	111.0	-2.7
Other	198.8	216.7	263.0	262.8	21.3
TOTAL USES	3,598.6	3,743.9	3,997.5	3,868.5	3.3
FTE					
Permanent	43.8	43.8	44.8	43.8	0.0
Term	5.5	5.5	5.5	5.5	0.0
TOTAL FTE POSITIONS	49.3	49.3	50.3	49.3	0.0

BASE EXPANSION:

The 9th Judicial District requested a paralegal position for their mediation services program. The committee does not recommend this request.

BASE EXPANSION LISTING
FY14 - 2013-2014

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
<u>1</u>	<u>Mediation services paralegal 1 FTE</u>	<u>(P239)</u>	<u>80.2</u>	<u>0.0</u>
TOTAL			80.2	0.0

NINTH JUDICIAL DISTRICT

The purpose of the ninth judicial district court program, statutorily created in Curry and Roosevelt counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	97.5%	93.5%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	4.25	5.04	5	10	5
Output	Number of days to process juror payment vouchers	9.5	2.3	10	14	5

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	718.6	751.6	795.7	781.1	3.9
Other Revenues	5.1	8.5	8.5	8.5	0.0
Fund Balance	18.1	26.5	23.1	23.1	-12.8
SOURCES TOTAL	741.8	786.6	827.3	812.7	3.3
USES					
Personal Services and Employee Benefits	634.8	671.3	699.0	684.4	2.0
Contractual Services	16.5	41.0	47.4	47.4	15.6
Other	73.9	74.3	80.9	80.9	8.9
TOTAL USES	725.2	786.6	827.3	812.7	3.3
FTE					
Permanent	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	10.0	10.0	0.0

TENTH JUDICIAL DISTRICT

The purpose of the tenth judicial district court program, statutorily created in Quay, De Baca and Harding counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	91.7%	100.2%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	1.4	.5	5	5	3
Output	Number of days to process juror payment vouchers	0.6	.5	7	7	3

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,538.5	5,730.4	6,036.7	5,928.1	3.5
Other Transfers	521.1	510.8	545.0	545.0	6.7
Federal Revenues	0.4	0.0	0.0	0.0	0.0
Other Revenues	212.7	120.9	120.9	152.0	25.7
Fund Balance	5.6	12.0	12.0	12.0	0.0
SOURCES TOTAL	6,278.3	6,374.1	6,714.6	6,637.1	4.1
USES					
Personal Services and Employee Benefits	5,134.3	5,443.7	5,747.2	5,638.6	3.6
Contractual Services	583.1	638.3	665.8	696.9	9.2
Other	540.7	292.1	301.6	301.6	3.3
TOTAL USES	6,258.1	6,374.1	6,714.6	6,637.1	4.1
FTE					
Permanent	79.5	79.5	82.5	81.5	2.5
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	86.0	86.0	89.0	88.0	2.3

ELEVENTH JUDICIAL DISTRICT

The purpose of the eleventh judicial district court program, statutorily created in San Juan and McKinley counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100.4%	100.3%	95%	95%	95%
* Quality	Recidivism of adult drug-court graduates	5.2%	4.3%	10%	10%	8%
* Quality	Recidivism of juvenile drug-court graduates	4.6%	4%	10%	10%	10%
Output	Number of adult drug-court graduates	37	34	40	40	40
Output	Number of juvenile drug-court graduates	22	14	16	16	16
Output	Median number of days to process vendor payment vouchers	4	15	5	5	5
Output	Number of days to process juror payment vouchers	6	8	7	14	7
Explanatory	Graduation rate, juvenile drug court	81.5%	60.9%	75%	75%	75%
Explanatory	Graduation rate, adult drug court	57.8%	59.6%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency Request	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,826.8	2,926.8	3,113.8	3,025.7	3.4
Other Transfers	23.9	91.2	83.4	83.4	-8.6
Other Revenues	45.5	44.0	48.0	68.0	54.5
Fund Balance	0.0	11.5	49.0	49.0	326.1
SOURCES TOTAL	2,896.2	3,073.5	3,294.2	3,226.1	5.0
USES					
Personal Services and Employee Benefits	2,360.6	2,599.9	2,741.8	2,708.0	4.2
Contractual Services	139.2	288.7	249.4	249.4	-13.6
Other	338.0	184.9	303.0	268.7	45.3
TOTAL USES	2,837.8	3,073.5	3,294.2	3,226.1	5.0
FTE					
Permanent	45.5	45.5	45.5	44.5	-2.2
TOTAL FTE POSITIONS	45.5	45.5	45.5	44.5	-2.2

TWELFTH JUDICIAL DISTRICT

The purpose of the twelfth judicial district court program, statutorily created in Otero and Lincoln counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100.5%	90.8%	95%	95%	95%
* Quality	Recidivism of juvenile drug-court participants	0%	14.3%	15%	15%	10%
Output	Number of juvenile drug-court graduates	5	3	12	10	10
Explanatory	Graduation rate, juvenile drug court	71.4%	75%	70%	70%	75%

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,007.6	6,274.8	6,589.0	6,458.7	2.9
Other Transfers	672.3	558.4	554.8	554.8	-0.6
Other Revenues	16.0	0.0	0.0	26.0	
Fund Balance	145.9	105.9	105.9	145.9	37.8
SOURCES TOTAL	6,841.8	6,939.1	7,249.7	7,185.4	3.5
USES					
Personal Services and Employee Benefits	5,411.8	5,448.1	5,729.2	5,598.9	2.8
Contractual Services	751.9	1,127.2	1,127.8	1,127.8	0.1
Other	648.2	363.8	392.7	458.7	26.1
TOTAL USES	6,811.9	6,939.1	7,249.7	7,185.4	3.5
FTE					
Permanent	78.5	78.5	78.5	76.5	-2.5
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	82.5	82.5	82.5	80.5	-2.4

THIRTEENTH JUDICIAL DISTRICT

The purpose of the thirteenth judicial district court program, statutorily created in Valencia, Sandoval and Cibola counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	82%	103.6%	90%	90%	95%
* Quality	Recidivism of juvenile drug-court graduates	12.9%	13.2%	15%	15%	10%
Output	Number of juvenile drug-court graduates	59	43	30	20	30
Output	Median number of days to process vendor payment vouchers	8.5	8.1	5	5	5
Output	Number of days to process juror payment vouchers	10	10	10	14	10
Explanatory	Graduation rate, juvenile drug court	63.4%	64.2%	65%	65%	70%

STATUTORY AUTHORITY:

The Bernalillo County Metropolitan court (Metro Court) was created in Section 34-8A-1 through 34-8A-14 NMSA 1978, which provides for a metropolitan court in a county with more than 200 thousand inhabitants. The Metro Court has jurisdiction throughout Bernalillo County and is defined as a state magistrate court. The Metro Court provides lower court judicial services to the citizens of Bernalillo County and has jurisdiction over civil complaints involving less than \$10 thousand and all misdemeanors filed in Bernalillo County.

The Metro Court currently has 19 judges whose terms are consistent with magistrate court law. Judges are required to be members of the New Mexico State Bar and to have practiced in the state for three years. Metro Court judges select and appoint a court administrator who supervises all matters relating to the administration of the court. The court administrator works under the direction of the presiding judge.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	21,087.9	21,937.8	23,033.2	22,694.2	3.4
Other Transfers	346.3	369.9	373.4	373.4	0.9
Other Revenues	2,305.2	2,746.1	2,381.5	2,381.5	-13.3
Fund Balance	211.1	125.0	150.0	150.0	20.0
SOURCES TOTAL	23,950.5	25,178.8	25,938.1	25,599.1	1.7
USES					
Personal Services and Employee Benefits	18,452.9	19,374.8	19,828.6	19,681.9	1.6
Contractual Services	2,948.3	3,357.3	3,265.2	3,265.2	-2.7
Other	2,523.7	2,431.7	2,829.3	2,637.0	8.4
Other Financing Uses	0.0	15.0	15.0	15.0	0.0
TOTAL USES	23,924.9	25,178.8	25,938.1	25,599.1	1.7
FTE					
Permanent	297.0	299.0	299.0	299.0	0.0
Term	44.5	44.0	42.0	42.0	-4.5
TOTAL FTE POSITIONS	341.5	343.0	341.0	341.0	-0.6

BUDGET ISSUES:

The Metro Court processes the highest volume of cases in the state; more than 109 thousand cases were filed in FY12. The court's operating budget supports 16 criminal and three civil judicial divisions as well as courtroom support, customer service, compliance, background investigations, probation supervision, case initiation and maintenance, human resources, finance, procurement, information technology, administration, building maintenance, interpreters, mediation, the drug court, and the self-help center.

For FY14, Metro Court requested a total increase of \$759.3 thousand, or 3 percent, over the FY13 operating budget. The request included an increase of \$454 thousand, or 2.3 percent, in the personal services and employee benefits category and an increase of \$397.6 thousand, or 16 percent in the other cost category. The request for contractual services decreased from the FY13 appropriation by \$92 thousand, or 2.7 percent. The increase in the other costs category is primarily directed to facility maintenance.

The overall request from the general fund was \$1.1 million, or 5 percent, over the FY13 operating budget, while the request for other revenues decreased \$364.6 thousand, or 13.3 percent. The decrease in other revenues was driven by a decline in the projected amount of revenue to be generated through warrant enforcement activities. Warrant enforcement revenues are difficult to accurately budget due to the unpredictable number of warrants issued and fees collected. For example, in FY12, \$1.2 million was budgeted from warrant enforcement fees, but \$764.3 thousand was collected.

The committee recommends an increase of \$756.4 thousand, or 3.4 percent, from the general fund. The recommendation includes a 1.6 percent increase in the personal services and employee benefits category. The recommendation applies a 0.7 percent vacancy rate on top of the agency-imposed 5.4 percent vacancy rate for a total FY14 vacancy rate of 6.1 percent. The Metro Court is currently maintaining a 12 percent vacancy rate and has had an average 11 percent vacancy rate over the past two years. The recommendation fully funds the agency request for the contractual services category. The recommendation increases the other costs category by \$205 thousand, or 8.6 percent, to allow the court to resume maintenance contracts vital to court operations.

Metro Court implemented the Odyssey case management system (CMS) for civil cases in FY12 and anticipates implementation for criminal cases to occur by June, 2013.

BERNALILLO COUNTY METROPOLITAN COURT

The purpose of the Bernalillo county metropolitan court program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	99.7%	101.3%	100%	100%	100%
Efficiency	Cost per client per day for adult drug-court participants	\$10.64	\$10.50	\$11	\$11.00	\$11.00
* Quality	Recidivism of driving-while-intoxicated drug-court graduates	3.82%	3.56%	4%	4%	4%
Output	Number of driving-while-intoxicated drug-court graduates	253	184	240	200	240
Explanatory	Graduation rate of drug-court participants	78%	83%	80%	80%	80%
Outcome	Fees and fines collected as a percent of fees and fines assessed	98.9%	100.4%	95%	95%	95%

STATUTORY AUTHORITY:

Article VI, Section 24, of the New Mexico Constitution provides for the election of a district attorney in each judicial district to prosecute and defend the state in all district courts, including both criminal and civil cases in which the state or counties might be a party or might be interested. Statutory provisions relating to district attorneys are in Sections 36-1-1 through 36-1-27 NMSA 1978. County governments are statutorily required to provide facilities, maintenance, and utilities for district attorneys in Sections 36-1-8.1 NMSA 1978.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	53,372.1	55,384.9	61,316.2	57,514.7	3.8
Other Transfers	1,269.5	744.7	738.4	738.4	-0.8
Federal Revenues	1,844.3	1,219.9	1,403.3	1,403.3	15.0
Other Revenues	845.6	794.5	805.4	805.4	1.4
Fund Balance	1,395.4	1,121.1	949.6	1,019.6	-9.1
SOURCES TOTAL	58,726.9	59,265.1	65,212.9	61,481.4	3.7
USES					
Personal Services and Employee Benefits	53,554.6	56,050.9	61,230.1	58,180.8	3.8
Contractual Services	641.1	318.3	413.0	325.5	2.3
Other	3,631.3	2,895.9	3,569.8	2,975.1	2.7
TOTAL USES	57,827.0	59,265.1	65,212.9	61,481.4	3.7
FTE					
Permanent	883.0	883.0	887.0	883.0	0.0
Term	65.2	58.2	59.5	59.5	2.2
TOTAL FTE POSITIONS	948.2	941.2	946.5	942.5	0.1

BUDGET ISSUES:

For FY14, the district attorneys requested a general fund increase of \$5.9 million, or 10.7 percent, over the FY13 operating budget, for a total request from the general fund of \$61.3 million. The requested increases ranged from a low of 4.5 percent in the 11th Judicial District, Division 1, to a high of 18.8 percent in the 13th Judicial District. The only district to request expansion funding was the 5th Judicial District, which requested 6 FTE and \$424.4 thousand. In general, the requests sought to increase the personal services and employee benefits category; the average requested vacancy rate was 0.3 percent.

The committee recommends a \$1.8 million, or 3.3 percent, increase from the general fund. The recommendation applies an average vacancy rate of 5 percent statewide with rates fluctuating between 1 percent and 10 percent. Current vacancy rates statewide average 11.5 percent. The recommendation provides increases to all districts.

The results of the FY12 staff study, as updated by the New Mexico Sentencing Commission, showed a need for 912 FTE to handle the volume of cases in FY12. As of FY12, the number of FTE in district attorneys offices statewide was 941. The study showed that of the 14 districts, four were understaffed. The most severe staffing shortage was in the 5th Judicial District, which is 18.8 percent understaffed.

The 1st Judicial District Attorney's office houses a public integrity unit (PIU) that works with the Taxation and Revenue's Tax Fraud Investigations Division, the Regulation and Licensing Department, Human Services Department, and the State Police Department, among other agencies, to prosecute cases involving misuse of public monies. The PIU has one deputy district attorney, a senior investigator, and administrative support staff. The PIU is currently prosecuting a fraud case involving the city of Santa Fe and Santa Fe County and requested a \$225 thousand special appropriation to continue prosecution efforts.

The district attorneys are vital to public safety in New Mexico. The crucial nature of the mission of the district attorneys makes them a good candidate for quarterly performance reporting pursuant to the Accountability in Government Act. Quarterly reporting on the part of the district attorneys would help ensure policymakers are up-to-date on the issues facing judicial districts statewide as well as provide information necessary for equitable distribution of funding to all district attorney offices.

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,455.4	4,639.8	4,890.0	4,835.2	4.2
Federal Revenues	128.9	120.7	163.5	163.5	35.5
SOURCES TOTAL	4,584.3	4,760.5	5,053.5	4,998.7	5.0
USES					
Personal Services and Employee Benefits	4,261.9	4,429.7	4,710.7	4,655.9	5.1
Contractual Services	14.5	15.1	18.0	18.0	19.2
Other	288.6	315.7	324.8	324.8	2.9
TOTAL USES	4,565.0	4,760.5	5,053.5	4,998.7	5.0
FTE					
Permanent	70.0	70.0	70.0	70.0	0.0
Term	2.0	2.0	3.0	3.0	50.0
TOTAL FTE POSITIONS	72.0	72.0	73.0	73.0	1.4

FIRST JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Santa Fe, Rio Arriba and Los Alamos counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	1.5%	.9%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	68	35	<45	<45	<45
* Efficiency	Average time from filing of petition to final disposition, in months	5.9	6.4	6	6	6
Efficiency	Average attorney caseload	303	274	255	255	255
Output	Number of cases prosecuted	4,499	3,850	5,000	4,500	4,500
Output	Number of cases referred for screening	7,436	6,985	7,000	7,000	7,000

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	15,866.3	16,414.2	17,676.3	17,107.2	4.2
Other Transfers	520.5	96.6	88.0	88.0	-8.9
Federal Revenues	223.5	187.3	186.9	186.9	-0.2
Other Revenues	458.5	466.2	458.5	458.5	-1.7
Fund Balance	227.5	326.4	206.0	206.0	-36.9
SOURCES TOTAL	17,296.3	17,490.7	18,615.7	18,046.6	3.2
USES					
Personal Services and Employee Benefits	16,238.5	16,682.8	17,662.9	17,210.8	3.2
Contractual Services	95.5	96.5	98.0	98.0	1.6
Other	871.7	711.4	854.8	737.8	3.7
TOTAL USES	17,205.7	17,490.7	18,615.7	18,046.6	3.2
FTE					
Permanent	283.0	283.0	283.0	283.0	0.0
Term	15.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	298.0	292.0	292.0	292.0	0.0

SECOND JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Bernalillo county.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.27%	0.07%	<1.8%	<1.8	<1%
Output	Number of cases dismissed under the six-month rule	61	14	<180	<180	20
* Efficiency	Average time from filing of petition to final disposition, in months	9.6	17.75	12	12	12
Efficiency	Average attorney caseload	251	254	250	250	250
Output	Number of cases prosecuted	22,212	20,488	22,300	20,500	20,500
Output	Number of cases referred for screening	27,365	27,569	28,000	28,000	28,000
Efficiency	Average number of cases prosecuted per attorney	203	189	245	245	200

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,185.0	4,300.7	4,788.3	4,417.8	2.7
Other Transfers	162.0	177.9	226.4	226.4	27.3
Federal Revenues	436.4	463.0	491.4	491.4	6.1
Other Revenues	186.0	178.9	199.2	199.2	11.3
Fund Balance	280.2	335.4	307.1	307.1	-8.4
SOURCES TOTAL	5,249.6	5,455.9	6,012.4	5,641.9	3.4
USES					
Personal Services and Employee Benefits	4,815.5	5,185.4	5,721.7	5,371.4	3.6
Contractual Services	123.3	13.3	13.3	13.3	0.0
Other	310.8	257.2	277.4	257.2	0.0
TOTAL USES	5,249.6	5,455.9	6,012.4	5,641.9	3.4
FTE					
Permanent	62.0	62.0	62.0	62.0	0.0
Term	19.0	19.0	19.0	19.0	0.0
TOTAL FTE POSITIONS	81.0	81.0	81.0	81.0	0.0

THIRD JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Dona Ana county.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Efficiency	Average time from filing of petition to final disposition, in months	5.2	5.9	6	6	6
Output	Number of cases referred for screening	6,532	6,163	5,800	5,800	6,000
Output	Number of cases dismissed under the six-month rule	0	13	3	3	3
Output	Number of cases prosecuted	4,788	4,064	4,600	4,600	4,600
Outcome	Percent of cases dismissed under the six-month rule	0	.3%	.05%	.05%	<1%
Efficiency	Average attorney caseload	239.4	267.9	160	160	160

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,852.8	2,906.4	3,284.4	2,954.2	1.6
Fund Balance	107.5	0.0	0.0	0.0	0.0
SOURCES TOTAL	2,960.3	2,906.4	3,284.4	2,954.2	1.6
USES					
Personal Services and Employee Benefits	2,594.5	2,712.5	3,054.8	2,780.7	2.5
Contractual Services	61.1	29.6	38.5	26.0	-12.2
Other	191.1	164.3	191.1	147.5	-10.2
TOTAL USES	2,846.7	2,906.4	3,284.4	2,954.2	1.6
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0

FOURTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Mora, San Miguel and Guadalupe counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of cases referred for screening	2,213	2,022	2,220	2,000	2,000
Output	Number of cases closed, per attorney	229	225	230	225	225
Output	Number of cases referred for follow-up investigation	823	577	800	500	500
Outcome	Percent of cases dismissed under the six-month rule	<1%	<1%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	4.5	5.8	6	6	6
Efficiency	Average attorney caseload	221	225	230	225	225
Output	Number of cases prosecuted per attorney	229	225	230	225	225
Output	Number of cases prosecuted	2,015	2,027	2,100	2,000	2,000
Output	Number of offenders accepted into pre-prosecution diversion program	51	34	50	30	30
Outcome	Total revenue collected from participants in the pre-prosecution diversion program, in thousands	9.2	\$9.6	\$9.0	\$5.6	\$5.6
Output	Number of worthless check cases processed	187	180	175	90	120
Outcome	Total revenue collected from participants in the worthless check program, in thousands	\$103.2	\$92.4	\$70.0	\$35.0	\$35.0
Output	Number of drug cases prosecuted	88	116	75	100	100
Output	Number of domestic violence cases prosecuted	205	203	200	200	200
Output	Number of victims assisted by the district attorney office	490	446	500	450	450
Output	Number of probation violations filed	81	83	80	80	80
Output	Average investigator caseload	664	505	600	500	500

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,074.0	4,209.9	4,757.9	4,453.2	5.8
Federal Revenues	110.1	8.0	98.0	98.0	1,125.0
SOURCES TOTAL	4,184.1	4,217.9	4,855.9	4,551.2	7.9
USES					
Personal Services and Employee Benefits	3,898.0	4,030.8	4,666.0	4,363.4	8.3
Contractual Services	16.3	16.4	16.5	16.5	0.6
Other	158.2	170.7	173.4	171.3	0.4
TOTAL USES	4,072.5	4,217.9	4,855.9	4,551.2	7.9
FTE					
Permanent	60.0	60.0	66.0	62.0	3.3
Term	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	60.0	60.0	67.0	63.0	5.0

BASE EXPANSION:

The 5th Judicial District Attorney requested a base expansion of 6 FTE and \$424.4 thousand. The expansion would provide the district with three additional attorneys and three administrative assistants. The committee recommends 2 FTE, an attorney and an administrative assistant, and \$143.5 thousand in funding. The 5th Judicial District Attorney is the most understaffed District Attorney office in the state and currently has a vacancy rate of 5 percent.

BASE EXPANSION LISTING
FY14 - 2013-2014

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	3 attorneys and 3 administrative assistants	(P250)	424.4	143.5
TOTAL			424.4	143.5

FIFTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Eddy, Lea and Chaves counties.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	6.1	5.8	6	6	6
Efficiency	Average attorney caseload	305	325	150	150	150
Output	Number of cases prosecuted	4,676	4,413	3,000	3,000	4,000
Output	Number of cases referred for screening	5,341	5,523	3,500	3,500	4,500
Output	Number of cases dismissed under the six-month rule	0	1	5	5	2

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,358.8	2,477.2	2,908.7	2,564.2	3.5
Other Transfers	103.2	42.8	43.7	43.7	2.1
Federal Revenues	117.2	102.7	129.1	129.1	25.7
Fund Balance	257.0	0.0	0.0	0.0	0.0
SOURCES TOTAL	2,836.2	2,622.7	3,081.5	2,737.0	4.4
USES					
Personal Services and Employee Benefits	2,497.9	2,451.4	2,817.1	2,534.4	3.4
Contractual Services	86.0	19.2	18.9	18.9	-1.6
Other	250.1	152.1	245.5	183.7	20.8
TOTAL USES	2,834.0	2,622.7	3,081.5	2,737.0	4.4
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	38.0	38.0	38.0	38.0	0.0

SIXTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Grant, Hidalgo and Luna counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0	.01%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	0	2	<5	<5	<5
* Efficiency	Average time from filing of petition to final disposition, in months	4.5	3.9	5	5	5
Efficiency	Average attorney caseload	268	269	150	150	200
Output	Number of cases prosecuted	2,537	1,967	1,900	1,900	1,900
Output	Number of cases referred for screening	2,551	2,420	2,200	2,200	2,200
Output	Average number of cases prosecuted per attorney	241.6	218.6	200	200	150

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,190.6	2,231.8	2,393.6	2,306.2	3.3
SOURCES TOTAL	2,190.6	2,231.8	2,393.6	2,306.2	3.3
USES					
Personal Services and Employee Benefits	2,023.8	2,086.2	2,233.4	2,155.5	3.3
Contractual Services	12.3	12.5	12.8	12.8	2.4
Other	123.8	133.1	147.4	137.9	3.6
TOTAL USES	2,159.9	2,231.8	2,393.6	2,306.2	3.3
FTE					
Permanent	36.0	36.0	36.0	36.0	0.0
Term	1.0	0.0	0.0	0.0	0.0
TOTAL FTE POSITIONS	37.0	36.0	36.0	36.0	0.0

SEVENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Catron, Sierra, Socorro and Torrance counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.2%	0.1%	<1.25%	<1.25%	<1%
Output	Number of cases dismissed under the six-month rule	3	1	<10	<10	2
Efficiency	Average attorney caseload	199	217	140	140	200
Output	Number of cases prosecuted	1,607	1,860	1,900	1,900	1,900
Output	Number of cases referred for screening	1,891	2,064	2,000	2,000	2,000
Efficiency	Average time from filing of petition to final disposition for felony cases, in months	9	8	10	10	8
Efficiency	Average time from filing of petition to final disposition for misdemeanor cases, in months	5.7	5.6	5.0	5.5	5.0
* Efficiency	Average time from filing of petition to final disposition, in months	4.6	3.7	5.25	5.15	5

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,346.2	2,397.7	2,651.7	2,482.1	3.5
Other Revenues	10.6	0.0	0.0	0.0	0.0
Fund Balance	2.8	0.0	0.0	0.0	0.0
SOURCES TOTAL	2,359.6	2,397.7	2,651.7	2,482.1	3.5
USES					
Personal Services and Employee Benefits	2,176.0	2,244.2	2,472.7	2,325.3	3.6
Contractual Services	17.1	10.6	12.6	12.6	18.9
Other	166.4	142.9	166.4	144.2	0.9
TOTAL USES	2,359.5	2,397.7	2,651.7	2,482.1	3.5
FTE					
Permanent	36.0	36.0	34.0	34.0	-5.6
TOTAL FTE POSITIONS	36.0	36.0	34.0	34.0	-5.6

EIGHTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Taos, Colfax and Union counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of cases referred for screening	1,776	1,548	2,100	2,000	2,000
	Average time from filing of petition to final disposition, in months	6	6.5	6	6-12	6
Output	Number of cases prosecuted	1,414	1,278	1,500	1,400	1,400
Efficiency	Average attorney caseload	222	221	200	200	200
Outcome	Percent of cases dismissed under the six-month rule	1.3%	.02%	<1%	<3%	<1%
Output	Number of cases dismissed under the six-month rule	18	16	15	15	15
Output	Average number of cases prosecuted per attorney	177	183	200	200	200

BUDGET SUMMARY
(dollars in thousands)

	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,537.6	2,594.8	2,870.2	2,676.7	3.2
Other Transfers	37.7	0.0	0.0	0.0	0.0
SOURCES TOTAL	2,575.3	2,594.8	2,870.2	2,676.7	3.2
USES					
Personal Services and Employee Benefits	2,396.5	2,479.7	2,751.8	2,558.3	3.2
Contractual Services	10.1	10.3	12.1	12.1	17.5
Other	148.8	104.8	106.3	106.3	1.4
TOTAL USES	2,555.4	2,594.8	2,870.2	2,676.7	3.2
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	39.0	0.0

NINTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Curry and Roosevelt counties.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of cases prosecuted	3,207	2,866	3,000	2,800	2,800
Output	Number of cases dismissed under the six-month rule	4	8	<5	<8	<5
Output	Number of cases referred for screening	3,523	3,243	3,400	3,200	3,400
* Efficiency	Average time from filing of petition to final disposition, in months	6.5	6.7	6	7	6
Efficiency	Average attorney caseload	371	341	300	350	350
Outcome	Percent of cases dismissed under the six-month rule	.0019%	.0028	<1%	<1%	<1%

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	931.4	957.3	1,017.8	995.5	4.0
SOURCES TOTAL	931.4	957.3	1,017.8	995.5	4.0
USES					
Personal Services and Employee Benefits	834.2	860.7	908.5	886.2	3.0
Contractual Services	10.8	11.4	11.2	11.2	-1.8
Other	84.8	85.2	98.1	98.1	15.1
TOTAL USES	929.8	957.3	1,017.8	995.5	4.0
FTE					
Permanent	13.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

TENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Quay, Harding and De Baca counties.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	4.2	3.9	5	5	5
Efficiency	Average attorney caseload	339	599	300	300	300
Output	Number of cases prosecuted	578	899	1,000	1,000	900
Output	Number of cases referred for screening	904	1,071	900	900	1,000
Output	Number of cases dismissed under the six-month rule	0	0	0	0	0

BUDGET SUMMARY
(dollars in thousands)

			FY14 – 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,995.3	3,136.8	3,714.7	3,270.8	4.3
Other Transfers	105.9	130.2	68.6	68.6	-47.3
Federal Revenues	81.8	89.1	86.5	86.5	-2.9
Other Revenues	50.0	0.0	0.0	0.0	
Fund Balance	520.4	459.3	436.5	506.5	10.3
SOURCES TOTAL	3,753.4	3,815.4	4,306.3	3,932.4	3.1
USES					
Personal Services and Employee Benefits	3,459.7	3,657.7	4,032.1	3,768.2	3.0
Contractual Services	37.2	16.0	18.0	18.0	12.5
Other	248.9	141.7	256.2	146.2	3.2
TOTAL USES	3,745.8	3,815.4	4,306.3	3,932.4	3.1
FTE					
Permanent	55.0	55.0	55.0	55.0	0.0
Term	11.7	11.7	11.0	11.0	-6.0
TOTAL FTE POSITIONS	66.7	66.7	66.0	66.0	-1.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within San Juan county.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of cases referred for screening	4,178	4,015	4,300	4,300	4,300
Output	Number of cases prosecuted	3,552	3,897	3,000	3,500	4,000
Outcome	Percent of cases dismissed under the six-month rule	.11%	.05%	<0.5%	<0.5%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	6.3	6.17	<6	<6	6
Efficiency	Average attorney caseload	279	223.6	250	250	250
Output	Average number of cases prosecuted per attorney	236	216.5	175	175	200

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,910.7	2,012.8	2,103.9	2,076.9	3.2
Other Transfers	123.7	167.4	167.4	167.4	0.0
Federal Revenues	355.6	0.0	0.0	0.0	
SOURCES TOTAL	2,390.0	2,180.2	2,271.3	2,244.3	2.9
USES					
Personal Services and Employee Benefits	1,821.4	2,076.2	2,166.4	2,139.4	3.0
Contractual Services	11.4	13.0	13.5	13.5	3.8
Other	146.5	91.0	91.4	91.4	0.4
TOTAL USES	1,979.3	2,180.2	2,271.3	2,244.3	2.9
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within McKinley county.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	<0.41%	<0.41%	<1%	<1%	<1%
Efficiency	Average attorney caseload	N/A	N/A	N/A	350	350
Output	Number of cases prosecuted per attorney	N/A	224	265	265	265
Output	Number of cases prosecuted	2,250	1,900	2,250	2,250	2,250
* Output	Average time from filing to final disposition, in months	N/A	5.2	4.8	5.2	5.0
Output	Number of cases referred for screening	2,972	2,657	3,000	3,000	3,000

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,389.7	2,506.9	2,797.0	2,602.1	3.8
Other Transfers	216.5	129.8	144.3	144.3	11.2
Federal Revenues	205.8	249.1	247.9	247.9	-0.5
SOURCES TOTAL	2,812.0	2,885.8	3,189.2	2,994.3	3.8
USES					
Personal Services and Employee Benefits	2,461.8	2,693.8	2,997.2	2,802.3	4.0
Contractual Services	30.3	32.2	32.2	32.2	0.0
Other	275.8	159.8	159.8	159.8	0.0
TOTAL USES	2,767.9	2,885.8	3,189.2	2,994.3	3.8
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
Term	8.5	8.5	8.5	8.5	0.0
TOTAL FTE POSITIONS	47.5	47.5	47.5	47.5	0.0

TWELFTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Lincoln and Otero counties.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	<.09	<0.03%	<0.5%	<.05%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	7	6.2	8	8	6
Efficiency	Average attorney caseload	318	359	180	180	250
Output	Number of cases prosecuted	3,385	3,196	3,400	3,400	3,400
Output	Number of cases referred for screening	4,300	4,125	5,000	5,000	5,000
Output	Number of cases dismissed under the six-month rule	3	1	2	2	2
Output	Average number of cases prosecuted per attorney	251	278	150	150	150

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,278.3	4,598.6	5,461.7	4,772.6	3.8
Federal Revenues	185.0	0.0	0.0	0.0	0.0
Other Revenues	140.5	149.4	147.7	147.7	-1.1
SOURCES TOTAL	4,603.8	4,748.0	5,609.4	4,920.3	3.6
USES					
Personal Services and Employee Benefits	4,074.9	4,459.8	5,034.8	4,629.0	3.8
Contractual Services	115.2	22.2	97.4	22.4	0.9
Other	365.8	266.0	477.2	268.9	1.1
TOTAL USES	4,555.9	4,748.0	5,609.4	4,920.3	3.6
FTE					
Permanent	80.0	80.0	80.0	80.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	82.0	82.0	82.0	82.0	0.0

THIRTEENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Cibola, Sandoval and Valencia counties.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.63%	.05%	<0.2%	<0.2%	<1%
Output	Number of cases dismissed under the six-month rule	27	21	<30	<27	20
* Efficiency	Average time from filing of petition to final disposition, in months	8.6	7.9	6	6	6
Efficiency	Average attorney caseload	186	211	190	190	190
Output	Number of cases prosecuted	4,298	3,990	5,200	5,200	4,500
Output	Number of cases referred for screening	5,689	5,713	6,800	6,800	6,800

STATUTORY AUTHORITY:

The Administrative Office of the District Attorneys (AODA) provides administrative support to 14 district attorney offices statewide pursuant to Section 36-1-26 NMSA 1978. The office centralizes district attorney personnel, training, and victim notification functions and develops a consolidated information technology plan. The AODA also administers the state funding for the forensic evaluation program, which consists of eight children's safehouses throughout the state and the New Mexico Children's Safehouse Network Office.

MISSION:

The mission of the AODA is to improve the criminal justice system by promoting professionalism among New Mexico's prosecutors through education, information, liaison, and administrative and technical support and to achieve objectives that will benefit and improve the offices of the district attorneys.

BUDGET SUMMARY (dollars in thousands)					
	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,793.9	1,840.0	2,199.2	1,840.0	0.0
Federal Revenues	4,181.3	0.0	0.0	0.0	0.0
Other Revenues	338.3	200.0	200.0	252.9	26.5
SOURCES TOTAL	6,313.5	2,040.0	2,399.2	2,092.9	2.6
USES					
Personal Services and Employee Benefits	1,318.7	1,015.3	1,305.6	1,172.8	15.5
Contractual Services	225.9	47.2	82.7	48.7	3.2
Other	1,162.8	977.5	1,010.9	871.4	-10.9
Other Financing Uses	2,655.0	0.0	0.0	0.0	0.0
TOTAL USES	5,362.4	2,040.0	2,399.2	2,092.9	2.6
FTE					
Permanent	13.0	13.0	16.0	13.0	0.0
Term	0.0	0.0	0.0	1.0	
TOTAL FTE POSITIONS	13.0	13.0	16.0	14.0	7.7

BUDGET ISSUES:

For FY14, the Administrative Office of the District Attorneys (AODA) requested an increase from the general fund of \$359 thousand, or 19.5 percent, over the FY13 operating budget. The request increased the personal services and employee benefits category by 28.6 percent, the contractual services category by 75 percent, and the other costs category by 3.4 percent. The large increase in the personal services and employee benefits category was for an expansion of 3 FTE, two database administrators, a program administrator, and \$225.9 thousand to fill them.

The committee recommends a general fund appropriation of \$1.8 million, flat relative to FY13, and an increase of \$53 thousand from other revenues as well as the addition of 1 term FTE. The additional position, a special programs director, is currently filled. The recommendation increases the personal services and employee benefits category by \$157.5 thousand, or 15.5 percent, over the FY13 operating budget to fully fund the personal services and employee benefits category.

The recommendation includes an increase in other revenues because the anticipated funding from pre-prosecution diversion (PPD) fees will likely be greater than the requested amount of \$200 thousand. In FY12, \$272.1 thousand was realized from PPD fees, and in FY11, the PPD generated \$250.7 thousand. The committee recommendation assumes PPD revenue of \$253 thousand.

The AODA previously provided funding to the Children's Safehouse Network, though the AODA anticipates the termination of the transfer of funds in FY14 as the result of budget reductions. From FY09 to FY13, the appropriation from the general fund to the AODA has dropped \$269 thousand, a 12 percent reduction. The AODA anticipates transferring \$50 thousand to the Safehouse Network in FY13.

BASE EXPANSION:

The AODA requested an expansion of \$225.9 thousand from the general fund and an additional 3 FTE positions. The request for funding would transition 3 FTE positions from unauthorized, grant-funded positions to permanent positions. The positions include two database administrators, and one program administrator. The employees would work to maintain the AODA's victim notification system. The committee does not recommend this expansion because operation of the system was possible under the FY12 operating budget.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	DataBase Administrator	(P264)	79.4	0.0
2	DataBase Administrator	(P264)	79.4	0.0
3	Program Administrator	(P264)	67.1	0.0
TOTAL			225.9	0.0

ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS

The purpose of the administrative support program is to provide fiscal, human resource, staff development, automation, victim program services and support to all district attorneys' offices in New Mexico and to members of the New Mexico children's safehouse network so that they may obtain and access the necessary resources to effectively and efficiently carry out their prosecutorial, investigative and programmatic functions.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of victim notification events and escapes reported, monthly	3,298	4,096	3,300	7,500	5,000
Efficiency	Average time to resolve information technology calls for assistance, in hours	8	8	6	6	6
Explanatory	Percent of time network is available to users	96%	96%	96%	99%	99%
Output	Number of trainings conducted during the fiscal year	213	57	80	60	60

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution provides for the election of the attorney general for a term of four years and creates the position as part of the executive department. The attorney general is required to be a licensed attorney and serves as a member of the New Mexico Mortgage Finance Authority, Risk Management Advisory Board, State Commission of Public Records, Judicial Council, Compilation Commission, New Mexico Border Commission, and Law Enforcement Academy Board.

Sections 8-5-1 through 8-5-15 NMSA 1978 establish the functions of the attorney general and the office. The attorney general serves as the head of the Department of Justice, the state's chief legal officer, legal counsel to state government, and consumer advocate. As the state's chief legal officer, the duties of the Attorney General include prosecuting and defending cases in which the state is an interested party in the Supreme Court, Court of Appeals, or any other court or tribunal; prosecuting and defending all actions of the state in an official capacity; and issuing written opinions on any questions of law submitted by the Legislature, any member of the Legislature, state officials, or any district attorney.

MISSION:

The Attorney General (NMAG) provides legal opinions to various governmental entities and state officials as requested. The Attorney General's duties include prosecuting and defending all cases in which the state is an interested party in the Supreme Court, Court of Appeals or any other court or tribunal. The NMAG also provides programs and publications to educate New Mexico residents about their rights concerning governmental access and consumer protection.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,157.3	8,258.7	15,733.0	9,438.5	14.3
Other Transfers	8,007.6	0.0	2,028.0	2,028.0	
Federal Revenues	1,135.6	1,467.1	1,534.6	1,534.6	4.6
Other Revenues	149.5	0.0	0.0	0.0	
Fund Balance	8,007.6	8,122.7	2,028.0	7,476.9	-8.0
SOURCES TOTAL	25,457.6	17,848.5	21,323.6	20,478.0	14.7
USES					
Personal Services and Employee Benefits	14,207.4	15,046.5	16,174.8	15,472.2	2.8
Contractual Services	761.7	578.4	877.1	761.7	31.7
Other	2,207.9	2,223.6	2,243.7	2,216.1	-0.3
Other Financing Uses	8,007.6	0.0	2,028.0	2,028.0	
TOTAL USES	25,184.6	17,848.5	21,323.6	20,478.0	14.7
FTE					
Permanent	179.0	179.0	187.0	181.0	1.1
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	180.0	180.0	188.0	182.0	1.1

BUDGET ISSUES:

The FY14 request from the Office of the Attorney General (NMAG) reflected an increase of approximately \$3.5 million, or approximately 16 percent, over its FY13 operating budget. Included in the request was an expansion of \$602.6 thousand and 8 additional FTE. The general fund appropriations request was nearly \$7.5 million, or 90.5 percent, over FY13 operating budget levels.

The general fund request offset a \$6.1 million reduction in revenues from the consumer protection settlement fund. The consumer protection settlement fund consists of settlement awards won by the NMAG in claims against companies filed on behalf of the state for violations of consumer law. Some of the settlements are restricted for consumer payments or as otherwise indicated.

The committee recommendation for the agency is \$20.5 million, an increase of \$2.6 million, or 14.7 percent, over the FY13 operating budget. The recommendation for the personal services and employee benefits category in the Legal Services Program is \$13.7 million, \$342.8 thousand, or 2.6 percent, over the FY13 operating budget and \$827.5 thousand, or 6.4 percent, above FY12 actual expenditures. Two positions in the Legal Services Program, vacant for more than two years, were deleted. Contractual services for the agency were held flat with FY12 actual expenditures.

The recommendation includes approximately \$7.5 million in revenues from the consumer protection settlement fund, a \$646 thousand, or 8 percent decrease, from the FY13 operating budget. Projections provided by the NMAG forecast an actual fund balance of \$7.8 million at the end of FY13 and an estimated fund balance of \$7.8 million at the end of FY14. At least \$2 million a year in revenues are projected through FY17; a significant amount of general fund revenues will be required for NMAG operations in the following fiscal years.

The recommendation supports an increase of 4 FTE in the expansion request -- one human-trafficking prosecutor, one criminal appeals attorney, and one analyst and one support staff focused on Internet crimes against children. Given analysis of actual expenditures in previous fiscal years in the Legal Services Program and the application of \$100 thousand in additional vacancy savings, sufficient funding is available in the personal services and employee benefits category to fund the required activities.

The recommendation does not support the request for an additional FTE focused on driving while intoxicated (DWI)/traffic safety because the Department of Transportation will continue to provide funding for the existing position. Projected caseloads for FY14 provided by the NMAG suggest activities can be managed by existing staff. The NMAG should request an additional FTE for the sex offender parole hearings in the FY15 budget request because of projected caseloads in that and future fiscal years.

The NMAG used vacancy savings in FY12 and FY13 to provide salary increases and adjustments to its employees. Although these increases and adjustments may have been necessary to allow the agency to recruit and retain employees, in the future the agency should use funding provided in the personal services and employee benefits category to fill vacant positions.

The committee recommendation in contractual services is held flat with FY12 actual expenditures, allowing for the pursuit of cases related to consumer protection, tobacco litigation, telecommunication, and business utilities. In the contractual services category in the Legal Services Program, \$42.3 thousand in general fund revenues to be used for executive management training was deleted from the request.

Costs associated with lease agreements in Albuquerque still have an inordinately high impact on the agency's operating budget and should be addressed by the agency.

New Mexico is facing a second legal challenge from the participating manufacturers (PMs) in the tobacco master settlement agreement (MSA). The PMs claim New Mexico no longer has a valid qualifying statute as required by the settlement because of a number of legislative changes, primarily a 2006 change that established tax exempt stamps for tribal sales. The case primarily revolves around the assertion that New Mexico failed to effectively collect sufficient escrow due under the MSA as a result of tribal land sales of tobacco. The NMAG believes up to \$38.6 million in tobacco settlement payments expected in FY13 are at risk unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers currently not part of the master settlement.

A 2011 LFC evaluation of Medicaid fraud, waste, and abuse identified a number of problems with the Medicaid Fraud Program, in particular an extremely poor return on investment and fragmented program integrity oversight. The NMAG believes the hiring of a more capable and aggressive division director will dramatically increase productivity in the program, as well as the number of Medicaid fraud cases identified and prosecuted by the office.

The NMAG continues to be heavily involved in efforts of international significance, especially as it relates to the New Mexico-Mexico border. These include money laundering, human trafficking, and extraditions of individuals who have committed crimes in the state but flee to Mexico. Efforts related to Internet crimes against children (ICAC) have increased. The office also continues to pursue litigation against the U.S. Department of the Interior to strike down the 2008 operating agreement for the Rio Grande project. The NMAG contends this agreement illegally takes water from New Mexico farmers and reallocates it to the state of Texas.

The NMAG has been criticized for a lack of intensity on the prosecution of a number of high-profile cases, including those related to former Region III Housing Authority personnel, a former secretary of state, and individuals associated with pay-to-play schemes involving state investment funds. Progress on these cases has been slow; the Attorney General attributes delays to lengthy and complex appeals processes.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the attorney general include seven million four hundred and forty-eight thousand and nine hundred dollars (\$7,448,900) from the consumer protection settlement fund.

BASE EXPANSION:

The agency requested an expansion of \$602.6 thousand and 8 additional FTE, focusing on human-trafficking, criminal appeals, sex offender parole board hearings, Internet crimes against children, and driving while intoxicated (DWI)/traffic safety. The requests come as a result of an actual or potential loss in revenue from other funding sources, primarily the federal government.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Human trafficking prosecutor -- 1 FTE	(P625)	100.3	100.3
2	Criminal appeals attorney -- 1 FTE	(P625)	97.1	97.1
3	Sex offender parole board hearings -- 2 FTE	(P625)	145.0	0.0
4	Internet crimes against children -- 2 FTE	(P625)	108.8	108.8
5	<u>Traffic safety resource prosecution -- 2 FTE</u>	<u>(P625)</u>	<u>160.7</u>	<u>0.0</u>
TOTAL			611.9	306.2

LEGAL SERVICES

The purpose of the legal services program is to deliver quality legal services, including opinions, counsel and representation to state government entities, and to enforce state law on behalf of the public so New Mexicans have an open, honest, efficient government and enjoy the protection of state law.

BUDGET SUMMARY
(dollars in thousands)

	FY14 - 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	7,672.2	7,769.6	15,221.4	8,926.9	14.9
Other Transfers	7,899.2	0.0	2,000.0	2,000.0	
Other Revenues	149.5	0.0	0.0	0.0	
Fund Balance	7,899.2	8,090.3	2,000.0	7,448.9	-7.9
SOURCES TOTAL	23,620.1	15,859.9	19,221.4	18,375.8	15.9
USES					
Personal Services and Employee Benefits	12,862.0	13,346.7	14,392.1	13,689.5	2.6
Contractual Services	758.5	570.5	868.9	753.5	32.1
Other	1,951.1	1,942.7	1,960.4	1,932.8	-0.5
Other Financing Uses	7,899.2	0.0	2,000.0	2,000.0	
TOTAL USES	23,470.8	15,859.9	19,221.4	18,375.8	15.9
FTE					
Permanent	158.0	158.0	166.0	160.0	1.3
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	159.0	159.0	167.0	161.0	1.3

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of crime victims receiving information and advocacy	969	584	1,000	800	800
Efficiency	Number of outreach presentations conducted throughout the state	90	91	100	90	90
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Percent of mediation processes initiated within seventy-two hours of receipt of completed complaint	97%	87%	90%	90%	90%
* Outcome	Percent of initial responses to requests for attorney general opinions made within three days of request	65%	92%	95%	95%	95%
Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	27%	35%	40%	40%	40%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	95	32	95	40	40

MEDICAID FRAUD

The purpose of the medicaid fraud program is to investigate and prosecute medicaid provider fraud, recipient abuse and neglect in the medicaid program.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	485.1	489.1	511.6	511.6	4.6
Other Transfers	108.4	0.0	28.0	28.0	
Federal Revenues	1,135.6	1,467.1	1,534.6	1,534.6	4.6
Fund Balance	108.4	32.4	28.0	28.0	-13.6
SOURCES TOTAL	1,837.5	1,988.6	2,102.2	2,102.2	5.7
USES					
Personal Services and Employee Benefits	1,345.4	1,699.8	1,782.7	1,782.7	4.9
Contractual Services	3.2	7.9	8.2	8.2	3.8
Other	256.8	280.9	283.3	283.3	0.9
Other Financing Uses	108.4	0.0	28.0	28.0	
TOTAL USES	1,713.8	1,988.6	2,102.2	2,102.2	5.7
FTE					
Permanent	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	21.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Three-year projected savings resulting from fraud investigations, in millions	\$32.79	\$33.1	\$30	\$15	\$30
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$3,202	\$2,506	\$3,000	\$2,000	\$2,500
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human Services		6	5	5	5
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt		29%	80%	80%	80%

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the Office of the State Auditor. The State Auditor is elected statewide to a four-year term for a maximum of two consecutive terms and is a member of the Commission of Public Records and the New Mexico Border Authority. The Audit Act, Sections 12-6-1 through 12-6-14 NMSA 1978, requires the State Auditor to annually examine and audit the financial affairs of every agency that receives or expends public money and produce a complete written report of each audit.

MISSION:

The State Auditor audits the financial affairs of New Mexico agencies annually to improve accountability and performance and to assure New Mexico citizens that funds are expended properly. In addition, the State Auditor may initiate special audits to investigate reported or suspected fraud, waste, and abuse related to the financial affairs of an agency.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,212.2	2,516.6	3,178.0	2,647.7	5.2
Other Revenues	395.7	430.0	400.0	430.0	0.0
Fund Balance	199.4	221.2	200.0	200.0	-9.6
SOURCES TOTAL	2,807.3	3,167.8	3,778.0	3,277.7	3.5
USES					
Personal Services and Employee Benefits	2,086.9	2,657.7	2,997.8	2,745.7	3.3
Contractual Services	72.1	65.7	284.8	75.7	15.2
Other	360.7	444.4	495.4	456.3	2.7
TOTAL USES	2,519.7	3,167.8	3,778.0	3,277.7	3.5
FTE					
Permanent	32.0	33.0	34.0	33.0	0.0
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	33.0	33.0	34.0	33.0	0.0

BUDGET ISSUES:

From 2009 to 2012, the OSA experienced a 22 percent reduction in general fund appropriations, similar to most state agencies as the state coped with the economic downturn. However, in FY13, the department received a nearly 13 percent increase over the FY12 operating budget.

The department has struggled to hire and retain qualified auditors and managerial staff, citing the need for more competitive salaries to adequately compensate for the demanding responsibilities of the office. The office has since worked with the State Personnel Office to allow for the assignment of several positions, such as state audit manager and state audit coordinator, to higher alternate pay bands.

The overall FY14 request was for \$3.8 million, \$610 thousand, or 19 percent, above the FY13 operating budget. The request included \$3.2 million in general fund revenues, 26 percent over the FY13 operating budget. The request included nearly \$3 million for personal services and benefits, \$340 thousand, or 13 percent, over the FY13 operating budget. The increase was for salaries and benefits to fully fund FTE at, for many positions, higher salary rates to improve hiring and retention. The request also included \$285 thousand for contractual services, \$219 thousand, or 300 percent, over the FY13 operating budget. This increase was for increased fraud training and for contracts with independent public accountants to assist with special audits of local government entities. The request also included increases for information technology and other office supplies and equipment.

The FY14 budget request included \$400 thousand in audit fees, \$30 thousand less than the FY13 operating budget. With fewer auditors on staff, the office has had difficulty performing a sufficient number of audits to generate fee revenue. During FY13, the department requested a \$1.3 million transfer from the audit fund to contractual services for the unanticipated cost of a special forensic audit of the New Mexico Finance Authority, under investigation for the submission of fraudulent audit reports.

The overall committee recommendation is for \$3.3 million, \$110 thousand, or 3.5 percent, above the FY13 operating budget. This includes a \$131 thousand, or 5.2 percent, increase in general fund revenues over the FY13 operating budget. The recommendation applies a 7 percent vacancy rate to the office, taking into account the requested higher salary levels to help improve hiring and retention. The recommendation also allows for modest increases in contractual services and other costs for increased fraud training, computers, and information technology equipment. The recommendation does not support the request to reclassify one unauthorized term position to a permanent position.

The recommendation maintains audit fees generated by the agency with the FY13 level at \$430 thousand. This level reflects the agency's intent to fill vacancies and increase its capacity to generate fee revenue.

In 2010, amendments to the Audit Act established tiered reporting requirements for governmental entities with less than \$500 thousand in annual revenue, exclusive of capital outlay funds or grants. Tiered reporting is targeted at smaller rural communities to relieve the financial burden of the annual audit and increase the reporting of financial information to the Office of the State Auditor (OSA). The act also provides for withholding the state equalization guarantee distribution for public schools with late audit reports. Beginning July 1, 2012, the audit rule will also allow for a temporary withholding of revenue from the general fund to state agencies or withholding of tax distributions to counties and municipalities in the absence of a timely audit report. To date, the new rules to allow withholding of revenue or distributions have not been imposed.

As of November 2012, 40 governmental entities were designated "at risk" by the OSA for failing to submit an FY11 (or earlier) financial audit report. Among those listed are Grant County, Sunland Park, Angel Fire, the New Mexico Finance Authority, and a number of small entities, such as water and sanitation districts. However, the number has been falling; 74 entities were on the list as of May 2012. This designation results in special monitoring by the OSA Special Investigations Division (SID). As part of its monitoring program, the SID requires at-risk agencies to submit periodic written status reports until the agency is in compliance.

During FY12, the OSA conducted a special audit of Sunland Park that required 2,000 staff hours over a two-month period. The audit found constitutional violations and numerous statutory and regulatory violations related to the financial affairs and fiscal management of the city. The findings also revealed certain criminal violations related to the fraudulent misappropriation of public money. As a result of the OSA's report, the secretary of DFA suspended the city's purchasing agent and finance director and the DFA has taken over those functions.

STATE AUDITOR

The purpose of the state auditor program is to audit the financial affairs of every agency annually so they can improve accountability and performance and to assure New Mexico citizens that funds are expended properly.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Total audit fees generated	\$487,264	\$395,715	\$430,000	\$400,000	\$430,000
* Explanatory	Percent of audits completed by regulatory due date	75%	81%	80%	80%	80%
Output	Number of training sessions performed	14	20	16	16	16
Outcome	Percent of statutory reviews of audit reports completed within ten days	75.6%	79%	75%	75%	75%
Outcome	Percent of agency auditor selection requests processed within five days of receipt	99%	94%	95%	90%	95%
Output	Number of working paper reviews of independent public accountants	45	24	45	45	45

STATUTORY AUTHORITY:

Sections 9-11-1 through 9-11-15 NMSA 1978 create the Taxation and Revenue Department (TRD) as a single, unified department for administration of laws and oversight functions related to taxation, revenue, and vehicles. The TRD administers various tax programs that provide major sources of revenue to the general fund, state road fund, and many other state funds. The department also collects state-shared taxes, such as gross receipts, and distributes revenue to county and municipal governments. The TRD provides valuations for major industrial properties subject to property taxes, collects royalties from mineral production on state lands for credit to the state's permanent fund, and administers various income tax and rebate programs. In addition, the TRD is responsible for collecting revenue from motor vehicle registrations, drivers' licenses, and other motor-vehicle-related permits.

MISSION:

The mission of the Taxation and Revenue Department is to administer and enforce, with fairness warranting the public's confidence, New Mexico's taxation and revenue laws and motor vehicle code through a system that efficiently and securely delivers quality customer services.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	52,927.5	53,342.1	54,963.4	54,659.9	2.5
Other Transfers	498.9	493.7	505.8	505.8	2.5
Federal Revenues	1,409.6	1,447.3	1,467.5	1,467.5	1.4
Other Revenues	29,316.3	25,875.1	26,248.2	26,248.2	1.4
Fund Balance	200.0	1,234.9	0.0	1,265.9	2.5
SOURCES TOTAL	84,352.3	82,393.1	83,184.9	84,147.3	2.1
USES					
Personal Services and Employee Benefits	51,648.8	57,786.2	59,759.7	59,504.6	3.0
Contractual Services	8,097.9	6,451.0	6,854.8	6,827.6	5.8
Other	15,429.6	16,925.9	16,570.4	16,549.2	-2.2
Other Financing Uses	0.0	1,230.0	0.0	1,265.9	2.9
TOTAL USES	75,176.3	82,393.1	83,184.9	84,147.3	2.1
FTE					
Permanent	1,074.5	1,074.5	1,079.5	1,046.5	-2.6
Term	29.0	29.0	29.0	29.0	0.0
Temporary	32.5	32.5	32.5	19.5	-40.0
TOTAL FTE POSITIONS	1,136.0	1,136.0	1,141.0	1,095.0	-3.6

BUDGET ISSUES:

The Taxation and Revenue Department's (TRD) base FY14 general fund request was \$54.7 million, \$1.3 million, or 2.5 percent, above the FY13 operating budget. The increase included \$821 thousand related to increases for the employer portion of retirement contributions and health insurance premiums and another \$500 thousand to reduce vacancy rates in the Program Support and Motor Vehicle divisions. The overall base request was \$82.9 million or \$1.7 million over the FY13 operating budget, due to increased service and other fee revenue and a modest increase in federal revenues. For FY14 the department also requested a base expansion of \$300 thousand and 5 FTE for the Forensic Audit Unit (within the Compliance Enforcement Program), which identifies fraudulent personal income tax returns. In FY13, the program began focusing resources on drivers' license violations investigations as part of the governor's foreign national driver license initiative, diverting resources from enforcing criminal statutes relative to the New Mexico Tax Administration Act.

The committee recommendation supports the base general fund request of about \$54.7 million. The overall budget recommendation is \$84.1 million, 2.1 percent over the FY13 operating budget. The recommendation includes additional revenue from the weight-distance tax permit fee not included in the department's request. The recommendation budgets \$1.3 million in weight-distance tax permit fee fund balance to the other financing uses category for transfer to the Motor Transportation Division of the Department of Public Safety. The funds will be used for enforcement of the New Mexico weight-distance tax for commercial vehicles.

The recommendation for personal services and benefits is \$1.7 million, or 3 percent, above the FY13 operating budget. Although the recommendation may slightly overfund salaries and benefits, the department is working with the State Personnel Office to reclassify some positions to more competitive pay ranges to address vacancies and turnover. The recommendation deletes a total of 41 unfunded FTE within the department that had been vacant for two years or more.

The Tax Administration Program comprises the Audit and Compliance Division and Revenue Processing Division. In FY12, the program collected 64 percent of collectible audit assessments generated in the current fiscal year – well above its 40 percent target. The program received a few large payments totaling \$2.6 million, pushing collections to \$7.3 million. The program also met its 15 percent target for collections as a percent of outstanding balances. Additionally, the program's amnesty program was completed in FY12. At the end of FY12, \$51.7 million had been assessed and over \$43.9 million had been collected. The TRD has been expanding the requirement for electronic filing, and in FY12, 82 percent of personal income and combined reporting system filers filed electronically.

In FY13, the Tax Administration Program received approval from the State Personnel Office to reclassify auditors at a more competitive higher pay band to help the department recruit and retain qualified auditors. The recommendation deletes 22 unfunded FTE that have been vacant for two years or longer. Increased automated processes and e-filing have reduced some staffing pressures within the program. Finally, the recommendation supports the transfer of 3 FTE from the Information Technology Division of Program Support and supports the requested vacancy rate of about 14.5 percent. As of November 2012, 132 FTE, or 25 percent of the program's 526 authorized FTE, were vacant.

The recommendation for the Motor Vehicle Division (MVD) supports the assumption of a 6.2 percent vacancy rate and a \$331 thousand, or 3 percent, increase in general fund revenue to support lower vacancy rates and the increased employer portion of retirement contributions and health insurance premiums. Additionally, the recommendation deletes 14 unfunded FTE that have been vacant for two or more years. According to the November 2012 table of organizational listing report, 68 of the program's authorized 348 FTE were vacant. The recommendation also supports increases for information technology services and supplies, as well as for additional travel costs associated with increased on site management in MVD field offices by executive staff.

The program continued to struggle with performance issues, and in October 2012 the LFC released a performance audit of the division. According to a 2012 classified service compensation report released by the New Mexico State Personnel Board, certain MVD clerks are paid less than comparable positions in eight neighboring states, which may contribute to ongoing turnover and persistently high vacancy rates. Additionally, the MVD has not made a priority of routinely using data to guide its decision-making; for example, the automated customer queuing system is used inconsistently and the data collected is underused. The TRD agreed with the findings and has committed itself to evaluating business practices and making necessary changes. For example, the division recently completed a series of "visioning sessions," during which customer service experts and session participants developed a wish list of changes for a more modern, customer-focused MVD. The TRD is incorporating these efforts into a request for proposals to reengineer its 40-year-old driver and motor vehicle information technology systems. As evidence of its efforts, the division was awarded the Quality New Mexico Piñon recognition award for 2012. The Piñon recognition is given to organizations that have begun to make significant progress toward organizational excellence.

In FY11, the Property Tax Program general fund revenue was replaced with other revenue and cash balances, which permitted the program to be completely self-funded. Section 7-38-62 NMSA 1978 allows the department to increase fees associated with the cost of administering the code. The program request included a \$96.8 thousand, or 3 percent, increase over the FY13 operating budget, with no applied vacancy rate despite a current vacancy rate of 24 percent. The recommendation deletes 2 unfunded FTE that have been vacant for two or more years. No fund balances were budgeted for the program for FY14; management cites the need to reserve fund balances to cover increased legal costs, such as protest attorneys, required legal advertisement notices, and taxpayer protests resulting from "tax lightening." In FY12 the program resolved 13,134 delinquent property tax accounts and returned approximately \$11.3 million in delinquent property tax obligations to New Mexico's counties.

RECOMMENDED LANGUAGE:

Notwithstanding any contrary provision in the Tax Administration Act, the department shall withhold an administrative fee in the amount of three and twenty-five hundredths percent of the distributions specified in Section 7-1-6.46 and 7-1-6.47 NMSA 1978 and in Subsection E of Section 7-1-6.41 NMSA 1978.

Notwithstanding any contrary provision in the Tax Administration Act, of the amounts withheld, an amount equal to three percent of the distributions specified in Subsection E of Section 7-1-6.41 NMSA shall be deposited into the general fund and the remainder of the amounts withheld shall be retained by the department and is included in the other state fund appropriations to the department.

BASE EXPANSION:

The department is requesting 5 FTE and \$300 thousand to counter workload increases related to identifying fraudulent returns for the agency and investigating violations under the governor's foreign national driver license initiative. The recommendation does not support the expansion request.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Compliance Enforcement Program - 5 FTE	300.0	0.0
TOTAL		300.0	0.0

TAX ADMINISTRATION

The purpose of the tax administration program is to provide registration and licensure requirements for tax programs and to ensure the administration, collection and compliance of state taxes and fees that provide funding for support services for the general public through appropriations.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	21,407.4	21,529.9	22,037.5	22,005.5	2.2
Federal Revenues	1,099.3	1,447.3	1,467.5	1,467.5	1.4
Other Revenues	7,405.8	7,704.5	7,715.9	7,715.9	0.1
SOURCES TOTAL	29,912.5	30,681.7	31,220.9	31,188.9	1.7
USES					
Personal Services and Employee Benefits	22,267.9	24,233.7	24,731.8	24,699.8	1.9
Contractual Services	215.6	184.5	188.3	188.3	2.1
Other	6,064.9	6,263.5	6,300.8	6,300.8	0.6
TOTAL USES	28,548.4	30,681.7	31,220.9	31,188.9	1.7
FTE					
Permanent	472.5	470.5	473.5	462.5	-1.7
Term	26.0	26.0	26.0	26.0	0.0
Temporary	29.5	29.5	29.5	18.5	-37.3
TOTAL FTE POSITIONS	528.0	526.0	529.0	507.0	-3.6

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	9:2.1	13:1	8:1	8:1	10:1
* Output	Percent of electronically filed returns for personal income tax and combined reporting system	63.3%	82.1%	65%	65%	85%
Outcome	Percent of baseline and funded delinquent tax collection targets met	98.8%	129.3%	100%	100%	100%
Efficiency	Percent of taxpayer correspondence requests answered in an average of ten working days	79%	87.9%	100%	95%	95%
* Outcome	Collections as a percent of collectable audit assessments generated in the current fiscal year	51%	64.2%	45%	50%	55%
* Outcome	Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	15.4%	18.4%	15%	15%	18%

MOTOR VEHICLE

The purpose of the motor vehicle program is to register, title and license vehicles, boats and motor vehicle dealers and to enforce operator compliance with the Motor Vehicle Code and federal regulations by conducting tests, investigations and audits.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	10,974.1	11,040.9	11,456.0	11,430.2	3.5
Federal Revenues	310.3	0.0	0.0	0.0	
Other Revenues	16,537.1	13,771.1	14,034.6	14,034.6	1.9
Fund Balance	0.0	1,230.0	0.0	1,265.9	2.9
SOURCES TOTAL	27,821.5	26,042.0	25,490.6	26,730.7	2.6
USES					
Personal Services and Employee Benefits	13,327.8	15,210.1	15,906.1	15,906.1	4.6
Contractual Services	4,687.4	3,831.7	3,979.9	3,952.7	3.2
Other	4,664.9	5,770.2	5,604.6	5,606.0	-2.8
Other Financing Uses	0.0	1,230.0	0.0	1,265.9	2.9
TOTAL USES	22,680.1	26,042.0	25,490.6	26,730.7	2.6
FTE					
Permanent	342.0	342.0	342.0	330.0	-3.5
Term	3.0	3.0	3.0	3.0	0.0
Temporary	3.0	3.0	3.0	1.0	-66.7
TOTAL FTE POSITIONS	348.0	348.0	348.0	334.0	-4.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Efficiency	Average call center wait-time to reach an agent, in minutes	9:19	6:41	6	6	6
* Outcome	Percent of registered vehicles with liability insurance	90.89	91.8%	92%	91%	92%
* Efficiency	Average wait-time in qmatic-equipped offices, in minutes	27.6	25.1	20	20	20
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1	1	1	1	1

PROPERTY TAX

The purpose of the property tax program is to administer the Property Tax Code, to ensure the fair appraisal of property and to assess property taxes within the state.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	4,302.7	3,223.5	3,320.3	3,320.3	3.0
Fund Balance	200.0	0.0	0.0	0.0	
SOURCES TOTAL	4,502.7	3,223.5	3,320.3	3,320.3	3.0
USES					
Personal Services and Employee Benefits	2,163.3	2,487.2	2,551.1	2,551.1	2.6
Contractual Services	106.1	91.2	127.6	127.6	39.9
Other	497.8	645.1	641.6	641.6	-0.5
TOTAL USES	2,767.2	3,223.5	3,320.3	3,320.3	3.0
FTE					
Permanent	41.0	41.0	41.0	39.0	-4.9
TOTAL FTE POSITIONS	41.0	41.0	41.0	39.0	-4.9

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of appraisals or valuations for companies conducting business within the state subject to state assessment	515	534	Discontinue		
Output	Percent of counties in which a delinquent property tax sale was held			New	66%	66%
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$7.0	\$11.3	\$6.5	\$6.5	\$7.0
* Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed-value-to-market value	93.3%	97%	90%	90%	92%

COMPLIANCE ENFORCEMENT

The purpose of the compliance enforcement program is to support the overall mission of the taxation and revenue department by enforcing criminal statutes relative to the New Mexico Tax Administration Act and other related financial crimes, as they impact New Mexico state taxes, to encourage and achieve voluntary compliance with state tax laws.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	1,785.1	1,803.7	2,127.8	1,941.2	7.6
	Other Revenues	204.5	251.2	251.2	251.2	0.0
	SOURCES TOTAL	1,989.6	2,054.9	2,379.0	2,192.4	6.7
USES						
	Personal Services and Employee Benefits	1,615.9	1,784.7	2,036.9	1,872.9	4.9
	Contractual Services	14.1	8.2	18.6	18.6	126.8
	Other	334.9	262.0	323.5	300.9	14.8
	TOTAL USES	1,964.9	2,054.9	2,379.0	2,192.4	6.7
FTE						
	Permanent	28.0	28.0	33.0	28.0	0.0
	TOTAL FTE POSITIONS	28.0	28.0	33.0	28.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	44%	15%	40%	40%	40%
Outcome	Successful tax fraud prosecutions as a percent of total cases prosecuted	93%	100%	90%	90%	95%
Output	Percent of internal audit recommendations implemented by department	97%	87%	85%	85%	85%
Outcome	Percent of fraudulent refund tax returns intercepted compared with the total number of personal income tax returns processed			New	0.2%	0.2%
Outcome	Percent of internal investigations completed within sixty days	60%	60%	20%	40%	40%

PROGRAM SUPPORT

The purpose of program support is to provide information system resources, human resource services, finance and accounting services, revenue forecasting and legal services to give agency personnel the resources needed to meet departmental objectives. For the general public, the program conducts hearings for resolving taxpayer protests and provides stakeholders with reliable information regarding the state's tax programs.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
		<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>Percent</u>
		<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	18,760.9	18,967.6	19,342.1	1.7
	Other Transfers	498.9	493.7	505.8	2.5
	Other Revenues	866.2	924.8	926.2	0.2
	Fund Balance	0.0	4.9	0.0	-100.0
	SOURCES TOTAL	20,126.0	20,391.0	20,774.1	1.6
USES					
	Personal Services and Employee Benefits	12,273.9	14,070.5	14,533.8	2.9
	Contractual Services	3,074.7	2,335.4	2,540.4	8.8
	Other	3,867.1	3,985.1	3,699.9	-7.2
	TOTAL USES	19,215.7	20,391.0	20,774.1	1.6
FTE					
	Permanent	191.0	193.0	190.0	-3.1
	TOTAL FTE POSITIONS	191.0	193.0	190.0	-3.1

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of driving-while-intoxicated drivers' license revocations rescinded due to failure to hold hearings within ninety days	.29%	.20%	<1%	<1%	<1%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	16	15	16	20	20
Outcome	Percent of projects certified by the department of information technology completed within budget	100%	100%	100%	100%	100%
Outcome	Number of tax protest cases resolved	757	1,381	750	750	800
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	99%	99%	99%

STATUTORY AUTHORITY:

The State Investment Council (SIC) was created by section 6-8-2 NMSA 1978 and is responsible for managing the land grant (LGPF), severance tax (STPF), tobacco settlement (TSPF), and water (WPF) permanent funds, as well as the investments of other state and political subdivision clients. The council consists of 11 members: the governor, state treasurer, commissioner of public lands, secretary of the Department of Finance and Administration, chief financial officer of a state institution of higher education, and six public members. Four public members are appointed by the Legislative Council and two are appointed by the governor. The six public members serve staggered terms of five years. The SIC formulates policy implemented by the state investment officer and staff in the day-to-day functions of the investment office.

MISSION:

New Mexico's two main endowment funds, the land grant (LGPF) and severance tax (STPF) permanent funds, are to provide permanent and continuing benefits for the present and future citizens of New Mexico from the revenue from lands held in trust and the extraction of certain natural resources. The SIC's mission is to optimize the funds to ensure that future generations receive the same benefits over time and to provide a current revenue source for the state's general fund.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	26,185.3	34,308.2	56,933.3	51,933.3	51.4
SOURCES TOTAL	26,185.3	34,308.2	56,933.3	51,933.3	51.4
USES					
Personal Services and Employee Benefits	3,117.4	3,677.3	3,658.5	3,658.5	-0.5
Contractual Services	21,836.0	29,837.3	52,412.0	47,412.0	58.9
Other	1,231.9	793.6	862.8	862.8	8.7
TOTAL USES	26,185.3	34,308.2	56,933.3	51,933.3	51.4
FTE					
Permanent	32.0	32.0	29.0	29.0	-9.4
TOTAL FTE POSITIONS	32.0	32.0	29.0	29.0	-9.4

BUDGET ISSUES:

The committee recommendation is \$51.9 million, which is 51.4 percent above the FY13 operating budget. In FY12 the SIC spent \$21.8 million on contractual services. In FY13 the SIC operating budget is \$29.8 million for contractual services and a budget adjustment request for \$1.7 million was approved increasing the total to \$31.6 million. The FY14 recommendation for contractual services is \$47.4 million, 59 percent above the FY13 operating budget. This additional request will be used to support external investment manager fees as outlined in the council's new asset allocations. The SIC has continued to rebalance its portfolio to meet new asset allocations. The council restructured the way it governs itself, and oversees and relates to its staff and consultants, particularly in the way it engages in the oversight and management of the investment portfolio. Over the past two years the council replaced more than a dozen underperforming investment managers with new managers. Structurally, following a thorough asset allocation study and strategic analysis last year, the council shifted several million dollars in the SIC internal equities and fixed income portfolios to a more balanced division of assets among several external investment managers in conjunction with the SIC's internal team.

The external investment management requires additional contracts and increased fees. However, the SIC expects higher investment returns will offset the increased costs. By default, a fully passive strategy would generate the market returns. As structured by the council, the fully active and blended active/passive portfolios are expected to generate about a 200 percent to 300 percent rate of return on the amount managed by external managers. (For \$20 million spent on investment fees, the return to the \$16 billion fund is between 12 and 25 basis points.) By the end of FY10, about 65 percent of the SIC portfolio was externally managed and 87 percent was actively managed. Beginning in FY13, about 99 percent of the SIC portfolio was externally managed and 82 percent was actively managed. The SIC's two main funds, the LGPF and the STPF, had returns of about 0.63 percent in FY12 and improved to 17.63 percent year-over-year ending September 30, 2012.

As part of its restructuring plan, the SIC eliminated 3 FTE that have been vacant for over two years and plans to reclassify the remaining positions. The committee supports this request.

The SIC continues to pursue civil litigation against former state officials and brokers to be held accountable for their role in the "pay-to-play" kickback schemes involving the SIC during 2003-2009. The suits seek monetary damages and recovery of ill-gotten gains by the defendants at the expense of the permanent funds. In June the SIC announced that recoveries would soon be made in the pay-to-play lawsuit. Since then, three key defendants have been dismissed and the SIC has yet to secure settlements with any of the remaining parties. This might not bode well for the SIC because the agency has argued the New Mexico experience was similar to that in New York state, where one dismissed defendant was convicted of a number of felonies in a lucrative pay-to-play scheme and another defendant pleaded guilty to elements of the pay-to-play and bribery scheme.

STATE INVESTMENT

The purpose of the state investment program is to provide investment management of the state's permanent funds for the citizens of New Mexico to maximize distributions to the state's operating budget while preserving the real value of the funds for future generations of New Mexicans.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	32	-18	>25	>25	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	69	76	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points			>25	>25	>25
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe			<49	<49	<49

STATUTORY AUTHORITY:

The Department of Finance and Administration is authorized pursuant to Sections 9-6-1 through 9-6-5.2 NMSA 1978 to provide a single, unified department to administer laws related to the finance of state government. In addition, the department provides planning and technical assistance to local entities, coordinates state agency plans, and administers state and federal grant programs. These duties are detailed in Sections 6-3-1 through 6-3-25 NMSA 1978; Sections 6-3A-1 through 6-3A-9 NMSA 1978; Sections 6-5-1 through 6-5-11 NMSA 1978; 6-1-1 NMSA 1978; 9-6-15 NMSA 1978; 6-4-1 NMSA 1978; and 6-6-2 NMSA 1978. The department consists of four programs: Policy Development, Fiscal and Budgetary Analysis and Oversight; Program Support; Community Development, Local Government Assistance and Fiscal Oversight; and Fiscal Management and Oversight.

MISSION:

The Department of Finance and Administration (DFA) mission is to provide the governor, other agencies, and local entities with fiscal and policy analysis and budgetary services to ensure responsive and fiscally responsible governance for the citizens of New Mexico.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 Actuals	FY13 2012-2013 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	21,984.0	22,833.9	23,023.2	23,023.2	0.8
Other Transfers	763.1	769.8	174.3	174.3	-77.4
Federal Revenues	15,192.1	14,757.6	10,940.0	10,940.0	-25.9
Other Revenues	45,876.2	40,101.2	40,218.2	40,218.2	0.3
Fund Balance	5,319.2	3,865.5	3,190.0	3,190.0	-17.5
SOURCES TOTAL	89,134.6	82,328.0	77,545.7	77,545.7	-5.8
USES					
Personal Services and Employee Benefits	10,748.9	12,613.6	12,157.9	11,959.3	-5.2
Contractual Services	8,345.9	8,814.1	8,400.9	8,602.4	-2.4
Other	42,340.8	59,370.3	55,956.9	55,454.0	-6.6
Other Financing Uses	2,613.5	1,530.0	1,030.0	1,530.0	0.0
TOTAL USES	64,049.1	82,328.0	77,545.7	77,545.7	-5.8
FTE					
Permanent	149.0	147.0	137.0	137.0	-6.8
Term	21.1	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	170.0	168.0	158.0	158.0	-6.0

BUDGET ISSUES:

The DFA requested a general fund appropriation of \$23 million, 1 percent over the FY13 operating budget. About \$13.5 million, or 59 percent, of the general fund request covered operating expenses of agency programs, with the remaining \$9.5 million allocated toward general state expenditures or special appropriations that “pass through” the DFA, such as the Youth Mentoring Program.

In FY12 the DFA reverted approximately \$1.8 million to the general fund and requested \$692.5 thousand in budget adjustment requests out of personal services and benefits to be used for contracts or other uses.

The overall budget request for FY14 was \$77.5 million, \$4.8 million below FY13. The FY14 reduction was due to a \$3.8 million decline in federal community development block grant (CDBG) revenue and \$285 thousand less in other revenue for the civil legal services fund. The revenue decrease also included the transfer of 8 FTE and \$596 thousand (other state funds) from the Fiscal Management Program to the Department of Information Technology (DoIT). Finally, the request included the transfer of an additional 2 FTE from the Policy Development Program to the DoIT team that works on the statewide finance system called SHARE. The transfer of these positions improves efficiency by consolidating the state’s SHARE team structure under a single agency.

The committee recommendation for the general fund appropriation is \$23 million. The recommendation makes a budget adjustment for the transfer of 2 FTE from the Policy Development Program to the DoIT SHARE team and applies a 1 percent vacancy rate to both the Policy Development and Program Support programs, for a total reduction of \$198.6 thousand. The committee recommendation includes a \$100 thousand increase in pass-through appropriations to the Youth Mentoring Program and \$130 thousand increase to the civil legal services fund. The fund faces a \$285 thousand, or 15 percent, decrease in fee revenue for FY14; a portion of magistrate, metropolitan and district court civil filing fees finance the fund.

In FY13 the committee recommendation for the Fiscal Management and Oversight Program supported the program's request for an increase of \$13.2 thousand over FY12 to raise minimum salaries. In the past year, the program reorganized its critical business operations to improve the financial management and governmental accountability functions. In FY14, 8 FTE will be transferred to consolidate the state's SHARE team under the DoIT. Seven of the positions were funded with enterprise services fund transfers from the DoIT (\$596 thousand), which will discontinue. Seven of the program's remaining 57 FTE are vacant.

In FY13, the Local Government Division (LGD) required a \$6 million budget adjustment request due to the unanticipated low FY13 federal CDBG grant award, originally budgeted at \$15 million. The committee recommendation supports the division's request to budget just \$10.9 million in federal CDBG grant revenue for FY14, which impacts resources available for community development needs. The LGD continues to manage with heavy workloads and limited information technology solutions. The limitations impact the division's ability to perform the analyses and forecasting necessary for useful and timely reporting of local government fiscal health to stakeholders. In FY13, county local DWI grant programs were appropriated nearly \$19 million in liquor excise tax revenue for services to reduce drunk driving and substance abuse in New Mexico. Historically, counties have done little strategic program planning or performance evaluation; however, the LGD and the New Mexico Department of Health have been working to improve county reporting and accountability in each of the program components, such as prevention and treatment.

The recommendation includes a \$113 thousand, or 1.2 percent, increase in general fund appropriations over FY13 for DFA special appropriations. This allows for a \$100 thousand increase for the Youth Mentoring Program, which targets the state's neediest children, such as those living in single parent homes, growing up in poverty, or coping with parental incarceration. The recommendation also increases the appropriation for the state's fiscal agent contract by \$25.8 thousand over FY13, although it is still \$28.5 thousand below the department request. The state Board of Finance intends to raise minimum balances at the fiscal agent bank in FY14, which is expected to increase earnings credits and reduce contract costs. The increases in special appropriations are offset by a \$12.7 thousand decrease in memberships and dues to reflect reduced costs.

Finally, the recommendation includes the transfer of \$500 thousand from the DWI grant fund to the Administrative Office of the Courts for drug courts because this is an appropriate use of the fund and would otherwise result in a cut to drug courts or an increased general fund need.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 11-6A-3 NMSA 1978 or other substantive law, the other state funds appropriation in the other financing uses category includes five hundred thousand dollars (\$500,000) from the local DWI grant fund, including local DWI grant program distributions, to be transferred to the administrative office of the courts for drug courts.

On certification by the state board of finance pursuant to Section 6-1-2 NMSA 1978 that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, the secretary of the department of finance and administration is authorized to transfer from the general fund operating reserve to the state board of finance emergency fund the amount necessary to meet the emergency. Such transfers shall not exceed an aggregate amount of two million dollars (\$2,000,000) in fiscal year 2014. Repayments of emergency loans made pursuant to this paragraph shall be deposited in the board of finance emergency fund pursuant to the provisions of Section 6-1-5 NMSA 1978.

The other state funds appropriations to the community development, local government assistance and fiscal oversight program of the department of finance and administration include fifteen million dollars (\$15,000,000) from the 911 enhancement fund, eighteen million eight hundred twelve thousand dollars (\$18,812,000) from the local DWI grant fund, and one million five hundred ninety-six thousand eight hundred dollars (\$1,596,800) from the civil legal services fund.

POLICY DEVELOPMENT, FISCAL ANALYSIS, BUDGET OVERSIGHT AND EDUCATION ACCOUNTABILITY

The purpose of the policy development, fiscal analysis, budget oversight and education accountability program is to provide professional and coordinated policy development and analysis and oversight to the governor, the legislature and state agencies so they can advance the state's policies and initiatives using appropriate and accurate data to make informed decisions for the prudent use of the public's tax dollars.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014				
		FY12	FY13	Agency	LFC	Percent
		2011-2012	2012-2013	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,136.3	3,493.8	3,558.5	3,374.8	-3.4
	SOURCES TOTAL	3,136.3	3,493.8	3,558.5	3,374.8	-3.4
USES						
	Personal Services and Employee Benefits	2,233.3	3,204.6	3,291.2	3,107.5	-3.0
	Contractual Services	173.9	105.1	91.3	91.3	-13.1
	Other	130.3	184.1	176.0	176.0	-4.4
	TOTAL USES	2,537.5	3,493.8	3,558.5	3,374.8	-3.4
FTE						
	Permanent	35.0	37.0	35.0	35.0	-5.4
	TOTAL FTE POSITIONS	35.0	37.0	35.0	35.0	-5.4

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of capital projects older than five years for which the funding is not expended or reverted	0	0	20	20	20
Output	Dollar amount of capital projects older than five years that are not expended or reverted, in millions	0	0	\$4.0	\$4.0	\$4.0
Outcome	Percent of local capital outlay projects included in the infrastructure capital improvement plan	90%	0-N/A	95%	95%	95%
Output	Percent of state agency capital outlay projects included in the infrastructure capital improvement plan	100%	90%	90%	90%	90%
* Outcome	General fund reserves as a percent of recurring appropriations	0.8%	N/A	5%	10%	10%
Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and gas revenue and corporate income taxes	3%	-0.2%	(+/-) 4%	(+/-) 4%	(+/-) 4%
Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	4%	1.9%	(+/-) 8%	(+/-) 8%	(+/-) 5%
Outcome	Percent of agencies that develop and implement performance monitoring plans	89.1%	95%	100%	100%	100%
Output	Percent of state agencies monitored operating within available resources	86%	100%	100%	100%	100%
Outcome	Average number of working days to process budget adjustment requests	4.1	3.6	5	5	5
Quality	Percent of board members satisfied with monthly briefings pursuant to an anonymous annual survey	100%	100%	100%	100%	100%
Output	Average number of bids received at each competitive bond sales	14	12	3	3	5
Outcome	Percent of bond projects that expired at the end of the previous fiscal year for which proceeds are either disbursed or reverted six months following fiscal year-end	93%	N/A	95%	95%	95%
Efficiency	Percent of state payments processed electronically	70%	81.1	>=50%	>=70%	>= 70%
Outcome	Percent of state treasurer's investment committee meetings attended by board of finance director or designee			100%	100%	100%

COMMUNITY DEVELOPMENT, LOCAL GOVERNMENT ASSISTANCE AND FISCAL OVERSIGHT

The purpose of the community development, local government assistance and fiscal oversight program is to help counties, municipalities and special districts maintain strong communities through sound fiscal advice and oversight, technical assistance, monitoring of project and program progress and timely processing of payments, grant agreements and contracts.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
		<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>Percent</u>
		<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
	General Fund Transfers	3,713.6	3,439.0	3,464.3	4.5
	Federal Revenues	15,192.1	14,757.6	10,940.0	-25.9
	Other Revenues	32,404.8	32,291.8	32,408.8	0.4
	Fund Balance	4,888.0	3,675.5	3,000.0	-18.4
	SOURCES TOTAL	56,198.5	54,163.9	49,813.1	-7.8
USES					
	Personal Services and Employee Benefits	3,053.7	3,272.3	3,258.0	-0.4
	Contractual Services	3,604.8	3,732.8	3,234.2	-9.9
	Other	31,229.0	46,358.8	43,020.9	-8.3
	Other Financing Uses	1,100.0	800.0	300.0	0.0
	TOTAL USES	38,987.5	54,163.9	49,813.1	-7.8
FTE					
	Permanent	30.0	26.0	26.0	0.0
	Term	21.1	21.0	21.0	0.0
	TOTAL FTE POSITIONS	51.0	47.0	47.0	0.0

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of acceptable payment requests processed within five working days of receipt	100%	98%	97%	95%	95%
Outcome	Percent of population served by public safety answering points equipped with internet-protocol-enabled network connectivity				40%	40%
Efficiency	Average number of days from availability of funds to grant award	75	75	75		
Quality	Percent of tax rate certifications that are accurate in the initial submission to the local entity	99%	100%	99%	99%	99%
Output	Number of local entities participating in the infrastructure capital improvement planning program	293	248	325	325	325
Quality	Number of annual local site visits by DWI staff	45	40	40	40	40
Output	Number of local DWI program service areas for which benchmarks are developed and implemented to evaluate program effectiveness by June 30, 2016		1	3	4 to 8	4 to 8
Quality	Number of annual local site visits by E-911 staff	101	97	100	80	100
Outcome	Total number of persons who benefited from closed civil legal services cases		123,224	900,000	900,000	900,000
Efficiency	Percent of agreements issued within seventy-five days from availability of funds				90%	90%
Output	Percent of community development block grant projects completed with closeout monitoring letter	98%	90%	90%	90%	90%
* Output	Percent of county and municipality budgets approved by the local government division (of budgets submitted timely)				90%	90%
Outcome	Number of counties and municipalities operating under a conditional certification during the fiscal year				5	5

FISCAL MANAGEMENT AND OVERSIGHT

The purpose of the fiscal management and oversight program is to provide for and promote financial accountability for public funds throughout state government by providing state agencies and the citizens of New Mexico with timely, accurate and comprehensive information on the financial status and expenditures of the state.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,826.8	4,886.9	4,872.1	4,872.1	-0.3
Other Transfers	588.8	595.5	0.0	0.0	-100.0
SOURCES TOTAL	5,415.6	5,482.4	4,872.1	4,872.1	-11.1
USES					
Personal Services and Employee Benefits	4,162.5	4,736.6	4,120.5	4,120.5	-13.0
Contractual Services	409.9	239.6	275.0	275.0	14.8
Other	677.3	506.2	476.6	476.6	-5.8
TOTAL USES	5,249.7	5,482.4	4,872.1	4,872.1	-11.1
FTE					
Permanent	65.0	65.0	57.0	57.0	-12.3
TOTAL FTE POSITIONS	65.0	65.0	57.0	57.0	-12.3

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Efficiency	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	10	12	7	7	7
Output	Date of submitting the annual statewide cost allocation plan for federal approval		N/A	12/31	12/31	12/31
Output	Percent of deadlines met for submitting internal revenue service reports		100%	100%	100%	100%
Efficiency	Percent of payments to vendors within the parameters set by the Procurement Code and contractual provisions	95%	95%	95%	90%	90%
Efficiency	Percent of payroll payments to employees made by the scheduled payday	100%	86%	100%	99.5%	99.5%
* Efficiency	Percent of vendor and employee payment vouchers processed within five working days		85%	75%	90%	90%
Efficiency	Percent response to help desk requests within two business days				97%	97%

PROGRAM SUPPORT

The purpose of program support is to provide other department of finance and administration programs with central direction to agency management processes to ensure consistency, legal compliance and financial integrity, to administer the executive's exempt salary plan and to review and approve all state professional service contracts.

BUDGET SUMMARY (dollars in thousands)						
FY14 - 2013-2014						
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	1,528.0	1,554.8	1,624.4	1,609.5	3.5	
SOURCES TOTAL	1,528.0	1,554.8	1,624.4	1,609.5	3.5	
USES						
Personal Services and Employee Benefits	1,299.4	1,400.1	1,488.2	1,473.3	5.2	
Contractual Services	82.2	86.5	76.0	76.0	-12.1	
Other	87.0	68.2	60.2	60.2	-11.7	
TOTAL USES	1,468.6	1,554.8	1,624.4	1,609.5	3.5	
FTE						
Permanent	19.0	19.0	19.0	19.0	0.0	
TOTAL FTE POSITIONS	19.0	19.0	19.0	19.0	0.0	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of contracts rejected	10.2%	12.75%	10%	15%	15%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	5	5	5	5
Output	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	5	5	5	5	5
Outcome	Percent of funds reconciled and closed, as an internal process, within ninety days after quarter end				90%	90%
Outcome	Date of timely, unqualified audit opinion issued for the department audit			12/15	12/15	12/15

DFA NON-OPERATING APPROPRIATIONS
BUDGET SUMMARY
(dollars in thousands)
FY 2013 - 2014

	FY13 Operating	FY14 Agency Request	FY14 LFC Recommendation	FY13/FY14 Pct increase (decrease)
SOURCES				
General fund transfers	9,459.4	9,503.9	9,572.5	1.2%
Other transfers	174.3	174.3	174.3	0.0%
Federal program revenues				
Other program revenues				
General revenues	7,809.4	7,809.4	7,809.4	0.0%
Fund balance	190.0	190.0	190.0	0.0%
TOTAL REVENUE	\$17,633.1	\$17,677.6	\$17,746.2	0.6%
USES				
(a) BOF emergency water fund	118.4	118.4	118.4	0.0%
(b) BOF fiscal agent contract	1,085.0	1,139.3	1,110.8	2.4%
(c) Membership and dues	708.7	698.9	696.0	-1.8%
(d) Citizens review board	580.0	580.0	580.0	0.0%
(e) Youth mentoring program	2,317.7	2,317.7	2,417.7	4.3%
(f) New Mexico acequia commission	35.4	35.4	35.4	0.0%
(g) Acequia & community ditch prograr	200.0	200.0	200.0	0.0%
(h) Law enforcement enhancement	7,809.4	7,809.4	7,809.4	0.0%
(i) Food bank	439.4	439.4	439.4	0.0%
(j) State planning districts	670.2	670.2	670.2	0.0%
(k) Leasehold community assistance	128.9	128.9	128.9	0.0%
(l) County prisoner detention	3,300.0	3,300.0	3,300.0	0.0%
(m) Statewide Teen Court-Juvenile	190.0	190.0	190.0	0.0%
(n) Land grant council	50.0	50.0	50.0	0.0%
TOTAL EXPENDITURES	\$17,633.1	\$17,677.6	\$17,746.2	0.6%

Recommended Language:

The department of finance and administration shall not distribute a general fund appropriation made in items (a) through (n) to a New Mexico agency or local public body that is not current on its audit or financial reporting or otherwise in compliance with the Audit Act. (Note: Lettering may change in actual House Bill 2 to accommodate the individual listing of membership and dues items.)

STATUTORY AUTHORITY:

The Public School Insurance Authority (PSIA) was created by Sections 22-2-6.1 through 22-2-6-10 NMSA 1978 to provide comprehensive core insurance programs for the public schools, except those in the Albuquerque school district, and other educational entities. The PSIA is governed by an 11-member board.

MISSION:

The mission of the agency is to provide an effective benefits package to educational employees and their families so they are protected from catastrophic losses due to medical, disability, and death events. The PSIA offers health, dental, prescription drug, and vision coverage, as well as life and disability insurance. The PSIA also provides comprehensive property, liability, and workers' compensation programs to educational entities so they are protected against personnel injuries and financial losses.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,272.6	1,272.6	1,272.6	1,272.6	0.0
Other Revenues	323,427.7	340,901.5	371,749.8	358,249.8	5.1
Fund Balance	6,343.9	9,256.0	3,794.4	5,794.4	-37.4
SOURCES TOTAL	331,044.2	351,430.1	376,816.8	365,316.8	4.0
USES					
Personal Services and Employee Benefits	798.5	874.5	875.0	875.0	0.1
Contractual Services	324,691.0	349,065.6	374,452.3	362,952.3	4.0
Other	195.0	217.4	216.9	216.9	-0.2
Other Financing Uses	1,272.6	1,272.6	1,272.6	1,272.6	0.0
TOTAL USES	326,957.1	351,430.1	376,816.8	365,316.8	4.0
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

BUDGET ISSUES:

The PSIA budget request was \$376.8 million, with increases in the Benefits Program of \$22.6 million and increases in the Risk Program of \$8.2 million from other revenues and \$3.8 million from fund balance, depleting the Risk Program fund reserves. The agency requested a flat budget of \$1.3 million for Program Support, which receives funding through transfers from the Benefits Program and Risk Program.

The PSIA provides self-insured group health plans to public school and higher education employees and eligible dependents. A self-insured health plan assumes all the financial risk of paying claims, rather than a commercial insurance carrier. The PSIA pays administrative services fees to Presbyterian, Blue Cross Blue Shield, and United Concordia Dental plans for assistance in claims administration, utilization review, and access to discounted provider networks. The request in fees for these services was \$12.3 million for FY14 under a new four-year contract, effectively flat with FY12 and FY13. The PSIA contracts with Medco to maintain a drug formulary, contract with pharmacies, and negotiate rebates and discounts with drug manufacturers. The total reimbursement for medical, dental, and prescription drug claims in FY12 was \$238.9 million, effectively flat with FY11.

Since 2009, the PSIA has made plan modifications most years that increased member costs. Prior to that, the PSIA had the richest plan available to any state employee. Members now pay a \$300 deductible and 20 percent coinsurance for medical services up to a maximum out-of-pocket expense of \$2,800. Members in the Albuquerque Public School plan, however, still pay zero deductible and zero coinsurance for medical services up to a maximum out-of-pocket expense of \$2,000. Thus far, increased member cost-sharing has proven effective in reducing claim costs for PSIA. However, increased member cost-sharing outpaced wages, contributing to decreased plan enrollment. In the past three years, membership in the health plan declined about 2 percent per year.

The PSIA actuary projects increases for medical and prescription drug costs at 9 percent per year and dental costs at 4 percent. The reason for the higher than average increases is largely because much of the care is provided outside of the Albuquerque area where it is more challenging to control costs. For FY14, the PSIA proposed increasing health premiums as much as 10 percent and dental premiums 6 percent and no additional changes to benefits. The PSIA anticipates holding premiums for other components of the program flat, including those for vision, life, and disability insurance benefits. The request also covers the costs of eliminating the pre-existing condition exclusion and the new annual Patient-Centered Outcomes Research Institute fee of \$2 per member, both required under the Affordable Care Act.

The Risk Program provides an insurance program for property, liability, workers' compensation, and other minor lines of coverage. Each year, the program increases or decreases a school's portion of total costs based on three years of prior claims. The program contracts with an insurance broker for claims adjudication and processing, loss prevention services, and ergonomics training for its educational entities, including charter schools. The program continues to see a dramatic increase in membership with new charter schools. Charter schools require more attention because of volunteer board members who are well-intentioned but lack employment law experience, and structures that are often less-than-optimal, especially during the first few years.

The program continues to experience increased severity because of property damage from weather-related events. Inadequate roof maintenance continues to be a major property concern and the program recently added roof inspection services. Other areas of loss include bullying, embezzlement, employment practices, and workers compensation. Since 2009, the program experienced a 40 percent increase in property and liability claims and a 45 percent increase in excess carrier insurance fees. The total cost for risk claims was \$27.8 million and excess insurance fees \$29.2 million, 6 percent above FY11. The Risk Program has a self-insured retention amount of \$750 thousand, after which excess insurance carriers pay the remainder of balances owing on a claim. The Risk Program projects excess insurance carrier premiums to increase to \$32 million in FY13, \$4 million above FY12, for property and liability lines of coverage, due to several large losses during FY12.

Since FY09, the Risk Program held premiums flat and fund balance was used to offset the deficit of revenues to expenditures. For FY13, the approved revenue from risk premiums was \$54.8 million; however, the board approved a 10 percent discount in premiums that decreased revenues \$5.4 million to \$49.4 million. The program's request proposed an increase of \$8.2 million to risk premiums, or 15 percent, above the FY13 operating budget. In the future, modest increases or decreases each year might help prevent large swings in premiums and ensure adequate fund balances.

The overall committee recommendation for the PSIA is \$365.3 million, 4 percent above the FY13 operating budget, with increases in the Benefits Program of \$11.6 million from other revenues and \$2 million from the Benefits Program's fund balance and increases for the Risk Program of \$5.7 million from other revenues. The recommendation supports the agency's request to use \$3.8 million from the Risk Program's fund balance. The recommendation supports the Benefits Program increasing premiums no more than 5 percent, as opposed to 10 percent, to lessen the impact on educator take-home pay, and proposes modest increases to deductibles and out-of-pocket expenses to promote primary care and discourage misuse of services and higher cost providers.

For the Risk Program, the recommendation funds claims based on actuarial projections and decreases the request for budgeting excess carrier fees by \$1.3 million. The recommendation also supports the Risk Program increasing property deductibles and imposing a new liability deductible to further incentivize best business practices. The program reports it collected \$1.6 million in property deductibles the past five years despite \$57 million in property and liability claims payments. Further cost-savings could include eliminating minor lines of coverage, such as equipment breakdown, which costs the program \$400 thousand per year.

The committee recommendation supports the agency's request to hold Program Support flat with the FY13 operating budget.

BENEFITS PROGRAM

The purpose of the benefits program is to provide an effective health insurance package to educational employees and their eligible family members so they can be protected against catastrophic financial losses due to medical problems, disability or death.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	267,386.5	285,521.5	308,152.8	297,152.8	4.1
Fund Balance	0.0	0.0	0.0	2,000.0	
SOURCES TOTAL	267,386.5	285,521.5	308,152.8	299,152.8	4.8
USES					
Contractual Services	262,801.4	284,885.2	307,516.5	298,516.5	4.8
Other Financing Uses	636.3	636.3	636.3	636.3	0.0
TOTAL USES	263,437.7	285,521.5	308,152.8	299,152.8	4.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	10	8	12	12	12
Efficiency	Percent variance of medical premium change between the public school insurance authority and industry average	-11%	-10%	<=3%	<=3%	<=3%
Efficiency	Percent variance of dental premium change between the public school insurance authority and industry average	-5.5%	-6%	<=3%	<=3%	<=3%
Output	Number of participants covered by health plans	60,000	55,184	56,000	55,000	55,000
Outcome	Annual two percent increase in mammography screening compliance	55%	46%	59%	59%	59%
Outcome	Annual two percent increase in pap smear screening compliance	54%	38%	60%	59%	59%

RISK PROGRAM

The purpose of the risk program is to provide economical and comprehensive property, liability and workers' compensation programs to educational entities so they are protected against injury and loss.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	56,041.2	55,380.0	63,597.0	61,097.0	10.3
Fund Balance	6,343.9	9,246.1	3,784.5	3,784.5	-59.1
SOURCES TOTAL	62,385.1	64,626.1	67,381.5	64,881.5	0.4
USES					
Contractual Services	61,700.1	63,989.8	66,745.2	64,245.2	0.4
Other Financing Uses	636.3	636.3	636.3	636.3	0.0
TOTAL USES	62,336.4	64,626.1	67,381.5	64,881.5	0.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Number of workers' compensation claims in the area of ergonomics	66	183	192	192	192
Quality	Percent of educational entities satisfied with risk insurance claims processing service	95%	95%	95%	95%	95%
Output	Number of educational entities enrolled in the risk insurance program	180	194	183	183	194
Output	Number of loss prevention training seminars	161	240	120	150	250
Outcome	Percent change of members' average premium cost per student average daily attendance for current fiscal year as compared with prior fiscal year	0%	-6.0%	</=5%	</=5%	</=5%
* Outcome	Average cost per claim for current fiscal year as compared with prior fiscal year	\$4,111	\$3,772	</= \$5,250	</= \$5,250	</= \$4,500
* Outcome	Total claims count for current fiscal year as compared with prior fiscal year	1,576	1,555	1,600	1,700	1,600
Outcome	Percent change of members' average premium cost per \$100 of building value for current fiscal year as compared with prior fiscal year	0%	3.75%	</=5%	</=5%	</=5%
Outcome	Percent change of cost per claim for current fiscal year as compared with prior fiscal year	.80%	3.75%	</=5%	</=5%	</=5%

PROGRAM SUPPORT

The purpose of program support is to provide administrative support for the benefits and risk programs and to assist the agency in delivering services to its constituents.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Transfers	1,272.6	1,272.6	1,272.6	1,272.6	0.0
Fund Balance	0.0	9.9	9.9	9.9	0.0
SOURCES TOTAL	1,272.6	1,282.5	1,282.5	1,282.5	0.0
USES					
Personal Services and Employee Benefits	798.5	874.5	875.0	875.0	0.1
Contractual Services	189.5	190.6	190.6	190.6	0.0
Other	195.0	217.4	216.9	216.9	-0.2
TOTAL USES	1,183.0	1,282.5	1,282.5	1,282.5	0.0
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Efficiency	Percent of employee files that contain employee evaluations completed by employee anniversary date	100%	100%	100%	100%	100%
Efficiency	Satisfaction rating of administrative services provided to all programs	99.95%	99.95%	95%	95%	95%
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0

STATUTORY AUTHORITY:

The Retiree Health Care Authority (RHCA) was created by Section 10-7C-1 through 10-7C-19 NMSA 1978 to provide affordable health care for New Mexico public retirees and dependents. The RHCA is governed by a board of 11 members: the state treasurer, a governor's appointee, a state employee, a teacher, two representatives from New Mexico pension plans, two representatives from retiree associations, one member from the Municipal League, one member from the school superintendents' association, and one member from the Association of Counties.

MISSION:

The Retiree Health Care Authority seeks to provide an affordable, comprehensive group health insurance benefit plan for present and future eligible retirees and their dependents. The benefits plan offers medical, prescription drug, dental, vision, basic life for employees who retired prior to January 1, 2012, and voluntary life coverage.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	2,664.2	2,684.0	2,684.0	2,651.5	-1.2
Other Revenues	253,659.5	246,163.6	268,077.0	258,305.1	4.9
SOURCES TOTAL	256,323.7	248,847.6	270,761.0	260,956.6	4.9
USES					
Personal Services and Employee Benefits	1,593.5	1,698.2	1,698.2	1,698.2	0.0
Contractual Services	227,488.7	243,957.3	265,870.7	256,098.8	5.0
Other	482.2	508.1	508.1	508.1	0.0
Other Financing Uses	2,664.2	2,684.0	2,684.0	2,651.5	-1.2
TOTAL USES	232,228.6	248,847.6	270,761.0	260,956.6	4.9
FTE					
Permanent	25.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	25.0	25.0	25.0	25.0	0.0

BUDGET ISSUES:

The RHCA's request was \$270.8 million, including an increase of \$21.9 million for the Healthcare Benefits Administration Program. The request for revenue from other sources included \$112.1 million from retiree premiums, an increase of \$1.1 million, \$114.2 million from employer and employee contributions, effectively flat with FY13, \$17.8 million from prescription drug rebates and other miscellaneous revenue, and \$23.9 million from an annual taxation and revenue suspense fund distribution. The request included projected claims-related expenditures of \$265.4 million, an increase of about 14 percent from FY12 actual expenditures. The agency requested \$2.7 million for Program Support, flat with FY13. Program Support is funded by transfers from the healthcare benefits fund.

The RHCA covers 31.5 thousand Medicare-eligible retirees and eligible dependents with self-insured Medicare Supplement plans or fully insured Medicare Advantage plans. The RHCA also covers 20.5 thousand pre-Medicare retirees and eligible dependents with self-insured medical and prescription drug plans. The average age of a pre-Medicare retiree is 54. The RHCA is the secondary payer once retirees become Medicare-eligible. This integration with Medicare reduces claims expenses for the RHCA and insurance premiums for retirees. Dental, vision, and life insurance plans are offered on a 100 percent retiree pay basis. The RHCA has 25 FTE in two service locations, one in Albuquerque and one in Santa Fe.

A pre-Medicare retiree with 20 years of service pays a monthly premium of \$252 for the low deductible plan and \$135 for the high deductible plan. A Medicare-eligible retiree with 20 years of service pays a monthly premium on average of \$151 for the Medicare supplement plan. The RHCA pays on average 50 percent of the total costs with the membership paying the other 50 percent through annually updated premiums. About 40 percent of retirees too young for Medicare pay 35 percent of the total cost. About 60 percent of retirees eligible for Medicare pay 50 percent of the total cost. Despite never having paid into the plan, spouses in pre-Medicare plans pay 60 percent and spouses in Medicare plans pay 75 percent of the total costs. Thus, the plan may oversubsidize non-Medicare retirees and their spouses.

With an unfunded accrued actuarial liability (UAAL) of \$3.6 billion, the RHCA is 6 percent funded. According to the RHCA's actuary, the fund is projected to have a negative balance in 2029, when projected expenses exceed revenues by \$265 million. Upward cost pressures include an average of 5 percent growth in the number of retirees per year and upward medical cost trends, currently 5.6 percent for retirees in Medicare Advantage plans, 5.3 percent for retirees in Medicare Supplement plans, and 8.3 percent for pre-Medicare retirees. To continue a 15-year period of positive fund balance, the board added a mail order prescription drug coinsurance, increased the copayment for specialist visits, and reduced the multiple-dependent child subsidy for plan year 2013.

According to the RHCA statute, Section 10-7C-13, NMSA 1978, participating employers, active employees, and retirees are responsible for the financial viability of the program. The overall financial viability is not a financial obligation of the state. However, over the years the state has contributed to the program through annual taxation and revenue suspense fund distributions, in addition to employer contributions. The RHCA has broad authority to implement plan design changes and needs legislative approval for increases in employee and employer contributions.

The RHCA will propose to the Legislature in 2013 an increase in the employer contribution of 1.5 percent, to 3.5 percent, and an increase in the employee contribution of 0.75 percent, to 1.75 percent, for a total of 5.25 percent of pay, phased in over five years. This would allow the RHCA to pay 85 percent of its annual required contribution as opposed to the 35 percent it pays under current revenue sources. The general fund impact from the increase to the employer contribution once fully implemented in FY19 would be an additional \$30 million per year. The proposed employee contribution increases, in combination with similar proposals from ERB and PERA, will impact public employee recruitment and retention.

The committee recommendation for the Healthcare Benefits Administration Program totals \$258.3 million, an increase of \$12.2 million above FY13, or 5 percent, to fund expenses resulting from a growth in retiree membership. The recommendation does not provide additional funding to meet projected increases in medical costs. The recommendation reduces the request for Program Support by \$32.5 thousand for an investment consultant. The authority should consider a broad range of benefit design changes to reduce spending and improve solvency: a minimum age of 50 for subsidized premiums, rising each year thereafter; reduction in the premium subsidy to pre-Medicare spouses; increase in the years of service from 20 years to 25 or more before eligibility for the maximum subsidy.

The RHCA discontinued the subsidized \$6 thousand life insurance benefit for members who retired after January 1, 2012, converting the plan to an unsubsidized optional retiree benefit, but chose to leave the subsidized benefit in place for existing retirees. The RHCA should consider eliminating the subsidized benefit in the interest of fairness to new retirees. This would reduce expenditures \$3.8 million in FY14.

For the RHCA's pre-Medicare population, 5 percent of members incur 60 percent of the claims. A greater emphasis on medical and pharmaceutical management of chronic diseases for this population is warranted. For the Medicare-eligible population, 30 percent of costs are for claims in the last year of life. Helping members articulate and notify family of their wishes for medical care at the end of life might prevent unwanted medical interventions and associated expenses and reduce stress on families.

The agency might also want to consider reclassifying one of two vacant positions for a nurse or wellness coach to develop an incentive program that explores rewarding healthy choices through premium discounts, provides member access to dietitians for personalized nutrition plans, encourages participation in preventive health screenings and tobacco cessation programs, and helps retirees understand and manage their own health risks. Wellness programs properly implemented have been known to reduce increases in care costs for the pre-Medicare population by as much as 2 percent per year.

RECOMMENDED LANGUAGE:

Any unexpended balance in the program support program of the retiree health care authority remaining at the end of fiscal year 2014 shall revert to the healthcare benefits administration program.

HEALTHCARE BENEFITS ADMINISTRATION

The purpose of the healthcare benefits administration program is to provide fiscally solvent core group and optional healthcare benefits and life insurance to current and future eligible retirees and their dependents so they may access covered and available core group and optional healthcare benefits and life insurance benefits when they need them.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	253,659.5	246,163.6	268,077.0	258,305.1	4.9
SOURCES TOTAL	253,659.5	246,163.6	268,077.0	258,305.1	4.9
USES					
Contractual Services	227,172.7	243,479.6	265,393.0	255,653.6	5.0
Other Financing Uses	2,664.2	2,684.0	2,684.0	2,651.5	-1.2
TOTAL USES	229,836.9	246,163.6	268,077.0	258,305.1	4.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Minimum number of years of positive fund balance	15	15	15	15	30
Outcome	Total revenue generated, in millions	\$222	\$253.7	\$272	\$275	\$275
* Efficiency	Total revenue increase to the reserve fund, in millions	\$23	\$16.2	\$22	\$25	\$25
Efficiency	Total healthcare benefits program claims paid, in millions	\$212	\$227.2	\$251	\$265	\$255
* Efficiency	Average monthly per-participant claim cost, non-medicare eligible	\$512	\$558	\$597	\$621	\$621
Output	Average monthly per-participant claim cost, medicare eligible	\$272	\$238	\$309	\$321	\$321
Outcome	Percent of participants satisfied with the healthcare benefits program	88%	87%	85%	85%	85%
Efficiency	Percent variance of medical premium change between retiree health care authority and industry average	2.0%	1.0%	+/-4%	+/-4%	+/-4%
Efficiency	Percent variance of dental premium change between retiree health care authority and industry average	1%	-2.0%	+/-2%	+/-2%	+/-2%
Efficiency	Percent change in medical premium to participants	7%	8%	9%	9%	8%
Efficiency	Average number of days to resolve customer service claims related to inquiries and appeals	3	6	7	7	7
Efficiency	Percent of average medical premium subsidy for non-Medicare and Medicare	49%	50%	50%	50%	50%
Explanatory	Number of retiree healthcare participants	46,709	51,080	49,500	54,000	54,000
Outcome	Number of years of projected balanced spending	8	6	6	6	6
Outcome	Percent annual increase in the number of non-medicare participants receiving medical insurance coverage	+2%	+2%	+3%	+3%	+3%
Outcome	Percent annual increase in the number of medicare participants receiving medical insurance coverage	+5%	+5%	+5%	+5%	+5%

PROGRAM SUPPORT

The purpose of program support is to provide administrative support for the healthcare benefits administration program to assist the agency in delivering its services to its constituents.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	2,664.2	2,684.0	2,684.0	2,651.5	-1.2
SOURCES TOTAL	2,664.2	2,684.0	2,684.0	2,651.5	-1.2
USES					
Personal Services and Employee Benefits	1,593.5	1,698.2	1,698.2	1,698.2	0.0
Contractual Services	316.0	477.7	477.7	445.2	-6.8
Other	482.2	508.1	508.1	508.1	0.0
TOTAL USES	2,391.7	2,684.0	2,684.0	2,651.5	-1.2
FTE					
Permanent	25.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	25.0	25.0	25.0	25.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0
Efficiency	Percent of employee files that contain performance appraisal development plans completed by employee anniversary date	100%	100%	100%	100%	100%
Efficiency	Satisfaction rating of administrative services provided to all programs	85%	87%	85%	85%	85%

STATUTORY AUTHORITY:

Pursuant to Sections 9-17-1 through 9-17-7, NMSA 1978, the General Services Department (GSD) provides consolidated services to state agencies.

MISSION:

The mission of the General Services Department is to provide quality services to state agencies and local public bodies in a cost-efficient manner. These services include purchasing, printing, risk management, health benefits, property control, building maintenance, and transportation.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,303.9	13,384.6	15,021.5	13,786.0	3.0
Other Transfers	9,943.6	11,208.1	9,476.7	9,476.7	-15.4
Other Revenues	405,422.9	439,622.6	437,900.9	438,898.5	-0.2
Fund Balance	36,071.6	23,313.6	13,717.6	13,593.7	-41.7
SOURCES TOTAL	464,742.0	487,528.9	476,116.7	475,754.9	-2.4
USES					
Personal Services and Employee Benefits	15,085.0	18,402.3	18,851.1	18,487.4	0.5
Contractual Services	40,172.6	47,753.7	50,456.0	46,910.4	-1.8
Other	393,919.2	410,194.5	397,332.9	400,880.4	-2.3
Other Financing Uses	9,943.6	11,178.4	9,476.7	9,476.7	-15.2
TOTAL USES	459,120.4	487,528.9	476,116.7	475,754.9	-2.4
FTE					
Permanent	342.0	340.5	334.5	331.5	-2.6
Term	0.0	0.0	2.0	2.0	
TOTAL FTE POSITIONS	342.0	340.5	336.5	333.5	-2.1

BUDGET ISSUES:

The GSD request was \$476.1 million, a \$11.4 million decrease from the FY13 operating budget of \$487.5 million. The request included an increase of \$1.6 million, or 12 percent, from the general fund. Of the amount from the general fund, \$181 thousand was to increase pension contributions and health premiums for the Building Office Space Management and Maintenance (BOSMM) and State Purchasing Division (SPD) programs, \$150 thousand to address deferred maintenance for the Building Services Division (BSD), and \$430 thousand in the Property Control Division (PCD) to reclassify 4 FTE to engineer positions to oversee capital projects. Of the remainder, \$734 thousand was for the Aviation Bureau.

The overall LFC recommendation of \$475.8 million is a \$11.7 million decrease from the FY13 operating budget. The recommendation includes an increase of \$401 thousand, or 3 percent, from the general fund. The recommendation supplants a portion of the agency's general fund request with other state funds, including the transfer of user fees from agencies occupying state-owned space for the PCD. The recommendation includes \$500 thousand from the general fund for the Aviation Bureau.

For FY11, GSD proposed and the Legislature supported a 25 percent decrease in Risk Management Division (RMD) rates for unemployment compensation to state entities. Prior to that, during the 2009 and 2010 legislative sessions, the LFC and DFA reduced the rates for property and public liability insurance by \$4.6 million and \$7.8 million, respectively. In hindsight, these reductions followed by GSD and DFA holding risk rates flat has reduced the assets available to pay claims and set aside reserves.

The RMD does not appear to assess premiums to agencies based on actuary estimates of claims payable. This has led to deficit net asset balances in some of the risk funds. The RMD received the finalized independent actuarial study for its risk funds for FY14 in October 2012, two months after releasing its rates for the FY14 budget cycle. Looking at agency premium allocations, it is unclear what methodology was used to set premiums for FY14. The RMD should obtain the annual study earlier to help with rate setting.

The LFC recommendation for the RMD is just under \$98 million, \$200 thousand less than the request. Collectively, this represents an increase of about \$11 million, or 14 percent, above the FY13 operating budget due to the use of \$9.4 million of the balance in the public liability fund and an increase of \$1.8 million for the Workers' Compensation Program. The recommendation does not include \$200 thousand for the Employee Assistance Program, which provides short-term counseling services, due to low use and lack of outcome data.

The RMD operations requested a \$932 thousand increase in personal services and employee benefits, effectively flat with the FY13 appropriation. The program has 23 vacant positions out of 63 authorized FTE and appears to rely heavily on contract adjusters and attorneys. The recommendation eliminates 2 vacant FTE and transfers vacancy savings to contracts and other costs to support training for employees on enterprise risk management principles. To ease the pressure on GSD health premiums, the request used funds left in the RMD operating fund to replace the amount typically transferred from the employee group health benefits reserve fund for operations.

The Public Liability Program provides liability insurance for law enforcement, medical professional, civil rights, automobile, and general liability. Claims, particularly for medical malpractice and civil rights, have been increasing in severity and average cost. According to a recent independent actuarial study, estimated outstanding losses exceed projected assets for the program by \$148 million, which includes \$101 million for potential medical malpractice losses. The program projects an ending cash balance for FY14 of \$2.36 million, an insufficient reserve level.

The Workers' Compensation Program pays employers' liability and occupational disease and disablement benefits as prescribed by law. Claims related to injured workers continue to increase in severity and cost per claim but occur less frequently. The program projects an ending cash balance for FY14 of \$6.9 million, a sufficient reserve level. The Public Property Program includes automobile physical damage and other property insurance coverage. Since 2010, claims related to public property have been decreasing in severity and cost per claim, and their frequency is difficult to predict. The program projects an ending cash balance for FY14 of \$5 million, an insufficient reserve amount if there are more weather-related events.

Since 2010, the number of unemployment compensation claims increased 110 percent. The increase is related not only to the recession but also to a law that allows former state employees, employed by the private sector and laid off, to receive benefits from the state even after a voluntary separation. An ongoing problem for the RMD is the inability to provide a factual basis on which to budget these assessments. The LFC staff objected to two budget adjustment requests (BARs) for \$17.5 million during FY12. The first request budgeted a \$10.5 million loan from the public liability fund to pay claims that exceeded projections. The second request increased the budget to pay prior-year claims and late payment penalties totaling \$7 million. The LFC objected to the requests because of the lack of a repayment plan and the use of current-year appropriations to pay prior-year obligations.

State health insurance premiums have been flat since 2009. The Employee Group Health Benefits (EGHB) Program is projected to run out of money to pay claims in FY14. In response, the program increased the total health premium 14.8 percent for FY14. Even with this large increase, significant plan design changes will be necessary. The program requested a decrease of \$26.2 million, or 7 percent, below the FY13 operating budget, effectively flat with FY12 actual expenditures. The LFC recommendation supports the request; however, it reduces the contractual services category in favor of the other costs category to pay fees imposed under healthcare reform.

The EGHB Program offered a new high-deductible health plan to employees linked to a tax-exempt health savings account. In exchange for picking up a larger share of costs, employees use pretax dollars to pay out-of-pocket costs from account balances that roll over from year to year and travel from job to job. The plan had a lukewarm reception because, under the current employee and employer contribution tier, employees pay too little of the premium costs.

The agency paid two life insurance claims totaling \$55 thousand from the employee group health benefits fund after beneficiaries were denied payment by The Standard. The state collected the premiums from employees, without first determining if the employee was approved by The Standard for the additional coverage. As a self-insured entity, the state is responsible for ensuring human resources employees are adequately trained. The Standard was also at fault for receiving payments from the GSD for coverage not in effect.

The committee encourages the GSD to reinstate the Risk Management Advisory Board (RMAB). The RMAB, authorized by Section 15-7-4, NMSA 1978, is charged with reviewing insurance policies, professional contracts, and rules. Without the board, the state has no independent oversight to ensure the state's activities are not adversely impacting an agency's mission or negatively impacting public health and safety.

The LFC recommendation for the Building Office Space Management and Maintenance Program is \$12.7 million, an increase of \$697 thousand from the FY13 operating budget. The recommendation includes an \$11.9 million appropriation from the general fund, effectively flat with FY12 and FY13 operating levels. Of the total amount, \$9.2 million is appropriated from the general fund for the Building Services Division (BSD) and \$2.7 million is appropriated from the general fund for the Property Control Division (PCD). The recommendation increases the other state funds appropriation for the PCD \$822 thousand due to new revenues raised through building use fees.

The GSD secretary is required to establish a schedule of building use fees as established by the Property Control Act, Section 15-3B NMSA 1978. This legislation, although never funded, intends for the public buildings repair fund to be used for operating expenses for the PCD. While this law provides incentives for efficient use of space, it does not promote the efficient use of utilities provided by the BSD. The program reports the greatest risk to its budget is the volatility of utility costs. The GSD should consider legislation to add the BSD to the Property Control Act.

According to an LFC report on space utilization dated September 2012, the amount of leased space has decreased, while state-owned space has increased. In the past year, the PCD renegotiated 28 leases between agencies and landlords, achieving \$1.3 million in annual savings or \$8.9 million over the life of the leases. However, during the same timeframe, the state reduced staff size by almost 14 percent while the overall space footprint increased by 6.5 percent. Implementing the user fee based on square footage will create incentives to reduce space for agencies occupying state-owned buildings.

The recommendation for the BSD includes an increase of \$129.7 thousand in personal services and employee benefits from the FY13 operating budget primarily to pay employer increases in pension contributions and health premiums for 123.5 authorized FTE. The recommendation for the PCD includes an increase of \$404.2 thousand in personal services and employee benefits from the FY13 operating budget to reclassify 4 FTE from the BSD as engineers for oversight of projects under the PCD.

During 2012, the BSD transferred about \$400 thousand from personal services and employee benefits to contracts and other costs to reduce the list of deferred maintenance items and pay for security services and temporary labor due to poor applicant response and hiring delays for maintenance staff. The committee encourages the program to work with the State Personnel Office on recruitment and retention.

For FY12 and FY13, the Transportation Services Program (TSP) state motor pool vehicle lease rates have been lower than private sector rates and do not include vehicle replacement, typically a component of vehicle lease fees. The program reports that 1,034 of 1,985 vehicles are expected to exceed their life cycle in 2013 at a replacement cost of \$22 million.

The LFC recommendation for the TSP is \$10.7 million, \$2.5 million above the FY13 operating budget. Of this amount, \$500 thousand is an increase to general fund revenue for the aviation program. The recommendation supports the request to increase revenues \$1.9 million above FY12 actual revenues by increasing the vehicle lease rates. The recommendation includes \$2.1 million from balances in the state transportation pool fund to meet expenditures related to vehicle replacement. The recommendation proposes a modest increase in revenues from the sale of the surplus vehicles.

The recommendation for the TSP represents a decrease of \$106.4 thousand in personal services and employee benefits from the FY13 operating budget. The program has a historic vacancy rate of about 22 percent.

Over the years, the State Aviation Bureau has received special and supplemental general fund appropriations to offset lower revenues from use fees. In FY13, the program did not request a general fund appropriation due to proceeds from the sale of aircraft. The recommendation includes a general fund appropriation of \$500 thousand to cover 50 percent of the program's operating expenses. The RMD should review the program's public liability premium of \$228 thousand, which appears high for one aircraft.

The State Purchasing Division requested an increase of \$160 thousand in its enterprise fund, primarily for annual licensing fees for the electronic bid and contracts management system. While the \$100 vendor registration fee has been discontinued, the division anticipates increased revenues due to leading more Western States Contracting Alliance (WSCA) cooperative solicitations. The committee recommendation deletes 1 FTE position vacant long-term in operations but otherwise supports the request.

In FY12, expenditures exceeded revenues for the State Printing Program by \$219 thousand; however, revenues from legislative sessions have historically comprised 50 percent of revenues. The program reports it has seen a decrease in legislative business due to increased use of the Internet to access legislation. State agency print sales have recently increased because three statewide pricing agreements for print services were discontinued.

The recommendation for the State Printing Program is a decrease of \$226.4 thousand from the FY13 operating budget, effectively flat with the request. The recommendation applies a slightly higher vacancy rate and supports the request to transfer 1 information technology FTE to the Program Support.

The LFC recommendation for Program Support is a 2.4 percent increase from the FY13 operating budget, flat with the request. The program includes the Office of the Secretary and is funded by transfers from the other divisions. The recommendation applies a higher vacancy rate and transfers the savings to the contractual services and other costs categories for information-technology-related expenses.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2014 shall revert to the procurement services, printing services, risk management, employee group benefits, business office space management and maintenance and transportation services programs based on the proportion of each individual programs' assessments for program support.

EMPLOYEE GROUP HEALTH BENEFITS

The purpose of the employee group health benefits program is to effectively administer comprehensive health-benefit plans to state and local government employees.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	315,014.0	353,074.5	346,636.8	346,636.8	-1.8
Fund Balance	26,854.1	19,746.3	0.0	0.0	-100.0
SOURCES TOTAL	341,868.1	372,820.8	346,636.8	346,636.8	-7.0
USES					
Contractual Services	17,778.8	21,000.0	21,703.7	18,116.0	-13.7
Other	322,462.6	350,000.0	324,933.1	328,520.8	-6.1
Other Financing Uses	1,626.7	1,820.8	0.0	0.0	-100.0
TOTAL USES	341,868.1	372,820.8	346,636.8	346,636.8	-7.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Efficiency	Percent change in state employee medical premium compared with the industry average	0%	0%	</=5%	</=10%	</=5%
Efficiency	Percent change in dental premium compared with the national average	0%	0%	</=5%	</=10%	</=5%
* Outcome	Percent of state group prescriptions filled with generic drugs	82.4%	82.6%	75%	80%	80%
Explanatory	Percent of eligible state employees purchasing state health insurance	92%	95.5%	90%	90%	90%
Output	Number of employees trained on loss control and prevention				New	500
Outcome	Percent reduction in claims expenses for the top three diagnostic causes			3%	3%	3%
Outcome	Percent increase in employee participation in health benefit wellness programs			3%	3%	3%

RISK MANAGEMENT

The purpose of the risk management program is to protect the state's assets against property, public liability, workers' compensation, state unemployment compensation, local public bodies unemployment compensation and surety bond losses so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	6,732.7	7,551.5	5,730.7	5,730.7	-24.1
Other Revenues	82,517.7	79,141.2	80,979.1	80,779.1	2.1
Fund Balance	8,580.1	74.3	11,471.6	11,471.6	15,339.6
SOURCES TOTAL	97,830.5	86,767.0	98,181.4	97,981.4	12.9
USES					
Personal Services and Employee Benefits	3,112.7	3,992.6	4,044.7	3,921.0	-1.8
Contractual Services	21,617.7	26,092.5	28,049.8	27,973.5	7.2
Other	61,056.5	48,113.0	57,418.2	57,418.2	19.3
Other Financing Uses	7,727.0	8,568.9	8,668.7	8,668.7	1.2
TOTAL USES	93,513.9	86,767.0	98,181.4	97,981.4	12.9
FTE					
Permanent	63.0	63.0	61.0	59.0	-6.3
Term	0.0	0.0	2.0	2.0	
TOTAL FTE POSITIONS	63.0	63.0	63.0	61.0	-3.2

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Projected financial position of the public property fund	1.7%	127%	30%	50%	50%
* Explanatory	Projected financial position of the workers' compensation fund	23.7%	34%	29%	30%	30%
* Explanatory	Projected financial position of the public liability fund	47.9%	46%	50%	50%	50%
Outcome	Percent decrease in overall legal counsel dollars spent			5%	5%	5%
Outcome	Percent increase in the number of unemployment claims challenged			10%	5%	5%

STATE PRINTING SERVICES

The purpose of the state printing services program is to provide cost-effective printing and publishing services for governmental agencies.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	1,146.4	1,938.0	1,740.4	1,711.6	-11.7
SOURCES TOTAL	1,146.4	1,938.0	1,740.4	1,711.6	-11.7
USES					
Personal Services and Employee Benefits	750.9	1,163.9	962.8	934.0	-19.8
Contractual Services	3.1	18.0	18.0	18.0	0.0
Other	611.8	651.6	652.5	652.5	0.1
Other Financing Uses	0.0	104.5	107.1	107.1	2.5
TOTAL USES	1,365.8	1,938.0	1,740.4	1,711.6	-11.7
FTE					
Permanent	18.0	18.0	17.0	17.0	-5.6
TOTAL FTE POSITIONS	18.0	18.0	17.0	17.0	-5.6

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Revenue generated per employee compared with previous fiscal year	\$96,691	\$82,500	\$90,000	\$90,000	\$90,000
Outcome	Sales growth in state printing revenue compared with previous fiscal year	-5.6%	12.5%	10%	10%	10%

BUSINESS OFFICE SPACE MANAGEMENT AND MAINTENANCE SERVICES

The purpose of the business office space management and maintenance services program is to provide employees and the public with effective property management so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY14 - 2013-2014</u>		Percent Incr (Decr)	
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
	General Fund Transfers	11,927.4	11,993.6	12,727.7	11,868.5	-1.0
	Other Revenues	11.7	0.0	0.0	822.2	
	SOURCES TOTAL	11,939.1	11,993.6	12,727.7	12,690.7	5.8
USES						
	Personal Services and Employee Benefits	5,419.0	6,102.1	6,636.0	6,636.0	8.7
	Contractual Services	291.2	312.3	279.3	279.3	-10.6
	Other	5,106.7	5,467.5	5,698.0	5,661.0	3.5
	Other Financing Uses	157.5	111.7	114.4	114.4	2.4
	TOTAL USES	10,974.4	11,993.6	12,727.7	12,690.7	5.8
FTE						
	Permanent	157.0	157.5	156.5	156.5	-0.6
	TOTAL FTE POSITIONS	157.0	157.5	156.5	156.5	-0.6

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent reduction on consumption of electricity compared with FY10 usage			3%	3%	3%
* Efficiency	Percent of property control capital projects on schedule within approved budget	94%	95.3%	90%	92%	92%
Output	Percent of repair work orders completed on time				New	80%
Output	Percent of severance tax bond funded projects in design within six months of approved budget			75%	75%	75%
Outcome	Percent reduction on consumption of natural gas compared with FY10 usage			3%	3%	3%
Outcome	Percent decrease in leased space compared with the previous fiscal year				New	5%
* Explanatory	Percent of state-owned office space occupied			95%	95%	95%
* Outcome	Percent decrease in lease costs from previous year			5%	5%	5%
Outcome	Percent of time major facility equipment is operational			80%	80%	80%

TRANSPORTATION SERVICES

The purpose of the transportation services program is to provide centralized and effective administration of the state's motor pool and aircraft transportation services so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	0.0	0.0	876.3	500.0	
Other Revenues	6,195.0	4,770.7	7,687.3	8,091.5	69.6
Fund Balance	637.4	3,493.0	2,246.0	2,122.1	-39.2
SOURCES TOTAL	6,832.4	8,263.7	10,809.6	10,713.6	29.6
USES					
Personal Services and Employee Benefits	1,918.5	2,368.1	2,339.4	2,261.7	-4.5
Contractual Services	92.3	89.6	114.7	114.7	28.0
Other	4,110.9	5,351.7	7,890.1	7,871.8	47.1
Other Financing Uses	348.2	454.3	465.4	465.4	2.4
TOTAL USES	6,469.9	8,263.7	10,809.6	10,713.6	29.6
FTE					
Permanent	38.0	36.0	34.0	34.0	-5.6
TOTAL FTE POSITIONS	38.0	36.0	34.0	34.0	-5.6

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Explanatory	Percent increase in short-term vehicle use	46%	45%	55%	5%	5%
Efficiency	Percent of passenger vehicle lease revenues to expenses	100%	97.1%	42%	90%	90%
* Explanatory	Percent of state vehicle fleet beyond five-year or one hundred thousand miles standard	10%	15%	30%	20%	20%
Outcome	Percent increase in vehicles that accumulate at least one thousand miles per month.			10%	10%	10%
Outcome	Percent increase in revenue generated through sales of surplus property			3%	5%	5%

PROCUREMENT SERVICES

The purpose of the procurement services program is to provide a procurement process for tangible property for government entities to ensure compliance with the Procurement Code so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,376.5	1,391.0	1,417.5	1,417.5	1.9
Other Revenues	521.0	698.2	857.3	857.3	22.8
SOURCES TOTAL	1,897.5	2,089.2	2,274.8	2,274.8	8.9
USES					
Personal Services and Employee Benefits	1,607.4	1,791.7	1,858.0	1,858.0	3.7
Contractual Services	18.8	0.0	0.0	0.0	
Other	176.1	179.3	295.7	295.7	64.9
Other Financing Uses	84.2	118.2	121.1	121.1	2.5
TOTAL USES	1,886.5	2,089.2	2,274.8	2,274.8	8.9
FTE					
Permanent	29.0	29.0	29.0	28.0	-3.4
TOTAL FTE POSITIONS	29.0	29.0	29.0	28.0	-3.4

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent increase in "best value" awards above one hundred thousand dollars			10%	15%	15%
Output	Number of small business clients assisted	361	327	300	315	325
* Output	Number of government employees trained on Procurement Code compliance and methods	600	636	525	540	600
* Output	Percent reduction in Procurement Code violations compared with the previous fiscal year			25%	5%	5%
Outcome	Percent increase in awards to companies receiving a New Mexico preference				New	5%
* Outcome	Percent decrease in sole source procurements			5%	10%	10%

PROGRAM SUPPORT

The purpose of program support is to manage the program performance process to demonstrate success.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	Other Transfers	3,210.9	3,656.6	3,746.0	3,746.0	2.4
	Other Revenues	17.1	0.0	0.0	0.0	
	SOURCES TOTAL	3,228.0	3,656.6	3,746.0	3,746.0	2.4
USES						
	Personal Services and Employee Benefits	2,276.5	2,983.9	3,010.2	2,876.7	-3.6
	Contractual Services	370.7	241.3	290.5	408.9	69.5
	Other	394.6	431.4	445.3	460.4	6.7
	TOTAL USES	3,041.8	3,656.6	3,746.0	3,746.0	2.4
FTE						
	Permanent	37.0	37.0	37.0	37.0	0.0
	TOTAL FTE POSITIONS	37.0	37.0	37.0	37.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of audit findings resolved from the prior fiscal year, excluding findings related to fund solvency			100%	100%	100%
Outcome	Percent of prior-year accounts receivable dollars collected for combined funds			50%	60%	60%
Efficiency	Percent of payments made to vendors within thirty days of date of receipt in the administrative services division			100%	100%	100%

STATUTORY AUTHORITY:

The Educational Retirement Board (ERB) is responsible for administration of the Educational Retirement Act, Sections 22-11-1 through 22-11-52 NMSA 1978. The board manages the retirement program for employees of public schools, public institutions of higher learning, and selected state agencies. The agency is governed by a seven-member board composed of the secretary of public education and state treasurer (both ex officio), one member elected by the New Mexico members of the American Association of Educational Retirees, one member elected by the members of the National Education Association of New Mexico, one member elected by the New Mexico members of the American Association of University Professors, and two members appointed by the governor.

MISSION:

The agency's mission is to provide high-quality services and secure retirement benefits to current and future retirees through pension administration functions and management of the fund's assets.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	20,583.0	37,823.3	34,297.5	31,701.9	-16.2
SOURCES TOTAL	20,583.0	37,823.3	34,297.5	31,701.9	-16.2
USES					
Personal Services and Employee Benefits	4,203.7	4,888.6	5,721.3	5,489.0	12.3
Contractual Services	15,607.9	32,097.7	27,723.9	25,387.4	-20.9
Other	771.4	837.0	852.3	825.5	-1.4
TOTAL USES	20,583.0	37,823.3	34,297.5	31,701.9	-16.2
FTE					
Permanent	58.0	60.0	63.0	60.0	0.0
Term	0.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	58.0	62.0	65.0	62.0	0.0

BUDGET ISSUES:

The Educational Retirement Board (ERB) requested an appropriation of \$34.3 million for FY14; \$3.5 million below the FY13 appropriation. The request for contractual services included \$22.7 million for asset management fees, \$4.5 million below the FY13 operating budget and \$10.3 million above FY12 actual expenditures. The request in contractual services also included \$2.1 million for attorney fees, \$745.9 thousand above FY12 actual expenditures, and \$1.3 million for custody fees.

The reduction in asset management fees from FY13 was due to changes in asset allocation and corresponding changes in the method of payment for investment managers. As the agency continues to increase its investments in alternative investments, such as real estate and private equity, and decrease its traditional investments in stocks and bonds, investment manager direct fees will decrease. Typically, managers of alternative assets withdraw their fees from the assets they manage. In contrast, the agency makes direct payments to managers of traditional assets. The agency reports the increase in attorney fees is for more complex legal review needed for higher allocations in alternative investments.

Previous lawsuits involving ERB investments resulted in an increase in the employee liability premium charged by the General Services Department (GSD) from \$229 thousand for FY13 to \$673 thousand for FY14. The increase in the GSD liability premium, increases for employee health premiums, the pension swap, the desire to reduce vacancies, and an expansion request for 3 FTE and associated costs, produced a \$832.7 thousand, or 14 percent, increase in the request for personal services and employee benefits above FY13. The agency has experienced lengthy periods in the posting and processing of hiring requests, which led to a 14 percent vacancy rate in FY12. The requested expansion positions included two internal fixed income asset managers and one auditor to perform on-site reviews of employer wage and contribution reporting processes.

The committee recommendation reduces the agency's request for asset management fees by \$2.3 million, reflecting cost savings from internalizing the management of the fixed income portion of its portfolio assets. The agency currently has \$500 million within this asset category and pays management fees of approximately 15 basis points, or \$750 thousand per year. The recommendation extends a 2.8 percent budgeted vacancy rate for FY13 into FY14, eliminates funding for 1 FTE vacant longer than two years, reduces the request for leased space based on lower renewed lease terms, and makes other minor adjustments. The committee recommends the appropriations committees of the Legislature consider restoring investment-related budget adjustment language to provide flexibility in meeting actual investment costs, particularly for performance fees that reward managers for returns in excess of benchmarks.

Significant investment losses during the last decade and a slow-growing workforce have worsened the ERB's actuarial condition. The percentage the plan was funded dropped to 59.8 percent as of June 30, 2012, from 63 percent as of June 30, 2011. In response, the board will present a stakeholder proposal for legislative consideration that will increase revenues with higher employee contributions and decrease spending slightly by delaying the COLA until age 67 and enacting a minimum retirement age of 55 for new employees. The proposal was based on an aggressive earnings assumption of 7.75 percent. The ERB reported a 2 percent investment return for FY12, better than 85 percent of similarly large public pension funds, and better than the Public Employees Retirement Association, which reported a 0.38 percent loss. The stakeholder proposal also assumed the Legislature will fund a statutory 0.75 percent employer contribution increase in FY14 and FY15.

Increasing employee contributions might have a negative effect on recruiting and retaining highly qualified teachers. In 2003, to address recruitment and retention, the Legislature passed the three-tiered licensure system, which established salary increases for teachers as they moved up in licensure level. The average teacher salary in New Mexico for the 2011-2012 schools year was \$46 thousand. Research conducted in 2009 by the National Education Association ranked New Mexico 37th in terms of average salaries for teachers. Many teachers have not received raises in four years and have seen take-home pay decrease as a result of retirement contribution swaps. Increasing the employee contribution rate and further decreasing take-home pay could impact recruitment and retention.

BASE EXPANSION:

The agency requested an expansion of 3 FTE and \$294.4 thousand to pay for salaries and benefits, education, and travel expenses associated with the expansion. The recommendation provides \$218.4 thousand for salaries and benefits for 2 FTE to oversee the operation of the fixed income portfolio, currently outsourced to three external managers, and suggests the agency reclassify 2 authorized vacant FTE for that purpose. The recommendation does not provide funding for an auditor to visit schools to ensure wages and contributions are being reported accurately, due to similar authorized, funded, and vacant FTE positions that could provide that function.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Two internal fixed income investment FTE	(P635) 227.4	218.4
2	One accountant auditor FTE	(P635) 67.0	0.0
TOTAL		294.4	218.4

EDUCATIONAL RETIREMENT

The purpose of the educational retirement program is to provide secure retirement benefits to active and retired members so they can have secure monthly benefits when their careers are finished.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Average rate of return over a cumulative five-year period	5.3%	2.3%	7.75%	7.75%	7.75%
Outcome	Average number of days to process refund requests	15	3.42	15	15	15
Outcome	Percent of member satisfaction with seminars and trainings	97.9%	98.74%	95%	95%	95%
Output	Average number of days to respond to request for benefit estimates and purchase of service request	18	18	18	18	18
Output	Percent of retirement applications processed within sixty days	95%	95%	95%	95%	95%
Output	Number of benefit estimates and purchase of service requests computed annually	8,587	7,425	7,500	7,000	7,000
Output	Number of member workshops conducted	35	28	30	30	30
* Outcome	Funding period of unfunded actuarial accrued liability, in years	Infinite	Infinite	</=30	</=30	</=30
Quality	Percent of accurately computed retirements	99.5%	99.5%	99.5%	99.5%	99.5%

STATUTORY AUTHORITY:

The New Mexico Sentencing Commission was created in 1994 under Section 9-3-10 NMSA 1978 as the Criminal and Juvenile Justice Coordinating Council. Laws 2003, Chapter 75, changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 1978 created a Sex Offender Management Board within the commission. The commission also has four committees: Data, Sentencing Reform, Legislative, and Judicial.

MISSION:

The purpose of the New Mexico Sentencing Commission (NMSC) is to provide information, analysis, recommendations and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so they have the resources they need to make policy decisions that benefit the criminal justice system.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	529.8	529.8	529.8	529.8	0.0
Other Transfers	0.0	30.0	0.0	30.0	0.0
Other Revenues	30.0	0.0	30.0	0.0	
Fund Balance	21.1	0.0	0.0	0.0	
SOURCES TOTAL	580.9	559.8	559.8	559.8	0.0
USES					
Contractual Services	576.3	555.2	555.2	555.2	0.0
Other	4.6	4.6	4.6	4.6	0.0
TOTAL USES	580.9	559.8	559.8	559.8	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

The New Mexico Sentencing Commission requested \$559.8 thousand maintaining a flat budget for FY14. The request included \$30 thousand from the county detention fund. The county detention fund is transferred from Department of Finance and Administration to the agency, making the revenue more appropriately placed in the other transfers category.

As a result of past budget reductions, the commission no longer maintains the consolidated offender query used by criminal and justice agencies. This action allowed the agency to maintain a flat budget in FY13. The commission pays the University of New Mexico (UNM) a 9 percent overhead fee through the commission's contract with the university. All staff of the commission are employed by the university and nearly all of the commission's budget goes to UNM.

The commission's staff is composed of a full-time director, a full-time deputy director, and two managers, each 0.75 part time employees. The agency is able to maintain high-quality work and keep personnel costs minimal due to its ability to leverage UNM undergraduate and graduate students. The commission also uses master's and doctoral-level researchers to complete its 13 required research projects per year. The structure of the commission is similar to that of other states in that it is housed in an institution of higher learning. The commission itself is composed of 24 members with an array of criminal justice-related backgrounds. The County Detention Facility Reimbursement Act requires the commission to calculate annually the felony incarceration percentage and the distribution amount for each eligible county, for which it receives \$30 thousand from the county detention facility reimbursement fund. The central duties of the commission include providing research on topical issues on an ad hoc basis, serving as a clearing house for criminal justice data provided by other state agencies, and providing analysis for criminal justice and public safety related legislation.

In 2012 the agency released two important reports; the first, "New Mexico Prison Population Forecast: FY2013-FY2022," will help planning new facilities and plans for renovating old ones. The other report, "Exploratory Sex Offender Recidivism Study: 2004 Probation Sentence and Prison Release Cohorts," analyzes sex offender recidivism and will aid the three branches of government and interested citizens in reducing the threat sex offenders pose in our state.

NEW MEXICO SENTENCING COMMISSION

The purpose of the New Mexico sentencing commission is to provide information, analysis, recommendations and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so they have the resources they need to make policy decisions that benefit the criminal and juvenile justice systems.

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of criminal and juvenile justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	13	13	13	13	13
Output	Number of website hits per month	360,000	350,000	360,000	360,000	360,000

STATUTORY AUTHORITY:

The Public Defender Department (PDD) was established under section 31-15-1 through 31-15-12 NMSA 1978 to provide legal representation or payment to private counsel for defendants financially unable to obtain counsel and charged in any court with a crime that carries a possible sentence of imprisonment or death. The department also sets the standards of indigence the courts use in determining which defendants are eligible for state-funded defenses.

MISSION:

The Public Defender Department's mission is to provide all clients with high-quality legal representation that protects their liberty and constitutional rights. As New Mexico's indigent criminal defense advocate, the Public Defender Department is an equal participant in the development of a responsive and fair criminal justice process.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 – 2013-2014</u>				
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	38,898.4	40,145.3	42,045.8	41,624.7	3.7
Federal Revenues	113.0	0.0	0.0	0.0	0.0
Other Revenues	467.3	245.0	250.0	250.0	2.0
SOURCES TOTAL	39,478.7	40,390.3	42,295.8	41,874.7	3.7
USES					
Personal Services and Employee Benefits	22,275.6	24,259.1	26,700.6	26,279.5	8.3
Contractual Services	11,164.9	10,711.9	10,403.6	10,403.6	-2.9
Other	4,751.5	5,419.3	5,191.6	5,191.6	-4.2
TOTAL USES	38,192.0	40,390.3	42,295.8	41,874.7	3.7
FTE					
Permanent	411.0	391.0	397.0	391.0	0.0
Term	2.0	0.0	0.0	0.0	0.0
TOTAL FTE POSITIONS	413.0	391.0	397.0	391.0	0.0

BUDGET ISSUES:

The Public Defender Department's overall base request of \$42.3 million represented a \$1.9 million, or 4.7 percent, increase over the FY13 operating budget. The request included an increase of \$2.4 million, or 10.1 percent, in the personal services and employee benefits category and assumed a vacancy rate of 2.5 percent. The large increase in personal services and employee benefits was partially offset by reductions in the contractual services and other costs categories. The department reduced contractual services by \$308 thousand, or 2.8 percent, and other costs by \$228 thousand, or 4.2 percent. The reduction in contractual services is the direct result of the opening of a Public Defender Department office in Gallup in May 2012. The department currently has four attorneys working in the office and anticipates hiring an additional 2 attorney FTE. The office, when fully staffed, will have 12 FTE. The opening of the Gallup office as well as the department's hiring of additional attorney FTE statewide over FY13 resulted in a diminished need for contract attorneys, reflected in the reduction in the contractual services category.

The committee recommendation increases the department's operating budget by \$1.5 million, or 3.7 percent, over FY13. The recommendation fully funds the agency request in the contractual services and other costs categories and includes a 5 percent vacancy rate, down from the peak rate of 23 percent in April 2012. The department requested authorization for 6 additional FTE in the base budget. The recommendation accommodates the agency's plan to fund 2 FTE, an attorney and an administrative assistant, to handle sex offender parole hearings. These positions will allow the department to remain in compliance with 31-21-10.1 NMSA 1978. The New Mexico Sentencing Commission projected five sex offender parole hearings in 2013, but that number is anticipated to grow to 37 in 2015 and continue growing in the future.

The department also requested four eligibility clerks whose work includes collection of fees. The recommendation did not provide the department with additional FTE as the department has maintained a significant vacancy rate; of the 58 vacant positions as of September, 2012, four have been vacant for two years or longer. The recommendation for the department includes a significant increase in funding in the personal services and employee benefits category, which will make reclassification and filling of currently vacant positions possible in FY14.

A constitutional amendment providing for the organization of an independent Public Defender Department was approved by voters. The amendment will create a public defender commission that would be responsible for appointing the chief public defender and providing guidance in the administration of the department and the representation of indigent persons.

CRIMINAL LEGAL SERVICES

The purpose of the criminal legal services program is to provide effective legal representation and advocacy for eligible clients so their liberty and constitutional rights are protected and to serve the community as a partner in assuring a fair and efficient criminal justice system that sustains New Mexico's statutory and constitutional mandate to adequately fund a statewide indigent defense system.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of alternative sentencing treatment placements for felony and juvenile clients	3,679	9,679	4,500	10,000	10,000
* Efficiency	Percent of cases in which application fees were collected	28.4%	35%	40%	45%	45%
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	11.7%	61.25%	51%	65%	65%

STATUTORY AUTHORITY:

The Governor's Office is created under Article V, Section 1, of the New Mexico Constitution.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 Actuals	FY13 2012-2013 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,357.6	3,391.6	3,587.1	3,587.1	5.8
SOURCES TOTAL	3,357.6	3,391.6	3,587.1	3,587.1	5.8
USES					
Personal Services and Employee Benefits	2,516.9	2,774.4	2,969.9	2,969.9	7.0
Contractual Services	37.0	100.8	100.8	100.8	0.0
Other	602.1	516.4	516.4	516.4	0.0
TOTAL USES	3,156.0	3,391.6	3,587.1	3,587.1	5.8
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

BUDGET ISSUES:

For FY14, the agency request of \$3.6 million from the general fund was 5.8 percent above the FY13 operating budget. This included an increase of about \$195 thousand, or 7 percent, in personal services and employee benefits, including a \$142 thousand, or 60 percent, increase in public liability insurance.

The Office of the Governor is precluded from initiating or defending a lawsuit unless represented by the New Mexico Attorney General (NMAG). However, for times when the Office of the Governor does not want NMAG counsel, the NMAG may issue a special commission to an attorney. During FY12, the Office of the Governor received two special commissions from the NMAG. For FY14, the Office of the Governor requested \$58 thousand in contractual services for attorney fees.

Following the resignation of the manager of the Washington office for the Governor of New Mexico, the administration chose not to fill the position and allowed the lease to expire. The Washington office was started in 2003 to work regularly with New Mexico's congressional delegation, federal agencies, and the National Governors' Association at a cost close to \$200 thousand per year.

The committee recommendation for FY14 supports the agency's request.

EXECUTIVE MANAGEMENT AND LEADERSHIP

The purpose of the executive management and leadership program is to provide appropriate management and leadership to the executive branch of government to allow for a more efficient and effective operation of the agencies within that branch of government on behalf of the citizens of the state.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of days to answer or refer to the proper entity constituent requests for information	4	2	4	4	4
Output	Number of days to process extraditions	10	13.4	5	14	14
Output	Number of days public meetings that are recorded by the governor's office will be posted at www.governor.state.nm.us			2	2	2
Efficiency	Percentage of governor exempt employees required to fill out a financial disclosure form at time of hire which and published at www.governor.state.nm.us			100%	100%	100%
Output	Number of days to review recommendations from notary compliance and endorsement unit and issue a final order			10	10	10
Output	Number of days to acknowledge receipt and determine eligibility for consideration of pardon requests			10	10	10
Efficiency	Number of cabinet secretary's who are paid more than \$125,000 annually			0	0	0
Output	Number of cabinet meetings held by the governor			12	12	12
Outcome	Percent of constituent service cases closed within thirty days of initial receipt			90%	90%	90%
Efficiency	Percent of employees provided the Code of Conduct which shall be signed within thirty days of hire			100%	100%	100%
Output	Number of days executive orders are posted on www.governor.state.nm.us after signed by the governor and secretary of state			1	1	1
Output	Number of days press releases will be posted on www.governor.state.nm.us			1	1	1
Output	Number of meetings the governor's office holds with each department's public information officer			4	4	4

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the Office of Lieutenant Governor and establishes the person serving as lieutenant governor as president of the New Mexico Senate. Section 8-3-1 NMSA 1978 establishes the lieutenant governor as state ombudsman.

MISSION:

The mission of the Office of the Lieutenant Governor is to fulfill the constitutional duties of president of the New Mexico State Senate and serves as ombudsman and acting governor in cases when the governor is out of state.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 – 2013-2014</u>			
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	671.0	579.9	585.8	585.8	1.0
SOURCES TOTAL	671.0	579.9	585.8	585.8	1.0
USES					
Personal Services and Employee Benefits	336.5	491.2	497.1	497.1	1.2
Contractual Services	9.5	39.8	44.8	44.8	12.6
Other	50.1	48.9	43.9	43.9	-10.2
TOTAL USES	396.1	579.9	585.8	585.8	1.0
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

BUDGET ISSUES:

For FY14, the agency request of \$585.8 thousand from the general fund was flat with the FY13 operating budget. This included an increase of \$5.9 thousand in personal services and employee benefits, primarily for employee health benefits and the pension swap, an increase of \$5 thousand in contractual services, and a decrease of \$5 thousand in other costs. The appropriation request was about 25 percent less than requested under the previous administration in terms of number of FTE and dollars. The Office of the Lieutenant Governor has 2 vacant FTE out of a total of 5 FTE that provide constituent services.

The committee recommendation for FY14 supports the agency's request.

STATE OMBUDSMAN

The purpose of the state ombudsman program is to facilitate and promote cooperation and understanding between the citizens of New Mexico and the agencies of state government, refer any complaints or special problems citizens may have to the proper entities, keep records of activities and submit an annual report to the governor.

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
Outcome	Percent of constituent service files closed within thirty days			80%	80%	80%
Output	Percent of border authority meetings or teleconferences held and attended			90%	90%	90%
Output	Percent of mortgage finance authority meetings held and attended			90%	90%	90%
Output	Percent of board of finance meetings held and attended			90%	90%	90%
Output	Percent of days in session and presided over (gavel down)			90%	90%	90%
Output	Percent of community development council meetings held and attended			90%	90%	90%
Output	Number of constituent service mobile office days held			4	4	4
Output	Percent of spaceport authority meetings or teleconferences held and attended			90%	90%	90%
Output	Number of constituent town hall meetings/economic forums held			4	4	4

STATUTORY AUTHORITY:

The Department of Information Technology (DoIT) is authorized pursuant to Section 9-27-1 through 9-27-10 NMSA 1978 (DoIT Act) as a single, unified executive branch department intended to streamline and improve state information technology systems. The DoIT administers all laws and exercises all functions formerly administered by the Office of the Chief Information Officer (OCIO) and the Information Technology Commission (ITC) pursuant to the Information Technology Management Act, as well as those formerly administered by the Communications Division, Information Systems Division, Radio Communications Bureau, and Telecommunications Bureau of the General Services Department. The department consists of three authorized programs: Program Support, Compliance and Project Management, and Enterprise Services. Finally, the department administers the equipment replacement fund, a quasi program funded through internal transfers, which it uses to replace or upgrade equipment and software.

The DoIT Act established a rate committee consisting of seven executive agency members: five appointed by the governor and two designated by statute -- the secretary of the Department of Finance and Administration, the statutorily designated chair, and the secretary of DoIT. The committee reviews the rate and fee schedule proposed by the DoIT and submits a recommendation by July 15 of each year for the following fiscal year budget cycle.

The Information Technology Commission (ITC) consists of 15 voting members, 10 of whom are governor-appointed, and four nonvoting members. The ITC focuses on developing and implementing the state information technology (IT) plan and reviews and approves strategies for identifying IT projects that impact multiple agencies and proposed rules by the secretary. Although the commission is statutorily required to meet at least quarterly, the commission has not met since November 3, 2010.

MISSION:

The mission of the Department of Information Technology is to provide cost-effective and efficient enterprise products, services, and solutions within a secure and reliable environment for its customers through leadership, strategic planning, standards and policy, architecture, and oversight.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	472.0	844.5	855.8	855.8	1.3
Other Transfers	7,044.5	7,475.4	9,118.5	9,118.5	22.0
Other Revenues	47,828.8	48,427.6	51,940.7	51,940.7	7.3
SOURCES TOTAL	55,345.3	56,747.5	61,915.0	61,915.0	9.1
USES					
Personal Services and Employee Benefits	13,851.8	17,166.3	19,050.5	19,050.5	11.0
Contractual Services	6,874.2	6,548.4	9,520.7	9,520.7	45.4
Other	26,492.9	25,006.0	24,225.2	24,225.2	-3.1
Other Financing Uses	8,130.2	8,026.8	9,118.6	9,118.6	13.6
TOTAL USES	55,349.1	56,747.5	61,915.0	61,915.0	9.1
FTE					
Permanent	200.0	200.0	218.0	210.0	5.0
Temporary	0.0	0.0	2.0	0.0	
TOTAL FTE POSITIONS	200.0	200.0	220.0	210.0	5.0

BUDGET ISSUES:

The DoIT operates internal service programs that charge fees to other state agencies for information technology and telecommunication services and for the use of the statewide human resource, accounting, and management reporting system (SHARE). The DoIT is required to comply with federal Office of Management and Budget's Circular A-87, which provides guidelines for the recovery of indirect costs, including depreciation and amortization of equipment involved in providing DoIT services.

To improve accountability and reporting, in 2010 the Legislature authorized a new program within the General Appropriation Act authorizing expenditures from the equipment replacement revolving fund. Prior to the creation of the DoIT, depreciation and amortization expenses recovered through rates were spent on operating costs rather than on equipment replacement. As a result, the DoIT was unable to replace aging infrastructure and equipment. The DoIT has since replenished the equipment replacement fund. In FY12, the DoIT used the equipment replacement fund to replace network, radio, and servers that had served their useful life.

In July 2012, the DoIT proposed new service rates for IT and telecommunication services to take effect July 1, 2013. The approved rates for FY14 are essentially flat with those of FY13 except for the SHARE subscription fee, which increased from \$310 per FTE to \$350 per FTE. The higher rate supports the department's expansion request for new positions for the DoIT SHARE structure. This proposed expansion request (described below) is part of a new SHARE roadmap that includes hardware and software upgrades and improved functionality, such as SHARE modules for accounts receivables, capital project management, and cash management remediation for New Mexico agencies. The SHARE management is also measuring the system's performance, costs, and service rates against Gartner (a leading IT research company) and other states' best practices, as well as implementing a process to help quantify cost savings by expanding the state's use of SHARE.

The DoIT base budget request for FY14 was \$59.8 million, an increase of \$3 million, or 5.3 percent, over the FY13 operating budget. The DoIT attributes the increase to higher costs of providing services and the increased use of services by state agencies. The DoIT also asked for increases for the increased employer retirement rates and employee healthcare, as well as for furniture, computers, and training for employees. The DoIT request also included an \$11 thousand, or 1.3 percent increase, in general fund revenue for the Compliance and Project Management Program, the only program that receives money from the general fund.

The committee recommendation supports the agency's base request for \$59.8 million, and the additional 1.3 percent in general fund revenue for the Compliance and Project Management Program. While the program's performance measures continue to be inadequate, in the past year the program reinstituted the "red, green, yellow" report card for agency IT projects. The report card provides information about the status of the state's largest and most critical IT projects. The committee recommends agency expenditure of FY14 appropriations for agency IT projects shall be contingent on review and approval by the state's IT Commission.

The recommendation for the Enterprise Services Program supports the base request for \$49.8 million, an increase of \$1.4 million, or 3 percent, over the FY13 operating budget. The increase is due to the transfer of 10 FTE from the Department of Finance and Administration (DFA), which consolidates all SHARE positions in the Enterprise Services Program. Seven of the positions were funded with enterprise services fund transfers from the DoIT to the DFA; 3 FTE will be transferred without additional funding. The program will also receive 6 FTE transferred from Program Support to assist with billing functions within Enterprise Services.

The recommendation for Program Support is \$3.3 million, nearly 9 percent below the FY13 operating budget. Despite fewer FTE following the transfer of 6 FTE to the Enterprise Services Program, Program Support requested \$64 thousand in additional other costs over the FY13 operating budget. Program staff stated the increase was necessary due to the higher cost of general office supplies and maintenance and the need for desks and computers. Additionally, the program is paying rent for an office in Albuquerque that houses 4 FTE; the rent increased from \$23 thousand in FY13 to \$39 thousand in FY14. The program is in the seventh year of an eight-year lease.

In FY11, the DoIT was awarded a \$39 million grant from the U.S. Department of Commerce National Telecommunications Information Administration to upgrade the state's 99 radio communication sites that provide service to public safety agencies, including the Department of Public Safety, Department of Game and Fish, and Department of Transportation. Early risks to the project included blocked access to tower sites due to fire restrictions or flooding, but such delays have been minimal. Finalizing access and lease agreements at tower sites remains somewhat of a challenge; however, DoIT staff is working with outside counsel to prepare recommended changes. A reorganization of project management in April 2012 was instrumental to ensuring the project is completed on time and within budget.

BASE EXPANSION:

The DoIT requested an expansion of the SHARE team structure to improve SHARE functionality and customer service for state agencies. The expansion consists of 8 FTE and an increase of \$2.2 million for the additional FTE and associated overhead, computers, and office supplies.

The expanded SHARE team structure would include 2 FTE to improve functional support and assistance to agencies on general ledger, cash management, contracts, and associated issues. Another 3 FTE would expand technical support to improve DoIT responsiveness to agency requests for system enhancements, reporting, and the application of vendor-supplied regulatory changes, upgrades and fixes. Finally, 3 FTE would be the basis of a SHARE training center to provide an end-user training program to state agency staff.

The committee supports the reorganization of the DoIT SHARE team structure and the \$2.2 million increase, funded by the increase in the SHARE subscription fee for state agencies. However, the recommendation does not support the request for 8 additional FTE. Rather, the committee recommends the DoIT approach the State Personnel Office to reclassify vacant positions to meet current needs.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	SHARE systems - FTE 8	2,152.7	2,152.7
TOTAL		2,152.7	2,152.7

COMPLIANCE AND PROJECT MANAGEMENT

The purpose of the compliance and project management program is to provide information technology strategic planning, oversight and consulting services to New Mexico government agencies so they can improve services provided to New Mexico citizens.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	472.0	844.5	855.8	855.8	1.3
SOURCES TOTAL	472.0	844.5	855.8	855.8	1.3
USES					
Personal Services and Employee Benefits	372.6	669.8	686.4	686.4	2.5
Other	0.0	17.3	43.4	43.4	150.9
Other Financing Uses	103.2	157.4	126.0	126.0	-19.9
TOTAL USES	475.8	844.5	855.8	855.8	1.3
FTE					
Permanent	7.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	7.0	7.0	7.0	7.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number and budget requested for one-time information technology appropriations as incorporated within annual agency information technology plans		New			
Output	Number and appropriated budget of executive agency certified projects reviewed monthly for oversight requirements		New			
Output	Monthly number and budget of approved information technology professional services contracts and amendments		New			

ENTERPRISE SERVICES

The purpose of the enterprise services program is to provide reliable and secure infrastructure for voice, radio, video and data communications through the state's enterprise data center and telecommunications network.

BUDGET SUMMARY (dollars in thousands)					
		<u>FY14 - 2013-2014</u>			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Revenues	47,828.8	48,427.6	51,940.7	51,940.7	7.3
SOURCES TOTAL	47,828.8	48,427.6	51,940.7	51,940.7	7.3
USES					
Personal Services and Employee Benefits	10,417.3	13,129.5	15,381.9	15,381.9	17.2
Contractual Services	6,837.8	6,510.2	6,980.7	6,980.7	7.2
Other	22,546.7	20,918.5	20,585.5	20,585.5	-1.6
Other Financing Uses	8,027.0	7,869.4	8,992.6	8,992.6	14.3
TOTAL USES	47,828.8	48,427.6	51,940.7	51,940.7	7.3
FTE					
Permanent	152.0	152.0	176.0	168.0	10.5
Temporary	0.0	0.0	2.0	0.0	
TOTAL FTE POSITIONS	152.0	152.0	178.0	168.0	10.5

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Queue time to reach a customer service representative at the help desk, in seconds	0.16	0:14	<0:20	<0:20	<0:20
* Output	Percent of service desk incidents resolved within the timeframe specified for their priority level			90%	90%	90%
Outcome	In-service percent of the state voice communication network	99.9%	99.9%	99.9%	99.9%	99.9%
Outcome	Percent increase of applications running on virtualized enterprise servers			50%	35%	35%
Outcome	Percent of co-located and enterprise hosted systems with documented system security plans			60%	65%	65%
Outcome	Cumulative number of agency applications residing on enterprise servers	125	70	Discontinue		
Outcome	Cumulative number of co-located servers replaced by enterprise servers	91	1	Discontinue		
Outcome	Number of anchor institutions using the forthcoming 700Mhz long-term evolution public safety network			5	5	5
Outcome	Percent of phone systems using internet protocol or other similar technologies to achieve virtual local calling within the state enterprise			25%	30%	30%
Output	Percent of scheduled uptime the financial suite of the statewide human resource, accounting, and management reporting system is available during business hours			99%	99.5%	99.5%
Output	Percent of scheduled uptime the financial statewide human resources, accounting and management reporting system is available during business hours			99%	99.5%	99.5%
Outcome	Percent of mainframe uptime affecting user access or batch scheduling			99.9%	99.9%	99.9%
Output	Number of enterprise services instrumented with quantitative metrics for evaluating savings or cost avoidance resulting from consolidation			5	5	5
Output	Number of days to respond to an agency project request for statewide human resource, accounting and management reporting system		New		30	30
Outcome	Number of enterprise data systems with established disaster recovery of business continuity presence at the secondary data center			5	5	5
Outcome	Amount of information technology savings or cost-avoidance as calculated for enterprise systems with existing and documented metrics			\$3,000,000	\$3,000,000	\$3,000,000
Outcome	Percent reduction of past end-of-life systems refreshed or replaced with equipment replacement funds			50%	50%	50%
Outcome	Percent of desk incidents resolved within the timeframe specified for their priority level			90%	90%	90%
Outcome	Number of perimeter and security-logged systems reporting security metrics to the network operations center		New			

EQUIPMENT REPLACEMENT FUND

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	3,711.5	3,862.1	5,824.9	5,824.9	50.8
SOURCES TOTAL	3,711.5	3,862.1	5,824.9	5,824.9	50.8
USES					
Contractual Services	0.0	0.0	2,501.0	2,501.0	
Other	3,711.5	3,862.1	3,323.9	3,323.9	-13.9
TOTAL USES	3,711.5	3,862.1	5,824.9	5,824.9	50.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PROGRAM SUPPORT

The purpose of program support is to provide management and ensure cost recovery and allocation services through leadership, policies, procedures and administrative support for the department.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	3,333.0	3,613.3	3,293.6	3,293.6	-8.8
SOURCES TOTAL	3,333.0	3,613.3	3,293.6	3,293.6	-8.8
USES					
Personal Services and Employee Benefits	3,061.9	3,367.0	2,982.2	2,982.2	-11.4
Contractual Services	36.4	38.2	39.0	39.0	2.1
Other	234.7	208.1	272.4	272.4	30.9
TOTAL USES	3,333.0	3,613.3	3,293.6	3,293.6	-8.8
FTE					
Permanent	41.0	41.0	35.0	35.0	-14.6
TOTAL FTE POSITIONS	41.0	41.0	35.0	35.0	-14.6

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	95%	50%	95%	95%	95%
Output	Percent of accounts receivable dollars collected within sixty days of the invoice due date	79%	81%	75%	75%	75%
* Outcome	Dollar amount of account receivables over sixty days	\$7,640,000	\$7,150,000	\$7,500,000	\$7,500,000	\$7,500,000
Outcome	Percent of mainframe services meeting federal standards for cost recovery	100%		100%	100%	100%
Outcome	Percent of voice, data and radio services meeting federal standards for cost recovery	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

The Public Employees Retirement Association (PERA) is responsible for administering the Public Employees Retirement Act (Sections 10-11-1 through 10-11-141 NMSA 1978). In addition, the PERA board is responsible for administration of the following: Sections 10-11A-1 through 10-11A-7 NMSA 1978 (Volunteer Firefighters Retirement Act); Sections 10-12B-1 through 10-12B-19 NMSA 1978 (Judicial Retirement Act); Sections 10-12C-1 through 10-12C-18 NMSA 1978 (Magistrate Retirement Act); Sections 10-13A-1 through 10-13A-4 NMSA 1978 (Retirement Reciprocity Act); Sections 10-7A-1 through 10-7A-12 NMSA 1978 (Deferred Compensation Act); and the U.S. Internal Revenue Code 457 regarding deferred compensation. The PERA is governed by a 12-member board composed of the secretary of state, the state treasurer (both ex officio), four members under a state coverage plan elected from state membership, four members under a municipal coverage plan elected from local government membership, and two retiree members elected by the retired members of the association.

MISSION:

The mission of the agency is to preserve, protect, and administer the retirement trust to meet its current and future obligations to retirees and to provide quality services to association members.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	35,056.0	29,722.2	35,365.7	34,980.6	17.7
SOURCES TOTAL	35,056.0	29,722.2	35,365.7	34,980.6	17.7
USES					
Personal Services and Employee Benefits	4,968.3	5,448.5	5,780.4	5,606.6	2.9
Contractual Services	26,618.8	23,244.3	28,387.0	28,362.5	22.0
Other	1,150.5	1,029.4	1,198.3	1,011.5	-1.7
TOTAL USES	32,737.6	29,722.2	35,365.7	34,980.6	17.7
FTE					
Permanent	76.0	75.0	77.0	75.0	0.0
TOTAL FTE POSITIONS	76.0	75.0	77.0	75.0	0.0

BUDGET ISSUES:

The Public Employees Retirement Association (PERA) requested a base appropriation of \$35.2 million for FY14, \$5.5 million above the FY13 appropriation. The request for contractual services included \$24.2 million for investment manager and consultant fees, \$5.4 million above the FY13 operating budget, and \$1.2 million above FY12 actual expenditures. The request in contractual services also included \$540 thousand for attorney fees, \$337.9 thousand above FY12 actual expenditures, and \$2.1 million for custody fees. The PERA's beginning FY12 budget for investment manager fees, consultants, and custody bank services was \$21.2 million. A BAR at fiscal year-end increased the budget \$5 million to pay investment manager performance fees.

The differences between asset allocation and those of a pension plan's peers is often the most significant factor in explaining differences in relative total return performance. The PERA fund's FY12 loss of 0.38 percent placed it in the 79th percentile of its peer universe, largely due to a higher-than-median allocation to international equities, an asset class that had experienced high volatility the past several years. In response, the board conducted an asset allocation study and, based on the results of the study, decreased the target allocation to international equities from 27 percent to 20 percent and increased the target allocation to alternative investments from 20 to 25 percent, among other re-balancing strategies. Unlike traditional assets, such as stocks and bonds, manager fees for alternative investments are "embedded" as part of investment valuations and lose transparency in the appropriation process.

The committee recommendation does not reduce the agency's request for investment manager and consultant fees, despite the belief the program should see a reduction in budgeted fees, depending on manager selection for alternative investments and how much of the 5 percent increase in alternatives is actually awarded. Thus, investment-related contractual services are supported as requested, including \$540 thousand for attorney fees, reflecting the specialized legal expertise required to review terms and conditions of alternative investment contracts.

Increases in the General Services Department employer health insurance premiums, increases in employer pension contribution rates, the desire to reduce vacancies, and an expansion request for 2 FTE produced a \$331.9 thousand, or 6 percent, increase in the request for personal services and employee benefits above the FY13 operating budget. The agency has experienced lengthy periods in the posting and processing of hiring requests, which led to a 13 percent vacancy rate in FY12. The requested expansion positions included two auditor positions to address the reporting and training needs of employers for wage and contribution reporting purposes. The program also requested \$146 thousand for travel and training expenditures under other costs, higher than FY12 actual expenditures of \$100 thousand.

The LFC recommendation reduces funding in personal services and employee benefits for 1 FTE position vacant two years and supports the request for increases in the GSD health insurance premiums and the pension contribution rates. The recommendation supports the request in other costs to fund increases for utilities and reduces the request for information-technology-related expenses, travel, and training costs, particularly for board members, to discourage participation in "due diligence" manager reviews. The committee recommends the appropriations committees of the Legislature consider restoring investment-related budget adjustment request language to provide flexibility in meeting actual investment costs, particularly for performance fees that reward managers for returns in excess of benchmarks.

Significant investment losses during the last decade and a slow growing workforce have worsened PERA's actuarial condition. Although not entirely unexpected, the PERA's unfunded liability increased by \$1.2 billion, to \$6.2 billion during FY12, and the plan's funded status dropped to 65 percent, from 71 percent. The dramatic increases in the unfunded liability is not only due to lackluster investment returns but also largely due to guaranteed benefits that are overly generous for some, the lack of a minimum age to receive a pension benefit, an automatic compounded 3 percent cost-of-living (COLA) adjustment in the third year of retirement, and retirees living longer.

The PERA will present a pension reform proposal for legislative consideration that will raise revenues by increasing total contributions 3 percent by FY17, and decrease spending by reducing the COLA to 2 percent from 3 percent for all and by decreasing the benefit 30 percent for employees hired after July 1, 2010. Decreasing the benefit for future employees does little to address the PERA's growing unfunded liability for current members. The proposal would also suspend the COLA for 1,100 employees collecting benefits while reemployed with the state. According to PERA's actuaries, 61 percent of the fund's accrued liability is attributable to retirees. Because PERA contribution rates are some of the highest in the nation, raising contributions and decreasing take-home pay might impair New Mexico's competitiveness for recruitment and retention. The PERA pension reform proposal is also based on a future earnings assumption of 7.75 percent, an aggressive rate considering recent past performance.

The PERA board made two changes to rules under the Public Employees Retirement Act during 2012: reducing the interest rate payable on member contribution refunds from 5 percent to 2 percent and changing the airtime calculation to be based on final-average-salary rather than last wage. Closing other loopholes, half-time work for full-time benefits, and benefit increases despite lower contributions should be considered. For instance, members can work part-time for 25 years, then full-time for five years, and collect a full benefit. In addition, the pension of a member who has three or more years of service credit under each of two different PERA plans is calculated under the coverage plan that provides the highest pension.

BASE EXPANSION:

The PERA requested two expansion positions and \$129.8 thousand for salaries and benefits, supplies, furniture, and computers for the new positions. The LFC recommendation does not support the request.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Accountant/auditor FTE	(P640)	64.9	0.0
2	Accountant/auditor FTE	(P640)	64.9	0.0
TOTAL			129.8	0.0

PENSION ADMINISTRATION

The purpose of the pension administration program is to provide information, retirement benefits and an actuarially sound fund to association members so they can receive the defined benefit they are entitled to when they retire from public service.

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
Quality	Percent of accurately computed retirements	99%	99.5%	99%	99%	99%
Efficiency	Average number of days to respond to requests for benefit estimates, military buy-backs and service credit verifications	30-40	25-30	25-30	25-30	25-30
* Explanatory	Number of years needed to finance the unfunded actuarial accrued liability for the public employees retirement fund with current statutory contribution rates	30	30	<=30	<=30	<=30
* Outcome	Ten-year average annualized investment returns to exceed internal benchmark, in basis points.			<= 30	<=30	<=30
* Outcome	Ten-year average annualized performance ranking in national survey of at least fifty similar large public pension plans			<=50th	<=50th	<=25

STATUTORY AUTHORITY:

The State Commission of Public Records was established by the Public Records Act, Sections 14-3-1 through 14-3-25 NMSA 1978. The commission governs the operations of the State Records Center and Archives, which administers the State Rules Act, Sections 14-4-1 through 14-4-9 NMSA 1978. The act guides the development of style and format requirements for rules filed by executive agencies.

MISSION:

The mission of the State Commission of Public Records is to preserve, protect and facilitate access to public records held in trust for citizens of New Mexico, ensure rules promulgated by state agencies are published as prescribed in law and made accessible, advocate for the understanding and appreciation of New Mexico history, and develop records management programs for state agencies.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,405.3	2,544.0	2,831.9	2,619.9	3.0
Federal Revenues	41.3	50.0	0.0	0.0	-100.0
Other Revenues	110.7	126.2	116.7	116.7	-7.5
Fund Balance	1.2	92.2	101.7	101.7	10.3
SOURCES TOTAL	2,558.5	2,812.4	3,050.3	2,838.3	0.9
USES					
Personal Services and Employee Benefits	1,925.6	2,320.4	2,596.0	2,389.8	3.0
Contractual Services	98.8	68.7	54.0	54.0	-21.4
Other	342.4	423.3	400.3	394.5	-6.8
TOTAL USES	2,366.8	2,812.4	3,050.3	2,838.3	0.9
FTE					
Permanent	40.0	40.0	40.0	40.0	0.0
Term	2.2	2.2	2.0	2.0	-9.1
TOTAL FTE POSITIONS	42.2	42.2	42.0	42.0	-0.5

BUDGET ISSUES:

The State Commission of Public Records requested a \$237.9 thousand, or 8.5 percent, increase in its FY14 budget over FY13 operating levels. This request included a \$287.9 thousand, or 11 percent, increase in general fund appropriations above the FY13 operating budget. The requested increase would be used in the personal services and employee benefits category to fill vacant positions and followed a 20.5 percent increase to that category in FY13. The agency vacancy rate at this time is over 30 percent.

The committee recommendation is \$2.8 million, approximately \$2.6 million of which is in general fund appropriations. This reflects a 3 percent increase over the FY13 operating budget.

The recommendation concurs with the remainder of the budget request, including the agency request for continued use of revolving fund balance. The revolving fund balance continues to decline. A fund balance of \$79.1 thousand is projected for the end of FY14, compared with a projection of \$180.8 thousand at the end of FY13.

The agency continues to face challenges in its efforts to perform critical administrative tasks, the majority of which are mandated by statute. Staffing limitations currently prevent the agency from opening the archives research room on a reliable basis, which limits public access to the agency's extensive and unique historical document holdings. The agency is legally responsible for the development and maintenance of records retention and disposition schedules for nearly 400 entities, including state and local government agencies and educational institutions. It is also required to ascertain effective mechanisms for the destruction of antiquated or redundant documents. Significant delays continue to occur in these activities. Furthermore, Inspection of Public Records Act (IPRA) requests are no longer completed in an appropriately timely fashion and transfers of documents to electronic images have stalled.

Training programs related to historical record treatment across the state have been reduced or eliminated, a serious problem given the lack of expertise and experience related to document protection at many institutions and in many communities across the state. A loss of documents of historical significance is inevitable.

Also of importance is the fact that the records center in Albuquerque is filled to capacity and the Santa Fe record center is rapidly approaching that level. As the records centers offer records storage, retrieval and dispositions services without charge, they represent substantial budget savings to state agencies. If storage space disappears, agencies will have to store and manage their inactive records onsite or look for alternatives at private records storage facilities. The Centralized Electronic Records Repository (CERR) project will partially mitigate these problems, but only if personnel is available to transfer records from hard-copy to digital format.

As stated in the Legislative Finance Committee reports for both fiscal years 2012 and 2013, unless these issues are effectively and coherently addressed, the state risks noncompliance with statutory and archive records rules, reduced transparency of state and local governments, loss of documents of historical and cultural importance, and increased liability for not maintaining information properly. However, because general fund appropriations will inevitably be insufficient to address the numerous problems the agency now faces, agency officials should pro-actively develop proposals to both increase revenues and improve productivity, including concerted efforts to use technology to advance critical agency goals.

STATE COMMISSION OF PUBLIC RECORDS

The purpose of the records, information and archival management program is to develop, implement and provide tools, methodologies and services for use by, and for the benefit of, government agencies, historical record repositories and the public so the state can effectively create, preserve, protect and properly dispose of records, facilitate their use and understanding and protect the interests of the citizens of New Mexico.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Maximum number of days between rule effective date and online availability	28.25	30	32	32	32
Outcome	Percent of New Mexico historical records grant projects achieving stated objectives	100%	100%	100%	100%	100%
Outcome	Percent of annual strategic plan performance measures achieved or on schedule	71%	60%	75%	75%	75%
* Outcome	Percent of total records items scheduled, reviewed, amended or replaced within a five-year period	29.76%	27.5%	40%	40%	40%
Output	Number of research documents and educational activities provided by the state historian	12	20	12	12	12
Output	Number of times during a fiscal year visitors accessed information on the New Mexico history web site	169,222	143,080	150,000	150,000	150,000

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the office of the Secretary of State. The secretary of state may be elected for two consecutive four-year terms and is second in line behind the lieutenant governor to assume the responsibilities of the governor. The Secretary of State is the keeper of the Great Seal of the State of New Mexico and affixes the seal to all commissions issued in the name of the state and signed by the governor. Article V, Section 2, of the New Mexico Constitution requires the returns of every election for state officers be sealed and transmitted to the secretary of state who, with the governor and state Supreme Court chief justice, constitute the state canvassing board. The Bureau of Elections is responsible for administering the state Election Code.

MISSION:

The mission of the office of the Secretary of State is to administer elections and government ethics in accordance with state and federal law and to maintain and provide access to the laws, official acts, and other instruments vital to the efficient operation of state government. It is also the mission of the Secretary of State to file and maintain records vital to the interests of commerce and industry.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	4,351.3	4,580.7	8,505.4	5,415.6	18.2
Other Revenues	1,054.0	1,696.0	0.0	1,500.0	-11.6
SOURCES TOTAL	5,405.3	6,276.7	8,505.4	6,915.6	10.2
USES					
Personal Services and Employee Benefits	2,249.7	2,530.0	2,906.5	2,531.5	0.1
Contractual Services	516.4	943.4	976.1	877.4	-7.0
Other	2,586.6	2,803.3	4,622.8	3,506.7	25.1
TOTAL USES	5,352.7	6,276.7	8,505.4	6,915.6	10.2
FTE					
Permanent	38.0	38.0	38.0	37.0	-2.6
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	38.0	-2.6

BUDGET ISSUES:

The FY14 appropriations request for the Secretary of State (SoS) was \$8.5 million, an increase of 35.5 percent over the FY13 operating budget. The agency request for general fund revenues was \$8.5 million, an increase of 85.7 percent over the FY13 operating budget. The general fund request was offset by a \$1.7 million decrease in public election fund revenues. The public election fund finances election campaigns for certain offices and pays for the administration of the Voter Action Act (Sections 1-19A-1 to 1-19A-17 NMSA 1978). The fund receives approximately \$1.5 million in recurring revenues, mostly from funds received pursuant to the Uniform Unclaimed Property Act but also fees collected by the Public Regulation Commission.

The agency personal services and employee benefits appropriations request applied vacancy savings of approximately \$247 thousand. The current agency vacancy rate is approximately 23 percent and the average vacancy rate of the agency over the last two years is approximately 22 percent. In FY12, the agency transferred \$123 thousand from the personal services and employee benefits category to other categories and reverted \$94.4 thousand in personal services and employee benefits appropriations to the general fund.

The agency request included an additional \$1.8 million in general revenue appropriations over the FY13 operating budget for paper ballots, election handbooks, training manuals, records, and other documents needed for the 2012 primary and general elections and required by New Mexico statute. Prior to FY13, these funds had been provided to the agency through special or supplemental appropriations after the actual costs of the activity had been ascertained.

The committee recommendation for the agency is \$6.9 million, an increase of \$638.9 thousand, or 10.2 percent over the FY13 operating budget. The recommendation increases general fund appropriations to the agency by \$835 thousand, or 18.2 percent over the FY13 operating budget. The recommendation includes \$1.5 million from the public election fund.

The recommendation acknowledges that by statute, the fiscal responsibility of primary and general election expenses rests primarily with the state and the current level of recurring appropriations are insufficient to meet actual costs. Based on data provided by the agency, the recommendation provides funding at a level consistent with the projected recurring costs associated with primary elections. Special or supplemental appropriations might still be required to compensate for unanticipated election costs, such as additional ballots, voting machines or recount activities.

The process of effectively anticipating the number of ballots needed and the costs associated with the printing of those ballots is still less than precise, with the relative newness of voting convenience centers adding a layer of complexity to the effort. According to the agency, the cost to provide systems that print ballots at polling locations is lower than the cost to provide pre-printed ballots for every ballot style for each county at each voter convenience center. As a result, in January 2012 the agency chose to issue a request for proposals (RFP) for contracts to provide systems to print ballots at polling locations. The contracts were awarded in April 2012. Unfortunately, actual costs required to print ballots across the state exceeded the amount in the awarded contracts. The net effect is an estimated shortfall of \$1.4 million – potentially more once the costs of the 2012 general election, including required recounts, are ascertained.

Having accumulated the experience involved in conducting both general and primary elections, agency administrators are now in a better position to approach future elections in a manner that both adheres to statutory obligations and ensures the effective expenditure of taxpayer dollars. The agency should examine all available methods for cost savings, including the renegotiation of contracts for paper and electronic ballots, manuals and other documents, voting equipment, and information technology software. The agency should also establish arrangements with New Mexico counties to share election costs.

The recommendation deletes 1 FTE in the Administration and Operations Program that has been vacant for more than two years, saving \$30 thousand, and applies additional vacancy savings in the program of \$345 thousand. This recommendation is consistent with actual personal services and employee benefits expenditures in FY11 and FY12, and the transfers and reversions from the personal services and employee benefits category in FY12, but still allows some flexibility for new hires.

In the Administration and Operations Program, the recommendation supports the agency request in the contractual services category and keeps funding flat with the FY13 budget in the other category. In the Elections Program, the recommendation increases funding in the contractual services category by 1.6 percent compared with FY13 funding levels and keeps funding in the other category flat with FY13 funding levels.

The agency receives federal funding pursuant to the Help America Vote Act (HAVA) to make voting sites more accessible to individuals with disabilities. Future HAVA funding of up to \$100 thousand will be requested on a reimbursement basis for the federal fiscal year. The agency did not include federal HAVA funding in its appropriation request for FY14.

Voters in the 2012 general election approved a joint resolution proposing to amend Article 11, Section 2, of the Constitution of New Mexico and enact a new section of Article 11 to remove authority to charter and regulate corporations from the Public Regulation Commission (PRC) and provide similar authority to the Secretary Of State. Details of how the transfer of responsibilities will be made are currently being discussed by the Legislative Finance Committee, the PRC, and the Secretary of State.

The centennial edition of the Blue Book is being distributed this year at a cost to the public, which differs from previous practice. Revenues are being transferred to the General Services Department as they accrue.

The agency's \$1.1 million in long-term debt related to a past-due amount for a voter registration and election management system (VREMS) maintenance contract was converted from a loan to a grant by the Board of Finance in May 2012.

The FY11 financial audit for the Secretary of State found both material weaknesses and significant deficiencies related to financial statements and federal awards. The agency should make a concerted effort to remedy these problems to ensure its financial integrity and reinforce the public trust.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 1-19A-10 NMSA 1978, the other state funds appropriation to the elections program of the secretary of state includes one million five hundred thousand dollars (\$1,500,000) from the public elections fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2014 from appropriations made from the public elections fund shall revert to the public elections fund.

ADMINISTRATION AND OPERATIONS

The purpose of the administration and operations program is to provide operational services to commercial and business entities and citizens, including administration of notary public commissions, uniform commercial code filings, trademark registrations and partnerships and to provide administrative services needed to carry out elections.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,133.6	2,981.5	3,429.5	2,907.9	-2.5
SOURCES TOTAL	3,133.6	2,981.5	3,429.5	2,907.9	-2.5
USES					
Personal Services and Employee Benefits	2,249.7	2,530.0	2,906.5	2,531.5	0.1
Contractual Services	491.4	228.6	151.2	151.2	-33.9
Other	339.9	222.9	371.8	225.2	1.0
TOTAL USES	3,081.0	2,981.5	3,429.5	2,907.9	-2.5
FTE					
Permanent	38.0	38.0	38.0	37.0	-2.6
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	38.0	-2.6

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of prior-year audit findings resolved	100%	100%	100%	100%	100%
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	100%	100%

ELECTIONS

The purpose of the elections program is to provide voter education and information on election law and government ethics to citizens, public officials and candidates so they can comply with state law.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,217.7	1,599.2	5,075.9	2,507.7	56.8
Other Revenues	1,054.0	1,696.0	0.0	1,500.0	-11.6
SOURCES TOTAL	2,271.7	3,295.2	5,075.9	4,007.7	21.6
USES					
Contractual Services	25.0	714.8	824.9	726.2	1.6
Other	2,246.7	2,580.4	4,251.0	3,281.5	27.2
TOTAL USES	2,271.7	3,295.2	5,075.9	4,007.7	21.6
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of county clerks satisfied with the election training provided by the secretary of state's office	97%	100%	100%	100%	100%
Output	Number of training sessions provided to all county clerks on changes to the Election Code	1	1	1	1	1
Outcome	Percent of eligible voters registered to vote	77%	78%	80%	80%	80%
Outcome	Percent of campaign reports filed electronically by the due date	83%	81%	98%	90%	90%
Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	60%	97%	100%	100%	100%
Outcome	Percent of voting machines tested	100%	100%	100%	100%	100%
Efficiency	Percent of public requests and complaints responded to within the three-day statutory deadline	50%	95%	50%	100%	100%
Outcome	Percent of eligible Native American voters registered to vote	75%	57%	82%	65%	80%
Outcome	Percent of statutorily required documents provided to the county clerks		100%	100%	100%	100%

STATUTORY AUTHORITY:

The Personnel Act, Sections 10-9-1 through 10-9-25 NMSA 1978, created the State Personnel Board and the State Personnel Office.

The Personnel Act requires the board to provide rule coverage in the following areas: classification plan; compensation plan; competitive entrance and promotion tests; exemption from testing for professional persons who possess recognized registration or certification by another agency; probationary period; employment lists of ranked job candidates; hours of work, holiday, and leave; disciplinary procedures and right of appeal to the board; rejection of applicants who fail to meet reasonable requirements; and emergency employment when no qualified applicants are available.

Under the Personnel Act, the State Personnel Office director shall supervise administrative and technical personnel activities; act as secretary to the board; establish, maintain, and publish annually a roster of all state employees with each employee's division, title, pay rate, and other pertinent data; report annually to the board; recommend to the board rules considered necessary or desirable to effectuate the act; and supervise all tests and prepare and submit to prospective agencies lists of persons passing them.

MISSION:

The Personnel Board was created by the Personnel Act to establish a system of personnel administration for New Mexico based solely on qualification and ability to provide greater economy and efficiency in the management of state affairs.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012	FY13 2012-2013	FY14 – 2013-2014		Percent Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	3,852.4	3,896.1	4,570.7	4,159.8	6.8
Other Transfers	0.0	0.0	0.0	334.0	
Fund Balance	0.0	29.0	0.0	0.0	-100.0
SOURCES TOTAL	3,852.4	3,925.1	4,570.7	4,493.8	14.5
USES					
Personal Services and Employee Benefits	3,435.4	3,593.8	4,243.2	4,132.3	15.0
Contractual Services	54.5	57.5	54.5	54.5	-5.2
Other	318.8	273.8	273.0	307.0	12.1
TOTAL USES	3,808.7	3,925.1	4,570.7	4,493.8	14.5
FTE					
Permanent	57.0	57.0	53.0	53.0	-7.0
TOTAL FTE POSITIONS	57.0	57.0	53.0	53.0	-7.0

BUDGET ISSUES:

The State Personnel Board (SPB) FY14 base request was approximately \$4.6 million, an increase of \$674.6 thousand, or almost 16.5 percent, compared with the FY13 operating budget. The request included an increase of \$649.7 thousand, or 18 percent, in the personal services and employee benefits category and small decreases in the contractual services and other categories. Funding for the governor's career conference was not requested. The agency request also eliminated 4 vacant FTE positions.

The LFC recommendation is approximately \$4.5 million. The amount includes approximately \$4.2 million in general fund appropriations and \$334 thousand in other transfers appropriations obtained by the State Personnel Office (SPO) through "shared-services" agreements with small state agencies designed to improve efficiency in human resource activities. The agency expects the number of these agreements to increase during the fiscal year.

The general fund appropriation recommendation represents a 6.8 percent increase over the FY13 operating budget and an 8.6 percent increase over FY12 actual expenditures. Of the general fund appropriations, more than \$3.8 million, or almost 86 percent, is directed toward the personal services and employee benefits category. This appropriation reflects an increase of \$238.5 thousand, or 6.6 percent, over the FY13 operating budget and 11.3 percent over FY12 actual expenditures. The recommendation would decrease the current unfunded vacancy rate at the agency and assist management in its ongoing efforts to improve operations related to improved recruitment and retention in the state.

The SPO management intends to use \$300 thousand of the other transfers revenue from shared services agreements to hire unauthorized term positions. As the SPO is already assisting some shared-service agencies with their human resource functions without reimbursement, a reasonable approach would be to use a large portion of the other transfer revenue to fund authorized positions and further decrease the agency vacancy rate.

The recommendation concurs with the agency request to eliminate 4 vacant FTE positions as well as funding for the governor's career conference.

The agency contracted with the Hay Group to analyze the current state classification structure, the first serious effort at reform of the state compensation system since the implementation of the reforms in the study known as New Mexico H.R.2001. The Legislative Finance Committee and the Department of Finance and Administration are funding more than 75 percent of the cost of this study. Further research -- and further funding -- that identifies a realistic salary structure for the state, given the national and regional market, will be required to obtain concrete policy recommendations on recruitment and retention for the FY15 budget cycle.

The State Personnel Board and the State Personnel Office must take leadership on policies that allow the Legislature to more accurately assess the personnel needs of agencies and ensure that personal services and employee benefit appropriations are expended both efficiently and effectively. Of particular importance is limiting the significant amount of funding obtained through vacancy savings that are used for purposes other than personal services and employee benefits. Substantial amounts of funding have been transferred out of the personal services and employee benefits category in previous fiscal years and not used as the Legislature intended. The State Personal Board and the State Personnel Office should actively assist in mitigating this problem.

The agency continues to pursue activities designed to improve its internal operations and establish a firm foundation for improved personnel policy and practice in New Mexico state government. The Human Resource (HR) Council has been re-constituted and meets regularly to analyze problems and identify solutions across the state personnel system. A number of proposals have been implemented over the past fiscal year or are in the process of implementation, including those related to personnel classification revisions, minimum job qualifications, annual and sick leave, family and medical leave, background checks, and drug-testing.

The SPB also continues to make significant improvements to its performance measures, a process that allows the committee to actively monitor progress in critical issue areas related to state personnel. Of particular relevance are ongoing efforts designed to analyze turnover rates by agency and specific reasons for separation. Given continued problems with high vacancy rates across state government -- in November 2012 the average funded vacancy rate for all agencies was 14.4 percent -- it is imperative that analysis lead to concrete policy recommendations.

The agency struggled with the implementation of the NEOGOV personnel recruitment system. Some problems resulted from a lack of technical familiarity of applicants and state agencies with the new system. Other problems result from an inability on the part of SPO to efficiently process an increasingly large number of applications and forward viable applicant recommendations to agencies. The average amount of time required to fill a vacant position at agencies is unacceptably high -- currently over two months according to the SPO "FY12 Fourth Quarter Workforce Report."

HUMAN RESOURCE MANAGEMENT

The purpose of the human resource management program is to provide a flexible system of merit-based opportunity, appropriate compensation, human resource accountability and employee development that meets the evolving needs of the agencies, employees, applicants and the public so economy and efficiency in the management of state affairs may be provided while protecting the interest of the public.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Average number of days to fill a vacant position	53	69	40	55	40
Explanatory	Number of disciplinary actions for union-covered positions appealed to arbitration rather than to state personnel board and average cost paid by state for arbitration			40/\$7,500	40/\$7,500	40/\$7,500
* Explanatory	Percent of new employees who successfully complete their probationary period	61%	58%	85%	85%	85%
Outcome	Number of rule-compliance audit reviews performed during the fiscal year	5	5	5	5	5
* Output	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	66%	58%	99%	99%	99%
Output	Percent of rule-compliance review audit exceptions corrected within six months of discovery	100%	100%	100%	100%	100%
* Efficiency	Average employee compa-ratio			91%	95%	95%
Explanatory	Statewide classified service vacancy rate		19.7%	15%	15%	10%
Efficiency	State employee average overtime usage per month and percent of employees receiving overtime			11.66 /25%	12/25%	12/25%
* Explanatory	Percent turnover for employees leaving state service			18%	18%	18%
Outcome	Percent of managers and supervisors who successfully complete the management and supervision training sponsored by the state personnel office within six months of hire or promotion to the managerial or supervisory position			New	95%	95%
Efficiency	Average state employee sick leave usage per capita			40 hrs	40 hrs	40 hrs
Efficiency	Average new hire compa-ratio			91%	91%	91%
Outcome	Percent of department or agencies with over ninety percent of personnel evaluations completed			95%	95%	95%
* Explanatory	Ratio of disciplinary actions to number appealed to state personnel board			5:1	5:1	5:1

STATUTORY AUTHORITY:

The New Mexico Public Employee Bargaining Act (PEBA), Sections 10-7E-1 through 10-7E-26 NMSA 1978, creates the Public Employee Labor Relations Board (PELRB). The act reinstates collective bargaining for public employees, which had previously expired in 1999. The board consists of three members appointed by the governor; one of those members must be recommended by labor organizations and another member must be recommended by two other board members.

MISSION:

The board's mission is to guarantee public employees the right to organize and bargain collectively with their employers, to promote harmonious and cooperative relationships between public employers and employees, and to protect the public interest by ensuring, at all times, the orderly operation and functioning of the state and its political subdivisions.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	212.6	214.0	216.5	214.0	0.0
SOURCES TOTAL	212.6	214.0	216.5	214.0	0.0
USES					
Personal Services and Employee Benefits	114.3	161.5	162.0	161.5	0.0
Contractual Services	10.1	4.3	6.4	6.4	48.8
Other	43.4	48.2	48.1	46.1	-4.4
TOTAL USES	167.8	214.0	216.5	214.0	0.0
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

The FY14 budget request was \$2.5 thousand, or 1.2 percent, over the FY13 operating budget. Given the agency reverted \$44.8 thousand of FY12 funding, the LFC recommendation is to keep funding levels flat with the FY13 operating budget.

The Public Employees Labor Relations Board (PELRB) hears prohibited practice complaints, petitions for new public bargaining units, and other similar actions initiated by public employees and is responsible for the effective implementation of the State Public Employee Relations Act.

The PELRB and its executive director made significant progress in FY13 in eliminating the entire backlog of pre-existing cases and reviewing new cases in a timely manner. Audits for FY10 and FY11, not completed previously as required, have also been submitted.

The PELRB currently owes \$9.8 thousand to the Department of Information Technology for services provided from August 2006 to December 2010. The agency intends to submit a deficiency request for this amount.

The PELRB continues to face obstacles because a single administrative assistant is required to complete multiple tasks, including legal research, financial management, board meeting scheduling, and other related outreach. The agency should consider a shared services arrangement with another agency to efficiently provide administrative services.

PUBLIC EMPLOYEES LABOR RELATIONS BOARD

The purpose of the public employee labor relations board is to assure all state and local public body employees have the right to organize and bargain collectively with their employers or to refrain from such.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent compliance with statutes, with particular attention to due process, equal protection, the Public Employee Bargaining Act and board rules	70%	100%	100%	100%	100%
Outcome	Percent of decisions overturned on appeal	0%	1%	1%	1%	1%
Output	Percent of determinations of approval of local labor relations boards within 100 days of request for approval	100%	100%	100%	100%	100%
Output	Percent of prohibited practice complaints decided within 180 days of filing	0%	45%	94%	94%	94%
Output	Percent of petitions processed within 180 days of filing	0%	38%	95%	95%	95%
Outcome	Percent of cases resolved through agreement, mediation or arbitration	0%	60%	65%	65%	65%

STATUTORY AUTHORITY:

The Office of the State Treasurer (STO) is established within the executive branch of government by Article V of the New Mexico Constitution. The principle statutory provisions governing the Office of the State Treasurer are Sections 6-1-13, 6-8-6, 6-8-11, 6-10-10, 6-10-25 through 6-10-29, 6-10-37, 7-27-24 and 7-27-25, 8-6-1 through 8-6-7, 29-4-5, and 58-18-4 NMSA 1978

MISSION:

The mission of the State Treasurer is to promote and protect the financial interests of the citizens and agencies of New Mexico through prudent financial decisions and actions involving state monies.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,550.8	3,572.3	3,968.8	3,684.5	3.1
Other Transfers	122.3	122.3	122.3	122.3	0.0
Federal Revenues	0.0	0.0	0.0	4.0	
SOURCES TOTAL	3,673.1	3,694.6	4,091.1	3,810.8	3.1
USES					
Personal Services and Employee Benefits	2,778.7	3,012.6	3,340.6	3,104.9	3.1
Contractual Services	217.3	175.5	187.0	180.0	2.6
Other	598.5	506.5	563.5	525.9	3.8
TOTAL USES	3,594.5	3,694.6	4,091.1	3,810.8	3.1
FTE					
Permanent	42.0	40.0	40.0	40.0	0.0
TOTAL FTE POSITIONS	42.0	40.0	40.0	40.0	0.0

BUDGET ISSUES:

The total agency request of \$4.1 million represented an increase of 10.7 percent from FY13. The request included a 10.9 percent increase in personal services and employee benefits mainly driven by a proposed repurposing of three previously authorized but unfunded positions. Also of note was the 11.3 percent increase in the other category mainly driven by increased requests for employee training and an investment-related Bloomberg terminal and subscription.

The committee recommendation of \$3.8 million is up 3.1 percent from the FY13 operating budget. While the LFC recommendation does not explicitly fund the three requested positions, it does include funds in excess of the amount to restore the 1.5 percent retirement swap and mandated health insurance rate increases. The general fund appropriation is supplemented with \$122.3 thousand of management fees charged to participants in the local government investment pool (LGIP) and \$4,000 in federal reimbursements. LGIP fees are state money that would otherwise revert directly to the general fund.

The STO manages its holdings differently depending on the liquidity needs of different beneficiaries. For example, the liquidity needs of the various bond funds and the local government investment pool are such that they are invested in relatively short-term securities, which reduces yield. Further, the State Treasurer segregates general fund holdings into two accounts. As the name implies, the liquidity account is managed solely for cash needs and generally invested in overnight securities. The core account is managed on a relatively long-term basis and is invested in longer duration securities. Through improved cash management forecasting, the STO managed to reduce liquidity accounts by \$500 million over the last fiscal year and increase yield for balances by 1.26 percent. The implementation of the proposed cash-management modules for the statewide financial system called SHARE should allow the STO to manage state monies even more efficiently.

The extremely low interest rate environment has had a negative impact on investment returns. Interest earnings on state balances have decreased significantly, from more than \$100 million in FY08 to \$17.4 million in FY12. The base for many short-term interest rates, the annual federal funds rate, was 0.15 percent in the fourth quarter of FY12, compared with 5.25 percent in the fourth quarter of FY07. Further, short-term rates are unlikely to increase significantly in the foreseeable future.

The balance of the State Treasurer's fund, comprising state general fund and other self-earning accounts, was \$1.8 billion as of September 30, 2012, approximately \$530 million greater than a year ago. The increase is in part attributable to underestimating FY12 general fund revenue. These increased balances may be reduced through appropriations or tax cuts.

STATE TREASURER'S OFFICE

The purpose of the state treasurer program is to provide a financial environment that maintains maximum accountability for receipt, investment and disbursement of public funds to protect the financial interests of New Mexico citizens.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	5	2	5	5	5
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	-27	-20	5	5	5
Outcome	Percent of agencies rating overall satisfaction with state investment office services on a scale of one to seven with a score of five or better.	-0-	-0-	80%	80%	80%
Outcome	Percent of employees rating their employment experience on a scale of one to seven with a score of five or higher	-0-	-0-	98%	98%	98%
Outcome	Percent of reconciling items cleared within thirty days of identification	100%	100%	90%	90%	90%
Outcome	Maximum number of audit findings	5	5	2	2	2

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-51-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act. As of June 30, 2012, 2,065 architects were registered in New Mexico: 694 in-state registrants and 1,371 out-of-state registrants.

MISSION:

The Board of Examiners for Architects is charged with safeguarding life, health, and property and promoting the public welfare by reviewing evidence of professional qualification of any person applying to practice architecture in this state.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	646.1	52.2	370.4	370.4	609.6
Fund Balance	0.0	310.3	0.0	0.0	-100.0
SOURCES TOTAL	646.1	362.5	370.4	370.4	2.2
USES					
Personal Services and Employee Benefits	184.6	260.8	268.7	268.7	3.0
Contractual Services	6.8	11.6	18.2	18.2	56.9
Other	81.1	90.1	83.5	83.5	-7.3
TOTAL USES	272.5	362.5	370.4	370.4	2.2
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

BUDGET ISSUES:

In FY12, the board generated \$646 thousand in other revenues, primarily from licensing fees paid by architects renewing their licenses. This increase is related to the renewal cycle that occurs on December 31 of every odd-numbered calendar year, which left an \$819 thousand fund balance at the end of FY12.

For FY14, the board's budget request represented a minimal increase from the FY13 operating budget, primarily because of general services department premium increases. The board requested a budget totaling \$370.4 thousand from other program revenues. The fund balance is projected to be \$790 thousand at the end of FY14.

The committee recommendation supports increases related to professional services and employee benefits, totaling \$7.9 thousand, and in contractual services for \$6.6 thousand, which will be offset by a corresponding decrease in the other costs category.

The committee recommends exploring the idea of relocating the four-person agency to alternate office space. The agency currently spends \$31.6 thousand per year to lease its current location.

ARCHITECTURAL REGISTRATION

The purpose of the architectural registration program is to provide architectural registration to approved applicants so they can practice architecture.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of registration applications processed	2,207	2,065	2,100	2,100	2,100
Outcome	Percent of registrants audited to ensure compliance with continuing education requirements	Off Year	2%	Off Year	2%	2%
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement committee	9.6	2.8	11	11	5

STATUTORY AUTHORITY:

The Border Authority was created pursuant to the Border Development Act, Sections 58-27-1 through 58-27-26 NMSA 1978, and is administratively attached to the Economic Development Department. The Border Authority is legislatively established as an independent executive branch agency operating in the capacity of a public "port authority" at the international border with Mexico. The Border Authority is mandated to provide leadership in the development of infrastructure on both sides of the border that will support and foster an increase in trade activity at federal ports of entry.

MISSION:

The Border Authority works continuously with the local trade community, local government jurisdictions, and the federal border enforcement agencies in the United States and Mexico, promoting and marketing New Mexico ports of entry as an integral part of a border development partnership with Chihuahua.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	331.4	333.4	339.1	334.8	0.4
Other Revenues	137.6	138.1	138.1	138.1	0.0
SOURCES TOTAL	469.0	471.5	477.2	472.9	0.3
USES					
Personal Services and Employee Benefits	270.9	290.4	322.8	318.5	9.7
Contractual Services	57.4	78.3	52.5	52.5	-33.0
Other	92.6	102.8	101.9	101.9	-0.9
TOTAL USES	420.9	471.5	477.2	472.9	0.3
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

BUDGET ISSUES:

The agency request for FY14 was a \$5.7 thousand increase over the FY13 operating budget, for a total general fund request of \$339.1 thousand. The agency request shifted general fund dollars out of contractual services, which would be paid for entirely with parking lot fee revenue, and into personal services and employee benefits.

The LFC recommendation includes increased revenue from the general fund of \$334.8 thousand, which includes technical adjustments in the personal services and employee benefits and other categories.

The Border Authority expends significant effort improving the flow and number of vehicles passing through the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells, and developing a fourth border crossing in Sunland Park. At Antelope Wells, the federal government, with U.S. Customs heading the project, completed construction of a new \$10 million port of entry that should open to the public in January 2013. The new administration of the state of Chihuahua made the construction of a new highway to the port one of its top border development priorities. The federal government recently completed a \$3.5 million commercial traffic bypass to reduce the time commercial vehicles spend crossing the border at the Columbus port of entry, and Senator Jeff Bingaman announced a federal plan to spend \$59 million to rebuild the port of entry. The federal money to rebuild the port is awaiting approval from the U.S. House of Representatives for disbursement. The Santa Teresa port of entry is undergoing a \$12 million federally funded expansion that will double capacity. However, the project has experienced delays and the unspent balance as of September 15, 2012 was \$5.4 million.

In addition to the infrastructure improvements at the ports of entry, the Border Authority is working with Foxconn, Mexico's largest maquiladora operator and the second largest private employer in the world, and several of its suppliers and distributors on border crossing needs. As evidenced by performance measure results, the Border Authority reports the new industrial facilities, suppliers, and distributors in the Santa Teresa area have pushed the state's trade share higher in the West Texas and New Mexico region.

In addition to the current construction of the Union Pacific multimodal rail facilities at Santa Teresa, another major rail operation is under consideration. The Border Authority continues to work on feasibility studies for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa as well as on opening a new port of entry in Sunland Park.

The annual trade share of New Mexico ports within the west Texas and New Mexico region fell significantly from 20.96 percent in FY11 to 6.5 percent in FY12. The numbers for FY12 more accurately reflect the long-term trade patterns. The port of Santa Teresa saw a big temporary increase in FY11 in commercial vehicles due to the closure of the main bridge in El Paso (Bridge of the Americas) for construction renovations. However, New Mexico's exports grew by 100 percent from January 2010 to June 2012.

BORDER AUTHORITY

The purpose of the border development program is to encourage and foster trade development in the state by developing port facilities and infrastructure at international ports of entry to attract new industries and business to the New Mexico border and to assist industries, businesses and the traveling public in their efficient and effective use of ports and related facilities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	20.96%	6.5%	21%	5%	10%
Outcome	Percent of program objectives obtained as a result of direct agency interaction with the border trade community, both public and private sector	90%	90%	90%	90%	90%
Output	Number of coordination meetings with border community leaders, congressional offices, Mexican federal agencies, federal and state agencies or international funding resources to maintain integrity of the international border in New Mexico	260	285	260	260	260
* Outcome	Commercial and noncommercial vehicular port traffic at New Mexico ports	821,851	766,671	830,000	830,000	830,000

STATUTORY AUTHORITY:

The Tourism Department was created in 1991 by the Tourism Department Act, codified as Sections 9-15A-1 through 9-15A-9 NMSA 1978. The act separated the Travel and Tourism Division from the former Economic Development and Tourism Department to form a new cabinet agency. The purpose of the act was to create a cabinet-level department to coordinate statewide tourism activities; provide a database for local and regional tourism groups; serve as a comprehensive source of information and assistance to tourism-related businesses wishing to relocate, expand, or do business in New Mexico; monitor the progress of state-supported tourism activities; and prepare annual reports of such activities, their status, and their impact.

MISSION:

The mission of the Tourism Department is to market New Mexico to the world as an enchanting visitor destination.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,268.5	8,300.7	10,858.7	9,773.9	17.7
Other Transfers	1,027.9	1,025.7	1,029.6	1,029.6	0.4
Other Revenues	3,316.1	3,435.1	3,435.1	3,435.1	0.0
SOURCES TOTAL	12,612.5	12,761.5	15,323.4	14,238.6	11.6
USES					
Personal Services and Employee Benefits	3,757.0	3,866.6	3,842.6	3,842.6	-0.6
Contractual Services	1,392.7	1,534.2	1,590.6	1,590.6	3.7
Other	6,833.4	7,360.7	9,890.2	8,805.4	19.6
TOTAL USES	11,983.1	12,761.5	15,323.4	14,238.6	11.6
FTE					
Permanent	75.5	68.5	68.5	64.5	-5.8
Term	1.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	76.5	70.5	70.5	66.5	-5.7

BUDGET ISSUES:

The Tourism Department requested an additional \$2.5 million for advertising contracts in FY14, while holding its FTE request flat at 70.5. This request would bring total advertising funds for the department to more than \$6.1 million. The additional requested funds would allow for continued advertising in existing markets while the department moves forward with its plan to enter new geographic markets. The Tourism Department reverted \$168.6 thousand in the personal services and employee benefits category in FY12, and accordingly the budget request for FY14 assumed a higher vacancy rate. The request included \$52 thousand for a State Personnel Office (SPO) shared services contract. The SPO has acted as the human resources function for the Tourism Department, but for FY14 the SPO will require payment for its services, previously free.

The LFC recommendation includes \$1.5 million for additional advertising funds and eliminates \$37.6 thousand from the other category due to technical adjustments, for a total general fund appropriation of \$9.8 million. The recommendation eliminates two vacant positions in the New Mexico Magazine Program, one vacant position in the Marketing and Promotion Program, and the vacant deputy secretary position in Program Support. The agency request did not include enough money to fund these positions; they would remain vacant.

The Tourism Department requested a merger of the Sports Authority Program into the Tourism Development Program, moving the 1 FTE and associated funding from the Sports Authority. The LFC recommendation concurs with the agency request.

Visitors to the state of New Mexico spent \$5.5 billion in 2011, according to a contractor hired by the department to conduct the first complete economic impact study in several years. The results of the study show the total impact of tourism is an estimated \$7.8 billion, once indirect and induced effects are considered. The tourism industry also sustains almost 86 thousand jobs, as of June 2012. A different Tourism Department contractor is studying return on investment (ROI) to capture the relationship between exposure to the new marketing campaign and tourists visiting the state. These results will be available in December 2012 and will provide insight into whether an increase in funding for advertising would generate a greater increase in tax revenues for the state.

In 2011, the tourism industry experienced significant growth. According to an annual survey by Longwoods Travel USA, New Mexico had 31.2 million travelers in 2011, a 4.7 percent increase from 29.8 million in 2010. Tourists brought in \$1.2 billion in tax revenue for the state. The increase in travelers led to leisure and hospitality employment increasing 2.7 percent, or about 2,200 jobs, from June 2011 to June 2012.

The Tourism Department is building momentum around its new strategic plan and is attempting to make New Mexico the fastest-growing leisure destination in the United States. To accomplish this strategic goal, the department rolled out a new campaign branded as New Mexico True. Through this campaign the department plans to concentrate its efforts on growing the out-of-state overnight visitor market by focusing its advertising investments on a targeted "venturesome traveler" market.

The Tourism Department recently launched a redesigned website under the New Mexico True brand capable of converting website visits into trip planning itineraries. Since its inception, the New Mexico True brand has garnered increases of 52 percent to 336 percent in website visits from the initial eight target markets, with an average increase of 175 percent. Additionally, industry partners can use the tools on this expansive website to create ads, as well as browse ads that others within the industry have created. Similar to the strategic purpose of collaborative marketing efforts, the web development of the department has been designed in accordance with the larger strategic goal to unify and lead the industry.

The agency continued its efforts to ensure consistent brand messaging and to maximize the impact of its promotional funding by integrating all of its public relations and marketing initiatives under the established New Mexico True brand. The department is encouraging cooperative advertising and reducing market fragmentation in New Mexico. Of the applications awarded, 68 percent of cooperative marketing applicants represented collaborative efforts (31 applications representing 129 entities working in collaboration), up 16 percent from the previous fiscal year. Attendance in cooperative marketing workshops increased by 10 percent from FY11 to FY12.

The Tourism Department made it a priority to operate the New Mexico Magazine Program in a self-sufficient manner. The agency accomplished this goal in FY12 through efforts to closely review revenues and expenditures. In FY12, revenues for the magazine exceeded expenditures by approximately \$300 thousand. The Tourism Department is continuing to manage the New Mexico Magazine Program in a financially responsible manner to ensure a fiscally solvent trajectory in future years. Advertising revenue for the magazine is generated by contractors paid a percentage of revenue produced; the FY14 request assumes greater revenue and correspondingly higher contract fees. The differences in the contractual services category for the Tourism Department between the FY12 actual expenditures, the FY13 operating budget, and the FY14 request are due primarily to the increases in these projections.

During the first special session of 2011, the executive proposed legislation to merge the Tourism Department and the Department of Cultural Affairs (DCA). Although not formally restructured, the agencies continue to share legal counsel services. The two agencies also shared an administrative services director, but late in FY12 the Tourism Department hired its own director and a new financial manager.

MARKETING AND PROMOTION

The purpose of the marketing and promotion program is to produce and provide collateral, editorial and special events for the consumer and trade industry so they may increase their awareness of New Mexico as a premier tourist destination.

BUDGET SUMMARY (dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,773.0	5,759.2	8,298.2	7,232.4	25.6
Other Revenues	23.0	30.0	30.0	30.0	0.0
SOURCES TOTAL	5,796.0	5,789.2	8,328.2	7,262.4	25.4
USES					
Personal Services and Employee Benefits	1,560.3	1,559.5	1,555.6	1,555.6	-0.3
Contractual Services	467.9	450.3	395.5	395.5	-12.2
Other	3,704.3	3,779.4	6,377.1	5,311.3	40.5
TOTAL USES	5,732.5	5,789.2	8,328.2	7,262.4	25.4
FTE					
Permanent	37.5	37.5	37.5	36.5	-2.7
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	38.5	37.5	37.5	36.5	-2.7

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	New Mexico's domestic tourism market share	1.1%	1.0	1.25%	delete	delete
Outcome	Percent change in number of visitors to New Mexico			new	3%	3%
Outcome	Dollar amount spent per visitor per day			\$53	\$63	\$63
* Outcome	Percent increase in lodgers' tax revenue	0.5%	2.8%	4%	3%	3%
Outcome	Percent change in New Mexico leisure and hospitality employment			new	3%	3%
Outcome	Percent change in visits to New Mexico visitor information centers	6.8%	-4.1%	5.0%	1.0%	5.0%
Outcome	Percent of visitors who choose New Mexico as their primary destination			69%	70%	70%
Output	Number of stories placed in the media	863	406	700	700	700
Output	Percent increase in social media fans			new	10%	10%
Output	Percent change in number of visits to all department websites			new	3%	3%

TOURISM DEVELOPMENT

The purpose of the tourism development program is to provide constituent services for communities, regions and other entities so they may identify their needs and assistance can be provided to locate resources to fill those needs, whether internal or external to the organization.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	1,089.1	1,091.6	1,096.6	1,091.6	0.0
Other Transfers	1,027.9	1,025.7	1,029.6	1,029.6	0.4
SOURCES TOTAL	2,117.0	2,117.3	2,126.2	2,121.2	0.2
USES					
Personal Services and Employee Benefits	381.0	372.3	412.1	412.1	10.7
Contractual Services	158.4	219.4	203.7	203.7	-7.2
Other	1,402.0	1,525.6	1,510.4	1,505.4	-1.3
TOTAL USES	1,941.4	2,117.3	2,126.2	2,121.2	0.2
FTE					
Permanent	6.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	6.0	5.0	5.0	5.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Number of joint tourism ventures between New Mexico tourism department and Native American entities			new	22	22
Outcome	Number of new minor and major sporting events attracted to New Mexico			new	4/1	4/1
* Outcome	Number of entities participating in collaborative applications for the cooperative advertising program			new	150	150

NEW MEXICO MAGAZINE

The purpose of the New Mexico magazine program is to produce a monthly magazine and ancillary products for a state and global audience so the audience can learn about New Mexico from a cultural, historical and educational perspective.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	3,293.1	3,405.1	3,405.1	3,405.1	0.0
SOURCES TOTAL	3,293.1	3,405.1	3,405.1	3,405.1	0.0
USES					
Personal Services and Employee Benefits	838.4	905.8	883.6	883.6	-2.5
Contractual Services	738.8	836.9	949.9	949.9	13.5
Other	1,411.0	1,662.4	1,571.6	1,571.6	-5.5
TOTAL USES	2,988.2	3,405.1	3,405.1	3,405.1	0.0
FTE					
Permanent	17.0	12.0	12.0	10.0	-16.7
Term	0.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	17.0	14.0	14.0	12.0	-14.3

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Annual circulation rate	96,500	94,221	100,000	93,000	95,000
* Output	Advertising revenue per issue, in thousands	64.1	\$65	\$110	\$80	\$80
Output	Number of digital magazine subscribers			500	750	750
Output	Collection rate	98.5%	98%	99.2%	98%	98.5%

PROGRAM SUPPORT

The purpose of program support is to provide administrative assistance to support the department's programs and personnel so they may be successful in implementing and reaching their strategic initiatives and maintaining full compliance with state rules and regulations.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,406.4	1,449.9	1,463.9	1,449.9	0.0
SOURCES TOTAL	1,406.4	1,449.9	1,463.9	1,449.9	0.0
USES					
Personal Services and Employee Benefits	977.3	1,029.0	991.3	991.3	-3.7
Contractual Services	27.6	27.6	41.5	41.5	50.4
Other	316.1	393.3	431.1	417.1	6.1
TOTAL USES	1,321.0	1,449.9	1,463.9	1,449.9	0.0
FTE					
Permanent	15.0	14.0	14.0	13.0	-7.1
TOTAL FTE POSITIONS	15.0	14.0	14.0	13.0	-7.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Acceptance rate of payment vouchers	95%	99%	95%	95%	95%
Efficiency	Number of repeat audit findings	4	4	0	2	0
Efficiency	Percent of purchase orders and payment vouchers processed within forty-eight hours			new	90%	90%
Explanatory	Percent of administrative costs of overall agency operating budget	30%	11%	30%	15%	15%

STATUTORY AUTHORITY:

The Economic Development Department (EDD) was created pursuant to the Economic Development Act in Sections 9-15-1 through 9-15-51 NMSA 1978. The EDD promotes economic development and diversification, as well as business recruitment, expansion, and retention in New Mexico. The agency provides a coordinated statewide perspective on economic development activities, maintains a database for local and regional economic development groups, and serves as the comprehensive source of information for businesses wishing to locate or expand in the state.

MISSION:

The mission of the Economic Development Department is to facilitate the creation, retention, and expansion of jobs and increase investment through public/private partnerships to establish a stable diversified economy that will improve the quality of life for New Mexicans.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,176.4	6,497.2	6,811.9	6,542.8	0.7
SOURCES TOTAL	6,176.4	6,497.2	6,811.9	6,542.8	0.7
USES					
Personal Services and Employee Benefits	3,138.9	3,859.1	4,170.0	3,734.2	-3.2
Contractual Services	1,980.2	2,085.0	2,032.8	2,255.7	8.2
Other	629.2	553.1	609.1	552.9	0.0
TOTAL USES	5,748.3	6,497.2	6,811.9	6,542.8	0.7
FTE					
Permanent	56.0	56.0	52.0	52.0	-7.1
TOTAL FTE POSITIONS	56.0	56.0	52.0	52.0	-7.1

BUDGET ISSUES:

The Economic Development Department FY14 request included \$6.8 million of general fund revenue, an increase of \$314.7 thousand, or 4.8 percent, compared with the FY13 operating budget. The requested general fund increase would fully fund personal services and employee benefits and budget vacant FTE at midpoint of the salary range. The request eliminated four vacant positions, reducing FTE from 56 to 52. The agency also transferred its largest contract from Program Support to the Economic Development Program, reducing contractual services \$630 thousand in the former and increasing it \$630 thousand in the latter.

The LFC recommendation includes a general fund appropriation of \$6.5 million. Vacancies are funded at midpoint, but vacancy rates are applied, varying by program but averaging 9.5 percent overall for the agency, down from FY12 and initial FY13 average vacancy rates of more than 20 percent. The recommendation concurs with the agency request to delete 4 FTE but deletes the vacant second deputy secretary position from the Economic Development Program instead of deleting an administrative officer position and reallocates the funding associated with the deputy position. The recommendation deletes \$25 thousand from contractual services in Program Support for an economic analysis on incentives because the agency is hiring its own economist.

The New Mexico Economic Development Partnership (Partnership) was created in 2003 as a nonprofit organization tasked to promote New Mexico to businesses outside the state, and to recruit companies to locate in rural and urban areas of New Mexico. Initially funded with nonrecurring special appropriations, funding for the partnership has fluctuated over time. The partnership receives nearly its entire operating budget through a contract with the EDD. Appropriations to the EDD for the partnership peaked at \$1.4 million but decreased during the economic downturn. The FY13 operating budget for the partnership indicates funding from the EDD has been reduced by almost half to \$630 thousand from the \$1.1 million the partnership received from the EDD in FY11. To continue operating after such a significant funding reduction, the partnership moved its office to a location with cheaper rent and reduced staffing levels, the number of job trade show events the staff attend, air travel and overnight stays, and the amount spent on consultants. The committee recommendation reallocates a portion of the savings from the applied vacancy rates and eliminated FTE to the partnership, funding the contract at \$880 thousand.

Funding for the partnership is important because most communities throughout the state do not have sufficient staffing levels or budget to facilitate business recruitment. Most communities rely on the partnership to generate and filter prospective business relocations to economic development staff and chambers of commerce in local communities. The partnership provides project management, hosts site visits for prospective clients, and helps to develop skills in the local communities to prepare for client visits. In comparison, several regional cities have recruitment budgets larger than the statewide partnership, including Denver with \$3.5 million, Phoenix with \$4.5 million, Tucson with \$3.5 million, and Austin with \$2.5 million.

The Economic Development Department continues to operate with prolonged, substantial vacancy rates. During the national and statewide economic downturn, funding for the EDD was reduced, with indirect administrative expenditures hit hardest. Although 9 FTE were eliminated from the FY12 operating budget and the FY13 operating budget was flat, the department's largest expense remains payroll. However, the department is operating with 14 FTE vacant out of 56 FTE authorized, or a vacancy rate of 25 percent. The recommendation for FY14 increases personal services and employee benefits 19 percent compared with FY12 actual expenditures – sufficient funding to substantially reduce the vacancy rate. An associated issue is the department has a much lower space utilization rate than most other state agencies. An LFC evaluation conducted in September 2012 found the department occupies 790 square feet per employee after excluding common areas – more than three times the space standard set by the General Services Department.

The agency requested a merger of the Office of Mexican Affairs and the Technology Enterprise Division into the Economic Development Program. The two programs had the vast majority of their funding cut and all FTE eliminated for FY12 and FY13. The Office of Mexican Affairs would be merged with the Office of International Trade, while the Technology Enterprise Division would be recreated as the Office of Science and Technology. The duties of this office would be performed by an employee tasked with encouraging business development specifically for technology-based industries. The LFC recommendation concurs with the agency request to merge the programs.

The Economic Development Commission was created by statute and is required to meet at least quarterly, inviting representatives of legislative committees. The commission is required to advise the department on policy matters. In addition, the commission is responsible for the annual approval and update of the state's five-year economic development plan. However, the commission has not met since 2010, leaving the state without an official economic development plan and without the intended policy oversight.

The Legislature requested the Film Office report on the effectiveness of the film rebate tax credit in FY13. The agency did not perform the analysis necessary for such a report, citing lack of funding for the contract work to perform the study. However, the EDD has a \$2 million contract budget, and the department reverted \$707 thousand in FY12, 10.9 percent of the total appropriation, instead of using some of the money to fund the film credit study.

Performance results for FY12 demonstrate increased performance throughout the majority of the department's programs, assisted by mild, post-recession economic growth. The department achieved its performance targets on most measures of job creation and improved its results from FY11 performance levels. However, New Mexico lost 1,700 jobs during FY12 -- the only state in the immediate region with a loss. Some of the disparity between the department results and the job loss can be explained by the department's use of announced, rather than created, jobs. The Economic Development Department has never tracked jobs actually created by companies after job announcements, but the agency has a new plan to track jobs created through employee data from the Workforce Solutions Department, authorized under contract by each company for which the department claims jobs.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the economic development department include eight hundred eighty thousand dollars (\$880,000) for the economic development partnership from the contractual services category of the economic development program.

ECONOMIC DEVELOPMENT

The purpose of the economic development program is to assist communities in preparing for their role in the new economy, focusing on high-quality job creation and improved infrastructure so New Mexicans can increase their wealth and improve their quality of life.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>				Percent Incr (Decr)
		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	General Fund Transfers	2,635.7	3,014.6	3,783.0	3,812.2	26.5
	SOURCES TOTAL	2,635.7	3,014.6	3,783.0	3,812.2	26.5
USES						
	Personal Services and Employee Benefits	1,387.6	1,691.3	1,835.2	1,636.4	-3.2
	Contractual Services	1,053.7	1,115.2	1,693.0	1,943.0	74.2
	Other	179.5	208.1	254.8	232.8	11.9
	TOTAL USES	2,620.8	3,014.6	3,783.0	3,812.2	26.5
FTE						
	Permanent	26.0	26.0	23.0	23.0	-11.5
	TOTAL FTE POSITIONS	26.0	26.0	23.0	23.0	-11.5

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Average annual cost per economic development partnership job created	\$2,184	\$913	\$500	\$500	\$500
* Outcome	Number of workers trained by the job training incentive program	553	1,015	1,000	1,000	1,000
Outcome	Percent of employees whose wages were subsidized by the job training incentive program still employed by the company after one year	47%	72%	60%	60%	72%
Outcome	Number of communities participating in mainstreet	22	23	25	25	25
* Outcome	Total number of jobs created due to economic development department efforts	1,922	2,684	2,500	2,500	2,650
Outcome	Number of rural business expansions assisted by the economic development department	8	10	12	12	12
* Outcome	Number of rural jobs created	958	1,542	1,100	1,100	1,250
Output	Number of jobs created by commercialization, energy and high technology industries			new	100	100
Outcome	Number of urban business expansions assisted by the economic development department	32	25	32	28	32
* Outcome	Number of jobs created through business relocations facilitated by the economic development partnership	499	657	2,200	1,650	1,760
* Outcome	Number of jobs created by mainstreet	598	592	600	570	600
Output	Number of businesses participating in the job training incentive program	34	32	25	25	32
Output	Number of urban jobs created	964	1,142	2,000	1,400	1,400
Output	Number of rural businesses participating in the job training incentive program	8	9	8	8	8
Outcome	Number of jobs created through business expansions assisted by the economic development department	498	605	600	600	600
Outcome	Number of business expansions assisted by the economic development department	40	35	40	40	40
Output	Number of business relocations facilitated by the economic development partnership	6	6	12	8	9
Output	Average annual cost per job training incentive program trainee	\$5,935	\$4,600	\$2,500	\$2,500	\$4,600
Outcome	Number of communities certified through the certified communities initiative	38	36	40	23	36
Output	Number of new business advocacy cases opened			100	100	100

PERFORMANCE MEASURES (continued)

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of business advocacy cases solved			30	45	45
Output	Dollars of private sector investment in mainstreet districts			\$9,000,000	\$9,000,000	\$9,000,000
Output	Number of new businesses in mainstreet districts			140	140	140
Output	Number of building rehabilitations completed in mainstreet districts			150	150	150
Output	Number of capital outlay projects funded			12	8	8
Outcome	Percentage of certified communities that complete community profiles and land and building inventories on the economic development department website			100%	100%	100%
Output	Average hourly wage of jobs funded by the job training incentive program			\$16	\$20	\$20
Output	New-to-export clients identified and assisted			10	10	10
Output	Number of existing exporters assisted in entering new markets			10	10	10
Output	Number of businesses provided technical assistance resulting in a funding package and job creation			new	5	5
Outcome	Number of business retention and expansion surveys completed that result in a positive outcome such as job creation, retention or business financing			new	15	15
Output	Number of international organization for standardization (ISO) trained businesses			18	15	15
Output	Number of community infrastructure projects moved to financing stage			new	5	5

FILM

The purpose of the film program is to maintain the core business for the film location services and stimulate growth in digital film media to maintain the economic vitality of New Mexico's film industry.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	868.1	874.8	832.6	753.8	-13.8
SOURCES TOTAL	868.1	874.8	832.6	753.8	-13.8
USES					
Personal Services and Employee Benefits	445.2	655.2	613.4	537.1	-18.0
Contractual Services	170.9	97.8	97.8	97.8	0.0
Other	121.6	121.8	121.4	118.9	-2.4
TOTAL USES	737.7	874.8	832.6	753.8	-13.8
FTE					
Permanent	9.0	9.0	8.0	8.0	-11.1
TOTAL FTE POSITIONS	9.0	9.0	8.0	8.0	-11.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of media industry worker days	181,366	143,046	150,000	150,000	150,000
Outcome	Number of film productions over one million dollars (\$1,000,000) made in New Mexico		14	17	15	15
Outcome	Number of films and media projects with the majority of production days being in New Mexico			new	no request	60
* Outcome	Direct spending by film industry productions in millions			new	\$225	\$225

PROGRAM SUPPORT

The purpose of program support is to provide central direction to agency management processes and fiscal support to agency programs to ensure consistency, continuity and legal compliance.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,672.6	2,607.8	2,196.3	1,976.8	-24.2
SOURCES TOTAL	2,672.6	2,607.8	2,196.3	1,976.8	-24.2
USES					
Personal Services and Employee Benefits	1,306.1	1,512.6	1,721.4	1,560.7	3.2
Contractual Services	755.6	872.0	242.0	214.9	-75.4
Other	328.1	223.2	232.9	201.2	-9.9
TOTAL USES	2,389.8	2,607.8	2,196.3	1,976.8	-24.2
FTE					
Permanent	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	21.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u> new	FY14 <u>Request</u> 75%	FY14 <u>Recomm</u> 75%
Output	Percent of payment vouchers accurately processed within seventy-two hours					
Outcome	Percent of performance measure targets in the general appropriation act that were met	85%	67%	85%	no request	85%

STATUTORY AUTHORITY:

The Regulation and Licensing Department (RLD) was created pursuant to Sections 9-16-1 through 9-16-14, 60-13-1 through 60-15-14, 60-3A-1 through 60-8A-19, and 60-2B-1 through 60-2B-14 NMSA 1978 as an executive agency. The RLD was created as a unified agency vested with the responsibility to enforce and administer laws, rules, regulations, and codes relative to licensure and regulation of construction and manufactured housing, financial institutions, securities, and alcohol. Through executive orders and legislative mandates, the department has the responsibility of licensing and enforcement for 30 professional boards and commissions. By statute the department has a minimum of six divisions: Administrative Services, Construction Industries (CID), Manufactured Housing (MHD), Financial Institutions (FID), Securities Industries (SID), and Alcohol and Gaming (AGD).

The RLD consists of five programs. The Construction Industries and Manufactured Housing divisions are combined into one program, as are the Financial Industries and Securities Industries divisions. The remaining programs are classified in the same manner as the department's divisions: Program Support, Boards and Commissions, and Alcohol and Gaming.

MISSION:

The mission of the Regulation and Licensing Department is to balance public health, safety, and welfare with business and economic development.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	12,590.1	12,802.9	13,886.0	12,995.2	1.5
Other Transfers	1,515.9	1,900.4	2,278.4	2,278.4	19.9
Federal Revenues	13.1	25.0	10.0	10.0	-60.0
Other Revenues	10,470.0	8,459.6	9,299.2	9,194.2	8.7
Fund Balance	610.4	1,227.5	1,117.7	720.5	-41.3
SOURCES TOTAL	25,199.5	24,415.4	26,591.3	25,198.3	3.2
USES					
Personal Services and Employee Benefits	15,884.6	18,365.3	19,915.7	18,935.2	3.1
Contractual Services	924.8	949.0	1,166.0	1,015.7	7.0
Other	3,024.3	3,534.6	3,686.2	3,452.0	-2.3
Other Financing Uses	1,258.4	1,566.5	1,823.4	1,795.4	14.6
TOTAL USES	21,092.1	24,415.4	26,591.3	25,198.3	3.2
FTE					
Permanent	299.1	294.4	310.4	287.1	-2.5
Term	6.5	6.0	6.0	4.0	-33.3
TOTAL FTE POSITIONS	305.6	300.4	316.4	291.1	-3.1

BUDGET ISSUES:

Strategic goals for the agency are to simplify the application process, reduce the time to process an application, provide public education to prevent violations and citations, and resolve complaints in a prompt, efficient, and courteous manner. For FY14, the Regulation and Licensing Department (RLD) requested \$26.6 million, a \$2.2 million or 8.9 percent increase over the FY13 operating budget. The general fund request was \$13.9 million, an increase of \$1.1 million, or 8.5 percent; the request for other transfers increased \$378 thousand and other revenues increased \$825.7 thousand. The agency requested an increase of 8 FTE and \$522.5 thousand within the Financial Institutions and Securities Program.

The committee recommendation is \$25.2 million, a 3.2 percent increase from the agency's FY13 operating budget. The recommendation includes \$13 million from the general fund, an increase of \$192.3 thousand over FY13 levels. The committee recommendation does not support the requested 8 FTE within the Financial Institutions and Securities Program but increases the personal services and employee benefits category by \$239.9 thousand, or 8.1 percent, over the FY13 funding level. This program currently has 16 vacant positions, a 32.7 percent vacancy rate. With an agencywide vacancy rate of 20 percent, the recommendation eliminates 9.3 FTE vacant longer than two years.

The Construction Industries Division (CID) reported concerns in FY12 about the extensive wait times for building or structure inspections. To reduce wait times, the CID purchased two electronic plan review stations, one in Albuquerque and one in Santa Fe. Electronic submission of plans, a generally accepted practice in the construction industry, saves hundreds of dollars per plan in printing and storage costs and results in faster permitting. These stations also will save time during the construction document review and permitting process and allow CID inspectors to respond electronically to submittals.

The Securities Division is divided into three main components: compliance, enforcement, and investor education. The division director is the chief regulator and administrator of the Uniform Securities Act for the state of New Mexico. In FY12 the division led efforts that resulted in the arrest and conviction of the operator of the Vaughn Real Estate company ponzi scheme. In FY13 the investigation into the falsified audit by the New Mexico Finance Authority resulted in 2,029 investigative hours, including nearly 70 interviews. Currently, the division is actively investigating 29 cases.

The Dodd-Frank Act required investment advisors with less than \$100 million under management be registered with the state instead of with the federal Securities and Exchange Commission, affecting 23 investment advisors in New Mexico. The Securities Division responded to the increased workload by implementing an electronic payment method for mutual fund registrants, reducing paper transactions by 80 percent.

The Pharmacy Board can now generate real-time patient reports from the Prescription Monitoring Program. This program can provide reports to any requestor within seconds. In doing so, New Mexico became the 10th state to implement a data-sharing Prescription Monitoring Program that will allow the sharing of information with other states. The board hopes that increased monitoring will lead to a decline in prescription drug abuse in New Mexico.

In October 2012, the Legislative Finance Committee Sunset Subcommittee reviewed presentations from boards statutorily set for sunset or termination in FY14. Generally, the subcommittee options are continue with a new sunset date, continue with the removal of the sunset date, or to terminate a board by allowing it to sunset. The subcommittee recommended a five-year sunset extension for the following boards: Signed Language Interpreting Board, Board of Barbers and Cosmetologists, Landscape Architects Board, and the Nursing Home Administrators Board. The subcommittee recommended consolidation of the Animal Sheltering Board with the Board of Veterinary Medicine.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
A/O II	(P600)	89.6	0.0
Financial Examiner-A	(P600)	64.5	0.0
Financial Examiner-A	(P600)	64.5	0.0
Financial Examiner-A	(P600)	64.5	0.0
Financial Examiner-A	(P600)	64.5	0.0
Financial Examiner-O	(P600)	58.3	0.0
Financial Examiner-O	(P600)	58.3	0.0
Financial Examiner-O	(P600)	58.3	0.0
TOTAL		522.5	0.0

BOARDS AND COMMISSIONS

BUDGET SUMMARY
(dollars in thousands)

	FY14 - 2013-2014				
	FY12 2011-2012 Actuals	FY13 2012-2013 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	28.8	28.8	28.8	28.8	0.0
Other Transfers	0.0	25.0	25.0	25.0	0.0
Other Revenues	8,588.0	7,054.4	7,905.2	7,800.2	10.6
Fund Balance	561.7	1,010.6	588.9	489.1	-51.6
SOURCES TOTAL	9,178.5	8,118.8	8,547.9	8,343.1	2.8
USES					
Personal Services and Employee Benefits	4,283.0	5,157.3	5,213.5	5,116.5	-0.8
Contractual Services	270.7	324.5	426.5	326.7	0.7
Other	846.6	1,164.1	1,224.2	1,216.2	4.5
Other Financing Uses	1,207.8	1,472.9	1,683.7	1,683.7	14.3
TOTAL USES	6,608.1	8,118.8	8,547.9	8,343.1	2.8
FTE					
Permanent	81.7	84.7	83.4	83.4	-1.5
TOTAL FTE POSITIONS	81.7	84.7	83.4	83.4	-1.5

CONSTRUCTION INDUSTRIES AND MANUFACTURED HOUSING

The purpose of the construction industries and manufactured housing program is to provide code compliance oversight; issue licenses, permits and citations; perform inspections; administer exams; process complaints; and enforce laws, rules and regulations relating to general construction and manufactured housing standards to industry professionals.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	7,796.2	8,030.5	8,106.4	7,974.8	-0.7
Other Transfers	250.0	250.0	250.0	250.0	0.0
Federal Revenues	13.1	25.0	10.0	10.0	-60.0
Other Revenues	110.8	163.5	70.0	70.0	-57.2
Fund Balance	10.9	31.7	50.5	50.5	59.3
SOURCES TOTAL	8,181.0	8,500.7	8,486.9	8,355.3	-1.7
USES					
Personal Services and Employee Benefits	6,499.4	7,120.4	7,188.5	7,056.9	-0.9
Contractual Services	105.7	27.8	73.0	73.0	162.6
Other	1,195.0	1,339.3	1,212.6	1,212.6	-9.5
Other Financing Uses	9.3	13.2	12.8	12.8	-3.0
TOTAL USES	7,809.4	8,500.7	8,486.9	8,355.3	-1.7
FTE					
Permanent	126.0	113.0	113.0	110.0	-2.7
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	129.0	116.0	116.0	113.0	-2.6

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
* Output	Percent of consumer complaints against licensed contractors and investigations involving unlicensed contracting resolved out of the total number filed.	57%	75%	90%	90%	90%
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request				90%	90%
Outcome	Percent of commercial plans reviewed within ten working days				85%	85%
Outcome	Percent of residential plans reviewed within five working days				85%	85%
* Efficiency	Percent of all construction inspections performed within three days of inspection request				90%	90%

FINANCIAL INSTITUTIONS AND SECURITIES

The purpose of the financial institutions and securities program is to issue charters and licenses; perform examinations; investigate complaints; enforce laws, rules and regulations; and promote investor protection and confidence so that capital formation is maximized and a secure financial infrastructure is available to support economic development.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,302.7	2,323.6	3,027.2	2,526.1	8.7
Other Revenues	1,771.2	1,241.7	1,324.0	1,324.0	6.6
Fund Balance	37.8	185.2	478.3	180.9	-2.3
SOURCES TOTAL	4,111.7	3,750.5	4,829.5	4,031.0	7.5
USES					
Personal Services and Employee Benefits	2,225.1	2,977.6	3,711.3	3,217.5	8.1
Contractual Services	251.0	195.0	243.5	193.0	-1.0
Other	500.6	497.5	747.8	521.6	4.8
Other Financing Uses	41.3	80.4	126.9	98.9	23.0
TOTAL USES	3,018.0	3,750.5	4,829.5	4,031.0	7.5
FTE					
Permanent	44.0	49.0	65.0	48.0	-2.0
TOTAL FTE POSITIONS	44.0	49.0	65.0	48.0	-2.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	95%	91%	95%	95%	95%
* Outcome	Percent of examination reports mailed to a depository institution within thirty days of exit from the institution or the exit conference meeting	95%	40%	95%	95%	95%
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt by the securities division of the completed application	96%	99%	96%	99%	99%
Outcome	Percent of investment adviser registrants examined annually	50%	25%	30%	30%	30%

ALCOHOL AND GAMING

The purpose of the alcohol and gaming program is to regulate the sale, service and public consumption of alcoholic beverages and, in cooperation with the department of public safety, enforce the Liquor Control Act to protect the health, safety and welfare of the citizens of and visitors to New Mexico.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	844.7	844.7	924.1	884.1	4.7
SOURCES TOTAL	844.7	844.7	924.1	884.1	4.7
USES					
Personal Services and Employee Benefits	728.0	772.5	856.5	816.5	5.7
Contractual Services	11.7	39.1	22.7	22.7	-41.9
Other	57.2	33.1	44.9	44.9	35.6
TOTAL USES	796.9	844.7	924.1	884.1	4.7
FTE					
Permanent	16.0	16.0	16.0	15.0	-6.3
TOTAL FTE POSITIONS	16.0	16.0	16.0	15.0	-6.3

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	113	96	139	125	125
* Output	Number of days to resolve an administrative citation that does not require a hearing	94	62	70	70	70
* Outcome	Number of days to issue a restaurant (beer and wine) liquor license	100	97	120	110	110

PROGRAM SUPPORT

The purpose of program support is to provide leadership and centralized direction, financial management, information systems support and human resources support for all agency organizations in compliance with governing regulations, statutes and procedures so they can license qualified applicants, verify compliance with statutes and resolve or mediate consumer complaints.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,617.7	1,575.3	1,799.5	1,581.4	0.4
Other Transfers	1,265.9	1,625.4	2,003.4	2,003.4	23.3
SOURCES TOTAL	2,883.6	3,200.7	3,802.9	3,584.8	12.0
USES					
Personal Services and Employee Benefits	2,149.1	2,337.5	2,945.9	2,727.8	16.7
Contractual Services	285.7	362.6	400.3	400.3	10.4
Other	424.9	500.6	456.7	456.7	-8.8
TOTAL USES	2,859.7	3,200.7	3,802.9	3,584.8	12.0
FTE					
Permanent	31.4	31.7	33.0	30.7	-3.1
Term	3.5	3.0	3.0	1.0	-66.7
TOTAL FTE POSITIONS	34.9	34.7	36.0	31.7	-8.6

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	75%	50%	75%	50%	75%
Output	Percent of payment vouchers the administrative services division submits to the department of finance administration without errors	98%	98%	95%	95%	98%
Output	Percent of information service support tasks completed within the timeframe requested	92%	90%	90%	90%	90%
Quality	Percent of accurate payroll and personnel information entered into human resource management system	90%	90%	90%	90%	90%
Quality	Percent of customers satisfied with information service internal support services	84%	84%	90%	90%	90%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	30	30	30	30

PUBLIC ACCOUNTANCY BOARD

The purpose of the public accountancy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	97%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	85%	80%	90%
Output	Percent of complaints logged and processed within five days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	80%	80%	90%

BOARD OF ACUPUNCTURE AND ORIENTAL MEDICINE

The purpose of the acupuncture and oriental medicine board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	89%	78%	80%	80%	80%
Efficiency	Process initial applications and renewals within three days of receipt of completed application	94%	90%	85%	85%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	75%	84%	80%	80%	80%

NEW MEXICO ATHLETIC COMMISSION

The purpose of the New Mexico athletic commission program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	85%	90%	80%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	87%	85%	85%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	90%	80%	80%	80%

ATHLETIC TRAINERS PRACTICE BOARD

The purpose of the athletic trainers practice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	93%	90%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	100%	85%	85%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	76%	100%	80%	80%	95%

BOARD OF BARBERS AND COSMETOLOGISTS

The purpose of the board of barbers and cosmetologists program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	80%	85%	80%	80%	80%
Output	Percent of barber and cosmetology and body art establishments inspected once every eighteen months	85%	65%	85%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	75%	85%	80%	80%	80%

CHIROPRACTIC BOARD

The purpose of the chiropractic board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	99%	85%	80%	92%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	80%	85%	80%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	92%	80%	80%	89%

COUNSELING AND THERAPY PRACTICE BOARD

The purpose of the counseling and therapy practice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	82%	80%	80%	87%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	80%	85%	80%	80%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	75%	71%	75%	80%	80%

NEW MEXICO BOARD OF DENTAL HEALTH CARE

The purpose of the dental health care board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	95%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	100%	85%	80%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	68%	80%	80%	80%

INTERIOR DESIGN BOARD

The purpose of the interior design board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	95%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	85%	85%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	100%	80%	80%	95%

BOARD OF LANDSCAPE ARCHITECTS

The purpose of the landscape architects board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	64%	90%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	80%	85%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	85%	85%	90%

MASSAGE THERAPY BOARD

The purpose of the massage therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	95%	80%	80%	92%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	75%	85%	80%	80%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	73%	80%	80%	80%

BOARD OF NURSING HOME ADMINISTRATORS

The purpose of the nursing home administrators board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	90%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	90%	85%	85%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	100%	80%	80%	90%

NUTRITION AND DIETETICS PRACTICE BOARD

The purpose of the nutrition and dietetics practice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	100%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	85%	80%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	100%	80%	80%	95%

BOARD OF EXAMINERS FOR OCCUPATIONAL THERAPY

The purpose of the examiners for occupational therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	94%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	88%	83%	85%	80%	83%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	59%	80%	80%	80%

BOARD OF OPTOMETRY

The purpose of the optometry board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	81%	80%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	100%	85%	85%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	100%	80%	80%	90%

BOARD OF OSTEOPATHIC MEDICAL EXAMINERS

The purpose of the osteopathic medical examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	75%	80%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	70%	85%	85%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	89%	28%	80%	80%	80%

BOARD OF PHARMACY

The purpose of the pharmacy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	90%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	80%	90%	80%	80%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	80%	88%	80%	80%	90%

PHYSICAL THERAPY BOARD

The purpose of the physical therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	88%	94%	80%	80%	88%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	82%	83%	80%	80%	80%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	84%	80%	80%	84%

BOARD OF PODIATRY

The purpose of the podiatry board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	90%	85%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	98%	85%	85%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	80%	80%	90%

PRIVATE INVESTIGATORS ADVISORY BOARD

The purpose of the private investigators advisory board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	75%	85%	80%	80%
Efficiency	Percent of initial applications and renewals processed within 3 days of receipt of completed application	94%	90%	85%	85%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	60%	80%	80%	80%

NEW MEXICO STATE BOARD OF PSYCHOLOGIST EXAMINERS

The purpose of the psychologist examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	90%	85%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	92%	100%	85%	80%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	64%	80%	80%	80%

REAL ESTATE APPRAISERS BOARD

The purpose of the real estate appraiser's board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	78%	85%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	90%	85%	80%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	81%	80%	80%	80%

NEW MEXICO REAL ESTATE COMMISSION

The purpose of the real estate commission program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	90%	85%	90%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	92%	85%	85%	90%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	85%	85%	80%	80%	85%

ADVISORY BOARD OF RESPIRATORY CARE PRACTITIONERS

The purpose of the respiratory care practitioners advisory board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	95%	85%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	88%	85%	85%	80%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	80%	80%	90%

BOARD OF SOCIAL WORK EXAMINERS

The purpose of the social work examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	99%	85%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	85%	80%	94%
Efficiency	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	71%	80%	80%	80%

SPEECH LANGUAGE PATHOLOGY, AUDIOLOGY AND HEARING AID DISPENSING PRACTICES BOARD

The purpose of the speech language pathology, audiology and hearing aid dispensing practices board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	99%	85%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	67%	80%	80%	80%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	85%	80%	90%

BOARD OF FUNERAL SERVICES

The purpose of the board of funeral services program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	94%	90%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	85%	80%	94%
Output	Percent of funeral establishments and crematories inspected once every eighteen months	90%	100%	80%	80%	90%

ANIMAL SHELTERING SERVICES BOARD

The purpose of the animal sheltering services board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	94%	80%	80%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	80%	80%	90%

SIGNED LANGUAGE INTERPRETING PRACTICE BOARD

The purpose of the signed language interpreting practices board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	92%	99%	80%	80%	92%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	96%	80%	85%	80%	85%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	85%	80%	90%

STATUTORY AUTHORITY:

Article XI, Section 1, of the New Mexico Constitution created the Public Regulation Commission (PRC) in a merger of the former State Corporation and Public Utility commissions. The PRC is composed of five elected members.

MISSION:

The mission of the PRC is to regulate utilities, telecommunications, motor carriers, and insurance industries to ensure fair and reasonable rates and to assure reasonable and adequate services to the public as provided by law; to promote public safety through the State Fire Marshal, Firefighter Training Academy, and Pipeline Safety Bureau; and to register all corporations doing business in New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,771.2	7,836.8	8,412.7	7,895.5	0.7
Other Transfers	13,281.1	18,817.4	14,014.2	13,542.2	-28.0
Federal Revenues	899.7	930.0	910.0	910.0	-2.2
Other Revenues	0.0	0.0	13,213.4	12,742.1	
Fund Balance	23,153.3	23,306.6	16,149.2	16,124.2	-30.8
SOURCES TOTAL	45,105.3	50,890.8	52,699.5	51,214.0	0.6
USES					
Personal Services and Employee Benefits	16,770.9	17,926.8	18,834.4	17,943.6	0.1
Contractual Services	1,074.8	1,682.3	1,818.2	1,773.2	5.4
Other	25,272.2	18,115.5	18,268.4	18,190.0	0.4
Other Financing Uses	0.0	13,166.2	13,778.5	13,307.2	1.1
TOTAL USES	43,117.9	50,890.8	52,699.5	51,214.0	0.6
FTE					
Permanent	264.0	261.0	261.0	261.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	266.0	263.0	263.0	263.0	0.0

BUDGET ISSUES:

The Public Regulation Commission (PRC) request for FY14 was \$52.7 million, including \$8.4 million from the general fund. This represented a total increase of \$1.8 million, or 3.6 percent, over the FY13 operating level and a general fund increase of \$575.9 thousand, or 7.3 percent. The requested general fund increase would allow full funding of personal services and employee benefits and for vacant FTE to be budgeted at mid-point of the salary range. The increase would also pay for additional costs associated with bi-annual rate hearings to be held in FY14 and for replacement of 14 of the agency's 101 vehicles, which have more than 180 thousand miles.

The LFC recommendation includes a general fund appropriation of \$7.9 million and a total budget of \$51.2 million. Vacancies are funded at mid-point, but applied vacancy rates vary by program, averaging 4.7 percent overall, down from FY12 and initial FY13 vacancy rates in excess of 10 percent. Further, the FY14 recommendation for personal services and employee benefits is 11 percent above actual FY12 expenditures. The LFC recommends a special appropriation to fund nine of the 14 vehicles the agency wants to replace in FY14.

The agency request included an increase of \$13.2 million in other revenues and other financing uses for a generally accepted accounting principles (GAAP) adjustment. Based on direction from the Department of Finance and Administration (DFA), the PRC doubled the amount transferred from other state funds in the agency's budget request to account for an annual GAAP adjustment the DFA executes to balance transfer revenues among funds statewide. A special revenues program was requested to allow these revenues to flow into the operating budget and then out to the various programs. The \$13.2 million associated with the new special revenues program would not increase the overall expenditure authority; instead it would properly budget the revenue to show transfers in and transfers out.

The GAAP adjustments are not included in the FY12 actual expenditures, which is the primary reason for the apparent budget increase from FY12 to FY14. The DFA applied the GAAP adjustments to the FY13 operating budget; however, without a special revenues program to properly budget the adjustments, the DFA made the adjustments to the Insurance Policy and Public Safety

Programs, which accordingly show large amounts in other financing uses that do not appear for FY12 and FY14. The LFC recommendation includes the new program structure and the GAAP adjustment but is adjusted downward slightly from the request to match recommended program funding levels.

The primary issue facing the PRC is the potential for significant structural changes if proposed constitutional amendments are passed. One of the challenges facing the PRC is the breadth of its responsibilities -- unprecedented among the states for its power and influence -- and the lack of minimum experience levels or educational requirements to be a commissioner. One of the constitutional amendments on the November ballot would give the Legislature authority to require minimum education and experience requirements for the PRC commissioners.

A second proposed constitutional amendment would remove the duty of the PRC to regulate insurance companies and create an Office of the Superintendent of Insurance effective July 1, 2013. The amendment would also create an insurance nominating committee to appoint the superintendent. The current Insurance Division employs 87 of the approved 263 FTEs for the PRC. However, the Office of the Superintendent of Insurance might have additional costs for human resources, finance, and legal personnel. The PRC would also need additional general fund revenue to replace insurance revenues in the Policy and Regulation Program and Program Support.

The Insurance Division has a substantial revenue collection function, but an evaluation by LFC staff in 2005 found significant weaknesses in the revenue collection processes, some of which persist. In addition, the agency noted internal auditing could be substantially improved, in part because the Revenue Audit Section has just four employees. If the constitutional amendment to remove the division from the PRC passes, it would be beneficial to transfer the revenue collection and auditing functions to the Taxation and Revenue Department, which is set up for that exact purpose and has far greater resources and financial controls.

A third constitutional amendment on the ballot would move the Corporations Bureau out of the PRC and into the Office of the Secretary of State at a time and in a manner to be determined by the Legislature. The Corporations Bureau has 19 FTE, all of whom could be easily relocated, along with the budget for their salaries and benefits.

A report issued by the Office of State Auditor, "Risk Assessment Report, Public Regulation Commission," indicated the PRC lacks policies related to the use of state vehicles for personal and business use by commissioners, does not assign fringe benefit allocations for the use of vehicles for commuting purposes, and violates procurement rules related to travel reimbursements for commissioners. The commission's chairman and chief of staff have implemented additional policies to improve some of the internal weaknesses identified in the State Auditor's report. Staff is now required to use detailed logbooks to track mileage and gas consumption, and safeguards are now in place to ensure executive staff members are notified of vehicle-related infractions. The agency hired a fleet manager, and the chairperson and chief of staff are working with staff from the State Personnel Office to improve human resource policies and procedures and provide additional training for managers throughout the department.

The PRC has launched an online filing system, allowing corporations to pay filing fees electronically, change registered agents, and file supplemental reports. The program also allows business owners to submit annual reports and order certificates of good standing. Filing online will also substantially reduce the amount of paperwork and manual check payment processing, generating faster results for corporations.

The PRC now provides online users live visual and audio access to open meetings. Users can watch or listen to all matters before the commission. This also improves transparency and allows taxpayers, consumers, and the media to get involved with commission issues from any location.

The patient's compensation fund (PCF) program is a flow-through expenditure program that pays physician malpractice settlements for member physicians who pay premiums. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice coverage that caps the amount of damages awarded against the member healthcare providers. The program acts as a re-insurer over private market medical malpractice insurance. The number of settlement awards paid from the PCF has increased over the last several years. In May 2012, the PCF paid \$10.1 million after a lawsuit was settled regarding an Alamogordo hospital injecting patients' spines with plastic cement, which led to approximately 80 malpractice claims against the hospital and the two physicians involved. However, the most recent actuarial study completed for balances on June 30, 2012, indicates the fund is sound. The next study, required by statute every two years, will be conducted in 2014.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the policy and regulation program of the public regulation commission in personal services and employee benefits category includes two hundred and twenty-three thousand four hundred dollars (\$223,400) from the patient's compensation fund, three hundred and thirty-six thousand dollars (\$336,000) from the pipeline safety fund, forty thousand dollars (\$40,000) from the public regulation commission reproduction fund, two hundred thirteen thousand five hundred dollars (\$213,500) from the fire protection fund, four hundred fifty-two thousand two hundred dollars (\$452,200) from the insurance operations fund, ninety-seven thousand five hundred dollars (\$97,500) from the title insurance maintenance fund, and eighty-seven thousand six hundred dollars (\$87,600) from the insurance fraud fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include two million two hundred eleven thousand eight hundred dollars (\$2,211,800) for the office of the state fire marshal from the fire protection fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include one million five hundred seventy-six thousand nine hundred dollars (\$1,576,900) for the firefighter training academy from the fire protection fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include seven hundred eighty thousand dollars (\$780,000) for the pipeline safety bureau from the pipeline safety fund.

The internal service funds/interagency transfers appropriations to program support of the public regulation commission include two hundred and twenty-eight thousand three hundred dollars (\$228,300) from the insurance fraud fund, three hundred thirty-nine thousand eight hundred dollars (\$339,800) from the fire protection fund, seventy-three thousand dollars (\$73,000) from the title insurance maintenance fund, forty-eight thousand dollars (\$48,000) from the public regulation commission reproduction fund, one hundred twenty-one thousand four hundred dollars (\$121,400) from the patient's compensation fund, sixty-two thousand seven hundred dollars (\$62,700) from the pipeline safety fund and one hundred fifteen thousand eight hundred dollars (\$115,800) from the insurance operations fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include two hundred twenty thousand three hundred dollars (\$220,300) from the patient's compensation fund, fifty-eight thousand five hundred dollars (\$58,500) from the title insurance maintenance fund, one hundred sixteen thousand four hundred dollars (\$116,400) from the insurance fraud fund, and four million five hundred twenty-one thousand four hundred dollars (\$4,521,400) from the insurance operations fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include nine hundred sixty-three thousand nine hundred dollars (\$963,900) for the insurance fraud bureau from the insurance fraud fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include four hundred eighteen thousand eight hundred dollars (\$418,800) for the title insurance bureau from the title insurance maintenance assessment fund.

POLICY AND REGULATION

The purpose of the policy and regulation program is to fulfill the constitutional and legislative mandates regarding regulated industries through rulemaking, adjudications and policy initiatives to ensure the provisions of adequate and reliable services at fair, just and reasonable rates so the interests of the consumers and regulated industries are balanced to promote and protect the public interest.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
	FY12 2011-2012	FY13 2012-2013	Agency Request	LFC Recommendation	
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
General Fund Transfers	5,674.0	5,739.5	6,135.8	5,783.5	0.8
Other Transfers	1,450.2	1,450.2	1,450.2	1,450.2	0.0
SOURCES TOTAL	7,124.2	7,189.7	7,586.0	7,233.7	0.6
USES					
Personal Services and Employee Benefits	6,038.6	6,442.6	6,788.6	6,454.8	0.2
Contractual Services	83.3	168.3	168.6	168.6	0.2
Other	462.0	578.8	628.8	610.3	5.4
TOTAL USES	6,583.9	7,189.7	7,586.0	7,233.7	0.6
FTE					
Permanent	79.7	78.7	78.7	78.7	0.0
TOTAL FTE POSITIONS	79.7	78.7	78.7	78.7	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of docketed cases closed in a fiscal year	100%	91%	90%	90%	91%
Output	Number of formal complaints processed by the transportation division	0	5	75	5	5
Output	Number of docketed cases completed	422	394	422	400	400
* Efficiency	Average number of days for a rate case to reach final order	215	331	<215	<300	<215
Efficiency	Percent of cases processed in less than the statutory time allowance	100%	100%	100%	100%	100%
* Outcome	Comparison of average commercial electric rates between major New Mexico utilities and selected utilities in regional western states	-2.2%	-2.20%	+/-4%	+/- 4%	+/- 4%
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$721.6	\$799.9	\$1,034.5	\$800	\$956
Explanatory	Number of docketed cases opened in a fiscal year	405	434	405	405	405
* Explanatory	The amount of kilowatt hours of renewable energy provided annually by New Mexico's electric utilities, measured as a percent of total retail kilowatt hours sold by New Mexico's electric utilities to New Mexico's retail electric utility customers	10%	8.4%	10%	10%	10%
Efficiency	Therms of natural gas saved as a result of utility energy efficiency programs	204,805	422,699	300,000	350,000	350,000
* Explanatory	Comparison of average residential electric rates between major New Mexico utilities and selected utilities in regional western states	-4.1%	1.2%	+/-5%	+/-5%	+/-4%
Efficiency	Kilowatt hours of electricity saved as a result of utility energy efficiency programs	86,876,758	107,968,156	100,000,000	100,000,000	99,999,999

INSURANCE POLICY

The purpose of the insurance policy program is to ensure easy public access to reliable insurance products that meet consumers' needs and are underwritten by dependable, reputable, financially sound companies that charge fair rates and are represented by trustworthy, qualified agents, while promoting a positive competitive business climate.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	6,071.1	6,157.3	6,686.4	6,299.3	2.3
Fund Balance	0.0	7,005.5	0.0	0.0	-100.0
SOURCES TOTAL	6,071.1	13,162.8	6,686.4	6,299.3	-52.1
USES					
Personal Services and Employee Benefits	4,797.3	5,288.0	5,615.8	5,285.9	0.0
Contractual Services	259.9	298.1	408.4	395.9	32.8
Other	361.7	571.2	662.2	617.5	8.1
Other Financing Uses	0.0	7,005.5	0.0	0.0	-100.0
TOTAL USES	5,418.9	13,162.8	6,686.4	6,299.3	-52.1
FTE					
Permanent	83.0	83.0	83.0	83.0	0.0
TOTAL FTE POSITIONS	83.0	83.0	83.0	83.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	100%	98%	99%	95%	98%
Outcome	Percent of employers whose workers' compensation accident frequency is reduced through counseling, advice and training	33%	48%	80%	75%	75%
Output	Percent of producer applications, appointments and renewals processed within ten business days	95%	98%	95%	98%	98%
Output	Percent of insurance division interventions conducted with domestic and foreign insurance companies when risk-based capital is less than two hundred percent	100%	100%	100%	100%	100%
Output	Percent of insurance division interventions conducted with domestic and foreign insurance companies when their surplus is less than the minimum	100%	100%	100%	100%	100%
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for either further administrative action or closure within sixty days	81.5%	81.5%	87%	88%	88%
Output	Percent of domestic company examination reports adopted within eighteen months of the examination period	100%	100%	100%	100%	100%
Output	Percent of form and rate filings processed within ninety days	100%	100%	96%	100%	100%
Output	Number of managed healthcare outreach presentations conducted annually	112	112	115	100	112
Outcome	Percent of favorable evaluations from managed healthcare outreach presentation attendees	100%	100%	100%	95%	98%

PUBLIC SAFETY

The purpose of the public safety program is to provide services and resources to the appropriate entities to enhance their ability to protect the public from fire and pipeline hazards and other risk as assigned to the public regulation commission.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>				Percent Incr (Decr)
		FY12 2011-2012	FY13 2012-2013	Agency Request	LFC Recommendation	
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	Other Transfers	4,770.8	10,220.9	4,888.6	4,803.7	-53.0
	Federal Revenues	899.7	930.0	910.0	910.0	-2.2
	SOURCES TOTAL	5,670.5	11,150.9	5,798.6	5,713.7	-48.8
USES						
	Personal Services and Employee Benefits	3,344.4	3,454.8	3,582.8	3,519.1	1.9
	Contractual Services	404.2	605.0	605.1	597.6	-1.2
	Other	1,321.3	1,673.8	1,610.7	1,597.0	-4.6
	Other Financing Uses	0.0	5,417.3	0.0	0.0	-100.0
	TOTAL USES	5,069.9	11,150.9	5,798.6	5,713.7	-48.8
FTE						
	Permanent	53.3	52.3	52.3	52.3	0.0
	Term	1.0	1.0	1.0	1.0	0.0
	TOTAL FTE POSITIONS	54.3	53.3	53.3	53.3	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of inspection and audit hours performed by the state fire marshal's office	34,772	34,235	30,000	30,000	34,000
* Output	Number of personnel completing training through the state firefighter training academy	3,264	4,861	3,250	3,000	3,500
Quality	Pass rate for state certification exams administered by the state firefighter academy	81%	82%	85%	85%	85%
Output	Percent of counties and municipalities participating in the arson task force or partnerships with the state fire marshal	74%	78%	75%	75%	75%
Outcome	Percent of fire departments' insurance service office ratings of nine or ten that have been reviewed by survey or audit	100%	100%	100%	100%	100%
* Outcome	Percent of statewide fire districts with insurance office ratings of eight or better	60%	67%	60%	65%	66%
Explanatory	Number of fire districts statewide	369	362	375	362	362
Output	Number of inspection and audit hours performed by the pipeline safety bureau	4,562	3,684	5,000	4,000	4,000
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	137,096	148,213	120,700	125,000	131,535

PATIENTS COMPENSATION FUND

BUDGET SUMMARY (dollars in thousands)					
<u>FY14 - 2013-2014</u>					
	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Fund Balance	23,153.3	16,109.1	16,149.2	16,124.2	0.1
SOURCES TOTAL	23,153.3	16,109.1	16,149.2	16,124.2	0.1
USES					
Personal Services and Employee Benefits	57.9	55.7	57.1	57.1	2.5
Contractual Services	246.5	489.3	514.3	489.3	0.0
Other	22,849.1	15,012.7	15,012.7	15,012.7	0.0
Other Financing Uses	0.0	551.4	565.1	565.1	2.5
TOTAL USES	23,153.5	16,109.1	16,149.2	16,124.2	0.1
FTE					
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

PROGRAM SUPPORT

The purpose of program support is to provide administrative support and direction to ensure consistency, compliance, financial integrity and fulfillment of the agency mission.

BUDGET SUMMARY (dollars in thousands)					
<u>FY14 - 2013-2014</u>					
	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	2,097.2	2,097.3	2,276.9	2,112.0	0.7
Other Transfers	989.0	989.0	989.0	989.0	0.0
Fund Balance	0.0	192.0	0.0	0.0	-100.0
SOURCES TOTAL	3,086.2	3,278.3	3,265.9	3,101.0	-5.4
USES					
Personal Services and Employee Benefits	2,532.7	2,685.7	2,790.1	2,626.7	-2.2
Contractual Services	80.9	121.6	121.8	121.8	0.2
Other	278.1	279.0	354.0	352.5	26.3
Other Financing Uses	0.0	192.0	0.0	0.0	-100.0
TOTAL USES	2,891.7	3,278.3	3,265.9	3,101.0	-5.4
FTE					
Permanent	48.0	47.0	47.0	47.0	0.0
TOTAL FTE POSITIONS	48.0	47.0	47.0	47.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of information technology projects completed within timeframe and budget referenced in the information technology project plan	100%	100%	100%	100%	100%
Efficiency	Percent of fully functional information technology applications systems	100%	100%	100%	100%	100%
Output	Average number of days to issue charter documents	5 days	35 days	3 days	7 days	7 days
Outcome	Opinion of previous fiscal year independent agency audit	Unqual.	Unqual	Unqual.	Unqual	Unqual.
Outcome	Number of user sessions on public regulation commission webpages	11,309,541	500,000	3,000,000	500,000	750,000
Outcome	Percent of prior-year audit findings eliminated	90%	90%	100%	100%	100%
Explanatory	Percent increase in public use of info share	10%	100%	10%	10%	30%
Explanatory	Number of prior-year audit findings	2	1	1	1	1

SPECIAL REVENUESBUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>	
			<u>Agency Request</u>	<u>LFC Recommendation</u>
SOURCES				
Other Revenues	0.0	0.0	13,213.4	12,742.1
SOURCES TOTAL	0.0	0.0	13,213.4	12,742.1
USES				
Other Financing Uses	0.0	0.0	13,213.4	12,742.1
TOTAL USES	0.0	0.0	13,213.4	12,742.1
FTE				
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0

STATUTORY AUTHORITY:

The Medical Practice Act, Sections 61-6-1 through 61-6-35 NMSA 1978, establishes the Medical Board. The nine members of the board are appointed by the governor to staggered four-year terms.

MISSION:

The mission of the medical board is to protect the public from the improper, unprofessional, incompetent, and unlawful practice of medicine by implementing and enforcing the laws and regulations controlling the granting and use of the privilege to practice medicine.

BUDGET SUMMARY (dollars in thousands)					
FY14 – 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	1,917.5	1,620.8	1,825.1	1,734.8	7.0
SOURCES TOTAL	1,917.5	1,620.8	1,825.1	1,734.8	7.0
USES					
Personal Services and Employee Benefits	925.3	1,044.8	1,223.2	1,139.9	9.1
Contractual Services	252.1	288.3	293.9	293.9	1.9
Other	276.3	287.7	308.0	301.0	4.6
TOTAL USES	1,453.7	1,620.8	1,825.1	1,734.8	7.0
FTE					
Permanent	14.0	14.0	15.0	15.0	7.1
TOTAL FTE POSITIONS	14.0	14.0	15.0	15.0	7.1

BUDGET ISSUES:

For FY14, the board requested an increase of \$204.3 thousand, or 12.6 percent over the FY13 operating budget. This increase included a \$125.2 thousand increase in the personal services category to adjust salary levels closer to mid-point salary ranges. The request also increased the other category by 5 percent. The fund balance is projected to be \$1.5 million at the end of FY14.

The committee recommends \$1.73 million, a 7 percent increase over the FY13 operating budget. The state's continued struggle with abuse of prescription drugs has increased the board's workload as it sanctions those doctors who are overprescribing. The recommendation increases base personal services and employee benefits \$41.5 thousand, or 4 percent, over the FY13 operating budget. A minimal adjustment was made in the other category to reflect FY12 actual expenditures. The board continues to increase the use of License 2000, an online license application and renewal system.

The board issued a total of 649 new licenses in FY12, of which 607 were for physicians. This was a 7.4 percent increase from the FY11 level of 565 newly licensed physicians. The "New Mexico: ACA Implementation — Monitoring and Tracking" site visit report (Robert Wood Johnson Foundation and Urban Institute, August 2012, pp. 19-22) indicates maintaining a strong provider network in New Mexico is challenging primarily due to the difficulty in recruiting and retaining providers in rural areas and the limited scope of practice healthcare providers other than physicians can perform. Further strategies to enhance the practice and regulation of health care might be warranted, although the state has undertaken numerous efforts to strengthen its healthcare workforce, including adding additional healthcare professional education and training opportunities in the state. These strategies might include increased use of mid-level practitioners, further use of telehealth, incentives for preventive care, better care coordination through medical or health homes, and case managers in offices to allow doctors to more fully practice at their skill level. The board should consider these and other policy issues in collaboration with the other healthcare licensure boards to cooperatively regulate the practice of health care and improve healthcare outcomes in New Mexico.

In lieu of a possible licensure revocation, 205 physicians and 16 physician assistants participated in the board's monitored treatment program in FY12; 65 participants were voluntarily. Two participants reported relapses and five individuals successfully completed the program.

BASE EXPANSION:

The committee recommendation provides the Medical Board with an expansion of 1 FTE and \$53.6 thousand to support the agency's growing investigative case load. The position would be classified as a paralegal and legal assistant.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
<u>1</u>	<u>Paralegal/legal assistant advanced staff-1FTE</u>	<u>53.6</u>	<u>53.6</u>
TOTAL	(P676)	53.6	53.6

LICENSING AND CERTIFICATION

The purpose of the licensing and certification program is to provide regulation and licensure to healthcare providers regulated by the New Mexico medical board and to ensure competent and ethical medical care to consumers.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	1,092,175	1,098,402	900,000	900,000	900,000
* Output	Number of triennial physician licenses issued or renewed	3,570	3,820	3,200	3,200	3,200
* Output	Number of biennial physician assistant licenses issued or renewed	327	342	225	225	275
Output	Number of biennial anesthesiologist assistant licenses issued or renewed	13	2	10	2	5
Output	Number of complaints resolved within 12 months	224	244	220	240	220
Output	Number of participants in monitored treatment program	155	223	110	110	110
Outcome	Percent of participants who relapse	1.29%	1.04%	3%	3%	1.5%
Outcome	Number of days to issue a physician license	90	79	65	65	65

STATUTORY AUTHORITY:

The Nursing Practice Act, Sections 61-3-1 through 61-3-31 NMSA 1978, establishes the seven-member Board of Nursing to regulate nursing schools and practice.

MISSION:

The mission of the Board of Nursing is to regulate nursing practice, nursing education, medication aide practice and education, and hemodialysis practice and education in the interest of public health, safety, and welfare.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,698.5	1,405.2	1,704.0	1,704.0	21.3
Fund Balance	341.6	968.9	675.8	651.9	-32.7
SOURCES TOTAL	2,040.1	2,374.1	2,379.8	2,355.9	-0.8
USES					
Personal Services and Employee Benefits	962.2	1,194.6	1,443.1	1,429.9	19.7
Contractual Services	183.5	194.2	209.2	209.2	7.7
Other	410.7	585.3	497.5	486.8	-16.8
Other Financing Uses	400.0	400.0	230.0	230.0	-42.5
TOTAL USES	1,956.4	2,374.1	2,379.8	2,355.9	-0.8
FTE					
Permanent	17.0	17.0	19.0	19.0	11.8
TOTAL FTE POSITIONS	17.0	17.0	19.0	19.0	11.8

BUDGET ISSUES:

The board budget request remained relatively flat from the FY13 operating budget. The committee recommendation supports the agency request except for minor technical adjustments to personal services and employee benefits and the other category. The fund balance is projected to be \$290.3 thousand at the end of FY14.

The nursing board issued 15,606 licenses in FY12, greatly surpassing the FY11 level of 12,978. This is based on a biannual renewal requirement; the current number of registered or licensed nurses working in New Mexico is 23,560, an 8 percent increase over the FY11 count.

In recent years, the board has used some of its fund balance to fund the nursing excellence fund. This fund was established to enhance recruitment and retention of professional nurses, increase career and educational opportunities via scholarships, and improve interactions with health facility administrations, the medical profession, and institutions of higher education. In FY13, \$400 thousand was transferred to the fund for scholarships and special projects. The FY14 request sought \$200 thousand of fund balance for the nursing excellence fund, a sustained level at least through FY15.

BASE EXPANSION:

Due to the increase in nurses and expected future growth, the board requested restoration of 2 FTE eliminated during the 2011 session. The committee recommendation provides the board with an expansion of 2 FTE and \$166.4 thousand to ensure the board can carry out its mission with continued success.

BASE EXPANSION LISTING
FY14 - 2013-2014

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
*	Associate Director of Advanced Practice-1FTE	(P677)	0.0	101.9
*	<u>Nurse Surveyor-Investigator-1FTE</u>	<u>(P677)</u>	<u>0.0</u>	<u>65.3</u>
TOTAL			0.0	167.2

LICENSING AND CERTIFICATION

The purpose of the licensing and certification program is to provide regulations to nurses, hemodialysis technicians, medication aides and their education and training programs so they provide competent and professional healthcare services to consumers.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	90%	95%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented to board of nursing for resolution of disciplinary matter within six months	88%	90%	80%	85%	90%
* Output	Number of licensed practical nurse, registered nurse, advanced practice nurse licenses and unlicensed assistive personnel certificates issued	11,155	15,606	12,000	12,000	13,000
Quality	Percent of nursing education programs full compliance with rule requirements	100%	96%	100%	90%	100%
Quality	Number of public information announcements for board meetings, rules hearings and conferences	4	7	4	6	6
Quality	Number of quality assurance audits reviewed for continuing education for unlicensed assistive personnel, licensed practical nurses, registered nurses, and advanced practice nurses	396	172	300	170	175
Output	Number of certificates issued per rule requirement in one month for certified medication aides and certified hemodialysis technicians	10	30	10	10	10

STATUTORY AUTHORITY:

The State Fair and State Fair Commission are established in and governed by Sections 16-6-1 through 16-6-31 NMSA 1978.

MISSION:

The mission of the State Fair is to professionally operate year-round events and entertainment and to maintain event venues for public use and benefit that help build the infrastructure for the annual New Mexico State Fair.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	695.0	695.0	690.2	690.2	-0.7
Other Revenues	11,897.7	11,370.3	12,185.9	11,686.3	2.8
SOURCES TOTAL	12,592.7	12,065.3	12,876.1	12,376.5	2.6
USES					
Personal Services and Employee Benefits	3,662.2	3,898.0	5,371.2	5,251.0	34.7
Contractual Services	4,662.5	4,384.0	3,397.5	3,185.4	-27.3
Other	3,385.9	3,783.3	4,107.4	3,940.1	4.1
TOTAL USES	11,710.6	12,065.3	12,876.1	12,376.5	2.6
FTE					
Permanent	62.5	51.0	35.0	35.0	-31.4
Temporary	0.0	0.0	0.0	24.8	
TOTAL FTE POSITIONS	62.5	51.0	35.0	59.8	17.3

BUDGET ISSUES:

The New Mexico State Fair requested a budget of \$12.9 million for FY14, an increase of \$811 thousand, or 6.7 percent, compared with the FY13 operating budget. The agency request reduced the number of FTE from 51 to 35. The agency currently employs 33 FTE.

The committee recommends a budget for FY14 of \$12.4 million. The majority of this increase from the FY13 operating budget is due to an increase of more than \$300 thousand in unemployment compensation fees related to the prior reduction in force (RIF) from 73 FTE in FY11.

The State Fair significantly improved its financial condition in the last year and generated net operating income of \$1.1 million, excluding depreciation. The significant increase in income is due in part to payment of past-due amounts by the Downs at Albuquerque, which operates the racetrack under a contract, prior to signing the new lease. A review of the State Fair by the LFC, published in October 2011, noted a lack of proper oversight and weak contract management at the State Fair and indicated the State Fair had no evidence the Downs had paid the 10 percent annual increases for two years as required in its prior lease through in-kind consideration or any other method. The Downs also owed the State Fair utility payments amounting to approximately \$250 thousand, but State Fair officials report the Downs fully paid its past obligations before the new contract was signed. The LFC evaluation also noted the State Fair was operationally insolvent and had exhausted operational cash reserves. However, cash reserves increased from \$100 thousand at the end of FY11 to \$1.2 million by the end of FY12. The State Fair had previously delayed payments to vendors due to cash flow problems, but the organization is now current with most vendors.

The State Fair has begun paying back its creditors, although accounts payable remains high at more than \$2.1 million, \$1.8 million of which is owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage. The State Fair currently has no schedule for paying off this debt, State Fair officials have not met with GSD to discuss a repayment plan, and the majority of the accumulated debt remains on the books despite significant cash reserves. Considering the cash balance of more than \$1.2 million at the end of FY12, the LFC suggests the State Fair work with the GSD to develop a repayment schedule.

The State Fair has taken significant steps to address its financial difficulties including those with payroll, its largest expense. Since 2009, the State Fair has trimmed the number of authorized positions from 78 FTE to 35 FTE, including reducing exempt

positions from 12 to four. Beginning in FY12, the budget shifted a portion of the funds for temporary or seasonal employees from the personal services and employee benefits category to the contractual services category; the State Fair hoped to reduce costs by using a temporary employment agency. The fees charged by the employment agency were higher than expected, so the budget shift was reversed for the FY14 budget request, and the temporary employees will be hired directly by the State Fair.

The committee recommendation for FY14 adds 24.8 FTE to the request, for a total of 59.8 FTE. The agency request did not account for the increase in temporary employees in the FTE calculations.

To reduce payroll and other costs during the New Mexico State Fair event, the length of the event was reduced from 17 days to 12, all consecutive. This brings the length of the State Fair down to a span of time similar to those of other state fairs and reduces overhead costs, therefore it is likely FY13 actual expenditures will be less than those in the operating budget.

The State Fair issued a request for proposal (RFP) for a new racetrack operator after the Downs at Albuquerque, which uses the State Fair's racing license, exhausted its previous 25-year lease and the two one-year extension options available. However, the period of time to respond to the RFP was relatively short and only two proposals were received. Elements of the RFP further reduced the number of viable proposals to just one vendor, the current Downs at Albuquerque operator. A state purchasing agent reviewed a protest filed by the second vendor, and on ruling against every claim, the State Fair denied the protest, and the Downs was awarded a new 25-year contract. However, the Attorney General's office is now reviewing this contract. Part of the contract calls for a new casino to be built and operated by the Downs. It is projected to be operational in time for the 2013 New Mexico State Fair.

Attendance for the State Fair event increased in 2012 for the first time in seven years, albeit by a modest 1.9 percent. With fair revenue and profitability still at low levels, the State Fair is dependent for cash flow on monthly rent payments from the Downs at Albuquerque. Base rent payments are \$2 million per year for the first two years of the contract, increasing to \$2.75 million annually each year thereafter. In addition to base rent, the Downs must pay participation rent on a sliding scale based on net revenue from the casino's slot machines and net revenue from horse racing operations. The total participation rent can vary each year from nothing to \$1.3 million. The Downs is also required to spend at least \$300 thousand per year for marketing and advertising for the annual fair, the annual horse event, and other events conducted or sponsored by the Downs and held at the fairgrounds. Any amount not spent by the end of the contract year must be paid to the State Fair.

The New Mexico State Fair made improvements to increase safety for the 2011 and 2012 fairs. The 2011 fair was the safest on record, and this milestone is attributed to better coordination among State Fair officials, the contract security team, and the State Police. The agency is also taking significant steps toward solving cash-handling issues noted in the LFC review. The fee model was changed for the 2012 fair, with free parking and moderately higher ticket prices. The free parking eliminated cash handling at one of the locations with the least amount of oversight, and the State Fair also implemented procedures to enhance oversight at ticket booths. However, the cash was still handled by temporary employees, a concern noted in the review. As for the new pricing model, data is not yet available to determine if the ticket price increase was sufficient to offset the free parking, particularly considering the one day when attendees did not pay admittance and another day when, due to a media error printing prices, the State Fair charged attendees less than the amount officials intended.

The State Fair operates outside of SHARE, the state government's finance and human resource computer system, but will move over accounts and human resources records to SHARE in January 2013. The DFA will work with the agency to add records for seasonal employees into the system during FY14. DFA and LFC staff currently have limited ability to verify the State Fair's reported financial condition.

The State Fair budgeted \$690.2 thousand for FY14 from the daily capital outlay tax, or parimutuel tax, on amounts wagered at horse races. This is the amount needed to pay the debt service on bonds for capital improvements, but the tax amount will vary and might be more or less than the required debt service. According to statute, 50 percent of the daily capital outlay tax proceeds must be paid to the State Fair, and any excess remaining after debt service payments must be used by the State Fair for capital improvements. The last debt payment is due November 2014, and the tax currently paid to the State Fair will revert to the general fund starting January 2015.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the New Mexico state fair in the other category includes six hundred ninety thousand two hundred dollars (\$690,200) from parimutuel revenues for debt service and debt service interest on negotiable bonds issued for capital improvements.

STATE FAIR

The purpose of the state fair program is to promote the New Mexico state fair as a year-round operation with venues, events and facilities that provide for greater use of the assets of the agency.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	93.8%	76.1%	95%	95%	93%
Output	Percent of counties represented through exhibits at the annual state fair	100%	100%	100%	100%	100%
* Output	Number of paid attendees at annual state fair event	390,043	370,000	410,000	450,000	400,000
Output	Percent of surveyed attendees at the annual state fair event indicating the state fair has improved	42.5%	45%	48%	48%	48%
Output	Number of total attendees at annual state fair event	535,566	399,529	550,000	600,000	550,000

STATUTORY AUTHORITY:

The Engineering and Surveying Practice Act, Sections 61-23-1 through 61-23-32 NMSA 1978, established a 10-member State Board of Licensure for Professional Engineers and Surveyors to administer and exercise the authority granted by the act, including licensure and oversight. More than 8.2 thousand practicing engineers and surveyors are currently licensed in New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	944.0	768.8	903.0	778.6	1.3
SOURCES TOTAL	944.0	768.8	903.0	778.6	1.3
USES					
Personal Services and Employee Benefits	329.6	535.8	535.8	422.4	-21.2
Contractual Services	68.5	122.4	97.1	86.1	-29.7
Other	98.3	110.6	135.1	135.1	22.2
Other Financing Uses	0.0	0.0	135.0	135.0	
TOTAL USES	496.4	768.8	903.0	778.6	1.3
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

For FY14, the board requested \$903 thousand, a \$134.2 thousand increase over the FY13 appropriated level. The increase will be applied to the other financing uses category and will fund the provisions of a memo of understanding (MOU) between the board and the Regulation and Licensing Department (RLD). According to the MOU, the RLD will provide fiscal oversight and human resource assistance and will establish and maintain an electronic license renewal process. The RLD is currently creating an action plan to quickly reduce the boards 62 percent vacancy rate.

The committee recommendation of \$778.6 thousand is \$9.8 thousand, or 1.3 percent, over the FY13 operating level. Recognizing the services provided by the RLD will allow for a reduction in agency administration staff, the personal services and employee benefits was reduced \$113.4 thousand.

REGULATION AND LICENSING

The purpose of the regulation and licensing program is to regulate the practices of engineering and surveying in the state as they relate to the welfare of the public in safeguarding life, health and property and to provide consumers with licensed professional engineers and licensed professional surveyors.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of consumers requesting and provided with information	100%	100%	100%	100%	100%
Output	Number of examinations administered	780	624	700	725	725
* Output	Number of licenses or certifications issued	653	629	700	675	675
Output	Number of complaints processed	60	30	60	45	45
Efficiency	Percent of cases resolved through compliance or legal action within one year	10%	95%	90%	90%	90%

STATUTORY AUTHORITY:

Sections 60-2E-1 through 60-2E-62 NMSA 1978, the Gaming Control Act, establish the primary functions and authority of the Gaming Control Board (GCB). This authority includes licensing, regulation, and enforcement of the provisions of the act. The GCB also monitors all activity authorized in the Indian gaming compacts (Section 11-13-1 NMSA 1978) and designates the tribal gaming representative. An executive director leads six divisions: Enforcement, Audit and Compliance, Information Systems, Administrative Services, Licensing, and Legal.

The board consists of five members. Four members appointed by the governor and confirmed by the Senate and the chairman of the State Racing Commission. The statute requires a member from the public, a member with a law enforcement background, a lawyer, and a certified public accountant.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,180.2	5,467.5	5,839.4	5,547.6	1.5
SOURCES TOTAL	5,180.2	5,467.5	5,839.4	5,547.6	1.5
USES					
Personal Services and Employee Benefits	2,970.4	3,784.1	3,808.3	3,808.3	0.6
Contractual Services	778.5	766.9	1,066.9	775.1	1.1
Other	1,040.1	916.5	964.2	964.2	5.2
TOTAL USES	4,789.0	5,467.5	5,839.4	5,547.6	1.5
FTE					
Permanent	62.0	58.0	58.0	56.0	-3.4
Temporary	0.5	0.0	0.0	0.0	
TOTAL FTE POSITIONS	62.5	58.0	58.0	56.0	-3.4

BUDGET ISSUES:

For FY14, the agency requested \$5.8 million from the general fund, a \$372 thousand increase, or 6.8 percent, over the FY13 general fund level. The request includes increased contractual services category costs for the statutorily mandated central monitoring system; however, the request lacked justification for the expenditure increase.

The FY14 general fund recommendation of \$5.55 million represents a 1.5 percent increase over the agency's FY13 general fund level. This includes a \$24.2 thousand increase in the personal services and employee benefits category to fund the 1.5 percent retirement swap and health insurance increase and reduce the number of vacant positions. The recommendation also increases the other category \$47.7 thousand to pay increased Department of Information Technology scheduled fees and to lease two additional vehicles for field work.

As of September 2012, the agency had 10 vacant positions, four of which are currently under recruitment. The committee recommendation eliminates two positions vacant more than two years, including the deputy director position and a public relations coordinator position. The committee encourages the agency to fill the executive director position, vacant since February 2011.

The statewide gaming machine count as of September 2012 was 2,754 in racetrack casinos, 659 in nonprofit venues and an estimated 15,850 machines in tribal locations.

The Indian Gaming Regulatory Act (IGRA) separates gaming into three distinct categories that designate whether the tribe, state, or federal government has civil regulatory jurisdiction. Under the IGRA, class I gaming includes social games of minimal value or traditional forms of gaming and is within exclusive jurisdiction of tribes. The IGRA defines class II gaming, in part, as bingo (whether or not electronic, computer, or other technologic aids are used). Tribes and the National Indian Gaming Commission have exclusive jurisdiction over class II games. Class III gaming regulated by the Gaming Control Board (GCB) includes all types of gaming that is neither class I or class II gaming, such as slot machines and table games.

The Navajo Nation opened a casino in Hogback, N.M. pursuant to a 2001 gaming compact. However, the GCB reports the Hogback casino operates 120 class II machines, which are not subject to revenue sharing with the state. Other tribal casinos have an additional 130 class II machines. Advances in information technology make it seem likely that class II machines could proliferate and reduce state revenue from Indian gaming.

Currently, five gaming tribes and pueblos have not signed the 2007 amended gaming compact: the Jicarilla Apache, Mescalero Apache, Navajo Nation, Pueblo of Acoma, and Pojoaque Pueblo. Their 2001 compacts expire on June 30, 2015. The staff from the governor's office is handling the compact renegotiations and details of the progress are not available. The renegotiation of these compacts should address revenue sharing for class II machines and Internet gaming.

The GCB expressed a concern that tribal casinos could be cheating the state out of \$13 million to \$20 million when determining what the tribe owes the state under revenue-sharing compacts through its accounting of the promotional tool "free play," which allows gamblers to play without paying. The GCB states that although free play does not involve money spent by a gambler, the casinos wrongly use a formula that eliminates the total value of free plays used by patrons from the total amount gambled but deducts the winnings that came from the "free play" promotion to arrive at a casino's net win. Net win is the amount gambled in machines minus the amount paid out in cash and noncash prizes.

The GCB has begun notifying tribal casinos that those that exclude the value of free play from the net win are out of compliance with the gaming compact. The Legislature provided the GCB with a special appropriation of \$200 thousand in FY13 for possible arbitration expenses related to tribal gaming. To date, the GCB has spent \$58 thousand for expenses, including \$52 thousand for an expert witness and \$6,000 on legal research.

With the economy in decline, many states are looking at Internet gaming as a way to generate revenue. A U.S. Department of Justice legal opinion in December 2011 left Internet gaming regulation up to individual states. Nevada became the first state to make this a reality, with California, Iowa, Illinois, Delaware, and Massachusetts expected to join soon.

In May 2010, the board voted to revoke the gaming license for a planned racetrack casino in Raton because the developer lacked the financial resources to operate the casino. The developer then obtained an injunction to prevent the board from issuing that license, the only remaining license authorized under state law, to another party. On June 12, 2012, the state Court of Appeals upheld the Gaming Control Board's decision. However, the State Racing Commission cannot reopen the application process for the license until an appeal against the State Racing Commission has been resolved.

GAMING CONTROL

The purpose of the gaming control board is to provide strictly regulated gaming activities and to promote responsible gaming to the citizens of New Mexico so they can attain a strong level of confidence in the board's administration of gambling laws and assurance the state has competitive gaming free from criminal and corruptive elements and influences.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Quality	Percent of work permit and work permit renewals processed within nine business days	89%	84%	90%	90%	90%
Quality	Percent of incidents reported to the central monitoring system help desk closed within three calendar days			New	95%	95%
Output	Percent of all tribal inspection reports completed and mailed within thirty days of field work completion			New	93%	93%
Output	Percent of racetrack audit reports completed and mailed within thirty days of field work completion			New	90%	90%
Outcome	Percent increase in inspection rate			New	<7%	<7%
Output	Percent decrease in citation rate			New	>10%	>10%

STATUTORY AUTHORITY:

The primary functions of the State Racing Commission as defined in Sections 60-1-1 through 60-1-26 NMSA 1978 are to license horseracing industry participants, make rules and regulations surrounding the operations of race meets, and set race dates.

BUDGET SUMMARY (dollars in thousands)					
	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,849.3	1,983.0	2,751.4	2,345.4	18.3
SOURCES TOTAL	1,849.3	1,983.0	2,751.4	2,345.4	18.3
USES					
Personal Services and Employee Benefits	947.9	1,163.3	1,382.6	1,274.7	9.6
Contractual Services	709.3	713.7	1,113.8	923.9	29.5
Other	102.2	106.0	255.0	146.8	38.5
TOTAL USES	1,759.4	1,983.0	2,751.4	2,345.4	18.3
FTE					
Permanent	16.3	16.3	19.3	17.3	6.1
Term	0.6	0.6	0.6	0.6	0.0
Temporary	1.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	18.7	18.7	21.7	19.7	5.3

BUDGET ISSUES:

For FY14, the agency requested \$2.75 million from the general fund, a \$768.4 thousand increase over the FY13 general fund level, including \$219.3 thousand in the personal services and employee benefits category for full funding and the addition of 3 FTE, and \$400 thousand in the contractual services category for more equine testing.

The FY14 general fund recommendation of \$2.35 million represents an 18.3 percent increase over the agency's FY13 general fund level. This increase includes \$111.4 thousand in the personal services and employee benefits category to hire an additional FTE investigator position and to reduce the vacancy rate. The recommendation increases the contractual services category \$210.2 thousand for more equine testing and increases other costs \$40.8 thousand for membership in the Association of Racing Commissioners International (ARCI), and additional leased vehicles. The State Racing Commission (SRC) and the Gaming Control Board (GCB) are co-located in the same leased office building. The FY14 request included \$98.0 thousand to allow for the SRC to move back into old office space in the office next door. Based on a LFC analysis of space utilization that determined too much space is being unused throughout the state, the committee recommends the SRC work with the Building Services Division of the General Services Department to find adequate state-owned space. The committee requests the agency provide an action plan for the SRC to become more self-sustaining, including paying for equine testing.

The racing industry in other states pays a greater share of regulatory costs. For example, Maryland requires each track to conduct the tests and pay for lab fees in relation to the amount of races they hold. The testing lab is maintained by the Maryland Racing Commission to preserve the integrity of the sport. Oklahoma caps the spending for equine testing at \$750 thousand and requires the track to pay for the testing as a condition of licensure. In Illinois, racing regulation, including drug testing, is funded solely by parimutuel taxes generated on wagering.

Potentially, the SRC could get additional funding from 2004 legislation that earmarked 50 percent of receipts from the parimutuel horse racing tax to the State Fair for capital improvements, with the balance going to the other five racetracks for facility improvements. The New Mexico State Fair pledged its parimutuel tax revenue share, approximately \$695 thousand per year, to the New Mexico Finance Authority for bonds for the NM Expo facility improvements. The final transfer of the debt service fund is scheduled for November, 2014, then the parimutuel revenue could be allocated to the State Racing Commission to enhance regulatory efforts, or into the general fund to pay for needed expenditure increases for the racing commission.

A nine-month "New York Times" investigation revealed five racetracks in New Mexico have among the worst safety records in the nation, with Ruidoso at the top of the list. The article noted the addition of casinos to many racetracks and larger prize purses

might have motivated owners to race unsafe horses: horses with injuries masked by excessive drugs or lower-quality horses unfit for the rigors of the track.

"Frog juice," a powerful performance-enhancing potion drawn from the backs of a type of South American frog is being used to dope horses without detection. It was reported that following the timed trials for the All American Futurity quarter horse race in Ruidoso, each winning horse tested positive for frog juice. In addition it is alleged that a Mexican drug cartel, the Zetas, were heavily involved in New Mexico horse racing, and might have rigged the All American Futurity horserace in Ruidoso. Funding for the Zetas horse racing operations was from a multimillion dollar money laundering scheme funded by drug trafficking money and fronted by horse racing. This summer's federal raid of the Zetas ranches across four states included the Ruidoso Downs racetrack.

In May 2012, the New Mexico State Racing Commission voted unanimously to join 30 other states and adopt the regulations of the Association of Racing Commissioners International (ARCI). The ARCI standards will place uniform regulations and penalties on New Mexico horse racing. The decision was backed by track owners, jockeys, and owners. The ARCI rules set standards for the conduct of races, licensing of veterinary care, testing for illegal substances in race animals, trainer behavior and other activities.

The State Racing Commission has reported a proliferation of illegal racetracks, yet the agency only has statutory enforcement authority at licensed facilities. The committee recommends the agency seek expanded enforcement powers or work with the Department of Public Safety to begin a investigation process to shut down illegal racetracks.

In May 2010, the board voted to revoke the gaming license for a planned racetrack casino in Raton because the developer lacked the financial resources to operate the casino. The developer obtained an injunction to prevent the board from reissuing the only remaining license authorized under state law. On June 12, 2012 the state Court of Appeals upheld the Gaming Control Board's decision. However, the State Racing Commission cannot reopen the application process for the license until an appeal against the State Racing Commission has been resolved. No additional racetrack should be licensed until integrity and safety issues are resolved.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
* Detective & Criminal Investigator 1 FTE	(P681)	64.2	57.3
* Financial Specialist 1 FTE	(P681)	64.2	0.0
* Office Clerk General 1 FTE	(P681)	51.1	0.0
TOTAL		179.5	57.3

HORSE RACING REGULATION

The purpose of the horse racing regulation program is to provide regulation in an equitable manner to New Mexico's parimutuel horse racing industry and to protect the interest of wagering patrons and the state of New Mexico in a manner that promotes a climate of economic prosperity for horsemen, horse owners and racetrack management.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	0.01%	0.02%	0.08%	0.08%	0.02%
* Output	Total amount collected from parimutuel revenues, in millions	\$0.8	\$0.9	\$0.9	\$0.9	\$0.9
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,300	\$4,300	\$4,400	\$5,000	\$4,700
Efficiency	Average number of days to close investigation cases	30	30	30	30	30
Output	Number of audit exceptions noted on annual financial statement	2	1	0	1	0
Outcome	Percent of prior-year audit findings resolved	98%	99%	100%	100%	100%
Outcome	Timely collections of penalty fees by licensee to the general fund	30	30	30	30	30

STATUTORY AUTHORITY:

The seven member Board of Veterinary Medicine was established under the Veterinary Practice Act, Sections 61-14-1 through 61-14-20 NMSA 1978. Approximately 1,118 veterinarians are registered to practice in New Mexico.

MISSION:

The mission of the Board of Veterinary Medicine is to protect the public by promoting quality veterinary care through regulation of the practice of veterinary medicine. The board also serves as a resource in providing assistance and disseminating current information affecting the public, applicants, and licensees.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	280.0	285.4	285.4	285.4	0.0
Fund Balance	15.3	42.8	42.8	42.8	0.0
SOURCES TOTAL	295.3	328.2	328.2	328.2	0.0
USES					
Personal Services and Employee Benefits	142.1	147.8	152.6	152.6	3.2
Contractual Services	103.0	126.3	121.4	121.4	-3.9
Other	50.2	54.1	54.2	54.2	0.2
TOTAL USES	295.3	328.2	328.2	328.2	0.0
FTE					
Permanent	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0

BUDGET ISSUES:

For FY14, the board requested and the LFC recommends an operating budget of \$328.2 thousand, flat relative to FY13. The board's projected fund balance at the end of FY13 will be approximately \$684.9 thousand.

VETERINARY LICENSING AND REGULATORY

The purpose of the veterinary licensing and regulatory program is to regulate the profession of veterinary medicine in accordance with the Veterinary Practice Act and to promote continuous improvement in veterinary practices and management to protect the public.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of months to resolution of disciplinary matter	6	5	6	5	5
Outcome	Percent of facilities in full compliance	76%	97%	95%	95%	95%
* Output	Number of veterinarian licenses issued annually	978	1,110	1,000	1,000	1,050
Output	Number of facility licenses issued annually	304	307	305	300	305
Output	Number of registered veterinary technicians licenses issued annually	157	170	170	180	180
Output	Number of bovine artificial insemination or bovine pregnancy diagnosis permits issued annually	83	80	83	80	80
Outcome	Attrition rate of all licensees annually	4%	5%	5%	5%	5%
Outcome	Percent of New Mexico-registered veterinary technicians employed in state	92%	95%	P 90%	93%	93%
Outcome	Percent of New Mexico-licensed veterinarians employed in the state	58%	60%	60%	60%	60%
Outcome	Percent of formal complaints resolved without disciplinary action	100%	62%	90%	90%	90%
Outcome	Percent of complaints resolved through adjudication	0%	10%	1%	1%	5%
Output	Number of facilities inspected annually	161	136	155	153	155
Outcome	Percent of inspected facilities requiring a plan of correction	24%	3%	20%	10%	10%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	1%	0%	1%	1%	1%

STATUTORY AUTHORITY:

The Cumbres and Toltec Scenic Railroad Compact was ratified by the New Mexico and Colorado legislatures and given the consent of Congress in 1974. Ratification of the compact and statutory authorization of the commission appears in Sections 16-5-1 through 16-5-13 NMSA 1978 (the Cumbres and Toltec Scenic Railroad Act) and Sections 24-60-1901 through 24-60-1908 of the Colorado Revised Statutes. The compact was approved by the president on October 24, 1974. The commission comprises four members, two from New Mexico and two from Colorado, appointed by the governors of each state.

MISSION:

The mission of the Cumbres and Toltec Scenic Railroad Commission is to preserve and develop the Cumbres and Toltec Scenic Railroad, a historic 19th century railroad "museum on wheels," for the education, enlightenment, and enjoyment of future generations.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	87.0	87.0	115.0	98.7	13.4
Other Revenues	3,658.7	3,483.8	4,520.7	3,693.4	6.0
Fund Balance	53.8	0.0	0.0	0.0	
SOURCES TOTAL	3,799.5	3,570.8	4,635.7	3,792.1	6.2
USES					
Personal Services and Employee Benefits	128.9	119.5	129.7	124.6	4.3
Contractual Services	3,597.9	3,387.2	4,436.4	3,597.9	6.2
Other	72.7	64.1	69.6	69.6	8.6
TOTAL USES	3,799.5	3,570.8	4,635.7	3,792.1	6.2
FTE					
Permanent	2.1	2.1	2.1	2.1	0.0
TOTAL FTE POSITIONS	2.1	2.1	2.1	2.1	0.0

BUDGET ISSUES:

The FY14 budget request totaled \$4,635.7 thousand, with a requested general fund appropriation of \$115 thousand. The LFC recommendation eliminates overfunding of \$5.1 thousand in the personal services and employee benefits category, \$4.8 thousand of which would have paid for a 10.4 percent salary increase for the executive director. Additionally, the recommendation eliminates overfunding of \$838.5 thousand in the contractual services category, keeping the category flat compared with FY12 actuals. The recommendation includes general fund revenues of \$98.7 thousand.

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Operating expenses over the last eight years have fluctuated considerably, depending on ridership, from a low of \$2.6 million to a high of \$3.8 million. In four of those eight years operating expenditures were greater than operating revenue, resulting in an operating shortfall, with FY12 being within \$5,000 of breaking even. Ridership bounced back to 35 thousand passengers for FY12, compared with ridership of just 27 thousand passengers for FY11 after the Lobato trestle caught fire at the start of the 2010 summer season and nearly crippled operations. The commission received combined appropriations from Colorado of \$505 thousand in FY11 and FY12 to supplant lost ridership revenue caused by the Lobato trestle fire.

Key indicators show revenue per rider increased by \$19.06 to \$90.86 between 2008 and 2011, in part due to the addition of parlor cars; liquor sales; packaged services, such as train and bus rides sold together; and family pricing. Now that revenue per rider increased, the commission's primary goal is to increase ridership to pre-Lobato Trestle fire levels of 40 thousand annual passengers by using advertising dollars more efficiently.

The Cumbres and Toltec Scenic Railroad suffered from years of capital infrastructure neglect. Funding for capital infrastructure upgrades was increased beginning in FY07 to nearly \$2 million in combined revenues from Colorado and New Mexico. Infrastructure projects include track upgrades (over 55 percent complete), locomotive and passenger car rehabilitation, and facility upgrades.

In the 2011 First Special Session, \$1.5 million was appropriated from capital outlay for infrastructure improvement, but no capital outlay was provided in the Regular Session of 2012. Most of the 2011 capital has not been spent; this is primarily due to delays associated with federal inspections and ratings that were performed before upgrades could commence, but the railroad is now in the process of making the upgrades. The LFC's Volume III "Supplemental Tables and Charts" provides a combined and consolidated financial statement and capital outlay projection. Enhanced track rehabilitation is needed for three more years before expenditures can be cut in half. Federally required maintenance after 1,472 days of service is required on three locomotives at a projected cost of \$1.5 million to be spread over three years. Additional capital improvements are needed for the track project, passenger cars, rehabilitation of locomotive boilers, and significant renovation of the Chama depot. The Lobato trestle reconstruction diverted \$410 thousand of capital funds intended for the track upgrade project. In addition to the state funded projects, private funding of approximately \$1.5 million has been sourced to rebuild the historic Steam Locomotive 463 and construct a pavilion at Cumbres Pass.

At the start of FY12, the commission issued a request for proposals to manage train operations. Six proposals were received and Heritage Rail Management (HRM), owner of the Durango-Silverton railroad, was announced as the new operator in January 2012. However, HRM unexpectedly decided to exit the operations management contract, and the commission will be without an operator once the season ends on October 31, 2012. The commission is meeting with stakeholders to determine a strategy to move forward for the 2013 season. In addition, the long-time executive director of the commission announced his resignation effective December 31, 2012.

CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION

The purpose of the Cumbres and Toltec scenic railroad commission is to provide railroad excursions through, into and over the scenic San Juan mountains.

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Total number of passengers	27,339	35,441	40,000	53,763	40,000
* Output	Revenue generated from ticket sales, in millions	\$2.4	\$3.2	\$3.3	\$4.1	\$3.5

STATUTORY AUTHORITY:

The Office of Military Base Planning and Support was created in 2003 pursuant to the Office of Military Base Planning and Support Act, Section 9-15-48 NMSA 1978, and is administratively attached to the Economic Development Department. The director of the office is appointed by the governor's homeland security adviser.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	119.3	125.6	156.9	144.4	15.0
SOURCES TOTAL	119.3	125.6	156.9	144.4	15.0
USES					
Personal Services and Employee Benefits	108.4	109.4	110.7	110.7	1.2
Contractual Services	0.0	3.1	30.0	20.0	545.2
Other	14.7	13.1	16.2	13.7	4.6
TOTAL USES	123.1	125.6	156.9	144.4	15.0
FTE					
Permanent	0.0	1.0	1.0	1.0	0.0
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

BUDGET ISSUES:

For FY14, the general fund request increased by \$30 thousand compared with FY13. During the period when state agency budgets were reduced due to statewide solvency issues, the FY12 Office of Military Base Planning and Support (OMBPS) operating budget was reduced. The increase would be used to provide assistance to the director in addressing specific military value issues in pending federal legislation, including current and future mission capabilities of New Mexico's military installations. The LFC recommendation includes \$20 thousand for contractual services and a total appropriation of \$144.4 thousand.

Like the OMBPS, the Military Base Planning Commission (MBPC) is administratively attached to the Economic Development Department (EDD). The 17-member commission includes the lieutenant governor, the secretary of the EDD, and 15 members from counties near New Mexico's four military bases appointed by the governor and approved by the Senate.

The OMBPS played a critical role in retaining the Cannon Air Force Base, as well as working closely with the Air Force to identify a new mission for Cannon. The initial phase of a \$5 million capital outlay expansion was completed in January 2012 with the signing of a 74-year lease by the governor, the assistant secretary of the Air Force, and the commissioner of public lands. The lease expands the Melrose Air Force Range by more than 10,000 acres, and the Air Force becomes a tenant of the New Mexico State Land Office for the period of the lease, which became effective October 1, 2012. The OMBPS has been subsequently tasked to use remaining appropriations, approximately \$1.55 million, to purchase land adjacent to the Cannon AFB and convey title to the Air Force. The purpose of this action is to address flight safety, force protection, and transportation issues at Cannon.

The OMBPS is working closely with the White Sands Missile Range and the Holloman AFB on expansion of airspace, which will ensure New Mexico is well-positioned to support the transition of two squadrons of F-16s to Holloman. Additionally, the director has played a key role in organizing a southern New Mexico/El Paso joint land use study funded by the Department of Defense. The study will bring together five New Mexico counties (Lincoln, Otero, Dona Ana, Sierra, and Socorro), El Paso county, the city of El Paso, Alamogordo, and Las Cruces, along with the three military installations in a regional planning organization that will provide an opportunity for all entities to address mutual land use planning issues and avoid encroachment.

OFFICE OF MILITARY BASE PLANNING AND SUPPORT

The purpose of the office of military base planning and support is to provide advice to the governor and lieutenant governor on New Mexico's four military installations, to work with community support groups, to ensure that state initiatives are complementary of community actions and to identify and address appropriate state-level issues that will contribute to the long-term viability of New Mexico military installations.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Number of community support organizations that have benefited from the activities of the commission and the office	5	5	8	8	8
Output	Number of communities assisted by the Office of Military Base Planning and Support	5	5	8	8	8
* Outcome	Number of military units impacted by the activities of the commission and the Office	10	10	10	10	10

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Sections 58-31-1 through 58-31-17 NMSA 1978, and is administratively attached to the Economic Development Department.

MISSION:

The mission of the Spaceport Authority is to plan, develop, and operate the world's first inland commercial spaceport.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	489.6	456.2	461.3	456.2	0.0
Other Revenues	97.5	464.2	3,933.5	3,933.5	747.4
Fund Balance	450.0	0.0	0.0	0.0	
SOURCES TOTAL	1,037.1	920.4	4,394.8	4,389.7	376.9
USES					
Personal Services and Employee Benefits	627.2	648.7	796.2	796.2	22.7
Contractual Services	117.2	106.6	2,252.5	2,252.5	2,013.0
Other	222.2	165.1	1,346.1	1,341.0	712.2
TOTAL USES	966.6	920.4	4,394.8	4,389.7	376.9
FTE					
Permanent	7.0	7.0	9.0	9.0	28.6
TOTAL FTE POSITIONS	7.0	7.0	9.0	9.0	28.6

BUDGET ISSUES:

A significant issue facing the Spaceport Authority in FY13 is the timing of Virgin Galactic lease revenue, which has been delayed. Lower general fund appropriations in FY12 were supplemented by nonreverting cash balances as well as incremental launch customer revenues and event revenues. Due to construction delays, Virgin Galactic is not expected to take possession of the terminal hangar facility until later than originally projected, and lease payments will not be received until Virgin Galactic can safely occupy the building, expected sometime in the second quarter of FY13. However, the dates for occupancy and for Virgin Galactic's initial launch are tentative, creating risk and uncertainty for the timing of the lease revenues.

To cover anticipated on-site electric and communications utility bills at the start of FY13, the Spaceport Authority increased the FY13 budget through a budget adjustment request in the amount of \$535.8 thousand; \$300 thousand was transferred from cash balances due to excess pledged gross receipt tax bond revenues and another \$235.8 thousand came from expected launch customer revenues. With the anticipated \$464.2 thousand in Virgin Galactic lease revenues, the total FY13 operating budget was increased to \$1.5 million.

For FY14, the Spaceport Authority request of \$4.4 million represented a \$3.5 million, or 378 percent, increase from the original FY13 operating budget. The increase is funded primarily by expected Virgin Galactic lease and user fee revenues, expected tourism and event revenues, and expected launch fees from other aerospace customers. The general fund request added \$5,100 to the FY13 appropriation level for the required 1.5 percent retirement shift. By the end of FY14, the Spaceport Authority should be sustainable with enterprise revenues, and the agency will not request a general fund appropriation for FY15.

The LFC recommendation eliminates an overprojected need in the other category included in the request, resulting in a general fund decrease of \$5,100 compared with the agency request, and keeps the agency's funding flat compared with the FY13 appropriation level.

The request for personal services included an expansion of \$146.7 thousand to add two positions the agency considers necessary for the Spaceport Authority to eventually become fully self-sufficient: a staff attorney and a financial manager, both of which would be funded from other revenue. At present, the project's legal and contractual demands overwhelm the agency's part-time legal support from the Economic Development Department and hiring internally will reduce dependence on more expensive, contracted, external counsel. As the Spaceport Authority moves toward relying completely on other revenues earned from spaceport operations, it will be necessary to retain full-time fiscal staff to properly manage budgets, audits, enterprise resources, and cash balances, rather than contracting with a certified public accountant.

The request for contractual services was an increase of \$2.1 million, or 2,013 percent, over the FY13 operating budget to account for the pre-operational and operational services that had previously been funded through sunseting gross receipt tax bond proceeds. The request for the other category increased by \$645.2 thousand, or 92 percent, representing significant new expenses, including on-site electric and communications utilities, expanded insurance coverage, and rent of land and buildings related to the visitor experience. These contractual and other costs are to be funded through operational revenues from the spaceport only and may vary based on the date of first flight by Virgin Galactic.

A significant hurdle to diversify beyond Virgin Galactic and complete self-sufficiency for the Spaceport Authority is the regulatory and legal environment for potential spaceflight companies operating in New Mexico. To develop additional tenant relationships and therefore more lease and user fee revenues, the Spaceport Authority must compete with other spaceports in other states. In 2010, the Legislature passed the Space Flight Informed Consent Act to provide limited liability protections for spaceflight operators like Virgin Galactic, giving spaceflight passengers the ability to sign consent waivers before flying into space. The waivers hold the companies harmless in the event of an accident, except in cases of gross negligence or malicious intent, and enable the companies to obtain insurance and conduct business in New Mexico. Since 2010, other states, such as Florida, Texas, Virginia, and Colorado, have taken the additional step of extending legal protections to suppliers and manufacturers that support the spaceflight operators. This disparity in legal environments reportedly cost the Spaceport Authority at least two potential tenants in FY12. Without passage of a revised, more competitive Space Flight Informed Consent Act in 2013, the Spaceport Authority's ability to diversify launch customers beyond Virgin Galactic might be seriously impaired, impacting future budget requests. However, the New Mexico Trial Lawyers Association has argued against the proposed legislation, saying that legal remedies for injuries should not be curtailed for hypothetical economic development.

Phase one of the construction project, including all of the operational buildings, utilities, roadways and runways, is 99 percent complete, with a few portions of the communications system remaining to be installed. Phase two, which includes pre-operational services and more infrastructure construction, is currently 25 percent complete. Phase two includes technical and information technology services, general services such as building and ground maintenance, space operations services, and the development of the spaceport's public tourism visitor experience. It also includes building a 24-mile southern access road and safety zone extensions on the main runway. The original construction budget projection of \$225 million included estimated revenues of \$140 million from the state, \$58 million from the spaceport gross receipts tax district, \$25 million from federal sources, and \$2 million from private sources. Lacking federal monies, the budget ultimately became \$209 million and shifted revenues, reducing the state's share to \$132.6 million and increasing the taxing district's share to \$76.4 million.

Over the interim, LFC staff visited with Spaceport America staff and reviewed a five-year plan to make the Spaceport Authority self-sustaining and profitable, develop a robust economic development engine for the local and state economy, and provide efficient and effective operations for all customers. The longer-term business plan includes an increased number of spaceport operations jobs, additional ancillary spaceport start-up businesses, and a steady stream of visitors to Spaceport America. The plan assumes at least one additional major tenant to diversify the spaceport customer base, although this is likely contingent on passage of expanded Space Flight Informed Consent Act protections. Given delays in the start-up of Virgin Galactic's commercial flight operations, the business plan identifies FY15 as the first full year the operating budget will be sustainable with enterprise revenues. Over the last year, the spaceport hosted multiple vertical launches from two smaller customers, Armadillo Aerospace and UP Aerospace, totaling 15 launches since 2006. In addition, the spaceport has seen increased interest and use from non-aerospace users for events, filming, and photography.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Financial Manager-1 FTE (P770)	68.1	68.1
2	Attorney-1 FTE (P770)	78.6	78.6
TOTAL		146.7	146.7

SPACEPORT AUTHORITY

The purpose of the spaceport authority is to finance, design, develop, construct, equip and safely operate spaceport America and thereby generate significant high technology economic development throughout the state.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Annual number of jobs created due to spaceport authority efforts			150	150	250
Outcome	Annual aerospace jobs created due to spaceport authority efforts	200	200	200	delete	delete
Outcome	Number of visitors to spaceport			3,000	5,000	5,000

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 9-4A-18 NMSA 1978). The new law elevated the agency to cabinet status and elevated the individual museums in the Museum of New Mexico to division status, placing them on equal footing with other museums and facilities within the DCA. In addition to the Cultural Affairs Department Act, divisions within DCA are authorized by the following statutes: Sections 18-2-1 through 18-2-23 NMSA 1978 (creating the Library Division); Sections 18-3-1 through 18-3-8 NMSA 1978 (establishing the Museum of New Mexico); Sections 18-3A-1 through 18-3A-9.1 NMSA 1978 (the Natural History and Science Museum Act); Section 18-5-1 through 18-5-7 NMSA 1978 (creating the Arts Division); Sections 18-6-1 through 18-6-23 NMSA 1978 (the Cultural Properties Act); Sections 18-7-1 through 18-7-4 NMSA 1978 (creating the Museum of Space History); Sections 18-11-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA (Cultural Properties Preservation Easement Act).

MISSION:

The department's mission is to lead in the preservation, development, promotion, and access to New Mexico's cultural resources for the use, education, and enjoyment of present and future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	26,933.0	27,313.1	28,272.6	27,979.6	2.4
Other Transfers	122.5	133.2	181.0	181.0	35.9
Federal Revenues	3,048.1	2,939.7	3,280.9	3,280.9	11.6
Other Revenues	6,088.4	6,480.8	6,573.4	6,573.4	1.4
Fund Balance	116.6	1,692.5	1,956.0	1,952.1	15.3
SOURCES TOTAL	36,308.6	38,559.3	40,263.9	39,967.0	3.7
USES					
Personal Services and Employee Benefits	24,274.1	27,216.1	28,610.5	28,313.6	4.0
Contractual Services	3,462.1	3,299.1	3,115.7	2,965.7	-10.1
Other	8,031.8	8,044.1	8,537.7	8,687.7	8.0
TOTAL USES	35,768.0	38,559.3	40,263.9	39,967.0	3.7
FTE					
Permanent	443.7	428.8	425.8	425.8	-0.7
Term	86.0	85.0	81.0	81.0	-4.7
Temporary	8.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	537.7	514.8	507.8	507.8	-1.4

BUDGET ISSUES:

The Cultural Affairs Department (DCA) submitted an overall FY14 budget request of \$40.3 million, \$1.7 million, or 4.4 percent, over the FY13 operating budget. The general fund appropriations request was \$28.3 million, \$959.5 thousand, or 3.5 percent, over the FY13 operating budget. The requests for the Preservation, Library Services, Arts, and Program Support programs were relatively flat; however, the request for the Museums and Monuments program is \$1.3 million, or nearly 6 percent, over the FY13 operating budget. Approximately \$497 thousand of the requested increase was attributable to planned salary increases for 86 classified employees at the lower end of the department pay scale, with another \$340 thousand attributable to changes in group health rates and the employer pension contribution.

The committee recommendation for the department represents a \$1.4 million, or 3.7 percent, increase over the FY13 operating budget and a \$3.7 million, or 10 percent, increase over FY12 actual expenditures. The recommendation for personal services and employee benefits for the department represents a \$4 million, or 16.6 percent increase, over FY12 actual expenditures. The department transferred more than \$1.3 million to other categories and reverted more than \$307 thousand from the personal services and benefits category to the general fund in FY12.

The LFC recommendation supports the requests for the Preservation, Library Services, Arts, and Program Support programs as well as the deletion of the 7 vacant FTE positions in the Museums and Monuments program. Sufficient funding has been included in the recommendation in the personal services and employee category in the Museums and Monuments Program to support the proposed salary increases.

The recommendation concurs with the requested increase of \$247 thousand in the other category in the Museums and Monuments program to address much-needed building improvements across the state. The recommendation also supports the request for \$265 thousand in the other category in the Preservation program to improve the information technology system used for archaeological and architectural data.

The department requested a decreased level of funding for operational costs at Los Luceros but has not yet developed a strategic plan that would allow the facility to sustain itself through economic activities. The property condition has deteriorated under state ownership, potentially leading to a decline of the value of the property. The committee recommends funding continue for Los Luceros but emphasizes many of the buildings on the property offer the opportunity for enterprise activities and, as such, the property should be used far more effectively. The department should also explore opportunities for the property to be purchased by an entity that would ensure the protection of its unique cultural legacy.

The state museums and monuments suffer from deferred maintenance that potentially threatens priceless collections, poses hazards to visitors, and inhibits the department's capacity to earn much-needed revenue. Plans for the restoration of Fort Selden have essentially been abandoned due to a lack of funding, leaving buildings in a state of disrepair or deterioration. The Museum of Space History is badly in need of exhibition and facility improvements because both are outdated. The Museum of Indian Arts and Culture has exhibition space that has not been properly used for more than two years. All state monuments face funding shortfalls needed for operations and maintenance. Given these problems, the acquisition of new properties should be avoided and emphasis should be placed on the proper maintenance of existing facilities.

The DCA management should also focus on the cultivation of donors who share a vision for the effective use of state properties by the public. This would include far more extensive efforts across museum and monuments to identify critical development funding in cooperation with the Museum of New Mexico Foundation, other international, national, and state foundations, "friends" organizations, and so on.

The DCA continues to rely on fund balance revenues to fund nearly \$2 million in operations across all categories. Of this amount, approximately \$1.8 million, or 90 percent, is being used on personal services and employee benefits. The most recent projections provided by the department indicate a continuing decline of fund balance, with a projected \$3.2 million remaining at the end of FY14.

Data provided by the department indicates, with several exceptions, attendance at the museums and monuments increased somewhat in FY12. The explanation for the increase is a slight improvement in economic conditions and a subsequent rise in levels of state tourism. The committee suggests the department consider plans to realign its current operating schedules at certain museums and monuments based on seasonal attendance.

The department should make an effort to use its available space more effectively. As a specific example, findings from a Legislative Finance Committee evaluation on space utilization stated the Stewart L. Udall Building for Museum Resources has some of the largest executive offices observed in the study. Although the DCA is excluded from General Services Department (GSD) jurisdiction and, as such, state space utilization standards do not apply, the agency should be more aggressive in its efforts to maximize the efficient use of state office space.

The department requested \$325 thousand in funding for the New Mexico Coalition of Literacy for FY14, an amount flat with the FY13 operating budget.

The audit completed by the New Mexico Office of the State Auditor for the year ending June 30, 2011, again found a number of material weaknesses and significant deficiencies in areas related to both financial controls and federal awards. The department should make a more concerted effort to remedy these deficiencies to ensure its financial integrity and reinforce the public trust.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the preservation program of the cultural affairs department includes one million dollars (\$1,000,000) from the department of transportation for archaeological studies as needed for highway projects.

Any unexpended or unencumbered balance in the cultural affairs department remaining at the end of fiscal year 2014 from appropriations made from the general fund shall not revert to the general fund.

MUSEUMS AND MONUMENTS

The purpose of the museums and monuments program is to develop and enhance the quality of state museums and monuments by providing the highest standards in exhibitions, performances and programs showcasing the arts, history and science of New Mexico and cultural traditions worldwide.

BUDGET SUMMARY (dollars in thousands)						
			<u>FY14 - 2013-2014</u>			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	18,371.1	18,021.1	18,854.2	18,661.2	3.6	
Other Transfers	122.5	133.2	181.0	181.0	35.9	
Federal Revenues	118.8	89.5	113.0	113.0	26.3	
Other Revenues	3,595.6	3,266.8	3,384.3	3,384.3	3.6	
Fund Balance	115.4	962.4	1,281.6	1,427.7	48.3	
SOURCES TOTAL	22,323.4	22,473.0	23,814.1	23,767.2	5.8	
USES						
Personal Services and Employee Benefits	15,531.8	16,327.2	17,723.7	17,526.8	7.3	
Contractual Services	875.0	946.2	643.3	643.3	-32.0	
Other	5,408.5	5,199.6	5,447.1	5,597.1	7.6	
TOTAL USES	21,815.3	22,473.0	23,814.1	23,767.2	5.8	
FTE						
Permanent	321.0	303.8	300.8	300.8	-1.0	
Term	39.0	39.0	35.0	35.0	-10.3	
TOTAL FTE POSITIONS	360.0	342.8	335.8	335.8	-2.0	

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Attendance to museum and monument exhibitions, performances, films and other presenting programs	786,391	802,797	805,000	810,000	810,000
* Output	Number of participants at off-site educational, outreach and special events related to museum missions	109,381	71,007	100,000	80,000	80,000
Output	Number of participants at on-site educational, outreach and special events related to museum missions	261,288	267,204	300,000	280,000	280,000

PRESERVATION

The purpose of the preservation program is to identify, study and protect New Mexico's unique cultural resources, including its archaeological sites, architectural and engineering achievements, cultural landscapes and diverse heritage.

BUDGET SUMMARY
(dollars in thousands)

			FY14 - 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	600.7	523.0	533.1	533.1	1.9
Federal Revenues	800.6	910.2	1,231.9	1,231.9	35.3
Other Revenues	2,418.7	3,144.8	3,122.4	3,122.4	-0.7
Fund Balance	0.0	314.9	181.5	181.5	-42.4
SOURCES TOTAL	3,820.0	4,892.9	5,068.9	5,068.9	3.6
USES					
Personal Services and Employee Benefits	3,189.7	3,626.9	3,499.1	3,499.1	-3.5
Contractual Services	295.4	365.8	404.6	404.6	10.6
Other	514.4	900.2	1,165.2	1,165.2	29.4
TOTAL USES	3,999.5	4,892.9	5,068.9	5,068.9	3.6
FTE					
Permanent	31.0	28.0	28.0	28.0	0.0
Term	29.5	29.5	29.5	29.5	0.0
Temporary	6.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	66.5	58.5	58.5	58.5	0.0

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of participants in educational, outreach and special events related to preservation mission	14,858	18,031	13,500	15,000	15,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	75%	60%	75%	60%	60%
* Output	Number of historic structures preservation projects completed annually using preservation tax credits	32	42	32	45	45
* Output	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$12.65	\$8.0	\$7.5	\$8.5	\$9.0
Outcome	Percent of reviews of development projects completed within the standard thirty-day period, excluding incomplete submittals or reviews when the parties have mutually agreed to extend the review		new	70%	70%	70%

LIBRARY SERVICES

The purpose of the library services program is to empower libraries to support the educational, economic and health goals of their communities and to deliver direct library and information services to those who need them.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
		<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>Percent</u>
		<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	3,332.4	3,396.6	3,437.7	1.2
	Federal Revenues	1,353.4	1,390.7	1,363.9	-1.9
	Other Revenues	33.1	35.9	35.0	-2.5
	Fund Balance	0.0	61.2	25.9	-57.7
	SOURCES TOTAL	4,718.9	4,884.4	4,862.5	-0.4
USES					
	Personal Services and Employee Benefits	1,946.3	2,495.7	2,570.4	3.0
	Contractual Services	910.5	828.1	757.3	-8.5
	Other	1,728.8	1,560.6	1,534.8	-1.7
	TOTAL USES	4,585.6	4,884.4	4,862.5	-0.4
FTE					
	Permanent	38.0	34.0	34.0	0.0
	Term	13.0	13.0	13.0	0.0
	TOTAL FTE POSITIONS	51.0	47.0	47.0	0.0

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
		89%	89%	88%	88%	88%
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces					
Output	Number of participants in educational, outreach and special events related to library mission	24,263	24,000	20,000	24,000	24,000
Output	Number of searches in statewide informational databases provided by the state library		new	9,000,000	9,000,000	9,000,000

ARTS

The purpose of the arts program is to preserve, enhance and develop the arts in New Mexico through partnerships, public awareness and education.

BUDGET SUMMARY (dollars in thousands)					
			FY14 - 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,422.5	1,368.7	1,380.2	1,380.2	0.8
Federal Revenues	775.3	549.3	572.1	572.1	4.2
Other Revenues	0.3	0.7	0.0	0.0	-100.0
Fund Balance	1.2	84.8	60.9	60.9	-28.2
SOURCES TOTAL	2,199.3	2,003.5	2,013.2	2,013.2	0.5
USES					
Personal Services and Employee Benefits	806.2	854.1	859.3	859.3	0.6
Contractual Services	1,209.3	988.0	989.2	989.2	0.1
Other	183.8	161.4	164.7	164.7	2.0
TOTAL USES	2,199.3	2,003.5	2,013.2	2,013.2	0.5
FTE					
Permanent	12.0	10.0	10.0	10.0	0.0
Term	4.5	3.5	3.5	3.5	0.0
TOTAL FTE POSITIONS	16.5	13.5	13.5	13.5	0.0

PERFORMANCE MEASURES						
		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of clients provided professional development training in arts industry	4,906	5,220	4,000	5,000	5,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	36%	34%	38%	32%	32%
* Output	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,483,542	1,000,674	1,200,000	1,000,000	1,200,000
Output	Number of participants in educational and outreach programs and workshops, including participants from rural areas	5,583	4,985	4,000	5,000	5,000

PROGRAM SUPPORT

The purpose of program support is to deliver effective, efficient, high-quality services in concert with the core agenda of the governor.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	3,206.3	4,003.7	4,067.4	3,967.4	-0.9	
Other Revenues	40.7	32.6	31.7	31.7	-2.8	
Fund Balance	0.0	269.2	406.1	256.1	-4.9	
SOURCES TOTAL	3,247.0	4,305.5	4,505.2	4,255.2	-1.2	
USES						
Personal Services and Employee Benefits	2,800.1	3,912.2	3,958.0	3,858.0	-1.4	
Contractual Services	171.9	171.0	321.3	171.3	0.2	
Other	196.3	222.3	225.9	225.9	1.6	
TOTAL USES	3,168.3	4,305.5	4,505.2	4,255.2	-1.2	
FTE						
Permanent	41.7	53.0	53.0	53.0	0.0	
Temporary	2.0	0.0	0.0	0.0		
TOTAL FTE POSITIONS	43.7	53.0	53.0	53.0	0.0	

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of performance targets in the General Appropriation Act met (excluding this measure)	65%	59%	80%	80%	80%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	45	90	5	90	90
Outcome	Percent of material weaknesses noted in next-to-last completed external audit that are resolved or eliminated in the last completed external audit		new	100%	100%	100%
Outcome	Percent of significant deficiencies noted in next-to-last completed external audit that are resolved or eliminated in the last completed external audit		new	100%	50%	100%

STATUTORY AUTHORITY:

The New Mexico Livestock Board was created by Sections 77-2-1 through 77-2-29 NMSA 1978. The board is responsible for controlling disease, preventing theft or illegal movement of livestock, and promoting greater economy, service, and efficiency in the administration of laws relating to the livestock industry of New Mexico. The board is composed of nine members appointed by the governor to staggered six-year terms. Seven members of the board must raise and own cattle and sheep in the state and be residents of New Mexico. An executive director manages the agency under the direction of the board.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	454.4	459.4	1,421.3	750.0	63.3
Other Revenues	4,821.7	4,140.7	4,261.7	4,261.7	2.9
Fund Balance	123.6	981.7	439.1	653.6	-33.4
SOURCES TOTAL	5,399.7	5,581.8	6,122.1	5,665.3	1.5
USES					
Personal Services and Employee Benefits	4,212.4	4,347.5	4,656.8	4,446.8	2.3
Contractual Services	215.2	220.1	228.3	208.1	-5.5
Other	972.1	1,014.2	1,237.0	1,010.4	-0.4
TOTAL USES	5,399.7	5,581.8	6,122.1	5,665.3	1.5
FTE					
Permanent	75.0	75.0	75.0	75.0	0.0
TOTAL FTE POSITIONS	75.0	75.0	75.0	75.0	0.0

BUDGET ISSUES:

For FY14, the Livestock Board requested \$6.1 million, a \$540.3 thousand increase over the FY13 operating budget. The general fund request increased \$961.9 thousand to \$1.4 million, while fund balance decreased \$542.6 thousand; however, other revenue increased \$121 thousand. The agency request fully funded the personal services and employee benefits category for FY14 and also included \$300 thousand for the continuous replacement of aging agency vehicles, along with information technology upgrades.

As some of the driest years recorded in New Mexico, 2011 and 2012 experienced minimal natural grass production, forcing many ranchers to reduce their herds, especially in eastern New Mexico. According to the New Mexico Department of Agriculture, as of January 2012, the inventory of beef cows was 435 thousand, down 53 thousand from the January 2011 count of 488 thousand. The first seven months of 2012 were the eighth driest on record, and although some areas started to receive precipitation in August and September, it was too late in the growing season to yield normal grass production.

By statute, the board has the responsibility to acquire any abandoned horses reported to them. This can add nearly \$400 per month per horse to the department's already strained budget.

The board had an FY12 fund balance of \$1.84 million and projects an FY14 ending fund balance of \$270.7 thousand. In the near term, as ranchers shrink herds, revenue from inspection fees might exceed expectations. In the long run, industry-generated revenue likely will decline.

The FY14 committee recommendation is \$5.67 million and represents a 1.5 percent increase over the agency's FY13 overall fund level. The appropriation recommendation from fund balance is \$653.6 thousand, up from the \$439.1 thousand requested amount but down from the FY13 appropriated level. The recommendation applied a 4.5 percent vacancy rate, decreases contractual services by \$20 thousand to align with FY12 actual expenditures. The committee suggests the \$300 thousand request for vehicles and information technology upgrades be considered a special appropriation from the general fund. Going forward, the agency needs to incorporate a vehicle replacement plan that budgets 20 percent to 25 percent of total vehicle replacement costs each year, allowing for phased purchases in coming years.

The key to financial stability for the board is the ability to maintain or increase revenues associated with its services. An area to investigate is the disparity between the mill levy for dairy (assessed at 5 mills per head) and beef cattle (assessed at 10 mills per head). Otherwise the board might need to curtail operations or become more dependent on appropriations from the general fund.

LIVESTOCK INSPECTION

The purpose of the livestock inspection program is to protect the livestock industry from loss of livestock by theft or straying and to help control the spread of dangerous livestock diseases.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Efficiency	Average percentage of investigation findings completed within one month	66%	75%	60%	75%	75%
* Output	Number of road stops per month	64	16	75	75	75
Output	Number of payment vouchers processed	2,007	2,067	3,000	2,500	2,500
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	180	100	90	90	90
* Outcome	Number of livestock thefts reported per one thousand head inspected	1	1	1	1	1
* Outcome	Number of disease cases per one thousand head inspected	1	1	0.15	0.15	0.15
Outcome	Percent of retail meat dealers holding valid licenses	50%	75%	55%	80%	80%
Output	Number of on-site verifications of animal health, disease control and movement	3,200	35,997	3,000	30,000	30,000
Outcome	Percent of vouchers processed within ten business days	80%	90%	95%	95%	95%

STATUTORY AUTHORITY:

Sections 17-1-1 through 17-7-3 NMSA 1978 charge the Department of Game and Fish (DGF) with protecting game and fish and providing these resources for public recreation. The department operates under the direction of a seven-member State Game Commission appointed by the governor with the advice and consent of the Senate. The department is divided into four programs: Field Operations, which regulates all hunting and fishing activities statewide; Conservation Services, responsible for habitat management, biological support, and land acquisition; Depredation Services, which oversees depredation complaints as well as the implementation of intervention options for dealing with animals causing property damage; and Administration, which provides agencywide administrative direction, oversight, and infrastructure support services. The commission employs a director responsible for the administration of the department.

MISSION:

The mission of the Department of Game and Fish is to provide and maintain an adequate supply of wildlife and fish within the state of New Mexico by using a flexible management system that provides for their protection, propagation, regulation, conservation, and use as public recreation and food supply.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	11,945.9	10,344.6	12,070.6	12,070.6	16.7
Other Revenues	25,596.0	24,932.4	25,015.6	24,738.5	-0.8
Fund Balance	218.8	3,381.0	2,153.6	783.0	-76.8
SOURCES TOTAL	37,760.7	38,658.0	39,239.8	37,592.1	-2.8
USES					
Personal Services and Employee Benefits	16,422.0	20,584.6	21,298.7	19,749.9	-4.1
Contractual Services	3,344.7	4,126.9	3,899.7	3,895.7	-5.6
Other	11,414.8	13,449.2	13,544.1	13,449.2	0.0
Other Financing Uses	497.3	497.3	497.3	497.3	0.0
TOTAL USES	31,678.8	38,658.0	39,239.8	37,592.1	-2.8
FTE					
Permanent	296.0	296.0	296.0	296.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	309.0	309.0	309.0	309.0	0.0

BUDGET ISSUES:

For FY14, the New Mexico Department of Game and Fish (DGF) overall base request of \$39.2 million represented a \$581.8 thousand increase over the FY13 operating budget. The agency receives no support from the general fund; revenue is generated from fees, penalties, income from department-owned property, and federal revenues. Projected FY14 hunting and fishing license sales total approximately \$24 million and are budgeted in the various programs, and the agency expects federal funding to total \$12 million in FY14.

The agency request reflected a reorganization that includes transferring certain divisions and their staff to different programs. Under the reorganization, the Sport Hunting and Fishing Program is renamed the Field Operations Program. The fisheries management, wildlife management, and public information and outreach divisions are transferred to the Conservation Services Program from the Field Operations Program. Additionally, 5 FTE are transferred to the Conservation Services Program from Program Support. The 96 FTE remaining in the Field Operations Program are condensed from four regional divisions into one statewide division with a straight line of command structure for law enforcement officials. The reorganization aims at streamlining services, improving response time, and ensuring employees have clear direction from management while consistently responding to constituents statewide.

Over the past two years, the agency experienced an average vacancy rate of 21 percent, which the agency reports results from promoting from within the department, leaving the vacancy rate stagnant. The high vacancies also contributed to the agency's actual FY12 expenditures falling 17.6 percent below its operating budget. Fiscal year 2013 actual expenditures will also fall below the operating budget unless the agency fills vacant positions.

The FY13 recommendation supports the agency reorganization. The recommendation of \$37.6 million is a \$1.1 million decrease from the FY13 operating budget of \$38.7 million. While the recommendation represents a 2.8 percent reduction from the FY13 operating budget, it is 18.7 percent above actual FY12 expenditures of \$31.7 million. The reduction is due to the application of an average vacancy rate of 4.3 percent, much lower than the average historical vacancy rate, to enable the agency to increase its staffing levels. After completing its reorganization, if the agency is unable to reduce its vacancy rate, it should analyze the necessity of its vacant positions and work with the State Personnel Office to reclassify the positions so that they may be filled or deleted.

In a related note, performance measures for the important Field Operations Program do not provide a gauge of changes in program performance nor do they provide insight into the program's impact. The committee recommends measures to evaluate the enforcement of game and fish laws, such as "the number of warnings and citations issued."

The game protection fund is the department's operating fund and its largest fund. It is nonreverting and receives revenue from license fees, federal funds, court fines and forfeitures, other penalties, crop sales, interest on investments, and land rental or lease income. The projected unreserved and undesignated fund balance at the end of FY13 is \$32.6 million, and the DGF estimates FY14 revenues at \$33.1 million. The FY14 recommendation includes \$22.8 million from the fund, leaving fund balance at the end of FY14 at \$42.8 million. Given the agency's high operational fund balance, and its trend of actual expenditures falling well below its operating budget, the agency should pass savings on to hunting and fishing licensees. One option is for the Legislature to consider lowering license fees and having the agency rely more on fund balance; another option is to invest the fund balance in capital projects that would benefit licensees in New Mexico.

The total capital outlay request was \$15.3 million from severance tax bonds (\$1.5 million), the bond interest reinvestment fund (\$1.5 million), the general fund (\$2.3 million), funds generated by hunters and anglers (\$3.4 million), the habitat management fund (\$900 thousand) and federal sources (\$5.7 million.) The department's capital priorities include compliance with dam safety rules, upgrades and construction at hatcheries, and improvements to agency offices. The committee encourages the department to work closely with the Office of the State Engineer (OSE) to coordinate, prioritize and explore options to apply non-general fund revenues and sizeable fund balances to support repair and maintenance funding requests related to dams and spillways owned by the State Game Commission (SGC). The OSE classified the condition of nine of the 11 SGC-owned dams as fair or poor and estimates it would cost \$36.2 million for remediation. Further, the balance of the agency's bond interest and retirement fund, projected to total \$1.7 million at the end of FY13, should be applied to capital projects that benefit DGF licensees.

The department has a significant opportunity to enhance the DGF-owned properties in Pecos Canyon and the four campgrounds the department manages in the canyon for the direct benefit of anglers and hunters. Persistent problems -- including degraded riparian vegetation and mounting trash left by thousands of campers, anglers, and hikers during the peak summer months -- produce a negative effect on wildlife and wildlife habitat. The lack of law enforcement presence in the canyon has been a major contributing factor to the deficient conditions. The neglected properties and campgrounds are in need of major improvements to be safe and appealing to anglers and hunters and protect fragile resources. The committee encourages the DGF to continue to explore options to apply non-general fund revenues and fund balances to Pecos Canyon infrastructure projects. Recognizing the DGF lacked the structure to administer these sites as campgrounds, Senate Joint Memorial 16 and House Joint Memorial 16 in 2009 requested the Energy, Minerals and Natural Resources Department (EMNRD) establish Pecos Canyon State Park on lands owned by the State Game Commission. The committee encourages the DGF and the EMNRD to establish a memorandum of understanding to transfer the management of DGF properties within Pecos Canyon to the State Parks Division of the EMNRD.

In addition to the game protection fund, the agency manages six other funds with earmarked revenue: the share with wildlife fund, the Sikes Act fund, the big game enhancement fund, the big game depredation damage fund, the habitat management fund, and the trail safety fund. The combined projected unreserved and undesignated fund balance at the end of FY13 for these six funds totals \$10.5 million. The DGF estimates the total FY14 revenues for these funds is \$3.3 million. The FY14 recommendation includes \$2.8 million from these six funds.

FIELD OPERATIONS

The purpose of the field operations program is to promote and assist the implementation of law enforcement, habitat and public outreach programs throughout the state.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	7,069.9	6,960.6	210.7	210.7	-97.0
Other Revenues	12,471.5	11,408.5	7,572.4	7,572.4	-33.6
Fund Balance	0.0	3,209.1	942.0	83.7	-97.4
SOURCES TOTAL	19,541.4	21,578.2	8,725.1	7,866.8	-63.5
USES					
Personal Services and Employee Benefits	10,555.3	13,322.3	6,951.3	6,122.9	-54.0
Contractual Services	1,265.5	1,418.4	72.8	72.3	-94.9
Other	5,495.0	6,340.2	1,701.0	1,671.6	-73.6
Other Financing Uses	497.3	497.3	0.0	0.0	-100.0
TOTAL USES	17,813.1	21,578.2	8,725.1	7,866.8	-63.5
FTE					
Permanent	200.0	200.0	96.0	96.0	-52.0
Term	2.0	2.0	0.0	0.0	-100.0
Temporary	2.5	2.5	0.0	0.0	-100.0
TOTAL FTE POSITIONS	204.5	204.5	96.0	96.0	-53.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of conservation office hours spent in the field checking for compliance			new	30,000	30,000
* Output	Number of hunter and conservation education programs delivered by field staff			new	350	350
* Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators			new	45	45

CONSERVATION SERVICES

The purpose of the conservation services program is to provide information and technical guidance to any person wishing to conserve and enhance wildlife habitat and recover indigenous species of threatened and endangered wildlife.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
Federal Revenues	4,474.9	3,168.8	11,743.7	11,743.7	270.6
Other Revenues	3,887.2	4,585.7	8,956.6	8,956.6	95.3
Fund Balance	146.7	56.9	997.6	485.3	752.9
SOURCES TOTAL	8,508.8	7,811.4	21,697.9	21,185.6	171.2
USES					
Personal Services and Employee Benefits	2,279.6	2,618.4	9,885.2	9,438.4	260.5
Contractual Services	1,315.5	1,855.4	3,127.8	3,127.8	68.6
Other	2,593.0	3,337.6	8,187.6	8,122.1	143.4
Other Financing Uses	0.0	0.0	497.3	497.3	
TOTAL USES	6,188.1	7,811.4	21,697.9	21,185.6	171.2
FTE					
Permanent	32.0	32.0	141.0	141.0	340.6
Term	8.0	8.0	10.0	10.0	25.0
Temporary	0.5	0.5	3.0	3.0	500.0
TOTAL FTE POSITIONS	40.5	40.5	154.0	154.0	280.2

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
		10,000	10,000	10,000	10,000	10,000
Output	Number of recreational days provided by the gaining access into nature project					
Output	Number of state threatened and endangered species studied and conserved through recovery planning and the comprehensive wildlife conservation strategy for New Mexico	64	35	35	35	35
* Outcome	Number of days of elk hunting opportunity provided to New Mexico resident hunters on an annual basis	166,312	169,795	165,000	165,000	167,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	86%	90.3%	84%	84%	86%
* Output	Annual output of fish from the department's hatchery system, in pounds	439,338	592,247	455,000	455,000	455,000
Output	Number of mentored and youth hunting opportunities	5,161	5,041	4,000	4,000	5,000
Outcome	Percent of anglers satisfied with opportunity and success	89%	82.1%	83%	83%	83%
Output	Acres of accessible sportsperson opportunity through the open gate program	100,000	130,606	60,000	60,000	60,000

WILDLIFE DEPREDAATION AND NUISANCE ABATEMENT

The purpose of the wildlife depredation and nuisance abatement program is to provide complaint administration and intervention processes to private landowners, leaseholders and other New Mexicans so they may be relieved of, and precluded from, property damage and annoyances or risks to public safety caused by protected wildlife.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	1,099.2	965.9	826.4	826.4	-14.4
Fund Balance	72.1	73.1	214.0	214.0	192.7
SOURCES TOTAL	1,171.3	1,039.0	1,040.4	1,040.4	0.1
USES					
Personal Services and Employee Benefits	193.0	269.0	280.4	280.4	4.2
Contractual Services	32.9	130.7	125.7	125.7	-3.8
Other	497.6	639.3	634.3	634.3	-0.8
TOTAL USES	723.5	1,039.0	1,040.4	1,040.4	0.1
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	84%	96%	90%	90%	90%
Output	Number of educational publications distributed with a message about minimizing potentially dangerous encounters with wildlife	300,000	400,000	250,000	250,000	300,000
Output	Number of wildlife complaints responded to	751	982	300	300	700

PROGRAM SUPPORT

The purpose of program support is to provide an adequate and flexible system of direction, oversight, accountability and support to all divisions so they may successfully attain planned outcomes for all department programs.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	401.1	215.2	116.2	116.2	-46.0
Other Revenues	8,138.1	7,972.3	7,660.2	7,383.1	-7.4
Fund Balance	0.0	41.9	0.0	0.0	-100.0
SOURCES TOTAL	8,539.2	8,229.4	7,776.4	7,499.3	-8.9
USES					
Personal Services and Employee Benefits	3,394.1	4,374.9	4,181.8	3,908.2	-10.7
Contractual Services	730.8	722.4	573.4	569.9	-21.1
Other	2,829.2	3,132.1	3,021.2	3,021.2	-3.5
TOTAL USES	6,954.1	8,229.4	7,776.4	7,499.3	-8.9
FTE					
Permanent	60.0	60.0	55.0	55.0	-8.3
TOTAL FTE POSITIONS	60.0	60.0	55.0	55.0	-8.3

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of special hunt applications processed without error	99.8%	99.8%	99.8%	99.8%	99.8%
Outcome	Percent of vacancies filled within one hundred twenty days of occurrence	0%	0%	5%	5%	5%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	25	25	20	20	20

STATUTORY AUTHORITY:

The Energy, Minerals and Natural Resources Department (EMNRD) was created by Sections 9-5A-1 through 9-5A-7 NMSA 1978. The statute creates six divisions: Energy Conservation and Management, Forestry, State Parks, Mining and Minerals, Oil Conservation, and Administrative Services.

MISSION:

The mission of the EMNRD is to position New Mexico as a national leader in energy and natural resource areas. This includes developing reliable supplies of energy and energy-efficient technologies with a balanced approach toward conserving renewable and nonrenewable resources; protecting the environment and ensuring responsible reclamation of land and resources affected by mineral extraction; growing and managing healthy, sustainable forests; and improving the state park system that protects New Mexico's natural, cultural, and recreational resources for posterity and contributes to a sustainable economy statewide.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	19,535.1	20,159.7	21,527.2	20,638.1	2.4
Other Transfers	3,386.8	3,983.2	3,790.9	3,740.4	-6.1
Federal Revenues	17,359.7	25,655.8	18,094.6	18,094.6	-29.5
Other Revenues	17,113.0	15,332.9	15,554.3	15,653.3	2.1
Fund Balance	941.6	5,240.5	3,120.0	3,120.0	-40.5
SOURCES TOTAL	58,336.2	70,372.1	62,087.0	61,246.4	-13.0
USES					
Personal Services and Employee Benefits	26,861.5	30,218.5	29,011.9	28,509.9	-5.7
Contractual Services	9,025.2	11,470.9	10,873.3	10,838.7	-5.5
Other	15,857.3	23,577.7	17,510.5	17,206.5	-27.0
Other Financing Uses	3,988.2	5,105.0	4,691.3	4,691.3	-8.1
TOTAL USES	55,732.2	70,372.1	62,087.0	61,246.4	-13.0
FTE					
Permanent	421.0	417.0	393.0	390.0	-6.5
Term	41.0	38.0	36.0	36.0	-5.3
Temporary	48.0	48.0	53.0	53.0	10.4
TOTAL FTE POSITIONS	510.0	503.0	482.0	479.0	-4.8

BUDGET ISSUES:

The agency's overall FY14 request of \$62.2 million represented an \$8.3 million reduction from the FY13 operating budget of \$70.4 million. The FY14 request for federal funds was \$18.1 million, a decrease of 29.5 percent. In FY14, the agency expects a \$7 million decrease in federal funding in the Healthy Forests Program. However, for FY14, the agency requested no additional general fund appropriation to offset the loss of forestry's federal funds. Conversely, the State Parks Program's FY14 general fund request included a \$1 million increase to offset the reduction of fund balance. The request for the State Parks Program also included deleting 25 permanent FTE and adding 5 temporary FTE. The FY14 general fund request for the agency totaled \$21.5 million, a \$1.4 million increase over FY13 levels, mainly to fund the increase in the State Parks Program as well as increases in health insurance and retirement rates in all programs. The request assumed an average vacancy rate of approximately 5 percent.

The committee recommendation totals \$61.2 million, a reduction of \$9.1 million, or 13 percent, from the FY13 operating budget. The appropriation recommendation from the general fund is \$20.6 million, a \$478.4 thousand increase, or 2.4 percent, over the FY13 operating budget. Although the FY14 recommendation applies an average agencywide vacancy rate of 6.8 percent, it increases the personal services and benefits category by \$1.6 million, or 6.1 percent, over the FY12 actual expenditures to allow the agency to fill vacant positions.

The Renewable Energy and Energy Efficiency Program recommendation totals \$1.1 million and supports the agency request for a nearly 38 percent increase in federal funds. The recommendation includes the agency request to transfer 1 FTE to the Program Support Program. Renewable Energy and Energy Efficiency is a small program whose recent mission has been dominated by distribution of American Reinvestment and Recovery Act (ARRA) funds. As the last of the ARRA funds are expended, it might be appropriate to consolidate the remaining 9 FTE to Program Support.

The committee recommendation for the Healthy Forests Program fully funds the agency's FY14 request of \$8 million. The agency anticipates it will fall short of the performance measure targets for initiatives for wildland firefighter training, wildfire protection planning, and restoration projects in the future because of the decrease in federal funding.

The FY14 recommendation for the State Parks Program is \$29 million, with \$10.4 million from the general fund. The recommendation deletes 29 vacant permanent FTE and adds 5 temporary FTE to support parks during peak seasons. The low cost of seasonal staff allows the division to deploy more staff with fewer dollars to collect fees, maintain facilities, and remove waste. Although the recommendation applies a 7 percent vacancy rate to the State Parks Program, the recommendation increases general fund revenue by \$575.5 thousand over the FY13 operating budget. The 5.8 percent increase in general fund appropriations for State Parks would allow the agency to fill vacant critical positions to ensure the safety of visitors to state parks and maximize revenue collection.

The other revenues category recommendation for the State Parks Program totals \$10.4 million and includes \$4.5 million of governmental gross receipts tax, \$1.4 million from park admissions, \$2.6 million from campground rentals, and other park-related incomes. These other revenues, combined with \$1.6 million in fund balance, comprise 42 percent of the state parks total revenue. The program reports, although the FY12 visitor count dropped 500 thousand from previous years, the FY12 per-visitor revenue increased to \$1.05 because of more aggressive fee collection by park staff. Recently, reduced attendance and revenues at state parks nationwide have resulted in service reductions and partial closures, and state park programs across the nation have sought new ways of creating revenue and managing operations. The State Parks Program should look for new ways to generate revenue and simultaneously realign park operations, as other states have proposed, to reduce administrative functions and apply remaining resources to core activities. The agency should expand seasonal park closures, where appropriate, and evaluate closing or transferring properties to other government or nonprofit owners.

The FY14 recommendation for the Mine Reclamation Program is nearly flat with the FY13 operating budget but is \$229.5 thousand higher in the personal services and benefits category than FY12 actual expenditures. The program's historic vacancy rate is 8.2 percent; however, renewed interest in exploration for uranium, gold, copper, rare earth metals, and other hard rock minerals increased the workload at the division. Therefore, the FY14 recommendation does not include vacancy savings so that vacant positions may be filled.

The FY14 recommendation for the Oil and Gas Conservation Program (OCD) increases the personal services and employee benefits category by 13 percent over the FY12 actual expenditures in an effort to enhance customer services related to permitting and inspection efforts. Even with the increase, the recommendation represents a vacancy savings of 9 percent. While authorized positions have declined in recent years, inspections increased 19.7 percent in FY12. High exploration, drilling, and production activity in the Permian Basin demonstrates the need to enhance the level of service. The recommendation supports the FY14 agency request for a \$1.2 million decrease in other revenues from FY12 levels, driven by a decline in projected oil and gas conservation tax revenue. The recommendation supports the agency request to replace the declining revenue with \$1.2 million in fund balance from the oil and gas reclamation fund.

The OCD continues to face challenges in complying with the mandate to plug abandoned wells. In FY12, the OCD spent nearly \$3 million, or 30 percent, of the oil and gas reclamation fund to plug wells and to conduct site assessments, monitoring and maintenance activities. Since spring 2009, the OCD spent more than \$1 million from the oil and gas reclamation fund to develop and implement an early warning system, as well as to assess the brine well site in Carlsbad. In FY13, the EMNRD entered into a \$3.3 million, two-year contract with AMEC Environment and Infrastructure, Inc. to evaluate and upgrade the existing monitoring program in Carlsbad and continue monitoring, conduct research and report on potential technical remediation efforts. In addition to the \$3.3 million allocated for the two-year contract, the agency designated \$4.5 million from the oil and gas reclamation fund for emergency remediation related to the brine well site in Carlsbad.

The recommendation supports the Program Support request to transfer 1 FTE from the Renewable Energy and Energy Efficiency Program and to convert 2 term FTE to permanent FTE but does not support the request to transfer 1 FTE to the Youth Conservation Corps.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

The purpose of the renewable energy and energy efficiency program is to develop and implement clean energy programs to decrease per capita energy consumption, utilize New Mexico's substantial renewable energy resources, minimize local, regional and global air emissions, lessen dependence on foreign oil and reduce in-state water demands associated with fossil-fueled electrical generation.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	786.8	594.3	606.4	598.3	0.7
Federal Revenues	56.0	369.9	510.2	510.2	37.9
SOURCES TOTAL	842.8	964.2	1,116.6	1,108.5	15.0
USES					
Personal Services and Employee Benefits	755.3	733.3	825.6	817.5	11.5
Contractual Services	19.1	130.8	205.7	205.7	57.3
Other	68.4	100.1	85.3	85.3	-14.8
TOTAL USES	842.8	964.2	1,116.6	1,108.5	15.0
FTE					
Permanent	13.0	10.0	9.0	9.0	-10.0
Term	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	15.0	10.0	9.0	9.0	-10.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of inventoried clean energy projects evaluated annually	91	54	50	50	54
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn		N/A	30	30	30
Outcome	Percent of applications for clean energy tax credits reviewed within thirty days of receipt			60%	60%	60%
Outcome	Percent reduction in energy use in public facilities upgraded by clean energy projects			10%	10%	10%

HEALTHY FORESTS

The purpose of the healthy forests program is to promote the health of New Mexico's forest lands by managing wildfires, mitigating urban-interface fire threats and providing stewardship of private and state forest lands and associated watersheds.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	2,865.6	2,938.6	2,992.1	2,992.1	1.8
Federal Revenues	7,256.7	11,476.8	4,526.6	4,526.6	-60.6
Other Revenues	352.1	437.8	403.3	403.3	-7.9
Fund Balance	48.5	107.7	79.4	79.4	-26.3
SOURCES TOTAL	10,522.9	14,960.9	8,001.4	8,001.4	-46.5
USES					
Personal Services and Employee Benefits	4,064.4	4,489.6	4,114.0	4,114.0	-8.4
Contractual Services	1,060.7	1,109.3	364.2	364.2	-67.2
Other	5,374.0	9,326.0	3,495.2	3,495.2	-62.5
Other Financing Uses	8.4	36.0	28.0	28.0	-22.2
TOTAL USES	10,507.5	14,960.9	8,001.4	8,001.4	-46.5
FTE					
Permanent	58.0	58.0	58.0	58.0	0.0
Term	11.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	69.0	68.0	68.0	68.0	0.0

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	839	1,474	600	600	600
* Output	Number of acres treated in New Mexico's forest and watersheds	19,788	11,971	8,000	8,000	8,000
Output	Percent of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training			60	60	60

STATE PARKS

The purpose of the state parks program is to create the best recreational opportunities possible in state parks by preserving cultural and natural resources, continuously improving facilities and providing quality, fun activities and to do it all efficiently.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,246.2	9,854.6	11,035.8	10,430.1	5.8
Other Transfers	2,777.3	2,773.2	2,750.0	2,750.0	-0.8
Federal Revenues	2,029.5	4,410.8	3,791.2	3,791.2	-14.0
Other Revenues	10,760.3	9,907.9	10,299.8	10,398.8	5.0
Fund Balance	700.1	4,121.8	1,622.4	1,622.4	-60.6
SOURCES TOTAL	25,513.4	31,068.3	29,499.2	28,992.5	-6.7
USES					
Personal Services and Employee Benefits	12,139.8	13,769.9	12,614.1	12,446.0	-9.6
Contractual Services	1,072.3	1,314.2	1,280.1	1,245.5	-5.2
Other	9,265.9	12,571.5	12,575.0	12,271.0	-2.4
Other Financing Uses	2,767.8	3,412.7	3,030.0	3,030.0	-11.2
TOTAL USES	25,245.8	31,068.3	29,499.2	28,992.5	-6.7
FTE					
Permanent	233.0	231.0	206.0	202.0	-12.6
Term	6.0	6.0	6.0	6.0	0.0
Temporary	48.0	48.0	53.0	53.0	10.4
TOTAL FTE POSITIONS	287.0	285.0	265.0	261.0	-8.4

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Number of visitors to state parks	4,571,200	4,101,098	4,000,000	4,000,000	4,100,000
* Explanatory	Self-generated revenue per visitor, in dollars	\$1.00	\$1.05	\$0.87	\$0.87	\$1.05
Output	Number of interpretive programs available to park visitors	3,959	3,962	2,800	2,800	4,000
Output	Miles added to state parks trails and the Rio Grande trail	0	31.1	10	10	10
Output	Number of persons who complete a certified New Mexico boating safety education course	900	625	1,000	800	800

MINE RECLAMATION

The purpose of the mine reclamation program is to implement the state laws that regulate the operation and reclamation of hard rock and coal mining facilities and to reclaim abandoned mine sites.

BUDGET SUMMARY
(dollars in thousands)

			FY14 - 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	480.2	485.9	383.3	383.3	-21.1
Federal Revenues	5,803.2	6,731.5	6,831.4	6,831.4	1.5
Other Revenues	750.3	715.2	752.5	752.5	5.2
Fund Balance	0.0	205.1	125.6	125.6	-38.8
SOURCES TOTAL	7,033.7	8,137.7	8,092.8	8,092.8	-0.6
USES					
Personal Services and Employee Benefits	2,552.8	2,916.6	2,782.3	2,782.3	-4.6
Contractual Services	4,172.1	4,764.2	4,854.8	4,854.8	1.9
Other	241.7	456.9	339.5	339.5	-25.7
Other Financing Uses	48.2	0.0	116.2	116.2	
TOTAL USES	7,014.8	8,137.7	8,092.8	8,092.8	-0.6
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
Term	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	32.0	32.0	32.0	32.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	100%	100%	100%	100%
Outcome	Percent of required inspections conducted on active mining operations per year to ensure mining is being conducted in compliance with approved permits and regulations	100%	100%	100%	100%	100%

OIL AND GAS CONSERVATION

The purpose of the oil and gas conservation program is to assure the conservation and responsible development of oil and gas resources through professional, dynamic regulation.

BUDGET SUMMARY
(dollars in thousands)

			FY14 - 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,549.2	3,587.3	3,649.8	3,589.4	0.1
Other Transfers	19.0	10.0	10.0	10.0	0.0
Federal Revenues	335.1	392.5	323.2	323.2	-17.7
Other Revenues	5,250.3	4,272.0	4,098.7	4,098.7	-4.1
Fund Balance	193.0	805.9	1,292.6	1,292.6	60.4
SOURCES TOTAL	9,346.6	9,067.7	9,374.3	9,313.9	2.7
USES					
Personal Services and Employee Benefits	3,739.9	3,960.3	4,285.5	4,225.1	6.7
Contractual Services	2,576.8	4,027.0	4,037.0	4,037.0	0.2
Other	600.1	799.5	706.3	706.3	-11.7
Other Financing Uses	127.7	280.9	345.5	345.5	23.0
TOTAL USES	7,044.5	9,067.7	9,374.3	9,313.9	2.7
FTE					
Permanent	57.0	56.0	56.0	56.0	0.0
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	62.0	61.0	61.0	61.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	29,394	35,147	23,500	23,500	30,000
* Output	Percent of renewal of uncontested discharge permits within thirty days of expiration		N/A	75%	75%	75%

PROGRAM LEADERSHIP AND SUPPORT

The purpose of program leadership and support is to provide leadership, set policy and provide support for every division in achieving their goals.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,607.1	2,699.0	2,859.8	2,644.9	-2.0
Other Transfers	590.5	1,200.0	1,030.9	980.4	-18.3
Federal Revenues	1,879.2	2,274.3	2,112.0	2,112.0	-7.1
SOURCES TOTAL	5,076.8	6,173.3	6,002.7	5,737.3	-7.1
USES					
Personal Services and Employee Benefits	3,609.3	4,348.8	4,390.4	4,125.0	-5.1
Contractual Services	124.2	125.4	131.5	131.5	4.9
Other	307.2	323.7	309.2	309.2	-4.5
Other Financing Uses	1,036.1	1,375.4	1,171.6	1,171.6	-14.8
TOTAL USES	5,076.8	6,173.3	6,002.7	5,737.3	-7.1
FTE					
Permanent	43.0	45.0	47.0	48.0	6.7
Term	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	45.0	47.0	47.0	48.0	2.1

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of waste isolation pilot plant related emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	51	76	45	45	50
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

Sections 9-5B-1 through 9-5B-11 NMSA 1978 establish the New Mexico Youth Conservation Corps Act. The purpose of the act is to provide employment for youth in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. The corps is administratively attached to the New Mexico Energy, Minerals and Natural Resources Department (EMNRD).

MISSION:

The Youth Conservation Corps' mission is to promote the education, success, and well-being of the youth of New Mexico through the conservation and enhancement of the state's natural resources and lasting community benefits.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	3,494.5	3,300.0	3,404.0	3,404.0	3.2
Fund Balance	44.1	948.4	995.1	900.4	-5.1
SOURCES TOTAL	3,538.6	4,248.4	4,399.1	4,304.4	1.3
USES					
Personal Services and Employee Benefits	151.9	154.8	261.7	158.7	2.5
Contractual Services	3,156.4	3,800.1	3,846.9	3,846.9	1.2
Other	80.3	43.5	55.5	48.8	12.2
Other Financing Uses	150.0	250.0	235.0	250.0	0.0
TOTAL USES	3,538.6	4,248.4	4,399.1	4,304.4	1.3
FTE					
Permanent	2.0	2.0	3.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	3.0	2.0	0.0

BUDGET ISSUES:

The Youth Conservation Corps (YCC) is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. For FY14, the agency requested a budget of \$4.4 million, a \$150.7 thousand increase from the FY13 operating budget level. The request included \$3.8 million in the contractual services category for contracts with local governments, nonprofit organizations, and Native American tribes and pueblos.

The committee recommends a budget of \$4.3 million, a \$56 thousand increase, or 1.3 percent, over the FY13 operating budget. To support this level of expenditure, the recommendation includes \$3.4 million of governmental gross receipts tax revenues from the other revenues category and \$900.4 thousand of fund balance to fund increases in health insurance costs, and the General Services Department and the Department of Information Technology rates, as well as to restore the 1.5 percent retirement swap. The committee recommends restoring the other financing uses category to FY13 operating budget levels of \$250 thousand, of which \$150 thousand is for a transfer to the Energy, Minerals and Natural Resources Department for fiscal, administrative, legal and office space costs, and \$100 thousand is to fund YCC projects in other state agencies. Budgeting this level of fund balance would leave \$107.6 thousand available for FY15. The agency expended \$44.1 thousand of fund balance in FY12, reporting the projects awarded in that year were funded mainly with governmental gross receipts tax revenues from the other revenues category. The agency indicates it budgets the balance of the YCC fund annually, and actual expenditures fall short of the budgeted amount because the awards are generally not fully expended. In such a scenario, some fund balance will remain for expenditure in subsequent fiscal years. The Youth Conservation Corps should demonstrate greater accountability in managing these award contracts to increase project effectiveness and oversight.

In FY12, the YCC awarded funds for 40 projects employing a total of 724 youth. Funding was equally distributed between urban and rural counties in FY12. Examples of projects funded in FY12 include trail development and restoration in Dona Ana and Taos counties, watershed erosion control in San Juan County, and bosque ecosystem and protection projects in Sandoval County.

BASE EXPANSION:

The agency requested a \$104 thousand and 1 FTE expansion, for a financial manager position. The committee does not support the expansion request because the agency currently has a joint powers agreement with the EMNRD to provide fiscal support. The committee recommends the YCC continue to use a shared services approach to eliminate duplicate administrative services throughout state government, a method increasingly used by the Department of Finance and Administration and the State Personnel Office, to provide more efficient government services.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	<u>Fiscal officer - 1 FTE</u>	(P688)	104.0	0.0
TOTAL			104.0	0.0

YOUTH CONSERVATION CORPS

The purpose of the youth conservation program is to provide funding for the employment of New Mexicans between the ages of fourteen and twenty-five to work on projects that will improve New Mexico's natural, cultural, historical and agricultural resources.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of youth employed annually	671	724	925	800	925
Outcome	Percent of grant awards used for wages for corps members	78%	79%	75%	70%	78%
Outcome	Percent of projects completed within one year	94%	95%	95%	95%	95%

STATUTORY AUTHORITY:

The Intertribal Ceremonial Office was created pursuant to the Intertribal Ceremonial Act, Sections 9-15C-1 to 9-15C-5 NMSA 1978, and is administratively attached to the Tourism Department.

BUDGET SUMMARY (dollars in thousands)					
	FY14 – 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	30.0	105.0	105.0	105.0	0.0
SOURCES TOTAL	30.0	105.0	105.0	105.0	0.0
USES					
Contractual Services	30.0	105.0	105.0	105.0	0.0
TOTAL USES	30.0	105.0	105.0	105.0	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

Four entities administer, promote, and produce the intertribal ceremonial event. The entities are the Intertribal Ceremonial Office (ICO), a state agency; the Gallup Intertribal Ceremonial Association (GICA), a nonprofit organization; the Intertribal Ceremonial Board, part of the nonprofit; and the New Mexico Tourism Department, the state agency that provides administrative oversight.

The 2010 Government Restructuring Task Force endorsed legislation to repeal the Intertribal Ceremonial Act and transfer the assets and function of the ICO to the Tourism Department or a consolidated Commerce Department. In addition, the governor vetoed 93.8 percent of the FY10 operating budget and all of its FTE without an explicit explanation. The ICO has remained at 0 FTE, but general fund appropriations increased from \$30 thousand in FY12 to \$105 thousand for FY13. The agency requested an FY14 budget flat with FY13.

The LFC recommendation supports the agency request for flat funding as the community works to build local funding sources for the event.

Considering the efforts to abolish the ICO, the various organizations and local government have been able to successfully carry out the Intertribal Ceremonial event with little state oversight. As evidenced by the performance results, the community has been able to increase the dollar value of sponsorships for the event to more than \$169 thousand, and keep the percent of operating revenues from sources other than the general fund at a relatively high 83 percent. Additionally, the number of event tickets sold surpassed the FY12 target by 905.

The FY13 appropriation of \$105 thousand was spent for the August 2012 ceremonial in the following categories: \$5 thousand for the state audit, \$30 thousand for dance and arena performers, \$17.5 thousand for security, \$35.5 thousand for artist awards, \$2 thousand for tent rentals, and \$15 thousand for the ceremonial magazine.

In 2009, an employee embezzled funds now being repaid. Concerns regarding accountability of funds transferred from the ceremonial office to the operating entity continue.

INTERTRIBAL CEREMONIAL OFFICE

The purpose of the intertribal ceremonial office is to aid in the planning, coordination and development of a successful intertribal ceremonial event in coordination with the Native American population.

PERFORMANCE MEASURES						
		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	9,630	7,905	7,000	7,000	7,500
Outcome	Percent of operating revenue from sources other than the general fund	93.6%	82.62%	94%	94%	94%
Output	Number of sponsorships	114	108	115	115	115
Output	Dollar value of sponsorships	\$151,439	\$169,139	\$145,000	\$145,000	\$150,000

STATUTORY AUTHORITY:

The Commissioner of Public Lands is an elective office created in the New Mexico Constitution (Article V, Section 1). Responsibilities of the office are provided in Sections 19-1-1 through 19-1-24 NMSA 1978 and consist of the management, care, custody, and control of state trust lands allocated to specific beneficiaries by the federal Ferguson Act. State trust lands include 8.9 million land surface acres and 13.4 million subsurface, or mineral, acres administered by the commissioner through the State Land Office (SLO). Each acre is designated to a specific beneficiary, with educational institutions the beneficiary of 90 percent of the acreage. The agency is divided into three primary divisions: Surface Resources Management; Oil, Gas, and Mineral Resources; and Administrative Services.

MISSION:

Activities of the SLO include leasing state trust lands for mineral, oil, and gas development and agricultural uses; processing and collecting rentals and royalties from the lease of trust lands, including related audit and collection efforts; identifying trust lands with commercial and residential potential and planning or overseeing planning of those lands; leasing and exchanging land for commercial, industrial, and recreation uses; and issuing rights of way to various interests.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	13,618.9	13,222.6	14,655.1	13,959.8	5.6
SOURCES TOTAL	13,618.9	13,222.6	14,655.1	13,959.8	5.6
USES					
Personal Services and Employee Benefits	9,682.5	10,256.4	11,111.3	10,468.1	2.1
Contractual Services	1,052.3	519.8	1,054.4	1,024.4	97.1
Other	1,938.3	1,952.7	1,983.6	1,961.5	0.5
Other Financing Uses	498.9	493.7	505.8	505.8	2.5
TOTAL USES	13,172.0	13,222.6	14,655.1	13,959.8	5.6
FTE					
Permanent	151.0	153.0	155.0	153.0	0.0
TOTAL FTE POSITIONS	151.0	153.0	155.0	153.0	0.0

BUDGET ISSUES:

The State Land Office (SLO) FY14 request of \$14.7 million, an increase of \$1.4 million, or 10.8 percent, over the FY13 operating budget, was solely from other program revenue from the land office maintenance fund. Surplus balances of the maintenance fund are distributed to the 21 beneficiaries, with the public school beneficiary distribution going into the general fund. These allotments are an important revenue source for the receiving entities. Because the SLO operating revenue comes from the maintenance fund, the higher the SLO appropriation, the lower the balance that can be distributed to the beneficiaries, including the general fund. For FY14, the agency expansion requests, totaling \$631.4 thousand, included additional funding for salary parity, 2 expansion FTE -- an oil and gas management analyst and a commercial resources planner -- and funding for the one-health initiative. The request included a vacancy rate of 3.9 percent.

The committee recommendation of \$14 million, \$737 thousand, or 5.6 percent, over the FY13 operating budget, includes increases for health insurance and retirement costs, restoration activities, and information technology projects. In 2011 more than 3,000 acres of forest on state trust land burned and approximately 140 thousand acres of state trust land in grasslands were impacted by fires, increasing the need for restoration funding. The recommendation reflects a vacancy rate of 7 percent. The current vacancy rate is 9.2 percent.

Royalty income received by the SLO from nonrenewable resources, such as potash, coal, sand and gravel, and oil and gas royalties, as well as land sale proceeds, accrue to the land grant permanent fund. For FY14, the SLO estimates \$495.7 million will be transferred to the permanent fund. Revenues from renewable resources, such as commercial leasing, agricultural leases, rights-of-way, and interest on earnings and bonuses, are deposited into the maintenance fund for SLO's operating and special projects expenses. Revenue earned over and above operating costs is distributed monthly to trust beneficiaries. In FY12, the agency distributed \$105 million from the maintenance fund to beneficiaries. After SLO operating expenses are deducted, the total available for direct allocation to the beneficiaries is approximately \$82.5 million.

The SLO exceeded its FY12 performance target for "bonus income per leased acre from oil and gas activities" because of increased oil and gas industry interest in the Permian Basin tracts as well as increased interest in acreage leased in the potash mining area.

BASE EXPANSION:

The committee recommends \$122.6 thousand and 2 expansion FTE, an oil and gas management analyst and a commercial resources planner. The increase in oil and gas activity has led to a three-month backlog for oil and gas lease assignments and the analyst position will help reduce the wait time to 48 hours. The planner position will enable the agency to more than double the review of planning and development leases and renewable energy leases to generate more revenue for the land maintenance fund. Concurrently, the committee recommends deleting 2 unfunded FTE in the base budget, for no change in the total authorized FTE for the agency.

The committee recommends \$165 thousand in contractual services for the one-health expansion request, a land management strategy aimed at identifying underutilized land to improve productivity and profitability and planning conservation of over-utilized land. For example, the SLO manages 9 million acres for grazing food animals, and current drought conditions reduced the ability of producers to graze livestock on trust lands. This expansion request supports implementing land management measures to protect range health to allow for maximal production. The recommendation includes \$140 thousand for applied land management (invasive species management, fuel load reduction, watershed stabilization) and \$25 thousand for data acquisition, including land attribute and resource inventory data across state lands. The committee does not recommend funding the design of the automated decision-support system portion of the expansion request because this is a one-time cost, not a recurring expenditure. The committee recommends this item be considered as a special appropriation.

The total recommendation for the SLO is approximately 2.4 percent of total revenue, below the average rate of 2.6 percent since FY08.

RECOMMENDED LANGUAGE:

The commissioner of public lands is authorized to hold in suspense amounts received pursuant to agreements entered into for the sale of state royalty interests that, as a result of the sale, became eligible for tax credits under Section 29 of the Internal Revenue Code, above those amounts required by law to be transferred to the land grant permanent fund. The commissioner may expend as much of the money so held in suspense, as well as additional money held in escrow accounts resulting from the sales and money held in fund balance, as is necessary to re-purchase the royalty interests pursuant to the agreements.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Salary parity	(P615)	313.8	0.0
2	One-Health- land management/data acquisition	(P615)	195.0	165.0
3	Commercial resources planner- 1 FTE	(P615)	61.3	61.3
4	Oil and gas management analyst- 1 FTE	(P615)	61.3	61.3
TOTAL			631.4	287.6

LAND TRUST STEWARDSHIP

The purpose of the land trust stewardship program is to generate sustainable revenue from state trust lands to support public education and other beneficiary institutions and to build partnerships with all New Mexicans to conserve, protect and maintain the highest level of stewardship for these lands so that they may be a significant legacy for generations to come.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Bonus income per leased acre from oil and gas activities, in dollars	\$329.50	\$1,047.00	\$297.00	\$700.00	\$700.00
Output	Total trust revenue generated, in millions	\$499.2	\$652.3	\$490.0	\$555.6	\$592.2
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$24.5	\$5.9	\$2.0	\$1.0	\$ 5.0
* Output	Average income per acre from oil, natural gas and mineral activities, in dollars	\$165.99	\$221.55	\$158.00	\$181.67	\$200.00
Output	Percent of total trust revenue generated allocated to beneficiaries	97.4%	98%	97%	97%	98%
Output	Number of acres restored to desired conditions for future sustainability	2,700	2,658.5	2,500	2,500	2,700
Output	Average income per acre from renewable leasing		\$1.74	\$1.80	\$5.11	\$5.11
Output	Number of unauthorized uses on agricultural leases brought into compliance		14	30	25	25
Output	Percent of active lease and attachment documents imaged	66%	71%	86%	90%	90%

STATUTORY AUTHORITY:

The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are companion agencies. Pursuant to Section 72-2-1 through 72-2-18 NMSA 1978, the state engineer, appointed by the governor and confirmed by the Senate, is responsible for supervision of New Mexico's water resources, including the measurement, appropriation, and distribution of the resources.

The ISC consists of nine members, eight are appointed by the governor. The ninth member is the state engineer, who serves as the commission secretary. Pursuant to Section 72-14-1 through 72-14-44 NMSA 1978, the ISC negotiates compacts with other states, settles interstate water controversies, and is responsible for fostering equitable distribution and division of water in interstate stream systems. New Mexico is currently party to eight interstate stream compacts. The ISC also operates and maintains the Ute Dam. The ISC has an administrative director who also serves as the deputy state engineer.

Agency functions include water rights application and disposition; administrative hearings; water rights adjudication; computer database abstraction, imaging, and population; water delivery via interstate compacts; water metering; water conservation; dam inspection; acequia and community ditch improvement; and collaboration with federal agencies and New Mexico water users to meet the requirements of the Endangered Species Act.

MISSION:

The mission of the OSE is to actively protect and manage the water resources of New Mexico for beneficial uses by its people and in accordance with law.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	14,598.5	14,776.9	18,571.4	15,071.4	2.0
Other Transfers	16,686.5	20,990.9	17,808.1	18,915.7	-9.9
Federal Revenues	477.5	347.1	0.0	0.0	-100.0
Other Revenues	9,865.7	11,412.6	11,438.1	11,438.1	0.2
Fund Balance	3,719.7	7,394.6	3,836.5	4,944.0	-33.1
SOURCES TOTAL	45,347.9	54,922.1	51,654.1	50,369.2	-8.3
USES					
Personal Services and Employee Benefits	19,875.6	22,597.2	22,899.0	22,597.9	0.0
Contractual Services	6,013.9	7,835.5	7,720.4	7,496.4	-4.3
Other	4,848.6	6,369.7	6,473.1	4,605.8	-27.7
Other Financing Uses	10,794.7	18,119.7	14,561.6	15,669.1	-13.5
TOTAL USES	41,532.8	54,922.1	51,654.1	50,369.2	-8.3
FTE					
Permanent	340.5	322.0	322.0	322.0	0.0
Term	4.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	344.5	327.0	327.0	327.0	0.0

BUDGET ISSUES:

For FY14, the Office of the State Engineer (OSE) request of \$51.7 million represented a \$3.3 million decrease from the FY13 operating budget of \$54.9 million. The request included \$18.6 million from the general fund, an increase of \$3.8 million, or 25.7 percent, from FY13. The agency requested a \$3.6 million decrease, or 21.8 percent, of revenue from the irrigation works construction fund because of declining fund balances. The FY14 OSE request constitutes a substitution of general fund revenue for fund balance. The request included an average vacancy rate of 7.8 percent.

The FY14 committee recommendation of \$50.4 million is a \$4.6 million decrease from the FY13 operating budget of \$54.9 million. While the recommendation represents an 8.3 percent reduction from the FY13 operating budget, it is 21.3 percent above actual FY12 expenditures of \$41.5 million. Specifically, the FY14 recommendation is \$2.7 million higher, or 13.7 percent, than FY12 actual expenditures in personal services and employee benefits to enable the agency to fill vacant positions to overcome backlogs, particularly in the Water Resource Allocation Program (WRAP) and the Litigation and Adjudication Program (LAP). The recommendation includes an average vacancy rate of 8.9 percent, much lower than the average historical vacancy rate of 18.4 percent. The recommendation does not include the agency request to substitute general fund revenue for fund balance. The recommendation includes \$15 million in general fund, a \$294.5 thousand increase, or 2 percent, over FY13 levels for health insurance rates and employer retirement contribution rates. In FY12, the agency reverted \$367.8 thousand, or 2.5 percent, of the FY12 actual expenditures.

As outlined in a September 2012 LFC evaluation on space utilization, the Toney Anaya building was originally designed and constructed for the OSE but instead is occupied by other state agencies. While the building was intended to bring the OSE into one building, the OSE continues to occupy four separate buildings in Santa Fe, including the leased Manhattan Street office building that costs approximately \$402 thousand annually. For FY14, to better align the OSE's uses and needs, the committee recommendation does not include the \$402 thousand for building lease costs in the other cost category. The committee recommends the agency consolidate office space.

The recommendation for the WRAP includes a \$1.4 million increase, or 15.1 percent, from the FY12 actual expenditure level in the personal services and employee benefits category that will enable the program to fill vacancies to improve the program's ability to adequately serve water users and address aging and deteriorating dam infrastructure in New Mexico. In FY12 the number of dams inspected fell to 64, a 42 percent decrease from FY11 levels. The ongoing drought and high oil and gas production activity in the Permian Basin of southeastern New Mexico continue to contribute to a high workload for the program, which has resulted in a backlog in water rights applications of 991 at the end of FY12.

In November 2012, the New Mexico Supreme Court filed an opinion upholding that the Legislature delegated lawful authority to the State Engineer to promulgate active water resource management (AWRM) rules for priority administration during water supply shortages, an initiative undertaken in 2004. The AWRM rules as written in 2004 are now in effect in seven priority basins and managed by the WRAP.

The FY14 recommendation for the Interstate Stream Compact Compliance and Water Development Program (ISC) of \$11.6 million is a \$1.7 million decrease from the FY13 operating budget of \$13.3 million. The recommendation for the ISC includes \$1 million in the other costs category to fund the ISC "80/20" cost-share program, a decrease of \$900 thousand from the FY13 operating budget, to adjust for declining agency fund balances and the lack of matching federal funds for the U.S. Army Corps of Engineers cost-share programs. While the recommendation represents a 12.9 percent reduction from the FY13 operating budget, it is 20.7 percent above actual FY12 expenditures of \$9.6 million to fill vacant positions and for increased contract costs related to the Endangered Species Act, data collection and management of stream flow gauges, and augmentation well pumping for the Pecos River compact settlement.

The ISC has been successful in maintaining a positive credit in its delivery requirements to Texas in both the Rio Grande and Pecos River compacts. The ongoing drought will strain the already limited water supply, and the ISC projects this might result in a reduction of the delivery credit. The ISC projects it will continue to pump groundwater from augmentation fields at full capacity to meet delivery requirements of the Pecos River settlement.

The recommendation for the ISC includes \$265.7 thousand in funding for 2 FTE to work on assessments of the projects in the Gila Basin to be funded by the 2004 Arizona Water Settlements Act (AWSA). The AWSA granted New Mexico 14 thousand additional acre feet of Gila River water and up to \$128 million in federal funding. The ISC expects to have a final decision on projects to be funded by the AWSA by November 2014.

Without full adjudication of the state's water rights, the state lacks a legal basis for enforcing water rights during times of drought, highlighting the importance of the AWRM initiative. Litigation to establish the relative priority rights of water users has lasted decades, and adjudications are still decades away from completion. The current vacancy rate in the Litigation and Adjudication Program (LAP) is the highest of all OSE programs at 25 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The recommendation includes an increase of \$479.5 thousand, or 11.5 percent, from the FY12 actual expenditure level in the personal services and benefits category. The LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contracts to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use. The recommendation for contractual services for the LAP is \$1.3 million, flat with FY12 actual expenditures.

Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund, the improvement of the Rio Grande income fund, the emergency drought water agreement fund, and the New Mexico Finance Authority water project fund. The irrigation works construction fund and the improvement of the Rio Grande income fund receive an annual revenue distribution from the land grant permanent fund, State Land Office, and other minor sources. Revenue to the irrigation works construction fund is projected to be \$7.7 million for FY14 with a projected year-end fund balance of \$9.3 million. Revenue to the improvement of the Rio Grande income fund is estimated at \$1.7 million, with an estimated ending fiscal year balance of \$6.3 million. The FY14 recommendation distributes \$15.7 million in revenues and balances from these two funds among all four programs. The agency receives 10 percent of the water project fund's annual distribution. The recommendation for the LAP includes \$2.4 million from the water project fund.

The agency's FY14 capital projects request totaled \$25.9 million. Top ranked projects include surface-water and groundwater measurement statewide (\$1 million), dam rehabilitation (\$6.9 million), and Indian water rights settlements (\$15 million).

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program:

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of Rio Grande income fund and two million four hundred and seventy-eight thousand nine hundred dollars (\$2,478,900) from the New Mexico irrigation works construction fund.

For the Interstate Stream Commission:

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million six hundred seventy-nine thousand one hundred dollars (\$1,679,100) from the improvement of Rio Grande income fund and seven million seventy-three thousand two hundred dollars (\$7,073,200) from the irrigation works construction fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with state engineer use of the revenue is appropriated to the interstate stream commission for the conservation and recovery of the listed species in the middle Rio Grande basin, including optimizing middle Rio Grande conservancy district operations.

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer includes one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations. Any unexpended balances remaining at the end of fiscal year 2014 from this appropriation shall revert to the game protection fund.

The internal service funds/interagency transfer appropriation to the interstate stream compact compliance and water development program of the state engineer in the other category includes eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balances remaining at the end of fiscal year 2014 from this appropriation shall revert to the game protection fund.

The appropriations to the interstate stream compact compliance and water development program of the state engineer include: one million dollars (\$1,000,000) for the construction, improvement, repair and protection from floods of dams, reservoirs, ditches, flumes and appurtenances of community ditches in the state through the interstate stream commission 80/20 program provided that not more than one hundred twenty thousand dollars (\$120,000) of this appropriation shall be used for any one community ditch and that the state funds up to three hundred thousand dollars (\$300,000) for engineering services for approved acequia projects.

The interstate stream commission's authority to make loans for irrigation improvements includes five hundred thousand dollars (\$500,000) for loans to acequia, irrigation and conservancy districts. The interstate stream commission's authority also includes five hundred thousand dollars (\$500,000) for loans to irrigation districts, conservancy districts and soil and water conservation districts for re-loan to farmers for implementation of water conservation improvements.

The interstate stream commission's authority to make loans from the irrigation works construction fund includes two million dollars (\$2,000,000) for irrigation districts, acequias, conservancy districts and soil and water conservation districts for purchase and installation of meters and measuring equipment. The maximum loan term is five years.

For the Litigation and Adjudication Program:

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include three million two hundred sixty-five thousand seven hundred dollars (\$3,265,700) from the New Mexico irrigation works construction fund and two million four hundred twenty-five thousand dollars (\$2,425,000) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For the Program Support Program:

The internal service funds/interagency transfers appropriations to the program support program of the state engineer include one million twenty-four thousand six hundred dollars (\$1,024,600) from the New Mexico irrigation works construction fund.

IRRIGATION WORKS CONSTRUCTION FUNDBUDGET SUMMARY
(dollars in thousands)

	FY14 - 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	7,691.4	8,898.4	8,898.4	8,898.4	0.0
Fund Balance	3,719.7	7,394.6	3,836.5	4,944.0	-33.1
SOURCES TOTAL	11,411.1	16,293.0	12,734.9	13,842.4	-15.0
USES					
Other Financing Uses	9,443.8	16,293.0	12,734.9	13,842.4	-15.0
TOTAL USES	9,443.8	16,293.0	12,734.9	13,842.4	-15.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

IMPROVEMENT OF THE RIO GRANDE INCOME FUNDBUDGET SUMMARY
(dollars in thousands)

	FY14 - 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	1,604.9	1,826.7	1,826.7	1,826.7	0.0
SOURCES TOTAL	1,604.9	1,826.7	1,826.7	1,826.7	0.0
USES					
Other Financing Uses	1,350.9	1,826.7	1,826.7	1,826.7	0.0
TOTAL USES	1,350.9	1,826.7	1,826.7	1,826.7	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state to any person so they can maintain their quality of life and to provide safety inspections of all nonfederal dams within the state for owners and operators of such dams so they can operate the dam safely.

BUDGET SUMMARY
(dollars in thousands)

	FY14 - 2013-2014				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	9,326.0	9,438.7	10,619.8	9,626.8	2.0
Other Transfers	2,636.6	3,165.4	2,057.8	2,626.5	-17.0
Federal Revenues	144.1	0.0	0.0	0.0	
Other Revenues	435.8	566.6	593.0	593.0	4.7
SOURCES TOTAL	12,542.5	13,170.7	13,270.6	12,846.3	-2.5
USES					
Personal Services and Employee Benefits	9,426.3	10,952.5	11,093.6	10,845.0	-1.0
Contractual Services	630.6	693.5	624.7	624.7	-9.9
Other	1,502.3	1,524.7	1,552.3	1,376.6	-9.7
TOTAL USES	11,559.2	13,170.7	13,270.6	12,846.3	-2.5
FTE					
Permanent	177.0	167.0	167.0	167.0	0.0
TOTAL FTE POSITIONS	177.0	167.0	167.0	167.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	53	46.2	65	65	65
* Explanatory	Number of unprotested and unaggrieved water right applications backlogged	629	991	650	650	650
* Outcome	Number of dams inspected per year and notices delivered to owners notifying of potential problems	111	64	100	100	100
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	98%	98%	100%	100%	100%
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	83%	85%	85%	85%	100%
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	20,974	24,678	23,000	23,000	25,000
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	83%	85%	85%	85%	100%

INTERSTATE STREAM COMPACT COMPLIANCE AND WATER DEVELOPMENT

The purpose of the interstate stream compact compliance and water development program is to provide resolution of federal and interstate water issues and to develop water resources and stream systems for the people of New Mexico so they can have maximum sustained beneficial use of available water resources.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,818.5	1,841.8	1,878.5	1,878.5	2.0
Other Transfers	7,300.9	10,982.0	11,180.3	9,573.9	-12.8
Federal Revenues	333.4	347.1	0.0	0.0	-100.0
Other Revenues	133.6	120.9	120.0	120.0	-0.7
SOURCES TOTAL	9,586.4	13,291.8	13,178.8	11,572.4	-12.9
USES					
Personal Services and Employee Benefits	3,346.5	3,805.2	3,877.0	3,824.5	0.5
Contractual Services	3,878.4	5,506.0	5,364.2	5,364.2	-2.6
Other	2,361.5	3,980.6	3,937.6	2,383.7	-40.1
TOTAL USES	9,586.4	13,291.8	13,178.8	11,572.4	-12.9
FTE					
Permanent	47.0	44.0	44.0	44.0	0.0
Term	4.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	51.0	49.0	49.0	49.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Cumulative state-line delivery credit per the Pecos river compact and amended decree at the end of calendar year, in acre-feet	99,600	100,100	0	0	0
* Outcome	Rio Grande river compact accumulated delivery credit or deficit at end of calendar year, in acre-feet	164,700	<80,000	0	0	0

LITIGATION AND ADJUDICATION

The purpose of the litigation and adjudication program is to obtain a judicial determination and definition of water rights within each stream system and underground basin to effectively perform water rights administration and meet interstate stream obligations.

BUDGET SUMMARY (dollars in thousands)					
		FY14 - 2013-2014			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	498.6	504.9	2,209.4	514.9	2.0
Other Transfers	5,870.3	5,962.5	4,239.6	5,690.7	-4.6
SOURCES TOTAL	6,368.9	6,467.4	6,449.0	6,205.6	-4.0
USES					
Personal Services and Employee Benefits	4,154.9	4,624.4	4,634.4	4,634.4	0.2
Contractual Services	1,335.8	1,466.5	1,454.9	1,335.8	-8.9
Other	442.0	376.5	359.7	235.4	-37.5
TOTAL USES	5,932.7	6,467.4	6,449.0	6,205.6	-4.0
FTE					
Permanent	71.0	68.0	68.0	68.0	0.0
TOTAL FTE POSITIONS	71.0	68.0	68.0	68.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Number of offers to defendants in adjudications	880	640	800	500	700
* Outcome	Percent of all water rights that have judicial determinations	51%	53%	52%	54%	55%

PROGRAM SUPPORT

The purpose of program support is to provide necessary administrative support to the agency programs so they may be successful in reaching their goals and objectives.

BUDGET SUMMARY (dollars in thousands)					
		FY14 - 2013-2014			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,955.4	2,991.5	3,863.7	3,051.2	2.0
Other Transfers	878.7	881.0	330.4	1,024.6	16.3
SOURCES TOTAL	3,834.1	3,872.5	4,194.1	4,075.8	5.2
USES					
Personal Services and Employee Benefits	2,947.9	3,215.1	3,294.0	3,294.0	2.5
Contractual Services	169.1	169.5	276.6	171.7	1.3
Other	542.8	487.9	623.5	610.1	25.0
TOTAL USES	3,659.8	3,872.5	4,194.1	4,075.8	5.2
FTE					
Permanent	45.5	43.0	43.0	43.0	0.0
TOTAL FTE POSITIONS	45.5	43.0	43.0	43.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Percent of department contracts that include performance measures	100%	100%	100%	100%	100%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	15	45	15	15	15

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Sections 28-21-1 through 28-21-4 NMSA 1978. The agency is attached administratively to the Human Services Department.

MISSION:

The agency's mission is to study, identify, and provide solutions to issues relevant to African Americans, ensure recognition of the accomplishments and contributions made by African Americans in New Mexico and the United States, and act as an advocate for African American citizens in New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	695.4	681.0	705.9	701.4	3.0
SOURCES TOTAL	695.4	681.0	705.9	701.4	3.0
USES					
Personal Services and Employee Benefits	299.7	354.3	376.3	374.8	5.8
Contractual Services	148.7	186.1	186.0	186.0	-0.1
Other	149.1	140.6	143.6	140.6	0.0
TOTAL USES	597.5	681.0	705.9	701.4	3.0
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

BUDGET ISSUES:

The Office of African American Affairs (OAAA) is required to cooperate with the Martin Luther King, Jr. Commission to conduct conferences and secure recognition of African Americans' accomplishments. The OAAA and the commission submitted a proposal to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) to merge into a single state agency. The proposal outlined a combined budget based on the FY13 operating budgets for each agency. Cost savings from the merger would be used to enhance programming and cover moving expenses for co-location. Statutory changes are required before the commission can be incorporated into the OAAA.

The OAAA's FY14 budget request of \$705.9 thousand was an increase of \$24.9 thousand compared with the FY13 operating budget. The request included a \$22 thousand increase in the personal services and employee benefits category to cover increases in health insurance and retirement benefits.

The LFC recommendation assumes consolidation of the Office of African American Affairs and the Martin Luther King, Jr. Commission and includes the requested increase for benefits and a technical adjustment of \$1.5 thousand to align with the General Services Department's published workers' compensation premium and unemployment compensation rate. These adjustments result in an overall increase of \$20.4 thousand, or 3 percent, from the FY13 operating budget.

PUBLIC AWARENESS

The purpose of the public awareness program is to provide information and advocacy services to all New Mexicans and to empower African Americans of New Mexico to improve their quality of life.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of educational conferences, town hall meetings, workshops, and forums held to increase awareness pertaining to the New Mexico African American community	10	25	11	15	25
Output	Number of informative meetings, documents and publications to increase awareness of health disparities that adversely affect the New Mexico African American community	5	5	5	5	5
Outcome	Percent of participants who indicate on the program survey that their awareness of services provided by the office of African American affairs has increased	77%	25%	80%	75%	75%
Output	Number of individuals and organizations recognized for their achievements in improving the quality of life for African Americans in the state of New Mexico				50	50
Output	Number of stakeholders receiving information from the agency				77	100

STATUTORY AUTHORITY:

Sections 28-11B-1 through 28-11B-4 and Sections 63-9F-1 through 63-9F-13 NMSA 1978 created the Commission for Deaf and Hard-of-Hearing Persons. The commission consists of seven members, a majority of whom are deaf or hard-of-hearing. Three members are ex officio and four are appointed by the governor without regard for party affiliation.

MISSION:

The commission is responsible for overseeing the New Mexico telecommunications relay network for deaf and hard-of-hearing citizens in government agencies, institutions, and businesses, as well as for hearing individuals affiliated with those who have a hearing loss. The commission operates a single program providing advocacy, outreach, referral and educational services and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	300.0	300.0	300.0	300.0	0.0
Other Transfers	2,878.9	3,527.6	3,527.6	3,252.6	-7.8
Fund Balance	0.0	0.0	0.0	200.0	
SOURCES TOTAL	3,178.9	3,827.6	3,827.6	3,752.6	-2.0
USES					
Personal Services and Employee Benefits	714.1	973.3	1,087.4	1,087.4	11.7
Contractual Services	1,673.1	2,105.4	1,919.4	1,844.4	-12.4
Other	325.7	257.9	329.8	329.8	27.9
Other Financing Uses	466.0	491.0	491.0	491.0	0.0
TOTAL USES	3,178.9	3,827.6	3,827.6	3,752.6	-2.0
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

Revenue for the commission comes from a surcharge of 0.33 percent on telephone services, including most mobile phone services. In FY12, revenue from these charges, deposited in the telecommunications access (TRS) fund, totaled about \$3.2 million. The agency requested \$3.5 million for FY14 in transfers from the TRS fund to support its operations, which is flat with FY13. The TRS fund is nonreverting and had a balance of approximately \$1.8 million at the end of FY12. However, yearly collections rise and fall, and the commission is working with the Taxation and Revenue Department to improve collections of these revenues from landline and wireless carriers. This is an issue of long-term concern.

The FY12 expenditures for the commission were \$3.1 million, 20 percent under the operating budget, primarily due to a high staff vacancy rate and lower expenditures for telecommunication relay services. The commission's budget request for \$3.8 million for FY14 was flat with the FY13 operating budget. Given committee concerns about uncertainty in TRS revenues, the recommendation of \$3.75 million for FY14 reflects projected TRS revenues of \$3.2 million (the FY12 collection amount). This revenue reduction is partially offset by the use of \$200 thousand in agency fund balance. The recommendation reduces contracts by \$75 thousand from FY13, but still provides a \$171 thousand increase over FY12 actual contracts spending.

The commission hired a new executive director at the beginning of FY13. Of note, the commission suspended the award of \$50 thousand in community grants for deaf-related services in FY13 and has not requested funds for this purpose in FY14. The priorities of the new executive director include vocational rehabilitation and employment opportunities for the deaf, technology for the deaf and hard-of-hearing, and development of a robust network of signed language interpreters in New Mexico.

The recommendation includes \$300 thousand from the general fund for deaf and deaf-blind support service provider programs initiated in FY12. The recommendation also includes \$491 thousand for other financing uses to cover a \$466 thousand transfer to the Division of Vocational Rehabilitation to match federal funds for deaf and hard-of-hearing rehabilitation services and \$25 thousand to the Signed Language Interpreting Practices Board to support licensure activities for interpreters.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the other financing uses category includes four hundred sixty-six thousand dollars (\$466,000) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide deaf and hard-of-hearing rehabilitation services.

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the other financing uses category includes twenty-five thousand dollars (\$25,000) to transfer to the signed language interpreting practices board program of the regulation and licensing department.

The general fund appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the contractual services category includes three hundred thousand dollars (\$300,000) for deaf and deaf-blind support service provider programs.

DEAF AND HARD-OF-HEARING

The purpose of the deaf and hard-of-hearing program is to serve as a dynamic resource that will enhance the quality of life for deaf and hard-of-hearing citizens of New Mexico by being the recognized advocate on important issues impacting the deaf and hard-of-hearing community, the proactive provider of innovative programs and services and the statewide umbrella and information clearinghouse for interested individuals, organizations, agencies and institutions.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of workshops and training sessions conducted	34	110	75	75	100
Output	Number of outreach events coordinated	92	102	50	50	100
Output	Average number of relay calls per month	15,568	12,772	10,000	10,000	12,000
Output	Hours provided by the signed language interpreter referral service	25,904	44,287	30,000		
Output	Number of signed language interpreting mentors	17	15	16	16	16
* Output	Number of accessible technology equipment distributions	252	1,609	800	800	800
Output	Staff hours devoted to reducing communication barriers	6,861	19,697	12,000	12,000	12,000
* Output	Number of clients provided assistance to reduce or eliminate communication barriers	747	997	1,000	1,000	1,000
Output	Number of information referral and outreach contacts	7,500	5,543	10,000	25,000	10,000
Output	Number of newly issued New Mexico community signed language interpreter licenses		8	15	15	15

STATUTORY AUTHORITY:

The Martin Luther King, Jr. Commission is authorized under Sections 28-19-1 through 28-19-4 NMSA 1978. The commission consists of 13 board members, with four members appointed by the governor, four appointed by the Senate and House majority and minority leadership, and five designees from the office of the State Treasurer, Secretary of State, Indian Affairs Department, Human Rights Division, and Public Regulation Commission.

The commission, in addition to planning and coordinating a statewide commemorative Martin Luther King, Jr. holiday, spends the remainder of the year teaching King's nonviolent principles and philosophy. The commission hosts an annual youth conference to teach King's philosophy.

The commission also provides a hands-on learning experience by taking competitively selected students to visit places central to the civil rights movement, such as the King Center (birthplace of King), Ebenezer Baptist Church (where King preached), and the National Civil Rights Museum. Also, members of the commission staff travel around the state to visit schools, tribes, and nonprofit service providers to teach King's principles and philosophy.

MISSION:

The mission of the Martin Luther King, Jr. Commission is to promote Martin Luther King Jr.'s principles and philosophy to the people of New Mexico to improve interracial cooperation and reduce youth conflicts in our communities.

BUDGET SUMMARY (dollars in thousands)						
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	172.7	198.8	216.0	200.9	1.1	
SOURCES TOTAL	172.7	198.8	216.0	200.9	1.1	
USES						
Personal Services and Employee Benefits	80.7	109.3	121.6	121.6	11.3	
Contractual Services	15.1	10.9	11.0	11.0	0.9	
Other	76.4	78.6	83.4	68.3	-13.1	
TOTAL USES	172.2	198.8	216.0	200.9	1.1	
FTE						
Permanent	2.0	2.0	2.0	2.0	0.0	
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0	

BUDGET ISSUES:

The Office of African American Affairs and the Martin Luther King, Jr. Commission submitted a proposal to merge into a single state agency. The proposal outlined a combined budget based on the FY13 operating budgets for each agency. The proposed budget identified savings that could be reallocated to enhance programming. Statutory changes are required before the Martin Luther King, Jr. Commission can be incorporated into the Office of African American Affairs.

The commission's FY14 budget request of \$216 thousand was up \$17.2 thousand, or 8.7 percent, over the FY13 operating budget. The request included a \$12.3 thousand increase in personal services and employee benefits category to cover increases in health insurance, retirement contributions, and unemployment compensation.

The FY14 budget recommendation assumes consolidation of the Martin Luther King, Jr. Commission and the Office of African American Affairs, including co-location of the agencies. The committee recommendation of \$200.9 thousand includes reductions in the other category for property insurance and office and equipment rental fees. The recommendation reallocates \$5 thousand of savings for additional Martin Luther King, Jr. commemorative scholarships.

MARTIN LUTHER KING, JR. COMMISSION

The purpose of the Martin Luther King, Jr. commission is to promote Martin Luther King, Jr.'s nonviolent principles and philosophy to the people of New Mexico through remembrance, celebration, and action so that everyone gets involved in making a difference toward the improvement of interracial cooperation and reduction of youth violence in our communities.

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
Outcome	Percent of program objectives achieved	100%	100%	100%	100%	100%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	1	1	1	1	1
Output	Number of statewide holiday commemorative programs supported	11	11	9	9	10
Output	Number of youth anti-violence workshops conducted	9	9	9	9	9

STATUTORY AUTHORITY:

The Commission for the Blind was created by Sections 28-7-15 through 28-7-23 NMSA 1978. The commission consists of three members appointed by the governor for staggered three-year terms. The agency provides a variety of services enabling the blind and visually impaired to become fully participating members of society.

MISSION:

The Commission for the Blind's mission is to enable persons who are blind to achieve vocational, economic, and social equality. This is to be accomplished by providing career preparation, training in the skills of blindness, and, above all, promoting the belief that blindness is not a barrier to successful employment or to living an independent and meaningful life.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,889.4	2,030.3	2,052.9	2,052.9	1.1
Federal Revenues	4,250.2	5,261.5	5,219.6	5,219.6	-0.8
Other Revenues	499.8	408.9	5,072.2	5,072.2	1,140.4
SOURCES TOTAL	6,639.4	7,700.7	12,344.7	12,344.7	60.3
USES					
Personal Services and Employee Benefits	3,994.0	4,732.4	4,513.3	4,513.3	-4.6
Contractual Services	153.7	197.8	186.9	186.9	-5.5
Other	2,267.9	2,770.5	7,644.5	7,644.5	175.9
TOTAL USES	6,415.6	7,700.7	12,344.7	12,344.7	60.3
FTE					
Permanent	91.5	92.5	92.5	87.5	-5.4
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	92.5	92.5	92.5	87.5	-5.4

BUDGET ISSUES:

As measured by Rehabilitation Services Administration, the commission continues to be one of the nation's leading rehabilitation agencies in its ability to place blind persons in well-paying positions, ranking ten for the average starting wage of clients measured against the average state wage, third for the percentage of clients with quality employment outcomes, and first for the percentage of clients who are self-supporting at closure. Also, the commission continues to serve an increasing caseload of elderly people who are blind, as well as a growing number of children suffering from optic nerve deficiencies.

The commission opened its skills center for the blind and visually impaired at its Albuquerque headquarters in March 2012. The center is used to provide a setting to instruct students participating in the commission's Students in Transition to Employment Program. Blind students between the ages of 14 to 21 are taught Braille, computer skills, personal management, and cooking. The center is also used to train seniors in blind skills.

The recommendation supports the agency funding request, a 1.1 percent increase in general fund revenue over the FY13 operating budget to cover increases in pension and group health insurance rates. A \$4.6 million increase in other revenues reflects the addition of a federal Randolph Sheppard Act contract to provide food services at the Federal Law Enforcement Training Center in Artesia and the inclusion of the Business Enterprise Program set-aside account. The set-aside fund exists to facilitate specific business activities of the Business Enterprise Program (BEP) administered by the commission. These funds have historically been administered outside of the state accounting system as a trust and agency account. However, for the FY14 request, the commission included these pass-through funds within its budget request to reflect the inclusion of these funds in the state accounting system starting in FY13.

The committee recommendation for FTE is 87.5 permanent positions, reflecting the elimination of five factory worker positions vacant at least two years and the loss of the Holloman Air Force Base switchboard contract. The commission still retains 10 vacant positions to use for future contracts for services.

RECOMMENDED LANGUAGE:

Any unexpected balances in the commission for the blind remaining at the end of fiscal year 2014 from appropriations made from the general fund shall not revert.

BLIND SERVICES

The purpose of the blind services program is to assist blind or visually impaired citizens of New Mexico to achieve economic and social equality so they can have independence based on their personal interests and abilities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	40	34	40	38	40
* Output	Number of blind or visually impaired clients trained in the skills of blindness to enable them to live independently in their homes and communities	550	557	600	600	600
* Outcome	Average hourly wage for the blind or visually impaired person	\$13.50	\$12.75	\$13.50	\$13.00	\$13.50
Output	Number of employment opportunities provided for blind business entrepreneurs in different vending and food facilities through the business enterprise program	32	33	32	34	34
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	23	11	30	30	20

STATUTORY AUTHORITY:

Section 9-21-1 through 9-21-16 NMSA 1978 created the Indian Affairs Department and the advisory Indian Affairs Commission. The commission consists of 10 members appointed by the governor.

MISSION:

The mission of the Indian Affairs Department (IAD) is to lead and improve the quality of the life for all New Mexico Indian citizens by affecting policy that strengthens tribal-state relations.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,400.1	2,399.9	2,413.6	2,413.6	0.6
Other Transfers	254.2	249.3	254.2	249.3	0.0
SOURCES TOTAL	2,654.3	2,649.2	2,667.8	2,662.9	0.5
USES					
Personal Services and Employee Benefits	709.1	1,063.9	1,125.0	1,125.0	5.7
Contractual Services	312.4	411.9	644.3	639.4	55.2
Other	939.0	1,173.4	898.5	898.5	-23.4
TOTAL USES	1,960.5	2,649.2	2,667.8	2,662.9	0.5
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

The FY14 committee recommendation supports the agency general fund request of \$2.4 million, essentially flat compared with FY13 except for a \$13.7 thousand increase in general fund revenue to cover a 1.5 percent increase in employer retirement contributions in FY14. The department requested \$254.2 thousand in tobacco settlement funds to support anti-tobacco initiatives; the committee recommends \$249.3 thousand, flat with FY13.

The IAD plays a key role in coordinating relations between tribal governments and the state under the auspices of the State Tribal Collaboration Act, which includes a yearly summit for tribal nations and the executive branch. In addition to coordinating tribal relations, the current cabinet secretary is emphasizing tribal economic development. Three of the department's 15 FTE have been dedicated to a new economic development division to build on existing department efforts to leverage infrastructure-related capital outlay funding into the development of viable tribal commercial enterprises. This enhanced focus on economic development was met with some skepticism by legislators during the 2012 interim Indian Affairs Committee hearings; in particular, legislators expressed concern the IAD might be duplicating efforts by the state Economic Development Department.

The department plays a major role in managing capital outlay projects and tribal infrastructure fund (TIF) infrastructure projects. The IAD currently oversees 28 capital outlay projects worth more than \$2.8 million. Fiscal Year 13 was the first full year of the 5 percent allocation of severance tax bond funds to the TIF, and the Tribal Infrastructure Board awarded more than \$13 million to 28 tribal infrastructure projects in tribal nations. The funded 28 projects were split evenly between 14 planning and 14 design and construction projects, many for water infrastructure improvements and master planning.

During FY12, staff from the Department of Environment helped manage capital project oversight. However, the department in October 2012 began recruiting for its own tribal infrastructure planner to build much needed internal capacity to manage capital projects. Also, within the IAD's budget is more than \$1 million in funds for contractual services and grants, primarily for Native American pueblos and nations. Projects and contracts in FY12 ranged widely in scope, from \$235 thousand for Navajo Nation emergency management to \$275 thousand for the Santa Fe Indian School Leadership Academy and \$135 thousand for the Albuquerque Indian Center.

The department is encouraged to include outcome performance measures in its contracts and grants and to maintain strong budget and management oversight of projects. The department is currently advertising for an accountant to help manage these grants and contracts.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the Indian affairs program of the Indian affairs department includes two hundred forty-nine thousand three hundred dollars (\$249,300) from the tobacco settlement program fund for tobacco cessation and prevention programs for Native American communities throughout the state.

INDIAN AFFAIRS

The purpose of the Indian affairs program is to coordinate intergovernmental and interagency programs concerning tribal governments and the state.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of capital outlay or tribal infrastructure project training sessions conducted	5	16	10	15	20
Outcome	Percent of special project appropriation contracts sent out by June 30 to tribal entities that have submitted an acceptable scope of work	80%	75%	80%	75%	80%
Output	Number of cabinet-level agencies that have fully complied with the State-Tribal Collaboration Act	26	25	24	20	25
* Outcome	Percent of capital and tribal infrastructure fund projects over fifty thousand dollars (\$50,000) completed and closed			75%	75%	75%
Output	Percent of tribes, pueblos and Indian nations receiving technical assistance or training for community planning or economic development			New	50%	50%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to the ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, and the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD); the Traumatic Brain Injury Program from the Department of Health (DOH); and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the health-related programs (D&E, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

The ALTSD is now composed of four programs: the Consumer and Elder Rights Program, which administers the Long-Term Care Ombudsman Program and the Aging and Disability Resource Center; the Aging Network Program, which administers the federal Older Americans' Act and encompasses the functions of the former Older Worker and Community Involvement programs; the Adult Protective Services Program, which investigates cases of elder neglect, abuse and exploitation; and Program Support, which provides clerical, record keeping and administrative support to the department in the areas of personnel, budget, procurement and contracting.

MISSION:

The mission of the Aging and Long-Term Services Department is to provide accessible, integrated services to older adults, adults with disabilities, and caregivers to assist them in maintaining their independence, dignity, autonomy, health, safety and economic well-being, thereby empowering them to live on their own terms in their own communities as productively as possible.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	40,663.9	42,702.2	45,950.1	44,326.8	3.8
Other Transfers	2,739.0	2,957.5	2,957.5	2,957.5	0.0
Federal Revenues	11,122.0	10,530.8	10,530.8	10,530.8	0.0
Other Revenues	91.3	129.0	129.0	129.0	0.0
SOURCES TOTAL	54,616.2	56,319.5	59,567.4	57,944.1	2.9
USES					
Personal Services and Employee Benefits	13,966.8	14,515.3	15,277.7	14,946.8	3.0
Contractual Services	4,043.4	3,593.0	4,365.0	3,795.6	5.6
Other	36,746.0	38,211.2	39,924.7	39,201.7	2.6
TOTAL USES	54,756.2	56,319.5	59,567.4	57,944.1	2.9
FTE					
Permanent	240.5	227.5	227.5	227.5	0.0
Term	8.5	7.5	7.5	7.5	0.0
TOTAL FTE POSITIONS	249.0	235.0	235.0	235.0	0.0

BUDGET ISSUES:

The agency's FY14 total base request was \$59.5 million, an increase of \$3.2 million, or 5.8 percent, over the FY13 operating budget. The requested increase of \$3.2 million is from the general fund. The general fund portion of the base budget request is \$45.9 million, a 7.6 percent increase over the FY13 level. The increase is to continue returning the department to funding and service levels that existed before budget reductions started in FY09 and to increase general fund revenue in anticipation of any reductions in federal funds. The funding request for the Aging Network Program would also fund enhanced senior fitness initiatives and additional services provided by the area agencies on aging. The request for the Consumer and Elder Rights Program would allow for improved service at the Aging and Disability Resource Center. The request for the Adult Protective Services Program would increase contract funding for home-care services and support staffing levels to meet minimum protective service levels. The requested number of 235 FTE was flat with the FY13 operating budget given that the agency requested to reduce 14 FTE in the previous fiscal year.

The recommendation is \$57.9 million, an increase of \$1.6 million, or 2.9 percent, over the FY13 operating budget. The recommendation for general fund revenue is \$44.3 million, a 3.8 percent increase over the FY13 level. The recommendation includes funding for the retirement and health insurance premium increases, as well as additional funding for adult daycare services, senior employment job training, in-home care, and congregate and home-delivered meals. The recommendation applies an average 3.6 percent vacancy savings rate and adds \$60.4 thousand to the personal services and employee benefits category for unemployment compensation premiums not included in the agency's request.

The agency needs to reorganize its divisions to match the way it actually operates given that the Aging Network Program has 1.5 authorized FTE, but Program Support personnel provide additional oversight and duties for the Aging Network Program.

The recommendation for the Consumer and Elder Rights Program is \$3.5 million, or a 1.8 percent increase over FY13. The recommendation for general fund revenue is \$1.9 million, an increase of \$61.9 thousand, or 3.2 percent. In FY13, an infusion of general fund revenue was appropriated to the program to replace lost Medicaid and federal funds. The Aging Disability Resource Center is recognized nationally as an innovative single point of entry to assist people navigating the complex long-term services system. The center serves more than 43 thousand people as a contact to report adult abuse, access a home-delivered meal, obtain in-home and community-based care, or volunteer in a local community. The Long-Term Care Ombudsman ensures nursing home residents' rights are protected 24 hours a day, seven days a week, and assists residents who wish to re-integrate into communities. New Mexico continues to exceed the national average of nursing homes and assisted living facilities visited quarterly, and in FY12, the ombudsman resolved more than 3,700 individual complaints. The Medbank program continues to assist seniors and others in obtaining prescription drugs by working with pharmaceutical companies to get free or reduced-price prescription drugs.

The Aging Network recommendation is \$37.1 million, an increase of \$990.5 thousand, or 2.7 percent, over FY13. General fund support for the program is recommended at \$28.1 million, an increase of 3.7 percent. The Aging Network delivers services to more than 94 thousand older adults throughout New Mexico, particularly in rural, Navajo, and tribal areas, and helps seniors maintain economic independence. The program is the safety net for New Mexico's elders and caregivers who promote families remaining together at home and helps older adults remain active, valuable resources of their communities. In FY12, 52.7 thousand New Mexicans received meals in 33 counties and on all tribal lands; caregivers received 139 thousand hours of respite care; 5,500 clients received prescription drug assistance; and 151 seniors were placed in jobs.

The recommendation for the Adult Protective Services (APS) Program is \$13.1 million, an increase of 3.7 percent over the FY13 operating budget. Allocations from the general fund are increased by 4.6 percent to \$10.6 million. The APS program investigates reports of abuse, neglect, or exploitation of adults unable to protect themselves. There were 5,800 APS investigations in FY12. The percentage of investigations requiring an urgent or emergency response within 24 hours or less decreased to 11.7 percent from the highest level on record for the Adult Protective Services Program of 14.7 percent, or 883 cases, in FY11.

The recommendation for Program Support is \$4.3 million, an increase of 2.7 percent over the FY13 operating budget. Allocations from the general fund are increased by 3.2 percent to \$3.7 million. The recommendation applies a 5 percent vacancy savings rate to personal services and employee benefits.

The Aging and Long-Term Services Department's FY10 external audit was more than a year late. Outstanding issues included federal grant reconciliation and converting from the agency's former financial system to the statewide SHARE accounting and personnel system. The agency's FY11 audit was also late, but the agency indicates it is on track to comply with statute and complete its FY12 audit in a timely manner and to ensure proper internal financial controls and procedures are being improved within the department.

RECOMMENDED LANGUAGE:

The general fund appropriation to the aging network program of the aging and long-term services department in the other category to supplement the federal Older Americans Act shall be contracted to the designated area agencies on aging.

Any unexpended balances remaining at the end of fiscal year 2014 in other state funds from conference registration fees shall not revert.

CONSUMER AND ELDER RIGHTS

The purpose of the consumer and elder rights program is to provide current information, assistance, counseling, education and support to older individuals and persons with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,546.5	1,924.3	2,073.1	1,986.2	3.2
Other Transfers	209.4	458.9	458.9	458.9	0.0
Federal Revenues	1,867.2	1,073.4	1,073.4	1,073.4	0.0
SOURCES TOTAL	3,623.1	3,456.6	3,605.4	3,518.5	1.8
USES					
Personal Services and Employee Benefits	2,766.8	2,997.1	3,145.9	3,059.0	2.1
Contractual Services	272.6	77.0	77.0	77.0	0.0
Other	666.8	382.5	382.5	382.5	0.0
TOTAL USES	3,706.2	3,456.6	3,605.4	3,518.5	1.8
FTE					
Permanent	45.5	41.5	41.5	41.5	0.0
Term	7.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	52.5	47.5	47.5	47.5	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of ombudsman complaints resolved	3,398	3,728	3,900	3,000	3,800
* Outcome	Percent of resident-requested transitions from nursing homes to home- and community-based services completed to the satisfaction of the resident within nine months from the request	90%	90%	85%	85%	90%
Outcome	Percent of people accessing the aging and disability resource center in need of two or more daily living services who are satisfied with the information, referral and assistance received			40%	90%	90%
Quality	Percent of calls to the aging and disability resource center that are answered by a live operator			85%	90%	90%
Outcome	Percent of ombudsman complaints resolved within sixty days			New	90%	90%
Quality	State ranking for the number of complaints received per nursing and assisted living facility beds			New	Top quarter	Top quarter
Outcome	Percent of medicare beneficiaries who received benefits counseling for medicare and medicaid programs, including changes in their medicare prescription drug plan			New	14%	14%
Quality	State ranking of New Mexico state health insurance assistance program			New	17	17
Outcome	Percent of uninsured medbank patients who are qualified to receive critical medication services			New	47%	47%
Outcome	Percent of clients appointed as legal guardians of kinship children in their care			New	90%	90%

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and persons with disabilities so they can remain independent and involved in their communities and to provide training, education and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.

BUDGET SUMMARY
(dollars in thousands)

			FY14 - 2013-2014		
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	25,445.3	27,127.0	28,840.5	28,117.5	3.7
Federal Revenues	8,559.6	8,832.6	8,832.6	8,832.6	0.0
Other Revenues	91.3	129.0	129.0	129.0	0.0
SOURCES TOTAL	34,096.2	36,088.6	37,802.1	37,079.1	2.7
USES					
Personal Services and Employee Benefits	114.2	145.3	145.3	145.3	0.0
Contractual Services	149.4	102.8	102.8	102.8	0.0
Other	33,870.6	35,840.5	37,554.0	36,831.0	2.8
TOTAL USES	34,134.2	36,088.6	37,802.1	37,079.1	2.7
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
Term	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	1.5	1.5	1.5	1.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of individuals exiting from the federal older worker program who obtain unsubsidized employment	31.4%	31.4%	25%	25%	32%
Outcome	Community service hours provided by the state older worker program as a percent of work hours budgeted	80.6%	81.6%	80%	80%	82%
Output	Number of one-way trips provided to community services for eligible consumers	772,985	646,430	750,000	750,000	750,000
Output	Number of hours of respite care provided	118,362	139,225	115,000	115,000	120,000
* Output	Number of persons receiving aging network community services	93,197	94,289	95,000	95,000	95,000
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network			55%	60%	60%
Output	Number of hours of service provided by senior volunteers, statewide			2,700,000	3,500,000	3,500,000
Outcome	Percent of older adults served by the 50+ older worker connection who obtain unsubsidized employment			20%	20%	20%

ADULT PROTECTIVE SERVICES

The purpose of the adult protective services program is to investigate allegations of abuse, neglect and exploitation of seniors and adults with disabilities and provide in-home support services to adults at high risk of repeat neglect.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,036.0	10,106.7	11,231.3	10,567.2	4.6
Other Transfers	2,529.6	2,498.6	2,498.6	2,498.6	0.0
SOURCES TOTAL	12,565.6	12,605.3	13,729.9	13,065.8	3.7
USES					
Personal Services and Employee Benefits	7,361.6	7,698.0	8,050.6	7,955.9	3.4
Contractual Services	3,475.7	3,284.5	4,056.5	3,487.1	6.2
Other	1,837.6	1,622.8	1,622.8	1,622.8	0.0
TOTAL USES	12,674.9	12,605.3	13,729.9	13,065.8	3.7
FTE					
Permanent	139.0	132.0	132.0	132.0	0.0
TOTAL FTE POSITIONS	139.0	132.0	132.0	132.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of adults receiving adult protective services investigations of abuse, neglect or exploitation	6,004	5,824	6,050	6,000	6,000
* Output	Number of adults who receive in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,189	1,120	1,100	1,100	1,120
* Outcome	Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes			95%	95%	95%
Quality	Percent of contracted home care and daycare service providers receiving no deficiencies during annual on-site audit by adult protective services			90%	90%	90%
Output	Number of senior center contacts conducted to provide outreach on identifying and reporting adult abuse, neglect or exploitation			New	25%	25%

PROGRAM SUPPORT

The purpose of program support is to provide clerical, record-keeping and administrative support in the areas of personnel, budget, procurement and contracting to agency staff, outside contractors and external control agencies to implement and manage programs.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,636.1	3,544.2	3,805.2	3,655.9	3.2
Federal Revenues	695.2	624.8	624.8	624.8	0.0
SOURCES TOTAL	4,331.3	4,169.0	4,430.0	4,280.7	2.7
USES					
Personal Services and Employee Benefits	3,724.2	3,674.9	3,935.9	3,786.6	3.0
Contractual Services	145.7	128.7	128.7	128.7	0.0
Other	371.0	365.4	365.4	365.4	0.0
TOTAL USES	4,240.9	4,169.0	4,430.0	4,280.7	2.7
FTE					
Permanent	55.0	53.0	53.0	53.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	56.0	54.0	54.0	54.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget New</u>	<u>FY14 Request 96%</u>	<u>FY14 Recomm 96%</u>
Outcome	Percent of vouchers and purchase orders accepted by the department of finance and administration without rejection					
Output	Number of working days between payment of state funds and the draw of federal funds	30	35	30	30	30

STATUTORY AUTHORITY:

The Human Services Department was created by Sections 9-8-1 through 9-8-12 NMSA 1978. The agency is responsible for administering a number of programs related to providing medical and financial assistance for eligible populations and child support collection activities. The agency consists of five divisions: Administrative Services, Child Support Enforcement, Medical Assistance (includes Medicaid Behavioral Health), Behavioral Health Services, and Income Support. Behavioral Health Services was transferred from the Department of Health after enactment of Laws 2007, Chapter 371.

Additional authority and definition of responsibilities are found in the Public Assistance Act (Sections 27-2-1 through 27-2-47 NMSA 1078) for the Income Support, Medical Assistance, and Child Support Enforcement divisions.

MISSION:

The Human Services Department (HSD) administers several large state and federally funded programs that provide health care, financial assistance, child support, and food assistance to New Mexico's most needy citizens. The agency manages nearly \$4.7 billion of federal and state funding that provide life's most basic services to New Mexico's poorest individuals and families, touching the lives of one in three New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 – 2013-2014</u>				
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	967,745.8	1,007,384.7	1,064,147.6	1,044,384.7	3.7
Other Transfers	122,162.9	127,732.6	133,498.9	133,998.9	4.9
Federal Revenues	3,560,661.6	3,668,972.6	3,802,866.8	3,817,100.0	4.0
Other Revenues	122,581.4	167,406.7	151,760.0	151,535.4	-9.5
Fund Balance	267.5	0.0	0.0	0.0	
SOURCES TOTAL	4,773,419.2	4,971,496.6	5,152,273.3	5,147,019.0	3.5
USES					
Personal Services and Employee Benefits	93,263.4	100,676.1	105,244.1	102,236.6	1.6
Contractual Services	136,325.7	141,480.4	145,128.3	143,222.3	1.2
Other	4,462,630.0	4,670,953.5	4,842,074.4	4,840,033.6	3.6
Other Financing Uses	55,731.5	58,386.6	59,826.5	61,526.5	5.4
TOTAL USES	4,747,950.6	4,971,496.6	5,152,273.3	5,147,019.0	3.5
FTE					
Permanent	1,891.0	1,782.5	1,782.5	1,772.5	-0.6
Term	58.0	52.0	54.0	54.0	3.8
Temporary	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	1,999.0	1,884.5	1,886.5	1,876.5	-0.4

BUDGET ISSUES:

The Human Services Department (HSD) will confront a number of challenges in FY14. Full implementation of the Patient Protection and Affordable Care Act (ACA) begins January 1, 2014, with significant impacts on the health sector. As of December 2012, the governor had not made a decision on the expansion of Medicaid eligibility as authorized by the ACA for low-income adults. This could result in 89 thousand new enrollees to the program starting in 2014. Regardless, thousands of New Mexicans will be seeking health insurance coverage through the ACA-mandated state health insurance exchange in 2014. Further, absent congressional intervention, mandatory federal deficit reductions loom over health and social service programs administered by the department and other state agencies. After rapid growth in the past few years in Medicaid enrollment and Temporary Assistance for Needy Families (TANF) caseloads, TANF cases have declined and client growth in Medicaid is much slower, reducing pressure on the budget. This slower growth is reflected in the HSD's \$5.15 billion FY14 budget request, only 3.7 percent greater than FY13.

The HSD requested \$1.064 billion from the general fund, a \$56.7 million increase, or 5.6 percent, compared with FY13. Almost all of this increase, approximately \$53.6 million, is for the Medicaid and Medicaid Behavioral Health Programs. Most of the remaining \$3.1 million of the requested increase is for the Income Support Program. Reflecting updated financial forecasts for the Medicaid and Income Support Programs, the committee recommendation is \$5.1 billion in total funding, a 3.5 percent increase compared with FY13. The recommendation for general fund appropriations is \$1.04 billion, a \$37 million, or 3.7 percent increase.

Taking into consideration a 15.2 percent average staff vacancy rate, the LFC recommendation for the HSD's personal services and employee benefits is \$102.3 million, a \$1.5 million increase over the FY13 operating budget. The recommendation provides 1,876.5 positions and includes the deletion of 10 positions vacant for more than two years in Program Support. The recommendation includes \$1.5 million from the general fund for compensation-related adjustments, comprising of \$342.4 thousand to restore the 1.5 percent retirement reduction, \$437.6 thousand for increases in the employer share of health insurance premiums, and \$740 thousand to annualize FY12 pay increases for 422 Income Support and Child Support Enforcement workers. Other state funds, federal funds, and internal service funds/interagency transfers and federal funds were adjusted accordingly.

The HSD requested \$4.13 billion for the Medical Assistance (Medicaid) and Medicaid Behavioral Health programs; combined these programs represent 80 percent of the total department budget. Medicaid provides comprehensive medical care (hospitalization, medical provider visits, pharmaceuticals, etc), vision services, and dental services to more than 500 thousand New Mexicans – primarily children, pregnant mothers, parents in the TANF program, and certain elderly persons and persons with disabilities receiving supplemental security income (SSI). Eligibility for Medicaid and the Children's Health Insurance Program (CHIP) depends on income level. All children (age 19 and younger) are eligible if the family income is below 235 percent of the federal poverty level (FPL), approximately \$54,168 per year for a family of four. Children make up more than half of those covered by the Medicaid program – 336 thousand in June 2012. Another 39 thousand adults receive coverage through the State Coverage Insurance (SCI) program. The total number of individuals enrolled in Medicaid and similar programs has risen to more than 570 thousand.

For the two fiscal years ending in FY12, the HSD reversed Medicaid program growth with total expenditures declining from \$3.8 billion in FY10 to \$3.6 billion in FY12. In November 2012, the HSD reported FY12 expenditures of \$3.65 billion, \$159 million less than the FY12 projection released in July 2011--lending credence to LFC concerns that the HSD was overpaying the managed care companies during the last decade. For FY13, the HSD is projecting a Medicaid general fund surplus in the range of \$11 million to \$30 million.

Key factors in reduced Medicaid costs included provider rate reductions implemented in 2009, slower enrollment growth, funding for the managed care organizations (MCOs) near the lowest range on the actuarial rate schedule, and the freezing of SCI enrollment. The HSD also benefited from an overall lessening of medical cost growth and demand in recent years.

The budget recommendation for Medicaid of \$3.8 billion includes \$849.2 million from the general fund, a \$31.5 million, or 3.9 percent, increase compared with FY13. Funding for the separately appropriated Medicaid Behavioral Health program is recommended at \$306 million, including \$90.6 million in general fund support, a 3.8 percent increase from FY13. The Medicaid funding recommendation accepts the HSD's projections for slower enrollment growth and limited increases in medical utilization (less than 2 percent) in the managed-care area.

The recommendation assumes the department will achieve \$10.7 million in general fund cost savings (1.3 percent of projected managed care expenditures) from efficiencies gained from new managed-care contracts starting in 2014 as part of the HSD's Centennial Care initiative to modernize Medicaid. Seven contractors currently provide managed-care services; under the new contract award, as few as two or three contractors could provide physical, behavioral and long-term care services for the elderly. Cost savings are expected from the economies of scale from fewer managed-care contractors, and improved efficiency should reduce managed-care administrative costs. Additional general fund savings of \$200 thousand from Medicaid fraud recoveries are included in the recommendation, reflecting the hiring of an independent recovery audit contractor (RAC) dedicated full time to auditing claims and increasing recoveries.

Key elements of the Centennial Care Medicaid waiver request include consolidation of all 12 current waivers (except that for developmental disabilities) into a single waiver to reduce administrative complexity, promote integrated care and improved case management, integrate physical and behavioral healthcare, and target payments toward improved patient outcomes. Additional changes provide rewards for wellness activities and co-pays for certain emergency room-related services. Of note, the HSD projects the plan should slow program growth by up to 2 percent over the five-year life of the Medicaid plan waiver, avoiding general fund cost growth of up to \$138 million.

The department's budget request included general fund increases of \$22.3 million for costs related to the federal Affordable Care Act (ACA) that will occur regardless of the decision to move forward with expansion of eligibility to low-income adults. The costs included \$8.2 million for a federal insurer fee, \$1.9 million for the state share of a primary care provider rate increase, \$7.6 million for increased enrollment of currently eligible Medicaid clients ("the woodwork effect"), and \$4.6 million to cover enrollment increases for children due to a change in Medicaid eligibility methodology (possibly increasing income eligibility from 235 percent of poverty to 350 percent). The ACA regulations are still not finalized and the HSD notes these estimates are subject to change.

The LFC recommendation provides \$17.7 million from the general fund for the federal insurer fee, primary care rate increase, and adult woodwork enrollment effect. The recommendation did not include funding for eligibility changes for children pending release of final federal regulations. Please see the healthcare section of LFC Volume I for additional information on the ACA, including cost estimates for the expansion of Medicaid eligibility for adults. Of note, the LFC and the University of New Mexico have released reports showing the state will gain financially from expanding Medicaid enrollment to low-income adults.

Other FY14 general fund increases recommended for Medicaid include \$19.2 million to replace tobacco settlement revenue as required by the expiration of a statutory set-aside after FY13, \$3.4 million for Medicare Part B and D increases, and \$1.7 million for implementation of behavioral health homes. Pending federal approval of the Centennial Care application, behavioral health homes are planned to provide coordinated physical and mental health services for children and adults with serious mental illnesses. The HSD's Medicaid request included \$3.3 million from the general fund for growth in enrollment and utilization changes. This request was offset by state savings from an increase in October 2012 of the federal match rate (FMAP) to 69.2 percent, up from 68.8 percent.

The recommendation includes \$500 thousand from the general fund and \$1.1 million of federal funds to implement an evidence-based home-visiting model. Home-visiting programs offer intensive support to at-risk pregnant women and families, reduce child abuse and neglect and other adverse childhood experiences, and reduce healthcare costs. As reported in a September 2012 LFC program evaluation "Improving Outcomes for Pregnant Women and Infants Through Medicaid," families at-risk of multiple adverse childhood experiences lack access to Medicaid intensive prevention services, such as evidenced-based home-visiting programs. Approximately 20 thousand births annually are covered by Medicaid in New Mexico, but the LFC staff estimate fewer than 100 families annually are served by evidence-based home-visitation programs. The New Mexico Medicaid program funds case management services but not evidence-based home visiting programs.

Evidence-based home-visiting programs, such as the Nurse-Family Partnership (NFP), demonstrate cost-effectiveness and up to a \$5 return per dollar invested at an average cost of \$4,500 per family per year. It is believed that federal officials would provide approval for a Medicaid funded New Mexico home-visiting program; other states, including Louisiana and Minnesota, have used Medicaid to finance these programs. Minnesota includes funding in its managed-care organizations' per-member per-month capitation rate to fund home-visiting services provided through contractors delivering evidence-based services.

Moving forward, key questions remain for Medicaid, including those concerning the impact of new MCO contracts on health costs for FY14 and the willingness, and ability, of these contractors to provide a network of service providers to serve the Medicaid population. Cost growth in the Coordination of Long Term Services for the Elderly (CoLTS) program is a major risk area going forward--CoLTS clients make up only 7.6 percent of Medicaid enrollment but generated 24 percent of FY12 Medicaid expenditures. The 335 thousand children covered by Medicaid remain a very inexpensive population to serve, but enrollment increases are possible if the administration undertakes outreach efforts to this population as desired by advocate groups.

A risk area for HSD funding is the uncertain future of tobacco settlement funding, \$9.2 million in FY14. All participating states in the tobacco master settlement agreement are in arbitration with the participating manufacturers over the manufacturers' claim the states have not diligently enforced state statutes (enacted as part of the master settlement) that require collection of escrow from nonparticipating manufacturers. The participating manufacturers allege they have lost market share due to a cost advantage enjoyed by nonparticipating manufacturers that do not pay into state escrow accounts. New Mexico received notice of a possible challenge to the states tobacco settlement statute because of a number of legislative changes, primarily a 2006 change that established tax exempt stamps for tribal sales.

If the arbitration panel decides in favor of the tobacco companies, up to \$550 million received by New Mexico since 2003 could be at risk. Legislation for the Attorney General to address these issues passed in 2011 and 2012 legislative sessions but was vetoed by the governor, who argued New Mexico is in compliance with the master settlement agreement and has a qualifying statute and the law does not need to be amended. Should a negative legal outcome occur, the state will lose future distributions, requiring replacement with general fund dollars or the reduction of program funding.

In the Income Support Program, the HSD started to see recession-era caseload growth recede. Enrollment in the Temporary Assistance for Needy Families (TANF) program began increasing in January 2008 and hit a peak of 21,514 cases (54,802 recipients) in December 2010, a 57 percent increase from January 2008. However, since the beginning of 2011 the number of cases has been slowly declining, hitting 16,636 (40,648 recipients) in October 2012, a decline of about 29 percent. The HSD speculates the enrollment decline is due to the employment picture improving and the implementation of a 15 percent reduction in benefits in FY11 (as well as changes in eligibility criteria) that have reduced interest in the program. The HSD projects TANF enrollment of 17,144 in FY14.

The recommendation of \$913.5 million for Income Support includes \$42.7 million from the general fund, a 5.4 percent increase over FY13. Approximately 73 percent of this funding, \$31 million, is used to support ISD administration of the benefit programs, the remainder supports general assistance, homeless shelters and meals, and the education works program that provides up to 24 months of cash assistance for needy families so they may attend higher education institutions. The general assistance program provided an average cash payment of about \$289 per month to about 2,800 people in FY12, mostly disabled adults, who are waiting for or have been denied benefits under the federal Supplemental Security Income Program. Total funding for general assistance is projected at \$9.9 million in FY14, which includes a \$350 thousand increase from the general fund.

For FY14, the department requested \$61 million for cash assistance using TANF federal funds, a decrease of \$7.1 million from the FY13 operating budget but only \$4.4 million lower than FY12 actual spending. In recognition of the hardship caused by the 15 percent reduction in the benefit schedule implemented in 2011, the LFC recommendation of \$64 million provides an additional \$3 million to increase the benefit, 5 percent over the request. Also funded in the recommendation is the request for \$1 million in federal funds for the once-per-year clothing allowance for children in the TANF program.

The federal TANF block grant award is assumed to be flat in FY14 at \$110 million. Because TANF enrollment is declining, the program has built up a cash carryover balance projected at \$27.5 million at the end of FY13. With extra funds available, the department proposed increasing funding for TANF support services by \$5 million in FY14, to \$39.7 million. Included in this amount are \$25.7 million for childcare services, a \$2 million increase; \$9.7 million for the NM Works contract for employment support, including \$500 for transportation services; and \$600 thousand for employment related costs.

The department is proposing two new initiatives using TANF funding: \$2 million for substance abuse services for TANF clients and \$1.7 million for a transitional employment program. The HSD identified substance abuse as one of the major barriers to getting TANF participants into the workforce and maintaining employment. The HSD seeks to improve client outcomes by facilitating substance abuse prevention and treatment through the NM Works contractor, partnering with the University of New Mexico. The \$1.7 million transitional employment program, modeled on programs in Washington, Oregon, and other states will allow NM Works clients to be hired in skill-building temporary job assignments. Unlike the \$1 million wage subsidy program at the HSD, which hires TANF clients into temporary positions, mostly at income support offices, the transitional employment program will include a blend of work and paid hours to take care of work-related requirements, such as getting a general equivalency diploma (GED) or going to substance abuse treatment.

The committee recommendation for TANF support services provides \$39.5 million. The recommendation increases funding for childcare services to \$27.3 million, a \$3.5 million increase from FY13, in recognition of a large childcare waiting list. The recommendation adds \$100 thousand to the request for employment-related costs to maintain funding at the FY13 level of \$700 thousand.

The committee recommendation supports initiation of the substance abuse project with \$1 million in funding. Additional information is needed about how much of the funding will actually go for substance abuse treatment and the interaction of this TANF-specific program with other substance abuse services funded by the HSD. Public funding for substance abuse has been short of need, and the state cannot afford unnecessary duplication of services. The recommendation provides \$850 thousand for initiation of the transitional employment program, although concerns remain about the lack of data on the effectiveness of this approach based on the experiences of other states.

The recommendation includes \$689 million for the federal Supplemental Nutritional Assistance program (SNAP). An additional \$24.9 million was added to the budget to adjust to the November 2012 forecast. The October 2012 SNAP caseload was 197,005, serving 442,237 recipients, or about 21 percent of the state population, a historical high. The caseload has doubled since the beginning of the recession and with a change in April 2010 of the SNAP gross income test from 130 percent of federal poverty level (FPL) to 165 percent FPL. The HSD originally projected SNAP cases to peak in FY13 before dropping in FY14 but adjusted the forecast upward to 208,800 cases in FY14. The future of the SNAP program remains uncertain; reductions in the SNAP benefit level have been included in a number of federal deficit reduction bills.

The LFC recommendation provides \$1.1 million from the general fund, a \$480 thousand increase, as requested by the department to cover projected enrollment increases in the state SNAP program. The state SNAP program serves approximately 5,200 seniors and persons with disabilities eligible for the minimum benefit level under the federal program. The state funding began in FY08 and provides up to \$9 per month per person to bring the minimum benefit up to \$25 per month.

The Behavioral Health Services Program administers non-Medicaid federal and state funds for substance abuse and mental health services and provides key staff support to the Behavioral Health Collaborative, which provides behavioral health services statewide through a contract with OptumHealth. The recommendation funds the agency request of \$58.9 million, which includes \$14.9 thousand for a 1.5 percent increase in the employer share of retirement contributions and \$19 thousand for increased health insurance premiums.

As the largest funding provider, the BHSD needs to exert more influence over the provision of behavioral and substance abuse services in New Mexico, which ranks near the bottom of all states in per capita overdose rates, alcohol addiction, and suicides. The HSD reported at a October 2012 LFC hearing on substance abuse that there is a lack of service providers for intensive (as opposed to social) substance abuse services, that travel distances and lack of public transportation are barriers to effective outpatient services in rural areas, and that the state lacks facilities to provide intensive outpatient services, particularly in the eastern and central regions of the state.

In response, the HSD plans to increase the number of intensive out-patient providers by 22, improve support services for substance abuse patients, increase the use of the evidence-based screening, brief intervention and referral to treatment (SBIRT) model in the primary care environment and implement a statewide, 24-hour emergency behavioral health line to link individuals to services in their communities. If implemented as authorized by the ACA, expansion of Medicaid services for low-income adults in New Mexico would likely greatly increase the availability of federally supported substance abuse and other behavioral health services.

The Child Support Enforcement Program (CSEP) general fund request for FY13 of \$7.9 million represented a 3 percent increase compared with FY12. The recommendation of \$7.7 million represents a 1.4 percent increase over FY12 and includes \$54.1 thousand for a 1.5 percent increase in the employer share of retirement contributions and \$69.1 thousand for increased health insurance premiums. The recommendation also includes \$108 thousand from the general fund to annualize pay increases provided to approximately 80 CSED employees in FY12 to bring salaries closer to mid-point on the salary scale and improve recruitment and retention issues.

The CSEP receives a match rate of 66 percent federal funds to 34 percent state funds. The CSEP benefited from additional federal funds in the form of incentive payments for meeting performance targets. Projected incentive funding for FY14 is \$2.45 million, a \$180 thousand increase over FY13. The CSED reported FY12 child support collections of \$129.6 million, 5 percent higher than FY11 collections. Key initiatives of the division to address delinquent support payments include a bench warrant amnesty program as well as a pilot project to charge select delinquent parents with abandonment of a child, a fourth-degree felony under New Mexico law.

For Program Support, the recommendation of \$41.3 million, a 3.2 percent increase over FY12 actual expenditures. The recommendation includes a reduction of \$184.8 thousand and 10 FTE in the personal services and employment area. Positions targeted for deletion have been vacant for at least two years; program support has an average vacancy rate of 14.7 percent over the past two years. With over 726 thousand square feet of leased space, the department is encouraged to renegotiate existing leases, given the high levels of commercial rental space available and the department's reduced staffing levels. The recommendation includes a general fund reduction of \$50 thousand to reflect projected lease savings.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the medical assistance program of the human services department include one million three hundred twelve thousand four hundred dollars (\$1,312,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and seven million nine hundred seven thousand three hundred dollars (\$7,907,300) from the tobacco settlement program fund for Medicaid programs.

Notwithstanding the provisions of Section 24-1-24, Subsection F of Section 35-7-4, Subsection G of Section 66-8-116.3, Paragraph (7) of Subsection B of Section 66-8-119 NMSA 1978, Section 13 of Chapter 23 of Laws 2004, or other substantive law, the administrative office of the courts and the taxation and revenue department shall remit all brain injury services fees assessed and collected in fiscal year 2014 to the human services department. The other state funds appropriation to the medical assistance program of the human services department in the contractual services category includes one million seven hundred twenty-two thousand four hundred dollars (\$1,722,400) from brain injury services fees for the statewide brain injury services program. Any unexpended balances of brain injury services fees remitted to the human services department shall not revert.

No less than fifteen percent and no more than twenty-five percent of the federal funds for the low-income home energy assistance program shall be used for weatherization programs.

The federal funds appropriations to the income support program of the human services department include ten million five hundred seventeen thousand eight hundred dollars (\$10,517,800) from the federal temporary assistance for needy families block grant for administration of the New Mexico Works Act.

The appropriations to the income support program of the human services department include eighty-seven thousand one hundred dollars (\$87,100) from the general fund and sixty-six million two hundred fifty-eight thousand dollars (\$66,258,000) from the federal temporary assistance for needy families block grant to provide cash assistance grants to participants as defined in the New Mexico Works Act, including wage subsidies for participants, clothing allowances, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include nine million seven hundred thousand dollars (\$9,700,000) from the federal temporary assistance for needy families block grant for job training and placement and job-related transportation services, seven hundred thousand dollars (\$700,000) for employment related costs, one million dollars (\$1,000,000) for a substance abuse treatment program and eight hundred fifty thousand dollars (\$850,000) for a transitional employment program.

The federal funds appropriations to the income support program of the human services department include twenty-seven million two hundred seventy-seven thousand five hundred dollars (\$27,277,500) from the federal temporary assistance for needy families block grant for transfer to the children, youth and families department for childcare programs.

The appropriations to the income support program of the human services department include seven million one hundred twenty-seven thousand three hundred dollars (\$7,127,300) from the general fund and two million eight hundred fifteen thousand three hundred dollars (\$2,815,300) from other state funds for general assistance. Any unexpended balances remaining at the end of fiscal year 2014 from the other state funds appropriation derived from reimbursements received from the social security administration for the general assistance program shall not revert.

The general fund appropriations to the income support program of the human services department include two hundred ten thousand nine hundred dollars (\$210,900) for the Navajo sovereign temporary assistance for needy families program.

The general fund appropriations to the income support program of the human services department include thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The human services department shall provide the department of finance and administration and the legislative finance committee quarterly reports on the expenditures of the federal temporary assistance for needy families block grant and state maintenance-of-effort expenditures.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes seven hundred fifty thousand dollars (\$750,000) for operational expenses of the Los Lunas substance abuse treatment center.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes an additional two hundred fifty thousand dollars (\$250,000) for non-medicaid in-patient psychiatric services in southern New Mexico.

MEDICAL ASSISTANCE

The purpose of the medical assistance program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost health care.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	782,292.7	817,710.8	868,082.9	849,223.0	3.9
Other Transfers	122,162.9	127,732.6	133,498.9	133,998.9	4.9
Federal Revenues	2,466,225.3	2,564,092.9	2,684,695.4	2,672,485.9	4.2
Other Revenues	111,050.6	153,505.8	138,011.4	138,011.4	-10.1
SOURCES TOTAL	3,481,731.5	3,663,042.1	3,824,288.6	3,793,719.2	3.6
USES					
Personal Services and Employee Benefits	11,568.1	12,009.2	12,921.5	12,169.7	1.3
Contractual Services	46,893.7	48,409.5	45,738.2	45,682.2	-5.6
Other	3,370,662.3	3,570,123.0	3,733,688.6	3,703,927.0	3.7
Other Financing Uses	29,705.7	32,500.4	31,940.3	31,940.3	-1.7
TOTAL USES	3,458,829.8	3,663,042.1	3,824,288.6	3,793,719.2	3.6
FTE					
Permanent	164.5	158.5	158.5	158.5	0.0
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	175.5	169.5	169.5	169.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
	Outcome	94%	91.75%	94%	94%	94%
	Percent of coordinated long-term services c waiver clients who receive services within ninety days of eligibility determination					
*	Outcome	64%	70%	70%	71%	75%
	The percent of children ages two to twenty-one years enrolled in medicaid managed care who had at least one dental visit during the measurement year					
*	Outcome		66%	65%	67%	75%
	The percent of infants in medicaid managed care who had six or more well-child visits with a primary care physician before the age of fifteen months					
	Outcome		7.6%	3%	3%	3%
	Rate of growth since the close of the previous fiscal year in the number of children and youth receiving services in medicaid school-based service programs					
*	Outcome		86%	92%	92%	95%
	The average percent of children and youth ages twelve months to nineteen years in medicaid managed care who received a visit with a primary care physician during the measurement year					
	Outcome		84%	86%	86%	90%
	The percent of individuals in medicaid managed care ages eighteen through seventy-five years of age with diabetes who had a HbA1c test during the measurement year					
*	Outcome		93%	92%	94%	95%
	The percent of children in medicaid managed care ages five to eleven years who are identified as having persistent asthmas and who were appropriately prescribed medication during the measurement year.					
	Output			150	150	150
	Number of consumers who transition from nursing facilities who are served and maintained with community-based services for six months					
*	Outcome			62	45	45
	Number of emergency room visits per one thousand medicaid member months					
	Outcome			10%	10%	10%
	Percent hospital readmissions for children ages two to seventeen years, within thirty days of discharge					
*	Outcome			10%	10%	10%
	Percent hospital readmissions for adults eighteen years and over, within thirty days of discharge					
	Outcome			\$3.00	\$3.00	\$3.00
	Rate of return on investments for medicaid recoveries					
	Outcome			new	85%	85%
	The percent of newborns born with Medicaid coverage whose mothers received a prenatal care visit in the first trimester or within forty-two days of enrollment in the managed care organization					

MEDICAID BEHAVIORAL HEALTH

The purpose of the medicaid behavioral health program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost behavioral health care.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	84,726.7	87,329.0	90,620.0	90,620.0	3.8
Federal Revenues	198,907.0	205,301.0	215,452.0	215,452.0	4.9
SOURCES TOTAL	283,633.7	292,630.0	306,072.0	306,072.0	4.6
USES					
Other	282,653.0	292,630.0	306,072.0	306,072.0	4.6
TOTAL USES	282,653.0	292,630.0	306,072.0	306,072.0	4.6
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES						
		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Percent of readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	12.9%	7.4%	8%	8%	7%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative statewide entity contract	83,605	84,559	83,000	83,000	85,000

INCOME SUPPORT

The purpose of the income support program is to provide cash assistance and supportive services to eligible low-income families so they can achieve self-sufficiency. Eligibility requirements are established by state law within broad federal statutory guidelines.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	39,549.0	40,542.9	43,286.4	42,743.2	5.4
Federal Revenues	836,449.3	837,913.6	839,825.0	867,044.6	3.5
Other Revenues	4,076.9	4,300.6	3,723.2	3,710.9	-13.7
Fund Balance	267.5	0.0	0.0	0.0	
SOURCES TOTAL	880,342.7	882,757.1	886,834.6	913,498.7	3.5
USES					
Personal Services and Employee Benefits	45,477.2	48,688.1	51,230.4	50,273.7	3.3
Contractual Services	18,037.7	20,453.0	25,942.2	24,092.2	17.8
Other	791,138.1	789,082.5	783,128.5	810,899.3	2.8
Other Financing Uses	24,729.8	24,533.5	26,533.5	28,233.5	15.1
TOTAL USES	879,382.8	882,757.1	886,834.6	913,498.7	3.5
FTE					
Permanent	1,049.0	976.0	976.0	976.0	0.0
Term	34.0	34.0	34.0	34.0	0.0
Temporary	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	1,133.0	1,060.0	1,060.0	1,060.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	44.6%	42.3%	50%	50%	50%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	51.9%	49.3%	60%	60%	60%
* Outcome	Percent of eligible children in families with incomes of one hundred thirty percent of the federal poverty level participating in the supplemental nutrition assistance program	90.4%	82.2%	88%	88%	88%
Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	99.2%	99.3%	98%	98%	99%
* Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year		44.7%	50%	50%	50%
Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	99.5%	99.3%	98%	98%	99%

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to lead and oversee the provision of an integrated and comprehensive behavioral health prevention and treatment system so that the program fosters recovery and supports the health and resilience of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	41,656.9	42,081.9	42,115.8	42,115.8	0.1
	Federal Revenues	15,534.9	16,828.9	16,828.9	16,828.9	0.0
	Other Revenues	21.0	21.0	21.0	21.0	0.0
	SOURCES TOTAL	57,212.8	58,931.8	58,965.7	58,965.7	0.1
USES						
	Personal Services and Employee Benefits	2,099.2	2,580.9	2,534.8	2,534.8	-1.8
	Contractual Services	53,158.6	54,484.8	54,564.8	54,564.8	0.1
	Other	547.0	513.4	513.4	513.4	0.0
	Other Financing Uses	1,296.0	1,352.7	1,352.7	1,352.7	0.0
	TOTAL USES	57,100.8	58,931.8	58,965.7	58,965.7	0.1
FTE						
	Permanent	28.0	26.0	26.0	26.0	0.0
	Term	10.0	7.0	9.0	9.0	28.6
	TOTAL FTE POSITIONS	38.0	33.0	35.0	35.0	6.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of youth on probation who were served by the statewide entity	47.8%	40.0%	45%	48%	50%
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the alcohol domain on the addiction severity index	90.57%	87.7%	85%	88%	90%
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the drug domain on the addiction severity index	70.7%	72.%	76%	77%	80%
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	44%	67%	80%	68%	80%
Outcome	Number of youth suicides among youth ages fifteen to nineteen years served by the statewide entity	0	0	3	3	2
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	33.16%	35.66%	38%	40%	50%
Outcome	Number of suicides among adults age twenty years and older served by the statewide entity	4	13	20.5	delete	delete
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	48.98%	55.3%	57%	59%	60%
Outcome	Percent increase in the number of pregnant women with substance abuse disorders receiving treatment by the statewide entity			baseline	5%	5%
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in math (eighth grade)			13.3%	12.9%	13.3%
Outcome	Percent reduction in the gap between children in school receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in reading (fifth grade).			10.4%	7.7%	10.4%
Output	Increase in the number of persons served through telehealth in rural and frontier counties			new	1,250	1,250
Outcome	Percent of children served who demonstrate improved functioning as measured by the child and adolescent functional assessment scale			new	40%	75%
Output	The number of behavioral health homes established statewide			new	2	2

CHILD SUPPORT ENFORCEMENT

The purpose of the child support enforcement program is to provide location, establishment and collection services for custodial parents and their children, to ensure that all court orders for support payments are being met to maximize child support collections and to reduce public assistance rolls.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	7,633.8	7,677.8	7,909.0	7,784.0	1.4
Federal Revenues	18,675.0	19,104.8	20,024.6	19,708.2	3.2
Other Revenues	4,089.3	5,722.8	6,013.2	5,918.3	3.4
SOURCES TOTAL	30,398.1	32,505.4	33,946.8	33,410.5	2.8
USES					
Personal Services and Employee Benefits	18,508.4	19,813.2	20,702.8	20,166.5	1.8
Contractual Services	6,499.9	7,053.4	7,803.4	7,803.4	10.6
Other	4,875.6	5,638.8	5,440.6	5,440.6	-3.5
TOTAL USES	29,883.9	32,505.4	33,946.8	33,410.5	2.8
FTE					
Permanent	400.0	383.0	383.0	383.0	0.0
TOTAL FTE POSITIONS	400.0	383.0	383.0	383.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u> new	FY14 <u>Request</u> 60%	FY14 <u>Recomm</u> 60%
* Outcome	Percent of cases having current support due and for which support is collected					
* Outcome	Amount of child support collected, in millions	\$123.5	\$129.6	\$120	\$135	\$135
Outcome	Percent of current support owed that is collected	57.4%	56.6%	60%	delete	delete
* Outcome	Percent of cases with support orders	72.5%	78.11%	75%	80%	80%
Outcome	Percent of children born out of wedlock with paternity establishment in child support cases	97.2%	99.4%	90%	90%	98%

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction and administrative support to each agency program and to assist it in achieving its programmatic goals.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	11,886.7	12,042.3	12,133.5	11,898.7	-1.2
Federal Revenues	24,870.1	25,731.4	26,040.9	25,580.4	-0.6
Other Revenues	3,343.6	3,856.5	3,991.2	3,873.8	0.4
SOURCES TOTAL	40,100.4	41,630.2	42,165.6	41,352.9	-0.7
USES					
Personal Services and Employee Benefits	15,610.5	17,584.7	17,854.6	17,091.9	-2.8
Contractual Services	11,735.8	11,079.7	11,079.7	11,079.7	0.0
Other	12,754.0	12,965.8	13,231.3	13,181.3	1.7
TOTAL USES	40,100.3	41,630.2	42,165.6	41,352.9	-0.7
FTE					
Permanent	249.5	239.0	239.0	229.0	-4.2
Term	3.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	252.5	239.0	239.0	229.0	-4.2

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
Outcome	Percent of federal grant reimbursements completed that minimize the use of state cash reserves in accordance with established cash management plans	100%	80.5%	100%	delete	delete
Outcome	Percent of invoice payments completed within thirty days of date of a payable invoice	98.44%	99.9%	100%	100%	100%
Output	Percent of timely final decisions on administrative disqualification hearings	93%	100%	100%	100%	100%
* Efficiency	Percent compliance with internal schedule for turnaround time associated with the expenditure of federal funds and the request for reimbursement for expenditures from federal treasury	100%	73%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date		100%	100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau		11%	13%	12%	12%
Outcome	Percent of funds for which a quarterly trial balance review is completed within forty-five days after the accounting period has closed			100%	100%	100%

STATUTORY AUTHORITY:

The Workforce Solutions Department was created in 2007 by Sections 9-26-1 through 9-26-15 NMSA 1978 to establish a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Labor Department and the Office of Workforce Development. The department administers the Unemployment Compensation Act, Wagner-Peyser Act of 1993 as amended, Trade Adjustment Act of 1974, Unemployment Tax Act, Human Rights Act, and labor laws and regulations.

MISSION:

The mission of the Workforce Solutions Department is to improve the quality, career mobility, and empowerment of the New Mexico workforce, enhance productivity and competitiveness of New Mexico industry, and increase the self-sufficiency of those entering and moving up in the workforce.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,217.4	3,675.1	4,738.2	3,275.8	-10.9
Other Transfers	3,628.2	5,262.0	5,855.8	6,273.8	19.2
Federal Revenues	46,317.8	49,876.3	51,807.8	48,840.8	-2.1
Fund Balance	1,969.5	3,624.2	5,167.9	4,688.9	29.4
SOURCES TOTAL	55,132.9	62,437.6	67,569.7	63,079.3	1.0
USES					
Personal Services and Employee Benefits	25,690.8	32,980.3	30,765.2	30,070.7	-8.8
Contractual Services	4,416.6	5,698.6	4,700.5	4,645.5	-18.5
Other	22,847.1	20,134.5	26,936.1	23,674.2	17.6
Other Financing Uses	1,922.8	3,624.2	5,167.9	4,688.9	29.4
TOTAL USES	54,877.3	62,437.6	67,569.7	63,079.3	1.0
FTE					
Permanent	435.0	428.0	428.0	428.0	0.0
Term	136.0	151.0	151.0	111.0	-26.5
Temporary	1.0	3.0	2.0	2.0	-33.3
TOTAL FTE POSITIONS	572.0	582.0	581.0	541.0	-7.0

BUDGET ISSUES:

Historically, the Workforce Solutions Department (WSD) has underestimated federal funds and other transfers in its budget request and operating budget. In FY11 and FY12, the department added \$26.2 million and \$20 million, respectively, to the budget through the budget adjustment request (BAR) process. In FY13, the agency sought to mitigate the need for additional BARs by submitting an operating budget that incorporated \$11 million in federal unexpended grant funding from previous years and 129 unauthorized term FTE funded with federal grants.

The agency's FY14 request included a \$5.1 million increase, or 8.2 percent, above the FY13 operating budget and \$12.4 million, or 22.4 percent, more than FY12 actual expenditure levels. In the request, federal funds increased \$1.9 million, or 3.9 percent, over FY13 levels and \$5.5 million, or 11.9 percent, over FY12 actual expenditures. The potential increase in federal funds might be optimistic given the fiscal uncertainty of most federal programs. The agency request also budgeted \$5.2 million in fund balances, an increase of 42.6 percent from the FY13 operating budget level. Lastly, the agency requested other transfers of \$5.9 million, or 11.3 percent, above FY13 levels.

In general, the LFC recommends an operating budget of \$63.1 million, an increase of \$641.7 thousand, or 1 percent, above the FY13 operating levels. Overall, the LFC recommends \$4.5 million less than the agency request. However, the recommendation is \$7.9 million, or 14.4 percent, higher than FY12 actual expenditures.

The agency continues to have high vacancy rates. For the last two years, the vacancy rate for authorized FTE averaged over 18 percent. In FY12, the WSD transferred \$3.3 million of vacancy savings to other areas of the budget. At the time of the request, the agency had 107 vacant FTE, 69 of those in the Workforce Transition Services Program. The FY13 operating budget added 104 unauthorized term FTE funded with federal revenue to this program's budget over appropriated levels. For FY14, the agency requested an overall reduction in the personal services and employee benefits category of \$2.2 million from FY13 operating levels due to vacant positions. The committee recommendation provides for a 6 percent vacancy rate and deletes 40 vacant FTE from the Workforce Transitions Services Program; however, the recommendation funds FTE at a level higher than the FY12 expenditure level.

The agency budget request and the committee recommendation both increase the use of fund balance revenue to support agency operation in the Workforce Transition Services Program by \$1.6 million.

The agency request and the committee's recommendation approach funding the Labor Relations Program differently. The WSD's request reduced fund balance transfers from the Labor Relations Program. The committee recommendation increases the use of fund balance transfers to this program by \$157 thousand in light of sufficient projected fund balances. The committee recommendation offsets the increased fund balance transfers with a reduction in general fund revenue. The WSD's budget request included an increase from the general fund of \$1 million for this program. The WSD's budget request did not include the transfer of \$1 million from the Workers' Compensation Administration (WCA), part of the WSD's FY13 operating budget. The committee recommends a \$900 thousand transfer from the WCA fund to the WSD to administer the Labor Relations Program.

The other category in both the Workforce Transition Services Program and in the Business Services Program captures most of the budget growth. The increase is attributable to federal grants to organizations providing services, such as the local workforce boards and training institutions.

The WSD indicated the Labor Relations Program could be moved to the Regulation and Licensing Department in the future. While this decision had not been made by the time of the agency's FY14 budget submission, the agency's budget request reflected reductions in staffing levels and other operating expenses, such as rent, below the FY13 operating budget. The committee encourages the secretary of the WSD to identify the best place for this program and submit a plan to the DFA and the LFC during the 2013 legislative session.

In FY13, additional general fund monies were appropriated to the Workforce Technology Program to support staffing in the final stages of transition to the new unemployment insurance (UI) system. New Mexico was awarded a total of \$49 million in Reed Act, federal stimulus, and federal integrity funds for the UI modernization project. The new UI tax and UI claims systems were originally scheduled to be launched simultaneously in March 2012; however, the system is now scheduled to launch in December 2012. The committee recommendation increases fund balance transfers by \$114 thousand and reduces general fund distributions.

The growth in the Business Services Program budget is attributed to the implementation of the WSD's mobile outreach unit, "Winnie" which provides re-employment services to outlying areas statewide. The committee supports the program and the agency's FY14 request for an increase.

Lastly, the agency requested a significant increase, 27.4 percent higher than the FY13 operating budget, for Program Support. Fund balance transfers, federal funds, and other transfers increased considerably in the request. Limited detail was provided for the increases, and compared with FY12 actual expenditures, the requested increase appears unwarranted. The recommendation provides for a 5.6 percent increase over the FY13 operating budget.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include nine hundred thousand dollars (\$900,000) from the workers' compensation administration fund.

WORKFORCE TRANSITION SERVICES

The purpose of the workforce transition program is to administer an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,358.3	1,372.9	1,372.9	1,260.3	-8.2
Other Transfers	572.9	1,155.5	2,748.2	2,748.2	137.8
Federal Revenues	16,906.0	20,534.8	17,809.8	17,809.8	-13.3
Fund Balance	0.0	639.0	2,213.5	2,213.5	246.4
SOURCES TOTAL	18,837.2	23,702.2	24,144.4	24,031.8	1.4
USES					
Personal Services and Employee Benefits	14,711.9	19,088.8	17,175.6	16,905.4	-11.4
Contractual Services	773.5	1,081.5	1,504.6	1,340.6	24.0
Other	3,315.4	2,892.9	3,250.7	3,572.3	23.5
Other Financing Uses	0.0	639.0	2,213.5	2,213.5	246.4
TOTAL USES	18,800.8	23,702.2	24,144.4	24,031.8	1.4
FTE					
Permanent	257.0	249.0	249.0	249.0	0.0
Term	122.0	120.0	122.0	82.0	-31.7
Temporary	0.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	379.0	371.0	371.0	331.0	-10.8

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of new employer accounts completed within ninety days	87%	89%	85%	82%	90%
* Outcome	Percent of youth that entered employment or are enrolled in post-secondary education or advanced training after receiving Workforce Investment Act services	52%	57%	55%	55%	57%
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	75%	72%	80%	75%	75%
* Output	Average time to complete a transaction with the unemployment insurance call center, in minutes	50	15	<5	not given	10
Outcome	Percent of disabled veterans entering employment after receiving workforce development services		39%	81%	40%	40%
Outcome	Percent of recently separated veterans retaining employment after six months	69%	72%	n/a	65%	70%
Outcome	Average six-month earnings of veterans entering employment after receiving veterans' services	\$16,158	\$16,211	n/a	\$15,500	\$16,000
Outcome	Percent of recently separated veterans entering employment		45%	81%	60%	65%
Output	Number of adults and dislocated workers receiving Workforce Investment Act services	2,864	2,206	3,635	3,500	3,600
Output	Achieve an eighty percent call adherence measurement within the customer service operations center			new	75%	75%
Output	Percent of all first payments made within fourteen days after the waiting week			new	80%	90%
Output	Percent accuracy rate of claimant separation determinations			new	75%	75%
* Output	Percent of individuals that receive Workforce Investment Act services that retain employment			new	85%	85%
* Outcome	Percent of individuals that enter employment after receiving Workforce Investment Act services			new	65%	65%

PERFORMANCE MEASURES (continued)

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of youth receiving Workforce Investment Act services	1,457	1,357	n/a	1,300	1,400
Outcome	Average six-month earnings of persons entering employment after receiving Wagner-Peyser employment services	\$12,266	\$13,573	n/a	\$11,000	\$12,500
Output	Total number of individuals receiving Wagner-Peyser employment services	180,159	141,370	n/a	150,000	150,000
* Outcome	Percent of individuals that received Wagner-Peyser employment services retaining employment after six months	70%	72%	n/a	60%	70%
Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	47%	51%	n/a	50%	52%

LABOR RELATIONS

The purpose of the labor relations program is to provide employment rights information and other work-site-based assistance to employers and employees.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,108.0	1,291.2	2,291.2	1,278.6	-1.0
Other Transfers	2,575.2	2,356.7	1,092.5	2,146.5	-8.9
Federal Revenues	216.0	251.4	179.0	179.0	-28.8
Fund Balance	1,629.7	1,347.3	1,092.5	1,249.5	-7.3
SOURCES TOTAL	5,528.9	5,246.6	4,655.2	4,853.6	-7.5
USES					
Personal Services and Employee Benefits	1,836.9	2,270.7	2,225.3	2,121.4	-6.6
Contractual Services	85.4	69.0	63.0	63.0	-8.7
Other	1,913.3	1,559.6	1,274.4	1,419.7	-9.0
Other Financing Uses	1,629.7	1,347.3	1,092.5	1,249.5	-7.3
TOTAL USES	5,465.3	5,246.6	4,655.2	4,853.6	-7.5
FTE					
Permanent	32.0	32.0	32.0	32.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of wage claims investigated and resolved within one hundred twenty days	93%	89%	90%	n/a	n/a
* Outcome	Percent of wage claims investigated and resolved within ninety days			new	90%	90%
Outcome	Number of discrimination claims investigated		597	500	400	500
Outcome	Percent of human rights cases that receive probable cause determinations that are resolved within one year			new	90%	90%
* Output	Percentage of targeted public works inspections completed			new	90%	90%

WORKFORCE TECHNOLOGY

The purpose of the workforce technology program is to provide and maintain customer-focused, effective and innovative information technology services for the department and its service providers.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	583.6	841.6	841.6	613.4	-27.1
Other Transfers	58.3	861.3	302.3	416.3	-51.7
Federal Revenues	7,026.0	5,906.4	5,775.3	5,775.3	-2.2
Fund Balance	46.7	826.3	267.3	381.3	-53.9
SOURCES TOTAL	7,714.6	8,435.6	7,186.5	7,186.3	-14.8
USES					
Personal Services and Employee Benefits	2,454.7	2,974.4	3,044.6	2,828.0	-4.9
Contractual Services	2,697.8	3,664.0	2,350.6	2,464.6	-32.7
Other	2,562.1	970.9	1,524.0	1,512.4	55.8
Other Financing Uses	0.0	826.3	267.3	381.3	-53.9
TOTAL USES	7,714.6	8,435.6	7,186.5	7,186.3	-14.8
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
Term	5.0	6.0	5.0	5.0	-16.7
TOTAL FTE POSITIONS	39.0	40.0	39.0	39.0	-2.5

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent unemployment framework for automated claims and tax services applications is available during scheduled uptime	100%	100%	100%	95%	100%
Outcome	Response time from system outage to restoration of service on unemployment framework for automated claims and tax services, in minutes			20	20	20
* Outcome	Percent of time unemployment insurance benefits are paid within two business days of claimant certification		100%	95%	100%	100%

BUSINESS SERVICES

The purpose of the business services program is to provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	0.0	0.0	54.7	54.7	
Federal Revenues	4,884.6	4,068.9	4,796.9	4,796.9	17.9
SOURCES TOTAL	4,884.6	4,068.9	4,851.6	4,851.6	19.2
USES					
Personal Services and Employee Benefits	1,550.5	1,955.7	1,853.8	1,853.8	-5.2
Contractual Services	150.4	123.8	126.6	126.6	2.3
Other	3,183.7	1,989.4	2,871.2	2,871.2	44.3
TOTAL USES	4,884.6	4,068.9	4,851.6	4,851.6	19.2
FTE					
Permanent	28.0	28.0	28.0	28.0	0.0
Term	2.0	3.0	3.0	3.0	0.0
Temporary	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	30.0	31.0	32.0	32.0	3.2

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of employers sampled reporting customer satisfaction	98%	99%	98%	98%	99%
Output	Number of days to publish bureau-of-labor-statistics-provided seasonally adjusted business employment dynamics data quarterly at the state level on receipt from the bureau of labor statistics	7	4	7	7	4
* Output	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services	45,805	54,858	43,000	43,000	50,000

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction and administrative support to each agency program to achieve organizational goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

			FY14 - 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	167.5	169.4	232.5	123.5	-27.1
Other Transfers	421.8	888.5	1,658.1	908.1	2.2
Federal Revenues	17,285.2	19,114.8	23,246.8	20,279.8	6.1
Fund Balance	293.1	811.6	1,594.6	844.6	4.1
SOURCES TOTAL	18,167.6	20,984.3	26,732.0	22,156.0	5.6
USES					
Personal Services and Employee Benefits	5,136.8	6,690.7	6,465.9	6,362.1	-4.9
Contractual Services	709.5	760.3	655.7	650.7	-14.4
Other	11,872.6	12,721.7	18,015.8	14,298.6	12.4
Other Financing Uses	293.1	811.6	1,594.6	844.6	4.1
TOTAL USES	18,012.0	20,984.3	26,732.0	22,156.0	5.6
FTE					
Permanent	84.0	85.0	85.0	85.0	0.0
Term	4.0	19.0	18.0	18.0	-5.3
TOTAL FTE POSITIONS	88.0	104.0	103.0	103.0	-1.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	32%	57%	75%	75%	75%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	4	4	4	4	4

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the Workers' Compensation Act (Sections 52-1-1 through Sections 52-1-70 and Sections 52-5-1 to 52-5-22 NMSA 1978), Occupational Disease Disablement Law (Sections 52-3-1 to 52-3-60 NMSA 1978), and Health Care Provider Law (Sections 52-4-1 through 52-4-5 NMSA 1978). The WCA is responsible for monitoring the insurance industry to ensure compliance with accepted performance standards, mediating and adjudicating contested workers' compensation claims, and regulating workers' compensation self-insurance activity.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	10,660.0	11,614.3	11,614.3	11,622.3	0.1
SOURCES TOTAL	10,660.0	11,614.3	11,614.3	11,622.3	0.1
USES					
Personal Services and Employee Benefits	7,433.6	7,482.0	8,484.3	8,104.7	8.3
Contractual Services	277.2	448.7	448.7	365.3	-18.6
Other	1,949.2	2,683.6	2,681.3	2,252.3	-16.1
Other Financing Uses	1,000.0	1,000.0	0.0	900.0	-10.0
TOTAL USES	10,660.0	11,614.3	11,614.3	11,622.3	0.1
FTE					
Permanent	130.0	124.0	124.0	123.0	-0.8
TOTAL FTE POSITIONS	130.0	124.0	124.0	123.0	-0.8

BUDGET ISSUES:

The WCA requested budget for FY14 is flat with the agency's FY13 operating budget. However, the WCA's budget request does not include the transfer of \$1 million to the Workforce Solutions Department (WSD) for FY14, part of the WCA's FY13 operating budget.

The agency request included a \$1 million increase, or 13.4 percent, over the FY13 operating budget for personal services and employee benefits. The Legislature adopted the executive recommendation for the WCA's FY13 budget. The FY13 operating budget reflects 124 FTE and an 11 percent vacancy rate. The WCA submitted a budget adjustment request (BAR) in August to increase revenues in the personal services and employee benefits category by \$240 thousand for FY13. The budget increase came from fund balance and was used to reduce the agency vacancy rate to 9 percent. Further, the WCA did not factor vacancy savings in its budget request for FY14. The recommendation includes a 4.6 percent vacancy rate reduction for the personal services and employee benefits category in the Workers' Compensation Administration Program and deletes funding for a position vacant for more than two years.

The agency request for contractual services mirrored the FY13 operating budget for both the Workers' Compensation Administration Program and the Uninsured Employers Fund Program. Contractual expenditures for FY12 were 38 percent lower than budgeted for FY13 and requested for FY14. The recommendation reduces the contractual services categories for both programs by \$48.4 thousand and \$35 thousand, respectively, to better align with FY12 expenditures.

The agency request for the other category was essentially flat with FY13. Expenditures in the other category for FY12 are 27 percent lower than budgeted for FY13 and requested for FY14. The FY13 budget included an increase of \$437.1 thousand, or 37 percent, over the FY12 operating budget in the other category for necessary roof repairs and a replacement of an aged boiler at the main administration building in Albuquerque. However, the WCA was able to pay for the roof repairs and the boiler replacement out of its FY12 budget, freeing up funds in FY13 for additional building maintenance, such as painting. The recommendation reduces the other category in the Workers' Compensation Administration Program by \$212 thousand, or 13.3 percent, to account for the building repairs already completed and to align with FY12 actual expenditures for furniture and fixtures, advertising, office supplies, printing, postage and subscriptions. The recommendation also decreases the other category in the Uninsured Employers' Fund Program to align with FY12 expenditures.

The recommendation reduces the agency's request for information technology equipment to match the equipment list submitted by the agency to LFC staff. The committee supports the agency's established goals of becoming a paperless agency through e-billing and the reconfiguration of courtrooms to enable judges to access files and medical records electronically. The WCA is striving to reduce administrative costs for healthcare professionals to expand the medical community that handles workers' compensation claims.

The WCA receives funding from quarterly fees of \$2 collected from employees and matched with an employer contribution of \$2, and a 30 cent assessment, for a combined total of \$17.20 per employee per year. The 30 cent assessment supports claims filed against employers noncompliant with the law requiring workers' compensation insurance. The base assessment for workers' compensation has not increased since it was first established in 1993. In 2004, the Workers' Compensation Administration Act was amended to provide for the 30 cent assessment from employers to support the uninsured employers' fund.

The WCA revenues were \$12.8 million in both FY11 and FY12. The WCA is projecting revenues for FY13 and FY14 of \$13.2 million, or \$350 thousand more than previous years. The growth in revenues is attributed to the early retirement of debt principal for the Albuquerque office building in FY12. The principal was paid off in May outside of the operating budget process from direct assessment fee collections, transferred from Taxation Revenue Department to the New Mexico Finance Authority.

In FY12, the WCA revenues exceeded expenditures by \$2.16 million. Revenues are expected to exceed FY13 expenditures by \$1.5 million.

Since FY07, the WCA has transferred funds to the Workforce Solutions Department (WSD). Nearly \$5.5 million has been transferred to the WSD in the last seven fiscal years for operation of the Labor Relations Program. As demonstrated above, historically, workers' compensation fees have provided more than adequate funding for the WCA's operating budget. End of fiscal year fund balances for the WCA fund from FY10 through FY12 exceeded \$5 million, even with transfers to the WSD. As a result, the committee recommends the transfer from the WCA to the WSD continue at \$900 thousand.

Expenditures in FY12 for the Uninsured Employers' Fund Program were approximately \$590 thousand. The WCA's FY14 request for this program included an increase of \$229.4 thousand in the personal services and employee benefits category. The request transferred 3 FTE from the Workers' Compensation Administration Program to the Uninsured Employers' Fund Program to adequately attribute personnel costs to the appropriate program. The funding in this program is used to reimburse third-party administrators for injured worker benefits. The committee supports the agency's request to transfer \$229.4 thousand and the 3 FTE.

The WCA has seven offices statewide and is headquartered in Albuquerque. The state-owned 7,000 square-foot office in Las Vegas houses 5 FTE and is underused. The agency reached out to the local city and county governments as well as the school district for potential renters. The committee recommends the WCA continue working with the General Services Division's Property Control Division to ensure this state-owned property does not continue to be underused.

Lastly, several FY12 performance measures declined from FY11 to FY12, including claims resolved without a trial, rate of serious injuries and illnesses caused by workplace conditions, and employers with premiums above \$5 thousand that met reporting requirements for safety inspections.

WORKERS' COMPENSATION ADMINISTRATION

The purpose of the workers' compensation administration program is to assure the quick and efficient delivery of indemnity and medical benefits to injured and disabled workers at a reasonable cost to employers.

BUDGET SUMMARY (dollars in thousands)					
	FY12		FY13		Percent Incr (Decr)
	2011-2012 <u>Actuals</u>		2012-2013 <u>Budgeted</u>		
				<u>FY14 - 2013-2014</u>	
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	10,070.4		10,445.8	10,215.7	0.3
SOURCES TOTAL	10,070.4		10,445.8	10,215.7	0.3
USES					
Personal Services and Employee Benefits	7,433.6		7,482.0	8,254.9	5.3
Contractual Services	258.4		348.7	348.7	-13.9
Other	1,378.4		1,615.1	1,612.1	-13.3
Other Financing Uses	1,000.0		1,000.0	0.0	-10.0
TOTAL USES	10,070.4		10,445.8	10,215.7	0.3
FTE					
Permanent	130.0		124.0	121.0	-3.2
TOTAL FTE POSITIONS	130.0		124.0	120.0	-3.2

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of formal claims resolved without trial	77.5%	73%	86%	86%	86%
Output	Number of reviews of employers to ensure the employer has workers' compensation insurance	1,867	1,900	1,900	1,900	1,900
Output	Number of serious injuries and illnesses caused by workplace conditions	5,579	4,395	5,500	5,500	4,300
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.74	0.86	0.62	0.62	0.62
* Outcome	Percent of employers referred for investigation determined to be in compliance with insurance requirements of the Workers' Compensation Act	67.43%	86%	67%	67%	86%
Outcome	Percent of employers with worker compensation premium liabilities above five thousand dollars that have met reporting requirements for safety inspections	32.49%	22.5%	35%	35.4%	36%
Efficiency	Percent of employers experiencing three or more accidents within a twelve month period that demonstrate a reduction in the number of accidents per year following workers' compensation administration safety inspection or consultation	61.1%	63.4%	65%	65%	65%
Efficiency	Average entry time for first reports of injury	0 days	1 day	0 days	0 days	0 days
Outcome	Data entry and coding accuracy	95.3%	96%	95%	95%	96%
* Output	Number of first reports of injury processed	33,396	31,925	37,200	37,200	32,000

UNINSURED EMPLOYERS FUNDBUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	589.6	1,168.5	1,398.6	1,146.6	-1.9
SOURCES TOTAL	589.6	1,168.5	1,398.6	1,146.6	-1.9
USES					
Personal Services and Employee Benefits	0.0	0.0	229.4	229.4	
Contractual Services	18.8	100.0	100.0	65.0	-35.0
Other	570.8	1,068.5	1,069.2	852.2	-20.2
TOTAL USES	589.6	1,168.5	1,398.6	1,146.6	-1.9
FTE					
Permanent	0.0	0.0	3.0	3.0	
TOTAL FTE POSITIONS	0.0	0.0	3.0	3.0	

STATUTORY AUTHORITY:

The Division of Vocational Rehabilitation (DVR) is governed by the statutory guidelines outlined in Sections 22-14-1 to 22-14-30 NMSA 1978. The DVR is a division within the Public Education Department. The statute requires the DVR to provide vocational education to disabled individuals. Vocational education services include guidance and counseling, vocational instruction, training for vocational education instructors, transportation, and training material and equipment.

MISSION:

The mission of the DVR is to encourage and assist the efforts of New Mexicans with disabilities to reach their goals for working and living in their communities.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,348.7	5,619.3	5,693.9	5,616.7	0.0
Other Transfers	680.1	779.2	466.0	466.0	-40.2
Federal Revenues	24,668.8	39,560.0	40,160.9	39,875.7	0.8
Other Revenues	84.5	0.0	0.0	0.0	
Fund Balance	8,308.9	109.0	0.0	0.0	-100.0
SOURCES TOTAL	39,091.0	46,067.5	46,320.8	45,958.4	-0.2
USES					
Personal Services and Employee Benefits	14,801.8	18,770.5	19,145.0	18,782.6	0.1
Contractual Services	684.0	1,069.9	1,116.0	1,116.0	4.3
Other	16,306.7	26,227.2	26,059.8	26,059.8	-0.6
Other Financing Uses	212.3	0.0	0.0	0.0	
TOTAL USES	32,004.8	46,067.6	46,320.8	45,958.4	-0.2
FTE					
Permanent	277.0	277.0	277.0	277.0	0.0
Term	24.0	24.0	20.0	20.0	-16.7
TOTAL FTE POSITIONS	301.0	301.0	297.0	297.0	-1.3

BUDGET ISSUES:

The general fund recommendation of \$5.6 million for the agency is essentially flat with the FY13 operating budget. The overall recommendation of \$45.9 million is a slight reduction from FY13 but still represents a large increase over FY12 actual expenditures. The major program for the agency is the Rehabilitation Services Program, which receives federal grant funding at a 78.7 percent match rate to 21.3 percent from the general fund.

In February 2011, the agency implemented an order of selection (waiting list) for the Rehabilitation Services Program as required by federal law when funding and staffing are insufficient to serve all eligible persons seeking services. The highest priority clients under the order of selection are those most significantly disabled, a person with three or more impeded functional capabilities. The DVR reported that 433 individuals were on the waiting list in July 2012 but reported no waiting list as of October 2012.

A major factor in the creation of the waiting list was a high vacancy rate in the Rehabilitation Services Program, driven by a governmentwide hiring freeze in place for most of 2009 and 2010. Like many state agencies, the DVR struggled to increase and maintain staffing levels during FY12, as reflected by a 22 percent vacancy rate and spending for staffing that was \$2.1 million under budget. A lack of staff to provide services contributed to 1,570 fewer clients served in FY12 and a \$1.5 million reduction in federal funds for client services.

The recommendation for the Rehabilitation Services Program is flat with the FY13 operating budget, reflecting the application of a 3 percent vacancy rate. The agency requested only a 2.9 percent increase in general fund revenue but noted \$287 thousand in additional general fund dollars is needed to match another \$1 million in available federal funds. The agency reported it is aggressively working with the administration to fill vacancies, but little progress has been made, with 50 positions vacant and a 24 percent vacancy rate in September 2012. The recommendation assumes additional staff will be hired to increase the number of clients served and increase the use of federal funds for clients.

The recommendation for the Rehabilitation Services Program reflects a transfer of \$432 thousand in federal funds and 4 FTE to the Governor's Commission on Disability for the Technology Assistance Program (TAP) that loans disabled resident assistive technology devices and assists with the financing for equipment purchases and vehicle modifications. The recommendation includes a transfer of \$466 thousand from the Commission for the Deaf and Hard-of-Hearing Persons to provide vocational training. These funds qualify as state matching funds.

The Independent Living Services Program contracts with five centers throughout the state to provide independent living services and supports to people with disabilities in their communities. The committee's recommendation supports the agency request of \$1.4 million, flat with FY13. The Disability Determination Program is 100 percent federally funded through the Social Security Administration. The program adjudicates eligibility for supplemental security income (SSI) and social security disability insurance (SSDI) for all applicants from the state of New Mexico. The DVR reports, with the recession, applications jumped 16 percent from 24,265 in FY08 to 28,212 in FY10. Year-to-date applications are on track to set a record high. The recommendation supports the agency request of \$16.7 million. Vacancies remain a concern in the Disability Determination Program. The program averaged a 29 percent vacancy rate in FY12; unlike other DVR programs, the agency does not have complete authority to fill all vacancies due to federal approval requirements to advertise positions.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other category includes four hundred sixty-six thousand dollars (\$466,000) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

Any unexpended balance in the division of vocational rehabilitation remaining at the end of fiscal year 2014 from appropriations made from the general fund shall not revert to the general fund.

REHABILITATION SERVICES

The purpose of the rehabilitation services program is to promote opportunities for people with disabilities to become more independent and productive by empowering individuals with disabilities so they may maximize their employment, economic self-sufficiency, independence and inclusion and integration into society.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,257.2	4,413.0	4,487.6	4,410.4	-0.1
Other Transfers	680.1	779.2	466.0	466.0	-40.2
Federal Revenues	13,167.1	22,513.8	23,114.7	22,829.5	1.4
Other Revenues	67.2	0.0	0.0	0.0	
Fund Balance	8,308.9	109.0	0.0	0.0	-100.0
SOURCES TOTAL	26,480.5	27,815.0	28,068.3	27,705.9	-0.4
USES					
Personal Services and Employee Benefits	10,288.6	12,504.1	12,849.5	12,487.1	-0.1
Contractual Services	493.7	774.9	776.9	776.9	0.3
Other	8,381.9	14,536.1	14,441.9	14,441.9	-0.6
Other Financing Uses	212.3	0.0	0.0	0.0	
TOTAL USES	19,376.5	27,815.1	28,068.3	27,705.9	-0.4
FTE					
Permanent	186.5	186.0	186.5	186.5	0.3
Term	18.0	18.0	14.0	14.0	-22.2
TOTAL FTE POSITIONS	204.5	204.0	200.5	200.5	-1.7

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	1,356	718	950	950	1,150
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	51%	42%	55.8%	55.8%	60%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	99%	97%	95%	95%	97%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	98%	97%	95%	95%	97%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		9	5	9	5
Outcome	Number of working days between disbursements of federal funds from federal treasury to deposit of such funds into the state treasury		1	1	1	1

INDEPENDENT LIVING SERVICES

The purpose of the independent living services program is to increase access for individuals with disabilities to technologies and services needed for various applications in learning, working and home management.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,091.5	1,206.3	1,206.3	1,206.3	0.0
Federal Revenues	237.7	250.0	250.0	250.0	0.0
SOURCES TOTAL	1,329.2	1,456.3	1,456.3	1,456.3	0.0
USES					
Personal Services and Employee Benefits	32.8	62.0	34.3	34.3	-44.7
Other	1,318.7	1,394.3	1,422.0	1,422.0	2.0
TOTAL USES	1,351.5	1,456.3	1,456.3	1,456.3	0.0
FTE					
Permanent	0.5	1.0	0.5	0.5	-50.0
TOTAL FTE POSITIONS	0.5	1.0	0.5	0.5	-50.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of independent living plans developed	1,399	859	800	800	875
* Output	Number of individuals served for independent living	1,417	1,003	1,000	1,000	1,000

DISABILITY DETERMINATION

The purpose of the disability determination program is to produce accurate and timely eligibility determinations to social security disability applicants so they may receive benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	11,264.0	16,796.2	16,796.2	16,796.2	0.0
Other Revenues	17.3	0.0	0.0	0.0	
SOURCES TOTAL	11,281.3	16,796.2	16,796.2	16,796.2	0.0
USES					
Personal Services and Employee Benefits	4,480.4	6,204.4	6,261.2	6,261.2	0.9
Contractual Services	190.3	295.0	339.1	339.1	14.9
Other	6,606.1	10,296.8	10,195.9	10,195.9	-1.0
TOTAL USES	11,276.8	16,796.2	16,796.2	16,796.2	0.0
FTE					
Permanent	90.0	90.0	90.0	90.0	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Efficiency	Number of days for completing an initial disability claim	99.6	97.8	90	104	90
* Quality	Percent of initial disability determinations completed accurately	98.5%	96.5%	98.8%	97%	98.8%

STATUTORY AUTHORITY:

Sections 28-10-1 through 28-10-8 NMSA 1978 created the Governor's Commission on Disability. The commission has 15 members, nine appointed by the governor. Six members are representatives of other state agencies: the secretaries of the Human Services Department, the Labor Department, the Children, Youth and Families Department, and the Aging and Long-Term Services Department and the directors of the Division of Vocational Rehabilitation, the Public Education Department and the director of the Behavioral Health Services Division of the Human Services Department.

MISSION:

The mission of the Governor's Commission on Disability is to work to increase the quality of life of all New Mexicans with disabilities and remove barriers to full participation in their communities.

BUDGET SUMMARY (dollars in thousands)					
FY14 – 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	645.7	852.6	968.3	883.3	3.6
Other Transfers	58.9	0.0	0.0	0.0	
Federal Revenues	0.0	0.0	432.6	432.6	
Other Revenues	58.9	0.0	0.0	0.0	
Fund Balance	262.5	101.4	0.0	50.0	-50.7
SOURCES TOTAL	1,026.0	954.0	1,400.9	1,365.9	43.2
USES					
Personal Services and Employee Benefits	603.4	646.5	828.4	828.4	28.1
Contractual Services	182.4	193.8	207.2	207.2	6.9
Other	127.5	113.7	365.3	330.3	190.5
TOTAL USES	913.3	954.0	1,400.9	1,365.9	43.2
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
Term	0.0	0.0	4.0	4.0	
TOTAL FTE POSITIONS	8.0	8.0	12.0	12.0	50.0

BUDGET ISSUES:

The Governor's Commission on Disability's (GCD) budget request of \$1.4 million included an expansion of 4 FTE and \$432.6 thousand and a \$115.7 thousand increase in general fund revenue. The request included \$8.6 thousand for the 1.5 percent increase in employer share of retirement contributions.

The committee FY14 base budget recommendation of \$933.3 thousand includes a \$30.7 thousand, or 3.6 percent, increase in revenue from the general fund. Because the commission is dependent on general fund appropriations for its base programs, it should actively seek grants and other revenue sources to support its operations.

The recommendation fully funds the commission's \$45 thousand request for adaptive driving training for the disabled and \$100 thousand for the youth leadership program and the annual southwest conference on disability in Albuquerque. The 2012 conference had over 1,200 registered attendees from 30 states and four countries.

BASE EXPANSION:

The expansion request of \$432.6 thousand and 4 FTE reflects the transfer of the federally supported technology assistance program (TAP) from the Division of Vocational Rehabilitation to the GCD in October of 2012. The TAP program loans assistive technology devices to the disabled and assists with the financing for equipment purchases and home and vehicle modifications. The committee recommends the expansion request.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recom- mendation
1	Technical Assistance Program - 4 FTE	432.6	432.6
TOTAL		432.6	432.6

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability is to promote policies and programs that focus on common issues faced by New Mexicans with disabilities, regardless of type of disability, age or other factors. The commission educates state administrators, legislators and the general public on the issues facing New Mexicans with disabilities, especially as they relate to Americans with Disabilities Act directives, building codes, disability technologies and disability culture so they can improve the quality of life of New Mexicans with disabilities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of architectural plans reviewed and sites inspected	180	119	200	delete	delete
Output	Number of meetings held to develop collaborative partnerships with other state agencies and private disability agencies to ensure that quality of life issues for New Mexicans with disabilities are being addressed	464	601	325	600	600
Outcome	Number of presentations and events in which the agency participates and contributes	64	95	50	75	75
* Outcome	Percent of requested architectural plan reviews and site inspections completed	80%	59.5%	90%	80%	90%

STATUTORY AUTHORITY:

The Developmental Disabilities Planning Council (DDPC) was created to comply with the federal Developmental Disabilities Assistance and Bill of Rights Act and functions as a statewide planning and advocacy agency for people with developmental disabilities (Sections 28-16A NMSA 1978). The council is composed of no fewer than 18 members. At least 60 percent must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. The DDPC also staffs the 18-member Brain Injury Advisory Council, which makes recommendations concerning case management, community support systems, long-term care, employment, emergency medical services, rehabilitation and prevention, and coordination of state services for people with brain injuries (Section 24-20-3 NMSA). Laws 2003, Chapter 280, transferred the Office of Guardianship from the Attorney General to the DDPC, and the agency is responsible for providing guardianship services to individuals assigned by the judiciary as being unable to manage their financial affairs (Section 45-5-310 NMSA 1978).

MISSION:

The New Mexico Developmental Disabilities Planning Council will engage in advocacy, capacity building, and systemic change activities to contribute to a culturally competent and coordinated system of community services, supports, and other forms of assistance that are individual- and family-centered and directed, and to enable individuals with disabilities to exercise self-determination, be independent, be productive, and be integrated and included in all facets of community life.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,135.3	4,554.0	5,059.5	4,827.2	6.0
Other Transfers	456.7	475.0	475.0	475.0	0.0
Federal Revenues	507.1	511.6	509.5	509.5	-0.4
Other Revenues	1.0	0.0	0.0	0.0	
Fund Balance	193.0	0.0	0.0	0.0	
SOURCES TOTAL	5,293.1	5,540.6	6,044.0	5,811.7	4.9
USES					
Personal Services and Employee Benefits	996.8	1,091.3	1,043.0	1,036.0	-5.1
Contractual Services	3,532.5	3,986.5	4,499.5	4,306.0	8.0
Other	506.1	462.8	501.5	469.7	1.5
TOTAL USES	5,035.4	5,540.6	6,044.0	5,811.7	4.9
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Term	0.0	0.0	1.0	0.0	
TOTAL FTE POSITIONS	15.0	15.0	16.0	15.0	0.0

BUDGET ISSUES:

The DDPC's total requested funding for FY14 was \$6.04 million, an increase of \$503.4 thousand, or 9.1 percent, over the agency's FY13 operating budget of \$5.5 million. The majority of the requested increase, \$383.7 thousand, was from the general fund to address estimated client growth in the Office of Guardianship. For FY13 and FY14, the DDPC will receive \$400 thousand from the Medicaid program for paying corporate guardians.

Both the Developmental Disabilities Planning Council and Brain Injury Advisory Council collaborate with the Department of Health (DOH), Aging and Long-Term Services Department (ALTSD), and the Human Services Department (HSD) on issues of concern for people with developmental disabilities. In FY13, the Consumer Services Program that operated the Center for Self-Advocacy to support and assist individuals with disabilities was combined with the Developmental Disabilities Planning Council Program.

The council submitted nominees to the governor's office to replace members whose terms have expired. Due to vacancies, the council has had difficulty meeting the requirement that 60 percent of the members have developmental disabilities or be the parent, immediate relative, or legal guardian of a person with a disability.

For the Office of Guardianship, the number of clients receiving corporate guardianship at the end of FY12 was 909, an increase of 46 from FY11, or 9.5 percent. The DDPC projects client growth at approximately 50 to 100 per year until the program stabilizes at approximately 1,500. Since the guardianship program was transferred from the Attorney General's Office in 2004, the program has grown from \$2.4 million to \$4.2 million, an increase of 75 percent; the number of FTE has grown from 2.5 to 5.5, an increase of 120 percent. As is true with other health and social services programs, the need for state guardianship

services has increased faster than growth in revenues to support it, and the Office of Guardianship has assumed a significantly increased role for the DDPC.

The DDPC reports meeting many of its performance targets; however, requested targets for some measures were significantly below FY12 performance.

The FY14 LFC recommendation for the DDPC is \$5.8 million, a 4.9 percent increase over the FY13 operating budget. The recommendation includes \$4.8 million from the general fund, a 6 percent increase. Personal services and employee benefits are recommended near the requested level with the application of a 2 percent vacancy savings rate within the Office of Guardianship. Guardianship and other contractual services are recommended at \$3.97 million, an increase of 8.3 percent over FY13, and provide an additional \$168.8 thousand for corporate guardians, and an additional \$143.3 thousand for treatment guardians. Together, these represent a 9 percent increase over FY13 for corporate and treatment guardianship services. The \$400 thousand in Medicaid transfers from the HSD is included in the Office of Guardianship recommendation to allow for expansion of corporate and treatment guardianships. The agency had a list of 20 individuals waiting for guardianship services at the end of FY12. Legal services should be provided by the in-house legal staff or legal staff at the HSD, and continuation of pro-bono legal services is encouraged to reduce the \$215 thousand in annual legal expenditures. The Office of Guardianship should consider seeking sources of funding other than general fund revenue, such as additional Medicaid funds, donations, and contributions. The office should also consider coordinating legal services with the Veterans' Services Department or Senior Citizens Law Office and researching and emulating other states' approaches to funding guardianship services.

The agency should move into state facilities in Santa Fe and Albuquerque, and at a minimum, lease costs should be renegotiated based on the high office space vacancy in Santa Fe. The recommendation includes a reduction in lease costs to encourage resolution of these issues.

The DDPC's FY11 annual external audit included five findings all based on inadequate internal financial controls. The DDPC needs to review its internal control procedures in the preparation, recording, reconciliation, and review of its financial transactions and implement procedures to strengthen controls over its financial records. The agency should implement its plan to cross-train employees and distribute financial functions among administrative personnel, including its managers and directors.

Lastly, given the DDPC's mission to plan and advocate for persons with disabilities, the agency should enhance its advisory role with the DOH when that department implements a restructured developmental disabilities Medicaid waiver program.

RECOMMENDED LANGUAGE:

Any unexpended balances in the office of guardianship of the developmental disabilities planning council remaining at the end of fiscal year 2014 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for people with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 Actuals	FY13 2012-2013 Budgeted	FY14 - 2013-2014		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	683.8	689.1	727.5	698.5	1.4
Other Transfers	56.7	75.0	75.0	75.0	0.0
Federal Revenues	507.1	511.6	509.5	509.5	-0.4
Other Revenues	1.0	0.0	0.0	0.0	
SOURCES TOTAL	1,248.6	1,275.7	1,312.0	1,283.0	0.6
USES					
Personal Services and Employee Benefits	551.2	589.1	578.1	578.0	-1.9
Contractual Services	170.8	316.2	329.2	329.2	4.1
Other	400.3	370.4	404.7	375.8	1.5
TOTAL USES	1,122.3	1,275.7	1,312.0	1,283.0	0.6
FTE					
Permanent	8.5	8.5	8.5	8.5	0.0
Term	0.0	0.0	1.0	0.0	
TOTAL FTE POSITIONS	8.5	8.5	9.5	8.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of client contacts to assist on health, housing, transportation, education, child care, medicaid services and other programs	10,125	8,996	8,000	8,000	9,000
Output	Number of individuals trained on self-advocacy and disability-related issues	2,171	2,171	1,000	1,000	2,000
Output	Number of trainings conducted annually on self-advocacy and disability-related issues	128	128	50	50	128
Outcome	Percent of participants satisfied with trainings and delivery of services, as evidenced by satisfactory survey ratings	96.2%	98%	95%	95%	98%
Outcome	Percent of participant knowledge gained through education or training on self-advocacy and disability-related issues, as evidenced by training tests	81.8%	80%	80%	80%	80%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who have received leadership and advocacy skill training			5%	5%	5%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who are active on governmental and nonprofit boards, councils, committees and work groups			5%	5%	5%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who participate in the legislative process			5%	5%	5%

BRAIN INJURY ADVISORY COUNCIL

The purpose of the brain injury advisory council program is to provide guidance on the use and implementation of programs provided through the human services department's brain injury services fund so the department may align service delivery with needs identified by the brain injury community.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
SOURCES				<u>Agency Request</u>	<u>LFC Recommendation</u>	
	General Fund Transfers	85.6	96.3	109.5	100.4	4.3
	SOURCES TOTAL	85.6	96.3	109.5	100.4	4.3
USES						
	Personal Services and Employee Benefits	63.4	66.5	69.5	69.5	4.5
	Contractual Services	1.5	8.8	17.8	9.6	9.1
	Other	20.4	21.0	22.2	21.3	1.4
	TOTAL USES	85.3	96.3	109.5	100.4	4.3
FTE						
	Permanent	1.0	1.0	1.0	1.0	0.0
	TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of participant knowledge gained through education or training on traumatic brain injury issues, as evidenced by training tests	96%	80%	95%	95%	95%

OFFICE OF GUARDIANSHIP

The purpose of the office of guardianship is to enter into, monitor and enforce guardianship contracts for income-eligible persons and to help file, investigate and resolve complaints about guardianship services provided by contractors to maintain the dignity, safety and security of the indigent and incapacitated adults of the state.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,365.9	3,768.6	4,222.5	4,028.3	6.9
Other Transfers	400.0	400.0	400.0	400.0	0.0
Fund Balance	193.0	0.0	0.0	0.0	
SOURCES TOTAL	3,958.9	4,168.6	4,622.5	4,428.3	6.2
USES					
Personal Services and Employee Benefits	382.2	435.7	395.4	388.5	-10.8
Contractual Services	3,360.2	3,661.5	4,152.5	3,967.2	8.3
Other	85.4	71.4	74.6	72.6	1.7
TOTAL USES	3,827.8	4,168.6	4,622.5	4,428.3	6.2
FTE					
Permanent	5.5	5.5	5.5	5.5	0.0
TOTAL FTE POSITIONS	5.5	5.5	5.5	5.5	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Quality	Percent of protected persons provided with legal assistance satisfied with services, as evidenced by an annual satisfaction survey	80%	93%	80%	85%	85%
* Outcome	Percent of protected persons properly served with the least restrictive means, as evidenced by an annual technical compliance audit	95%	95%	95%	95%	95%
Quality	Percent of protected persons properly served by professional guardianship providers satisfied with services, as evidenced by an annual satisfaction survey	80%	86%	90%	90%	90%

STATUTORY AUTHORITY:

Sections 23-3-1 through 23-3-3 NMSA 1978 created the Miners' Hospital of New Mexico.

MISSION:

The mission of the Miners' Hospital of New Mexico, an agency of the state of New Mexico, is to be the leader in health care, providing quality acute care, long-term care, and related services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	5,023.8	4,863.1	6,000.0	6,000.0	23.4
Federal Revenues	263.8	321.8	321.8	321.8	0.0
Other Revenues	24,360.6	23,027.3	21,900.0	21,900.0	-4.9
SOURCES TOTAL	29,648.2	28,212.2	28,221.8	28,221.8	0.0
USES					
Personal Services and Employee Benefits	12,331.5	14,014.5	12,488.6	12,510.8	-10.7
Contractual Services	3,801.1	3,158.9	3,531.3	3,533.1	11.8
Other	5,087.3	6,175.7	6,201.9	6,201.6	0.4
Other Financing Uses	5,023.8	4,863.1	6,000.0	5,976.3	22.9
TOTAL USES	26,243.7	28,212.2	28,221.8	28,221.8	0.0
FTE					
Permanent	211.5	211.5	210.5	210.5	-0.5
Term	13.5	13.5	13.5	13.5	0.0
TOTAL FTE POSITIONS	225.0	225.0	224.0	224.0	-0.4

BUDGET ISSUES:

The request of \$28.2 million was near the same level as the FY13 operating budget. The hospital receives revenue from the miners' hospital permanent fund, which represents approximately 1 percent of the land grant permanent fund, and had a balance of \$106.3 million at the close of FY12. For FY14, 5.5 percent of the five-year average market value of the miners' hospital permanent fund will be distributed to the miners' trust fund. The miners' trust fund also receives monthly distributions of rents and bonuses from the miners' income fund, a part of the land maintenance fund. The State Land Office projects that together these two revenue sources will generate \$6.2 million for FY14. In addition, the miners' trust fund has a projected fund balance of \$10.1 million at the end of FY13. The agency requested an appropriation of \$6 million of the balance from this fund, which should not significantly affect the fund balance at the end of FY14.

The committee recommendation is commensurate with the agency request at \$28.2 million but includes a \$23.7 thousand reduction in other financing uses to offset a recommended increase for risk premium rates and audit costs as prescribed by the General Services Department and Office of the State Auditor. Vacant positions are budgeted as requested with no additional vacancy rate reduction applied over the agency applied rate of 11.2 percent. The agency requested a reduction from the FY13 operating budget in personal services and employee benefits because of the difficulty in recruiting and retaining personnel in the northeast region of the state combined with retirement by current healthcare personnel employed at the hospital. The other financing uses category is recommended near the requested level of 23 percent over FY13 and includes funding for partial operating costs for a newly proposed rural health clinic. It also includes additional funding should third-party payer revenue not materialize given the low census at the facility. The debt and interest payments for the hospital are included in the recommendation at \$1.3 million. In FY13, the agency submitted a budget adjustment request to add additional revenue distributions from the miners' trust fund to the operating budget.

In addition to being a hospital designated for miners, the hospital serves as the county hospital for Colfax County. The acute care hospital provides inpatient and outpatient care and has two state-of-the-art operating rooms. The administration recruited surgeons and other healthcare professionals to the hospital to provide needed care and maximize use of the facilities. However, the inpatient census has been declining over the last two years, with the average at six. The long-term care facility occupancy rate was 83 percent. The hospital has reduced the infection rate following treatment to below 1 percent, and the percent of emergency room patients returning with the same or similar diagnosis to 1 percent, both commendable outcomes.

The status of the old hospital needs to be resolved because the agency has been unable to find suitable occupants. The medical center's five-year construction plan shows the old hospital is scheduled for demolition in FY15 at an estimated cost of \$650 thousand. Concurrently, the agency has a FY14 capital outlay request for \$3.2 million to build a new rural healthcare clinic.

The medical center's FY11 audit includes four findings, one of which indicates the agency did not comply with the state procurement code resulting in the hospital paying \$225 thousand for a pharmaceutical dispensing system it did not receive. Another finding cited security issues with the hospital's financial and medical electronic records such that a former employee still had access to records after separation from the agency. A repeat finding notes concerns over the disposition of long-term care residents' funds.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the healthcare program of miners' hospital of New Mexico in the other financing uses category includes five million nine hundred seventy-six thousand three hundred dollars (\$5,976,300) from the miners' trust fund.

HEALTHCARE

The purpose of miners' hospital of New Mexico is to provide quality acute care, long-term care and related health services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region so they can maintain optimal health and quality of life.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of budgeted revenue collected	100%	100%	100%	100%	100%
* Outcome	Annual percent of healthcare-associated infections	0.47%	0%	<2%	<2%	<1%
Outcome	Average patient length of stay, in days, for the acute care facility	3.02	2.9	4.0	4.0	4.0
* Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	8%	9.15%	<0.5%	<0.5%	<0.5%
Output	Number of outpatient visits	11,275	10,526	16,000	13,000	13,000
Output	Number of visits to the outreach clinic	381	474	500	500	500
Output	Number of surgeries performed	684	542	800	800	800
Outcome	Percent of occupancy at nursing home based on licensed beds	85%	83%	85%	85%	85%
Efficiency	Gross number of days in accounts receivable	69	62.3	70	70	70
* Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	8%	5%	<15%	<15%	<8%
Quality	Percent of time that provider fails to respond to emergency room patients within required timeframes	14%	22.8	<5%	<15%	<15%
Quality	Percent of emergency room patients returning to the emergency room with same or similar diagnosis within seventy-two hours of their initial visit	1%	1%	<15%	<15%	<1%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated			>=80%	>=80%	>=80%
Quality	Rate of medication errors per one thousand medications administered			<=2%	<=2%	<=2%
Outcome	Percent of patients that return to mobile outreach clinic every three years to evaluate the progression of their pulmonary disease disability			50%	50%	50%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds			85%	85%	85%
Output	Percent occupancy in acute care facility based on number of licensed beds			60%	60%	60%

STATUTORY AUTHORITY:

The Department of Health (DOH) was created by Sections 9-1-7 through 9-7-15 NMSA 1978 to serve the citizens of New Mexico through programs designed to prevent disease and disability, promote health, and prevent or treat problems of mental health, substance abuse, developmental disabilities, and chronic disease. The agency licenses health and long-term care facilities and operates seven treatment centers, the state scientific laboratory, and public health offices in all counties. The department currently has eight programs: Public Health; Epidemiology and Response; Laboratory Services; Facilities Management; Developmental Disabilities Support; Health Certification, Licensing and Oversight; Administration; and Medical Cannabis.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Veterans' Home in Truth or Consequences, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	288,707.1	291,991.5	303,400.5	299,835.7	2.7
Other Transfers	22,570.8	19,600.5	26,552.4	25,889.7	32.1
Federal Revenues	93,777.9	105,906.1	107,103.9	106,274.8	0.3
Other Revenues	102,836.1	120,790.3	111,208.1	109,599.8	-9.3
Fund Balance	789.8	0.0	0.0	0.0	
SOURCES TOTAL	508,681.7	538,288.4	548,264.9	541,600.0	0.6
USES					
Personal Services and Employee Benefits	189,325.2	214,249.8	217,946.3	212,197.4	-1.0
Contractual Services	69,915.8	75,597.8	83,727.1	83,477.1	10.4
Other	141,495.5	152,087.7	145,297.9	145,031.9	-4.6
Other Financing Uses	90,342.1	96,353.1	101,293.6	100,893.6	4.7
TOTAL USES	491,078.6	538,288.4	548,264.9	541,600.0	0.6
FTE					
Permanent	2,924.5	2,924.5	2,932.5	2,777.5	-5.0
Term	995.5	1,000.5	1,001.5	971.5	-2.9
Temporary	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	3,941.0	3,946.0	3,955.0	3,770.0	-4.5

BUDGET ISSUES:

The department's FY14 base request was \$548.3 million, an increase of \$9.98 million, or 1.9 percent, over the FY13 operating budget. Transfers from the general fund were requested at \$303.4 million, an increase of \$11.4 million, or 3.9 percent. The requested general fund increase included \$5 million for expansion of the Medicaid waiver program for the developmentally disabled (DD) to serve additional consumers and decrease the number of individuals on the waiting list, \$1.1 million in the Developmental Disabilities Support Program for 9 new FTE and contracts associated with the restructure of the new DD Medicaid waiver, \$2 million in the Facilities Management Program for a new 20-bed inpatient unit for adolescent substance abuse treatment at Turquoise Lodge, \$2.1 million for increased insurance and other risk premiums, and an additional \$1 million for sexual assault treatment contracts. The requested tobacco settlement program fund revenue was \$6.8 million, the same as in FY13. Other requested revenues changes included a \$4 million reduction in the federal Women, Infant and Children (WIC) program formula rebate grant and a \$1.1 million increase in the AIDS drug assistance program revenue.

The Department of Health (DOH) is the largest state agency, with 3,946 FTE authorized in FY13, and has maintained a 19 percent to 23 percent vacancy rate during the past year. The total FY14 request for personal services and employee benefits was \$217.9 million, an increase of \$3.7 million, or 1.7 percent. The department requested 3,955 FTE, including an increase of 9 FTE within the Developmental Disabilities Support Program. In FY12, the DOH transferred \$5.1 million out of personal services and employee benefits to other categories, including contract health services within the facilities.

For FY12, the DOH reverted \$10.6 million with \$4.9 million within the Public Health Program and \$4.1 million within the Developmental Disabilities Support Program due to uncertainties and timing with the rollout of the restructured DD Medicaid waiver.

The LFC recommendation for FY14 is \$541.6 million, an increase of 0.6 percent. The general fund recommendation is \$299.8 million, an increase of 2.7 percent. The recommendation includes an increase of \$4.6 million for the DD Medicaid waiver, which accounts for the enhanced federal match rate and is intended to serve people on the waiting list; \$2 million for the new adolescent substance abuse treatment unit at Turquoise Lodge; an additional \$500 thousand for the Family, Infant, Toddler (FIT) Medicaid Program; an increase of \$400 thousand for sexual assault treatment contracts; and 3 additional FTE within the Developmental Disabilities Support Program. The recommendation also includes a reduction in funding for 89 permanent FTE that have remained vacant longer than two years and elimination of an additional 90 FTE that have been vacant greater than two years and are unfunded in the request. As a result, these FTE do not have a funds reduction associated with their deletion. An additional 1 percent vacancy rate was applied to the Laboratory Services and Health Certification and Licensing Programs. Lease costs were reduced 1 percent in the Public Health and Health Certification and Licensing Programs and 10 percent in the Facilities Management Program due to the department's high vacancy rate and given the executive's initiative to save taxpayer dollars by more efficient and cost-effective use of leased and state-owned office space. Transfers from the tobacco settlement program fund were recommended at the requested level.

The recommendation for the Public Health Program is \$185.9 million, a decrease of \$2.77 million, or 1.5 percent, from the FY13 operating budget. The general fund appropriation is recommended near the FY13 level at \$66.6 million. The agency requested a 5.8 percent vacancy rate and the recommendation eliminates 37 FTE in the program vacant for greater than two years, saving an additional \$1.1 million. The recommendation includes an additional \$50 thousand for obesity programs. The Public Health Program is advancing a voluntary initiative to achieve public health accreditation, although it does not appear as if it will achieve its goal of accreditation in 2012.

The DOH reports New Mexico in FY12 spent approximately \$90 per person for public health, of which 41 percent came from federal funds. According to the Trust for America's Health, New Mexico ranked 13th in per capita spending on public health. The Public Health Program should continue to increase its Medicaid collections to offset any further loss of federal revenues and grants. The Public Health Program spends \$14.4 million on contracts with primary care providers, of which a substantial amount is spent on undocumented individuals living in the state. The issue of caring for undocumented persons is not addressed under federal health reform and will continue to put pressure on the public health budget. Other challenges for the program include rising medication and supply costs, including the cost of contraceptives; regulation changes, including those for clinical laboratories; and changes in the federal vaccination schedule for children.

The recommendation for the Epidemiology and Response Program is \$23.9 million, an increase of 1.5 percent over the FY13 operating budget. General fund transfers are recommended at \$8.1 million, an increase of 0.6 percent to fund Emergency Medical Services' radio communication costs. The recommendation reduces \$151 thousand and 4 FTE vacant for greater than two years.

The recommendation for the Laboratory Services Program is \$12.5 million, a 2.3 percent increase over the FY13 operating budget and applies a vacancy savings rate of 11 percent and eliminates 12 FTE vacant greater than two years.

The recommendation for the Facilities Management Program is \$138.7 million, a 0.2 percent decrease from the FY13 operating budget. The general fund transfers are recommended at \$64.1 million, an increase of 2.6 percent. The recommendation deletes 113 FTE vacant longer than two years, saving \$2.67 million. The recommendation does not include first-time funding for a requested van and natatorium and other capital maintenance at the Los Lunas Community Program because these items are contained within the department's capital outlay funding request.

The Facilities Management Program operates six hospitals and an in-patient program. The average daily occupancy at the end of FY12 was 70 percent. The occupancy rate ranged from a high of 95 percent at the Behavioral Health Institute's adult psychiatric unit to a low of 20 percent at the New Mexico Rehabilitation Center's medical rehabilitation unit. Despite less than optimum occupancy, the Facilities Management Program continues to have considerable overtime costs, particularly at the Los Lunas Community Program (LLCP), that should be reduced as positions are filled and contract healthcare providers are deployed.

The Department of Health compiled demographic data regarding substance abuse in New Mexico that indicates New Mexico's drug overdose death rate is the highest in the nation, prescription drug overdose deaths are more common than illicit drug overdose deaths, high substance abuse rates are distributed throughout all of New Mexico, and the prescription opioid sales rate in New Mexico is greater than that of the United States. In an effort to address these alarming statistics, the DOH requested and the LFC recommends \$2 million in general fund revenue to open a new 20-bed inpatient unit for adolescent substance abuse treatment at Turquoise Lodge in Albuquerque.

The Children, Youth and Families Department conducted a survey of the Sequoyah Adolescent Residential Treatment Center in Albuquerque and identified deficiencies regarding medication errors, improper use of seclusion and restraints, improper and unsafe discharge of children, and potential abuse and neglect. The DOH removed a physician at the facility who was overmedicating clients, stopped the excessive physical restraint, is investing in facility renovations to mitigate its deficiencies, is creating a restraint-free environment, and is further educating staff on appropriate procedures.

The recommendation for the Developmental Disabilities Support Program adds \$4.6 million in general fund revenue for the DD Medicaid waiver to add clients and reduce the waiting list and applies the new federal match rate of 69.2 percent instead of 69.07 percent, resulting in a total increase of \$5 million. The recommendation also includes an additional \$500 thousand for the Family, Infant, Toddler (FIT) Medicaid services program. The recommendation includes funding for 3 of the 9 new FTE requested to administer the growing DD Medicaid waiver program. The program had 6 vacant FTE in November, which can be filled for these purposes.

The 2011 General Appropriation Act provided \$1 million to reduce the number of individuals on the DD Medicaid waiver waiting list. Yet despite this increase, the Developmental Disabilities Support Program reverted \$4.1 million to the general fund. Over the last three years, only a net increase of 40 clients have been added to the DD Medicaid waiver program, while the waiting list for services grew by 923. Although funding for DD Medicaid waiver services has increased annually, the average cost per client has also increased by approximately 8 percent over the last few fiscal years. The DD Medicaid waiver program implemented cost-containment measures and lowered the average cost per client from \$85.3 thousand to \$73.9 thousand for FY12.

The Jackson lawsuit, filed in 1987, involves the state's obligation to provide services to DD clients in an integrated setting, as opposed to a state facility. The department was ordered to complete a plan of action and other items to ensure compliance with the findings of the court. The DOH reports the program continues to address the requirements of the plan of action and other items to move toward full compliance with the court orders. However, a hearing in October 2012 indicated the DOH was substantially noncompliant with certain disengagement activities and failed to provide Jackson lawsuit class members with adequate health care, a reasonably safe environment, and supported employment services. However, the court indicated the DOH made progress in several areas and could endeavor for disengagement perhaps within FY14 or FY15.

The recommendation for the Health Certification, Licensing and Oversight Program is \$12.4 million, a decrease of 8 percent. Transfers from the general fund are reduced 0.4 percent to \$4.3 million. The recommendation applies a 1 percent vacancy rate and deletes 9 FTE vacant for greater than two years, saving \$289 thousand. The program is experiencing an increase in abuse, neglect, and exploitation complaint investigations, and because these investigations are labor intensive (the average length of each facility survey is 46.2 hours) and require qualified personnel, it has become increasingly difficult for the program to hire and retain appropriately trained and credentialed staff. Therefore, the program has found it increasingly difficult to complete all required provider surveys and incident investigations within specified timelines. The program should consider raising licensing fees and using the funds to address turnover and retention issues.

The DOH is statutorily mandated to administer a program for regulating and ensuring access to medical cannabis for persons suffering from certain health conditions. The FY13 operating budget moved the Medical Cannabis Program from within the Public Health Program and added it as a separate and new program. For FY14, the department is requesting and the LFC is recommending 7 FTE and \$780 thousand in revenue generated from producer and client fees.

The recommendation for the Administration Program is \$17.9 million, an increase of 2.3 percent over the FY13 operating budget. The department requested an additional \$1 million from the general fund for sexual assault treatment and trauma funding, and the recommendation includes \$400 thousand for this purpose. The department's FY11 annual audit contained eight findings, including a repeated material weakness finding associated with accounts receivable and allowance for doubtful accounts.

The Department of Health (DOH) reports on relatively few performance measures directly relating to its strategic and mission objectives, and the department's performance suffers due to high vacancies. The department consistently performs below its performance targets and service backlogs continue to grow. The agency should include more meaningful outcome measures, more national benchmark measures, and more efficiency measures denoting average cost per client.

RECOMMENDED LANGUAGE:

Any unexpended balances in the public health program of the department of health in the contractual services category from appropriations made from the county-supported medicaid fund for the support of primary health care services related to the Rural Primary Health Care Act remaining at the end of fiscal year 2013 shall not revert.

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million six hundred eighty-two thousand dollars (\$5,682,000) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred forty-eight thousand dollars (\$748,000) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-eight thousand six hundred dollars (\$128,600) from the tobacco settlement program fund for breast and cervical cancer.

The general fund appropriation to the developmental disabilities support program of the department of health in the other financing uses category includes one hundred million two hundred ninety-one thousand dollars (\$100,291,000) for medicaid waiver services in local communities: one million two hundred sixty-one thousand five hundred dollars (\$1,261,500) for medically fragile services and ninety-nine million twenty-nine thousand five hundred dollars (\$99,029,500) for services to the developmentally disabled.

PUBLIC HEALTH

The purpose of the public health program is to provide a coordinated system of community-based public health services focusing on disease prevention and health promotion to improve health status, reduce disparities and ensure timely access to quality, culturally competent health care.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	66,036.0	66,764.5	67,380.1	66,558.7	-0.3
Other Transfers	11,509.2	6,320.2	12,916.8	12,916.8	104.4
Federal Revenues	69,976.2	79,152.8	79,897.6	79,354.5	0.3
Other Revenues	24,554.9	36,440.9	27,074.0	27,074.0	-25.7
SOURCES TOTAL	172,076.3	188,678.4	187,268.5	185,904.0	-1.5
USES					
Personal Services and Employee Benefits	47,435.5	56,272.5	56,147.7	55,015.7	-2.2
Contractual Services	36,820.6	40,663.3	46,222.7	46,072.7	13.3
Other	80,494.5	91,080.5	84,295.5	84,213.0	-7.5
Other Financing Uses	710.7	662.1	602.6	602.6	-9.0
TOTAL USES	165,461.3	188,678.4	187,268.5	185,904.0	-1.5
FTE					
Permanent	343.5	343.5	343.5	323.5	-5.8
Term	613.5	613.5	613.5	596.5	-2.8
TOTAL FTE POSITIONS	957.0	957.0	957.0	920.0	-3.9

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Quality	Percent of quit now enrollees who successfully quit using tobacco at seven-month follow-up			New	40%	40%
* Outcome	Number of teen births prevented among girls ages fifteen to seventeen seen in department of health-funded clinics			New	850	850
* Output	Percent of preschoolers (ages nineteen to thirty-five months) fully immunized	65.4%	76.1%	90%	90%	90%
Outcome	Percent of children enrolled in medicaid who receive dental screening and fluoride sealants or varnish			75%	75%	75%

EPIDEMIOLOGY AND RESPONSE

The purpose of the epidemiology and response program is to monitor health, provide health information, prevent disease and injury, promote health and healthy behaviors, respond to public health events, prepare for health emergencies and provide emergency medical and vital registration services to New Mexicans.

BUDGET SUMMARY (dollars in thousands)					
	FY12	FY13	FY14 - 2013-2014		Percent Incr (Decr)
	2011-2012 <u>Actuals</u>	2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	8,051.6	8,023.4	8,145.2	8,071.7	0.6
Other Transfers	343.8	182.7	160.6	160.6	-12.1
Federal Revenues	11,450.0	13,949.5	14,743.2	14,645.1	5.0
Other Revenues	885.3	1,416.5	1,048.3	1,048.3	-26.0
Fund Balance	219.7	0.0	0.0	0.0	
SOURCES TOTAL	20,950.4	23,572.1	24,097.3	23,925.7	1.5
USES					
Personal Services and Employee Benefits	9,630.7	11,457.4	11,880.9	11,729.3	2.4
Contractual Services	4,492.3	5,669.0	5,426.3	5,426.3	-4.3
Other	6,050.2	6,445.7	6,790.1	6,770.1	5.0
TOTAL USES	20,173.2	23,572.1	24,097.3	23,925.7	1.5
FTE					
Permanent	45.0	45.0	45.0	43.0	-4.4
Term	127.0	125.0	125.0	123.0	-1.6
TOTAL FTE POSITIONS	172.0	170.0	170.0	166.0	-2.4

		PERFORMANCE MEASURES				
		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Percent of emergency department and intensive care unit licensed staff at developing and existing trauma centers who have received training in traumatic injury care			New	80%	80%
Output	Number of naloxone prescriptions provided in conjunction with prescription opioids			New	1,000	1,000

LABORATORY SERVICES

The purpose of the laboratory services program is to provide laboratory analysis and scientific expertise for policy development for tax-supported public health, environment and toxicology programs in the state of New Mexico to provide timely identification of threats to the health of New Mexicans.

BUDGET SUMMARY (dollars in thousands)					
	FY12	FY13	FY14 - 2013-2014		Percent Incr (Decr)
	2011-2012 <u>Actuals</u>	2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	6,945.1	7,206.1	7,565.1	7,487.7	3.9
Federal Revenues	2,359.0	2,138.7	2,138.7	2,138.7	0.0
Other Revenues	2,482.0	2,837.5	2,837.5	2,837.5	0.0
SOURCES TOTAL	11,786.1	12,182.3	12,541.3	12,463.9	2.3
USES					
Personal Services and Employee Benefits	7,163.0	7,480.5	7,839.5	7,762.1	3.8
Contractual Services	289.5	190.8	190.8	190.8	0.0
Other	4,193.8	4,511.0	4,511.0	4,511.0	0.0
TOTAL USES	11,646.3	12,182.3	12,541.3	12,463.9	2.3
FTE					
Permanent	84.0	84.0	84.0	78.0	-7.1
Term	49.0	49.0	49.0	43.0	-12.2
TOTAL FTE POSITIONS	133.0	133.0	133.0	121.0	-9.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases analyzed and reported within ten business days	16.33%	44.6%	95%	95%	95%

FACILITIES MANAGEMENT

The purpose of the facilities management program is to provide oversight for department of health facilities that provide health and behavioral healthcare services, including mental health, substance abuse, nursing home and rehabilitation programs in both facility- and community-based settings, and serve as the safety net for the citizens of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	62,477.0	62,479.3	65,416.1	64,111.7	2.6
Other Transfers	716.0	723.5	716.0	716.0	-1.0
Other Revenues	70,502.6	75,801.1	75,417.7	73,893.1	-2.5
SOURCES TOTAL	133,695.6	139,003.9	141,549.8	138,720.8	-0.2
USES					
Personal Services and Employee Benefits	98,585.2	109,103.9	109,598.6	106,928.6	-2.0
Contractual Services	8,055.0	7,893.6	9,499.5	9,499.5	20.3
Other	23,498.3	22,006.4	22,451.7	22,292.7	1.3
TOTAL USES	130,138.5	139,003.9	141,549.8	138,720.8	-0.2
FTE					
Permanent	2,206.0	2,206.0	2,206.0	2,093.0	-5.1
Term	5.0	5.0	5.0	5.0	0.0
Temporary	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	2,232.0	2,232.0	2,232.0	2,119.0	-5.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Percent of operational capacity beds filled at all agency facilities	93.5%	87%	100%	100%	100%
* Efficiency	Percent of collectable third-party revenues at all agency facilities	62%	59.8%	90%	90%	90%
* Explanatory	Total dollar amount, in millions, of uncompensated care at all agency facilities	\$41.4	\$36	\$38	\$38	\$36

DEVELOPMENTAL DISABILITIES SUPPORT

The purpose of the developmental disabilities support program is to administer a statewide system of community-based services and support to improve the quality of life and increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	129,085.6	131,682.7	137,882.9	137,410.2	4.3
Other Transfers	6,207.8	7,567.2	8,639.1	8,066.4	6.6
Federal Revenues	2,378.1	2,601.5	2,805.2	2,805.2	7.8
Other Revenues	1,173.9	1,400.0	1,200.0	1,200.0	-14.3
SOURCES TOTAL	138,845.4	143,251.4	150,527.2	149,481.8	4.3
USES					
Personal Services and Employee Benefits	9,480.3	10,514.6	12,424.6	11,279.2	7.3
Contractual Services	17,163.2	17,493.0	17,873.0	18,373.0	5.0
Other	19,126.2	19,552.8	19,538.6	19,538.6	-0.1
Other Financing Uses	89,631.4	95,691.0	100,691.0	100,291.0	4.8
TOTAL USES	135,401.1	143,251.4	150,527.2	149,481.8	4.3
FTE					
Permanent	69.0	69.0	78.0	72.0	4.3
Term	97.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	166.0	166.0	175.0	169.0	1.8

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment	32%	36%	38%	50%	50%
* Efficiency	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	90%	98.3%	100%	100%	100%
* Explanatory	Number of individuals on the developmental disabilities waiver receiving services	3,812	3,888	3,997	3,900	4,000
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	5,401	5,911	4,535	6,400	6,330

HEALTH CERTIFICATION LICENSING AND OVERSIGHT

The purpose of the health certification, licensing and oversight program is to provide health facility licensing and certification surveys, community-based oversight and contract compliance surveys and a statewide incident management system so that people in New Mexico have access to quality health care and that vulnerable populations are safe from abuse, neglect and exploitation.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,393.0	4,364.4	4,439.3	4,344.8	-0.4
Other Transfers	3,179.6	3,440.0	3,444.9	3,354.9	-2.5
Federal Revenues	2,179.1	3,433.2	2,083.7	1,995.8	-41.9
Other Revenues	2,842.6	2,256.1	2,800.0	2,716.3	20.4
SOURCES TOTAL	12,594.3	13,493.7	12,767.9	12,411.8	-8.0
USES					
Personal Services and Employee Benefits	7,914.8	9,388.5	9,758.8	9,407.2	0.2
Contractual Services	152.2	611.8	338.8	338.8	-44.6
Other	3,014.9	3,493.4	2,670.3	2,665.8	-23.7
TOTAL USES	11,081.9	13,493.7	12,767.9	12,411.8	-8.0
FTE					
Permanent	44.0	44.0	44.0	40.0	-9.1
Term	100.0	100.0	100.0	95.0	-5.0
TOTAL FTE POSITIONS	144.0	144.0	144.0	135.0	-6.3

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Percent of developmental disabilities, medically fragile, behavioral health and family, infant, toddler providers receiving a survey by the quality management bureau	67.6%	71%	100%	85%	85%

MEDICAL CANNABIS PROGRAM

The purpose of the medical cannabis program is to provide qualified patients with the means to legally and beneficially consume medical cannabis in a regulated system for alleviating symptoms caused by debilitating medical conditions and their medical treatments, and to regulate a system of production and distribution of medical cannabis to ensure an adequate supply.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	344.2	598.0	780.0	780.0	30.4
SOURCES TOTAL	344.2	598.0	780.0	780.0	30.4
USES					
Personal Services and Employee Benefits	195.5	453.2	534.2	534.2	17.9
Contractual Services	127.6	10.0	80.5	80.5	705.0
Other	16.9	134.8	165.3	165.3	22.6
TOTAL USES	340.0	598.0	780.0	780.0	30.4
FTE					
Term	0.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	0.0	7.0	7.0	7.0	0.0

ADMINISTRATION

The purpose of the administration program is to provide leadership, policy development, information technology, administrative and legal support to the department of health so it achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,718.8	11,471.1	12,571.8	11,850.9	3.3
Other Transfers	614.4	1,366.9	675.0	675.0	-50.6
Federal Revenues	5,435.5	4,630.4	5,435.5	5,335.5	15.2
Other Revenues	50.6	40.2	50.6	50.6	25.9
Fund Balance	570.1	0.0	0.0	0.0	
SOURCES TOTAL	18,389.4	17,508.6	18,732.9	17,912.0	2.3
USES					
Personal Services and Employee Benefits	8,920.2	9,579.2	9,762.0	9,541.1	-0.4
Contractual Services	2,815.4	3,066.3	4,095.5	3,495.5	14.0
Other	5,100.7	4,863.1	4,875.4	4,875.4	0.3
TOTAL USES	16,836.3	17,508.6	18,732.9	17,912.0	2.3
FTE					
Permanent	133.0	133.0	132.0	128.0	-3.8
Term	4.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	137.0	137.0	137.0	133.0	-2.9

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of Hispanic adults age sixty-five and older who receive a pneumonia or influenza vaccination			75%	75%	75%

STATUTORY AUTHORITY:

The New Mexico Department of Environment (NMED) is established by Sections 9-7A-1 through 9-7A-15 NMSA 1978. It is responsible for administration of federal and state laws and regulations related to air quality, surface- and groundwater quality, solid waste disposal, underground storage tanks, radioactive materials, radiologic technology, occupational safety, and food safety. The department administers rural water and wastewater infrastructure loans and monitors federal Department of Energy and Department of Defense facilities within New Mexico for nonradioactive hazardous materials.

MISSION:

The Department of Environment (NMED) preserves and protects surface- and groundwater, air quality, and land in New Mexico. The department also protects the safety and health of the state's citizens by regulating, monitoring, and inspecting public facilities and establishments.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,354.9	11,256.2	11,438.5	11,268.4	0.1
Other Transfers	26,022.6	34,263.1	35,411.4	34,001.3	-0.8
Federal Revenues	15,410.3	20,422.8	20,483.9	20,483.9	0.3
Other Revenues	37,265.9	37,557.4	37,904.0	37,747.1	0.5
Fund Balance	717.9	5,061.8	6,495.8	4,256.7	-15.9
SOURCES TOTAL	90,771.6	108,561.3	111,733.6	107,757.4	-0.7
USES					
Personal Services and Employee Benefits	39,412.3	48,114.3	49,474.4	48,298.1	0.4
Contractual Services	8,834.6	13,678.3	13,616.3	12,226.5	-10.6
Other	16,442.5	16,022.0	16,918.1	16,918.1	5.6
Other Financing Uses	23,555.7	30,746.7	31,724.8	30,314.7	-1.4
TOTAL USES	88,245.1	108,561.3	111,733.6	107,757.4	-0.7
FTE					
Permanent	304.0	303.0	303.0	287.5	-5.1
Term	369.0	368.5	368.5	361.5	-1.9
TOTAL FTE POSITIONS	673.0	671.5	671.5	649.0	-3.4

BUDGET ISSUES:

For FY14, the New Mexico Department of Environment's (NMED's) overall base request of \$111.7 million represented a \$3.2 million, or 2.9 percent, increase over the FY13 operating budget. The FY14 general fund request included a slight increase of \$182 thousand, or 1.6 percent, from the FY13 level to address increases in health insurance rates and retirement costs. Federal funds remained essentially flat for the agency. The agency requested a transfer of \$115 thousand and 1 FTE to the Resource Management Program as well as a transfer of \$506 thousand and 5 FTE responsible for administering the rural infrastructure revolving loan fund to the Field Operations and Infrastructure Program. The FY14 request included a vacancy rate of 5.4 percent for the Field Operations and Infrastructure Program but did not include vacancy savings for the other programs.

The FY14 LFC recommendation of \$107.8 million is an \$803.9 thousand decrease from the FY13 operating budget of \$108.6 million. Although the FY14 recommendation includes a 0.7 percent decrease from the FY13 operating budget, it represents an increase of \$19.5 million, 22.1 percent, over FY12 actual expenditures. The committee recommendation includes an increase of \$12.2 thousand, or 0.1 percent, from the general fund.

The LFC staff recommendation deletes 22.5 FTE vacant more than two years. Historic vacancy rates average 20.9 percent, resulting in reduced performance in FY12, particularly in permitting, compliance, and remediation programs. The agency attributes most underperformance to difficulty filling some positions because of competition with the private sector in some classifications, such as engineers. The agency also notes the persistent high vacancy rates are due in part to the promotion of employees. Although the FY14 recommendation deleted 22.5 FTE, it only applies an average agencywide vacancy rate of 3.8 percent. The FY14 recommendation represents an \$8.9 million increase over FY12 actual expenditures in the personal services and employee benefits category. With this increase, the agency should work with the State Personnel Office on a human resource plan to increase salary ranges to hire and retain employees, especially positions essential for performing the permitting, compliance, and remediation functions.

Additionally, as requested by the agency, the committee recommends a net transfer of 4 FTE for the Field Operations and Infrastructure Program and corresponding funding for administrative expenses for the rural infrastructure revolving loan fund.

The agency's largest requested increase affected the corrective action fund (CAF). The committee recommendation includes a 5 percent increase over FY12 actual expenditures for the contractual services and other costs category for direct costs from the CAF. As outlined in a July 2012 LFC evaluation, the state will spend an estimated \$263 million from the corrective action fund over the next 20 years to clean up contaminated underground storage tank sites. Revised NMED rules, effective March 2012, now allow for "prohibition of delivery" to ensure fuel is not delivered to leaking gas station tanks. This adds significant strength to enforce regulation and should significantly increase compliance. As owners increase compliance, the number and severity of releases is expected to decline. As inventories decline, many states are considering retiring the corrective action funds. Twenty-four states either already have or will be transitioning to private insurance mechanisms.

The agency relies on special revenues for its operations across all four programs, and the recommendation includes \$41.9 million from these sources, which include various types of application, certification, and permitting fees. For example, \$642 thousand in administrative fees from the rural infrastructure revolving loan fund is used to fund 5 FTE in the Construction Programs Bureau to administer that program. The recommendation also includes \$19.2 million from the corrective action fund; \$7.4 million in revenue from air quality construction and emission permit fees charged to producers of air contaminants; \$4 million in revenue from hazardous waste permit fees charged to operators of facilities that treat, store or dispose of hazardous waste; \$2.8 million in revenue from water conservation fees charged to public water systems; and \$1.7 million in revenue from permit fees charged to food service establishments.

The agency assesses an indirect charge on most personal and employee benefits costs funded by both federal funds and special revenues in the Resource Management Program. The agency budgeted the FY13 approved U.S. Environmental Protection Agency indirect rate of 24.58 percent for the FY14 revenues. The new rate is approved in the spring of 2013. The unpredictability of revenues from this source is concerning because the Resource Management Program generates more than 60 percent of revenues from this one source.

Through its regulatory position, the NMED collects a significant number of civil penalties and fines, some of which are deposited into funds controlled by the agency, but most of which are transferred to the general fund. In 2012 the agency collected \$2.4 million in fines.

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	37,211.6	37,463.9	37,829.0	37,672.1	0.6
Fund Balance	717.9	5,061.8	6,495.8	4,256.7	-15.9
SOURCES TOTAL	37,929.5	42,525.7	44,324.8	41,928.8	-1.4
USES					
Personal Services and Employee Benefits	260.5	456.5	0.0	0.0	-100.0
Contractual Services	2,400.6	3,524.1	3,500.0	2,514.1	-28.7
Other	9,311.6	7,798.4	9,100.0	9,100.0	16.7
Other Financing Uses	23,555.7	30,746.7	31,724.8	30,314.7	-1.4
TOTAL USES	35,528.4	42,525.7	44,324.8	41,928.8	-1.4
FTE					
Permanent	5.0	5.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	5.0	5.0	0.0	0.0	-100.0

FIELD OPERATIONS AND INFRASTRUCTURE PROGRAM

The purpose of the field operations and infrastructure program is to protect public health and the environment through specific programs that provide regulatory oversight over food service and food processing facilities, compliance with the Safe Drinking Water Act, regulation of on-site treatment and disposal of liquid wastes, regulation of public swimming pools and baths, application of the mosquito abatement regulation, and oversight of waste isolation pilot plant transportation.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	FY12	FY13	Agency	LFC	Percent
	2011-2012	2012-2013	Request	Recommendation	Incr
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	4,877.4	4,922.2	5,001.5	4,928.4	0.1
Other Transfers	8,361.1	11,040.0	11,180.2	11,180.2	1.3
Federal Revenues	1,151.3	1,512.6	1,293.1	1,293.1	-14.5
SOURCES TOTAL	14,389.8	17,474.8	17,474.8	17,401.7	-0.4
USES					
Personal Services and Employee Benefits	10,667.6	12,572.4	13,272.2	13,199.1	5.0
Contractual Services	1,824.3	2,651.5	2,041.1	2,041.1	-23.0
Other	1,872.2	2,250.9	2,161.5	2,161.5	-4.0
TOTAL USES	14,364.1	17,474.8	17,474.8	17,401.7	-0.4
FTE					
Permanent	131.0	130.0	134.0	123.5	-5.0
Term	64.5	64.0	64.0	64.0	0.0
TOTAL FTE POSITIONS	195.5	194.0	198.0	187.5	-3.4

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of free well water tests	298	146	0	0	150
Quality	Percent customer satisfaction with the construction bureau's administrative services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys		100%	100%	95%	100%
Outcome	Percent of homeowners with contaminated wells advised on how to eliminate or reduce health risks	100%	100%	100%	100%	100%
Quality	Percent customer satisfaction with the construction bureau's technical assistance and engineering services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys		100%	100%	95%	100%
Outcome	Number and location of boil-water advisories issued to consumers when a water system violates the bacteria (or total coliform) standard and the presence of e. coli or fecal coliform is detected	10	10	TBD	TBD	TBD
* Output	Percent of new septic tanks inspections completed	78%	71%	60%	60%	78%
Explanatory	Number of compliance orders issued in response to complaints or inspection of new septic tanks	1	1	TBD	TBD	TBD
Explanatory	Total number of new projects funded and dollar amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in thousands	04/\$542	≥04/\$542	TBD	TBD	TBD
Output	Number of site visits and assistance actions provided to public water systems to ensure compliance with the federal Safe Drinking Water Act regulations	520\4,406	449\3,675	400\4,500	400\3,500	400\3,500

PERFORMANCE MEASURES (continued)

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments	84%	83%	100%	100%	100%
Explanatory	Number of uniform funding applications processed for water, wastewater and solid waste projects	265	259	TBD	TBD	TBD
Output	Percent of annual permitted commercial food establishments inspected	73%	72%	100%	100%	100%
Outcome	Percent of environmental protection agency clean water state revolving fund capitalization grant and matching state funds committed to New Mexico communities for wastewater infrastructure development in the state fiscal year following receipt of an environmental protection agency award	100%	94%	75%	75%	94%
Output	Percent of sanitary surveys on public water systems conducted to ensure compliance with drinking water regulations		89%	90%	90%	90%
Explanatory	Percentage of project interest forms processed for water, wastewater and solid waste projects		100%	TBD	100%	100%
* Efficiency	Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health	100%	100%	100%	100%	100%
* Output	Percent of public water systems surveyed to ensure compliance with drinking water regulations	91%	89.4%	90%	89.2%	92%

RESOURCE PROTECTION

The purpose of the resource protection program is to protect the quality of New Mexico's ground- and surface-water resources to ensure clean and safe water supplies are available now and in the future to support domestic, agricultural, economic and recreational activities and provide healthy habitat for fish, plants and wildlife and to ensure that hazardous waste generation, storage, treatment and disposal are conducted in a manner protective of public health and environmental quality.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,985.2	1,924.8	1,959.1	1,926.8	0.1
Other Transfers	8,242.0	10,734.4	10,937.6	10,505.6	-2.1
Federal Revenues	9,583.1	13,093.1	13,581.7	13,581.7	3.7
SOURCES TOTAL	19,810.3	25,752.3	26,478.4	26,014.1	1.0
USES					
Personal Services and Employee Benefits	14,329.6	17,335.4	17,741.2	17,444.8	0.6
Contractual Services	3,347.7	5,789.6	6,142.5	5,974.6	3.2
Other	2,086.2	2,627.3	2,594.7	2,594.7	-1.2
TOTAL USES	19,763.5	25,752.3	26,478.4	26,014.1	1.0
FTE					
Permanent	51.0	51.0	51.0	50.0	-2.0
Term	182.5	182.5	182.5	176.5	-3.3
TOTAL FTE POSITIONS	233.5	233.5	233.5	226.5	-3.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations	54%	46%	50%	50%	50%
* Outcome	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	72%	71%	70%	70%	71%
Output	Percent of enforcement actions brought within one year of discovery of noncompliance with Los Alamos national laboratory and sandia national laboratories consent orders	100%	100%	90%	100%	100%
Output	Percent of cases in which sandia national laboratories and Los Alamos national laboratory are notified of agency action on document submittals within the timeframe specified in the executed consent orders	92%	100%	90%	90%	100%
Output	Number of storage tank sites with confirmed releases of petroleum products that are high-risk and are undergoing aggressive corrective action	59	78	50	50	50
* Output	Percent of large quantity hazardous waste generators inspected	45.7%	20%	20%	20%	20%
Explanatory	Stream miles and acreage of lakes monitored annually to determine if surface-water quality is impaired	1,045/1K	936.2/15K	125/40K	125/40K	125/40K
Output	Number of miles/ acres of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act section 319 projects	200/0	65.6/60	100/100	100/100	100/100
Efficiency	Percent of department of energy generator site audits for the waste isolation pilot project on which agency action will be taken within forty-five days	89%	90%	80%	80%	90%
Outcome	Number of confirmed release sites contaminated by petroleum products that achieve no further action status as a result of aggressive remediation	38	47	30	40	40
Output	Percent reduction of active facilities that have never been inspected	2.9%	4.0%	0%	0%	0%
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	62%	69%	90%	70%	70%

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to regulate medical radiation and radiological technologist certification, provide public outreach about radon in homes and public buildings, ensure solid waste is handled and disposed without harming natural resources, ensure New Mexicans breathe healthy air and ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
		<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>Percent</u>
		<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	2,039.1	1,999.1	2,027.6	0.1
	Other Transfers	7,089.9	9,466.7	9,947.8	0.1
	Federal Revenues	3,235.0	3,573.9	3,390.8	-5.1
	SOURCES TOTAL	12,364.0	15,039.7	15,366.2	-1.2
USES					
	Personal Services and Employee Benefits	9,158.4	11,639.2	11,987.3	0.7
	Contractual Services	679.9	937.5	1,187.0	1.4
	Other	2,490.2	2,463.0	2,191.9	-11.0
	TOTAL USES	12,328.5	15,039.7	15,366.2	-1.2
FTE					
	Permanent	72.0	72.0	72.0	-5.6
	Term	91.0	91.0	91.0	-1.1
	TOTAL FTE POSITIONS	163.0	163.0	163.0	-3.1

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Annual statewide greenhouse gas emissions	48.6MMt	48.6MMt	48.6MMt	48.6MMt	48.6MMt
Outcome	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	100%	100%	100%	100%
Outcome	Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	98.5%	93.6%	95%	95%	95%
Output	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days	93.8%	93.1%	95%	95%	95%
Output	Percent of licensed radioactive material facility inspections completed within the timeframes identified in radiation control bureau policies	96.75%	100%	85%	85%	100%
* Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules	86%	85%	80%	80%	86%
Outcome	Percent of landfills compliant with groundwater sampling and reporting requirements	97%	95%	75%	75%	97%
Explanatory	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	39	52	TBD	TBD	TBD
Outcome	Percent of radioactive material licensees and x-ray registrants inspected and issued a notice of violation that come into compliance within the timeframe specified	100%	100%	97%	97%	100%
* Output	Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies	86.25%	88%	85%	88%	88%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to programs to operate in the most knowledgeable, efficient and cost-effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,453.2	2,410.1	2,450.3	2,411.6	0.1
Other Transfers	2,329.6	3,022.0	3,345.8	2,841.7	-6.0
Federal Revenues	1,440.9	2,243.2	2,218.3	2,218.3	-1.1
Other Revenues	54.3	93.5	75.0	75.0	-19.8
SOURCES TOTAL	6,278.0	7,768.8	8,089.4	7,546.6	-2.9
USES					
Personal Services and Employee Benefits	4,996.2	6,110.8	6,473.7	5,930.9	-2.9
Contractual Services	582.1	775.6	745.7	745.7	-3.9
Other	682.3	882.4	870.0	870.0	-1.4
TOTAL USES	6,260.6	7,768.8	8,089.4	7,546.6	-2.9
FTE					
Permanent	45.0	45.0	46.0	46.0	2.2
Term	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	76.0	76.0	77.0	77.0	1.3

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Output	Percent of budgets reviewed and analyzed quarterly from the program level to the lowest program level	100%	100%	100%	100%	100%
Output	Percent of prior-year significant audit findings resolved	60%	TBD	100%	delete	delete
Output	Number of working days between expenditure of federal funds, which is defined as when the department of finance and administration issues a warrant, and request for reimbursement from federal treasury	30	30	20	delete	delete
Output	Number of prior-year audit findings identified as material weaknesses resolved			New	100%	100%
Output	Number of working days past the federal reporting requirement the agency requests direct federal reimbursement			New	30	30
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	99%	98%	90%	90%	99%

STATUTORY AUTHORITY:

The Office of the Natural Resources Trustee (ONRT) was created by Sections 75-7-1 through 75-7-5 NMSA 1978. To carry out the statutorily required responsibilities, the ONRT is authorized to assess natural resource damages throughout the state, negotiate and settle damage claims without legal intervention, and manage natural resource restoration plans. Settlements paid by responsible parties into the natural resources trustee fund are used to fund the costs of natural resource damage assessments and the costs of natural resource restoration activities. The natural resources trustee fund is also used as the repository for settlement monies reimbursed to the agency for actual costs incurred by the agency in the investigation, recovery, and settlement process. The ONRT is administratively attached to the Environment Department.

MISSION:

The Office of the Natural Resources Trustee (ONRT) is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or by oil discharges into water. Natural resources include air, surface waters, groundwaters, biological resources, and geological resources.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	86.4	87.0	87.7	87.0	0.0
Fund Balance	2,134.2	2,202.8	2,202.1	2,202.8	0.0
SOURCES TOTAL	2,220.6	2,289.8	2,289.8	2,289.8	0.0
USES					
Personal Services and Employee Benefits	245.0	249.6	254.6	254.6	2.0
Contractual Services	435.2	1,996.4	1,992.0	1,992.0	-0.2
Other	37.4	43.8	43.2	43.2	-1.4
Other Financing Uses	1,500.0	0.0	0.0	0.0	
TOTAL USES	2,217.6	2,289.8	2,289.8	2,289.8	0.0
FTE					
Permanent	3.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	3.8	3.8	3.8	3.8	0.0

BUDGET ISSUES:

For FY14, the Office of Natural Resources Trustee requested \$2.3 million, an amount flat with FY13. The agency projects its fund balance at the end of FY14 will be \$7.3 million. The committee's general fund and fund balance recommendation is flat with FY13 levels of \$87 thousand and \$2.2 million, respectively.

In December 2009, the Environment Department cabinet secretary assumed the trustee responsibilities. As a result, the exempt position of natural resources trustee within the agency is currently vacant, and the ONRT requests no personal services and employee benefits for that position. This appears to be functioning, but to formalize the merger, statutory changes would be required. The merger might also create opportunities for the ONRT administrative workload to be absorbed by the Environment Department staff.

The ONRT is in the process of selecting wildlife and wildlife habitat restoration projects to be implemented with a \$5.5 million natural resource damage settlement with Freeport-McMoRan Copper and Gold Inc awarded in FY12. Also part of the settlement, 715 acres of land will be transferred to New Mexico State Parks' City of Rocks Park, north of Deming. The ONRT reports in FY13 it will continue to implement the following restoration projects: \$13 million to clean up an abandoned tailings site contaminating groundwater, conduct municipal wastewater collection upgrades, and develop the infrastructure for a wastewater treatment facility in Grant County; \$4 million to clean up an abandoned contaminated groundwater plume in Bernalillo County; \$1 million to stabilize mine tailings at the Blackhawk Mine in Grant County; \$459 thousand to restore and preserve 1,000 acres of playa lakes in Curry County; and \$230 thousand to replace substandard septic systems for indigent home owners in Socorro and Valencia counties. The agency's natural resource injury assessment work during FY13 will also include an assessment at Los Alamos National Laboratory.

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION

The purpose of the natural resource damage assessment and restoration program is to restore or replace natural resources injured or lost due to releases of hazardous substances or oil into the environment.

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Number of acres of habitat restoration	1,036	999	500	500	750
* Outcome	Number of acre-feet of water conserved through restoration	1,235	1,180	500	500	750

STATUTORY AUTHORITY:

Sections 9-22-1 through 9-22-20 NMSA 1978 establish the Veterans' Services Department. The secretary is appointed by the governor with confirmation by the Senate. The department consists of the Field Services, State Benefits, and Administrative Services divisions. The Veterans' Services Advisory Board consists of five members appointed by the governor from different geographical regions of the state to advise the secretary and department staff on matters of interest to New Mexico veterans.

MISSION:

The Veterans' Services Department (VSD) disseminates information regarding laws beneficial to veterans, their surviving spouses and dependent children; assists veterans and their dependents in the preparation and initiation of claims against the United States as a result of military service; and assists veterans, their surviving spouses and their children in establishing the benefits and privileges to which they are entitled.

BUDGET SUMMARY (dollars in thousands)					
			FY14 – 2013-2014		Percent Incr (Decr)
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,634.4	2,873.8	3,145.3	2,967.4	3.3
Federal Revenues	0.0	150.0	317.0	317.0	111.3
Fund Balance	100.0	62.1	56.9	56.9	-8.4
SOURCES TOTAL	2,734.4	3,085.9	3,519.2	3,341.3	8.3
USES					
Personal Services and Employee Benefits	1,561.3	2,010.0	2,408.8	2,303.6	14.6
Contractual Services	623.3	739.2	739.2	681.8	-7.8
Other	363.0	336.7	371.2	355.9	5.7
TOTAL USES	2,547.6	3,085.9	3,519.2	3,341.3	8.3
FTE					
Permanent	35.0	35.0	37.0	37.0	5.7
Term	2.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	37.0	39.0	42.0	42.0	7.7

BUDGET ISSUES:

For FY14, the agency requested \$3.1 million from the general fund, a \$271.5 thousand increase over the FY13 operating level. The request included an expansion item for \$106.4 thousand for 2 permanent FTE to conduct healthcare outreach to returning veterans, and a second expansion item for \$167 thousand for 2 term FTE to certify education and training programs. The requested increase in personal services and employee benefits also includes \$65 thousand for veterans service officer positions reclassified in FY13.

The FY14 general fund recommendation of \$2.97 million represents a 3.3 percent increase over the agency's FY13 general fund level. The LFC recommendation includes funding for the two expansion items, the reclassified positions, insurance premiums, and retirement contributions. The recommendation applies a 6 percent vacancy savings rate given the agency's historic vacancy rate of 19 percent over the past two years; but the recommended FY14 total funding level for personal services and employee benefits still represents a 14.6 percent increase over FY13 and a 47.5 percent increase over FY12. The agency has at least six contracts for homeless programs, and it is recommended they be consolidated and overhead costs reduced by 8 percent. The recommendation uses \$56.9 thousand of fund balance from the veterans' license plate fund. Federal revenues continue at \$150 thousand with an increase of \$167 thousand associated with the second expansion item for 2 term FTE to conduct certification of higher education and training programs. The veterans' enterprise fund has been created in statute (Section 9-22-14.1 NMSA 1978) but has no substantial accrued revenue.

The department continues to support approximately 180 thousand veterans throughout the state by improving access and dissemination of information. Outreach is primarily provided by the 19 field offices, although contractors provide outreach to Native American, rural, and women veterans. Ten field office and other positions are vacant. The department put emphasis on assisting veterans returning from Afghanistan and Iraq, particularly those with post-traumatic stress disorders (PTSD). A program previously funded in FY12 by federal revenues from the American Recovery and Reinvestment Act of 2009, PTSD wellness retreats resulted in 149 couples receiving counseling and therapy through contracted services.

The department works with the Workforce Solutions Department on a number of initiatives to assist veterans in seeking employment, and with the Economic Development Department on a veterans' small business project. Grant funding and the associated term FTE expired for the Native American income tax settlement project that was under the auspices of the Taxation and Revenue Department. The Veterans' Enterprise and Training Program has been effective in assisting veterans starting small businesses.

The agency underperformed on five performance measures. It is recommended that all measures be reviewed for correlation with the agency mission, and that measures be added to determine the performance of the expansion items for healthcare outreach and education and training program certification. The current measures are statistical in nature and provide limited insight into performance in key areas.

BASE EXPANSION:

The agency requested and the LFC recommends two expansion items for FY14. The first item is for \$106.4 thousand in general fund revenue and 2 permanent FTE for healthcare outreach services for returning veterans with post-traumatic stress disorders (PTSD) and traumatic brain injuries. The second item is for \$167 thousand in federal funds and 2 term FTE to conduct certification of higher education and training programs as is required so veterans may use their Montgomery GI bill allotments. This program was administered for a few years by the Higher Education Department but in FY13 returned back to the Veterans' Services Department.

**BASE EXPANSION LISTING
FY14 - 2013-2014**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Veterans' Healthcare Outreach (2 perm FTE)	(P726) 106.4	106.4
2	Veterans' Education and Training (2 term FTE)	(P726) 167.0	167.0
TOTAL		273.4	273.4

VETERANS' SERVICES

The purpose of the veterans' services program is to carry out the mandates of the New Mexico legislature and the governor to provide information and assistance to veterans and their eligible dependents to obtain the benefits to which they are entitled to improve their quality of life.

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of veterans served by veterans' services department field offices	38,487	34,323	38,000	38,000	38,000
Output	Number of referrals from veterans' services officers to contract veterans' organizations	21,827	19,394	21,000	21,000	21,000
* Output	Number of homeless veterans provided overnight shelter for a period of two weeks or more	139	173	200	180	200
* Output	Compensation received by New Mexico veterans as a result of the department's contracts with veterans' organizations, in millions	\$133	\$131	\$100	\$100	\$130
* Output	Number of property tax waiver and exemption certificates issued to New Mexico veterans	7,875	7,564	8,000	8,000	8,000
Outcome	Percent of New Mexico veterans impacted by department programs	21.81%	22.9%	22%	22%	22%

STATUTORY AUTHORITY:

The Children, Youth and Families Department (CYFD) was created in 1992 pursuant to Sections 9-2A-1 through 9-2A-18 NMSA 1978. The department is responsible for state policies and programs to support children, youth, and families in need in such a manner as to promote self-sufficiency and to coordinate an integrated system of care and services for children, youth, and families among the various state agencies.

MISSION:

The mission of the Children, Youth and Families Department is to serve and support children and families and supervise youth in a responsive community-based system of care that is client-centered, family-focused, and culturally competent.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 – 2013-2014</u>				
	<u>FY12</u> 2011-2012 <u>Actuals</u>	<u>FY13</u> 2012-2013 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	195,171.9	207,732.6	220,387.8	218,335.6	5.1
Other Transfers	27,132.3	27,662.8	30,313.9	31,710.7	14.6
Federal Revenues	136,860.7	146,572.6	142,433.9	142,186.0	-3.0
Other Revenues	5,671.4	5,001.4	5,001.4	4,930.0	-1.4
Fund Balance	182.2	1,600.0	180.0	1,180.0	-26.3
SOURCES TOTAL	365,018.5	388,569.4	398,317.0	398,342.3	2.5
USES					
Personal Services and Employee Benefits	114,319.0	125,820.3	127,720.9	124,406.3	-1.1
Contractual Services	61,478.2	66,997.5	67,448.7	70,934.7	5.9
Other	179,654.9	193,017.3	200,413.1	200,267.0	3.8
Other Financing Uses	2,683.2	2,734.3	2,734.3	2,734.3	0.0
TOTAL USES	358,135.3	388,569.4	398,317.0	398,342.3	2.5
FTE					
Permanent	2,037.1	2,029.6	2,079.6	1,958.6	-3.5
Term	72.0	71.0	71.0	71.0	0.0
TOTAL FTE POSITIONS	2,109.1	2,100.6	2,150.6	2,029.6	-3.4

BUDGET ISSUES:

High vacancies and staff turnover continue to challenge the Children, Youth and Families Department (CYFD) as indicated by FY12 performance outcomes. Despite sufficient funding to fill critical positions, such as Protective Services caseworkers and Juvenile Justice youth care specialists, high vacancy rates remain. The FY13 budget lowered the department's average vacancy rate from 9 percent in FY12 to 6 percent and funded vacant positions at mid-range to help with recruitment. However, in October the overall agency vacancy rate was over 18.7 percent.

The CYFD FY14 budget request was \$398.3 million, of which \$220.4 million was from the general fund, including a \$2.6 million general fund expansion. The budget request sought a total increase in revenue from the general fund of \$12.7 million, or 6.1 percent, more than the FY13 operating budget. The agency requested an overall vacancy rate of 7.36 percent.

The requested general fund increase included \$5 million for childcare assistance, \$2.16 million for employee health insurance and retirement benefit increases, \$1 million to replace fund balance revenue in the Juvenile Justice Facilities Program, \$800 thousand to replace federal funds for oversight of registered childcare homes, \$500 thousand for client shelter care services, \$450 thousand to replace federal funding for adoption incentives, and \$125 thousand for employee background checks and accountability training. The department requested \$2.6 million and 50 new FTE as an expansion item to re-open the 24-bed juvenile justice facility in Fort Stanton.

Prior to FY12, the personal services and employee benefits (PS&EB) category faced insufficient funding. At the end of FY10 and FY11, the agency transferred \$3 million and \$3.6 million, respectively, to cover PS&EB costs. In FY12, the CYFD transferred \$3 million of vacancy savings from personal services and employee benefits to other areas of the budget. One of these budget adjustments, in the Protective Services Program, transferred vacancy savings of \$1.4 million to the other category to establish a legal liability account for a pending judgment against the department, currently under appeal.

The FY13 PS&EB budget category is likely overbudgeted. The recommendation reduces spending by \$5.4 million, or 1.1 percent, from FY13 operating levels and deletes 71 FTE positions vacant for more than two years. The recommendation concurs with the request for transfers of FTE between programs. The general fund appropriation, other state funds, internal service funds/interagency transfers, and federal funds were adjusted accordingly.

The committee recommends increasing appropriations from the general fund by \$10.4 million, or 5.1 percent, over the FY13 operating budget to address priorities such as early childhood services, front-end juvenile justice programs, family preservation services, and domestic violence services.

The FY14 budget request for the Juvenile Justice Facilities Program included an increase of \$4.3 million from the general fund and a vacancy rate of 6.5 percent. The general fund increase replaced \$1 million of nonrecurring land grant permanent fund revenue budgeted in FY13, added \$685 thousand for increased employee benefit rates, and incorporated a \$2.6 million budget expansion to re-open the 24-bed facility formerly known as Camp Sierra Blanca in Fort Stanton. The request decreased other transfers by \$267.1 thousand, or 15.8 percent, to align with projected Medicaid expenditures at the Carlsbad and Albuquerque reintegration centers.

The recommendation incorporates a 10.6 percent vacancy rate, reduces the requested overtime by \$112.6 thousand, and continues the \$1 million transfer from land grant permanent fund balance. In October, the agency reported a vacancy rate of 20.7 percent for the Juvenile Justice facilities Program. The budget request also showed 194 FTE positions vacant, of which 39 were vacant more than two years.

From FY09 to FY12, referrals to juvenile probation officers dropped by 13.2 percent. According to the U.S. Department of Justice, New Mexico is expected to experience a 0.6 percent decline in its juvenile population (age 0-17) from 2005 to 2015.

Furthermore, the CYFD's FY11 Juvenile Justice Services and Youth and Family Services annual report states that policies focusing on detention reform, expansion of children's behavioral health services, restorative justice initiatives, drug courts, and other front-end community services and resources have led to declining juvenile commitments over the last decade. In addition, from FY02 to FY11, overall commitment lengths decreased.

These statistics as well as national research indicate that front-end services for juvenile clients reduce their likelihood to reoffend. The committee recommendation increases funding for the juvenile justice continuum boards by \$350 thousand to increase the number of youth served and adds \$600 thousand in the contractual services category for front-end juvenile justice services, such as restorative justice services that emphasizes repairing harm caused by criminal behavior through a cooperative processes that includes all stakeholders.

The CYFD's FY14 budget request for the Protective Services Program included an increase of \$713 thousand in general fund revenues and a vacancy rate of 7.8 percent. Although Child Protective Services experienced a 3.7 percent decrease in accepted reports of child maltreatment from FY11 to FY12, the number of children in custody remains virtually unchanged, and as of the end of October, there were 3,778 pending investigations.

The agency struggles to recruit and maintain a sufficient case management workforce. The average vacancy rate for Protective Services workers for FY12 was 16 percent. The turnover rate for basic and operational caseworkers who work directly with children and central intake workers who receive the reports of child abuse and neglect was 20 percent in FY12. During the first quarter of FY13, the Protective Services Division hired temporary social workers to meet caseload demands. The committee encourages the department to hire licensed social workers equipped to handle the unique pressures associated with protective services cases and upgrade positions for recruitment purposes.

The Protective Services budget request showed a decrease of \$3.3 million in federal funds associated with reductions in Title IV-B Child Welfare Services, Title IV-E Administration, the adoption incentive grant, the promoting safe and stable families grant, and the community-based resource grant. The agency requested \$450 thousand in general fund revenue to replace the loss of the adoption incentive grant, which provides foster parent support and recruitment initiatives. In addition, the recommendation adds \$300 thousand to replace other federal fund reductions for evidenced-based family preservation services. The recommendation provides a 1.6 percent increase in general fund revenue above the FY13 operating level, incorporates an 8.5 percent vacancy rate, and deletes 17 FTE positions vacant over two years.

The domestic violence budget request was flat with the FY13 operating budget. The committee recommends an additional \$400 thousand in general fund revenues for domestic violence services. Since FY10, funding for domestic violence services has declined by more than \$4.5 million, or 30 percent. The increase provides \$11.1 million for domestic violence services in FY14.

Childcare assistance eligibility and funding remain an ongoing concern of the Legislature. There is insufficient funding to meet the needs of eligible families up to 200 percent of the federal poverty level (FPL). At the end of September, 4,277 children were on the waiting list, including 1,006 who lived in families with incomes between 100.01 percent and 125 percent.

The CYFD's FY14 request for childcare assistance included an increase of \$7 million: \$5 million from the general fund and \$2 million from Temporary Assistance for Needy Families (TANF) funding. The LFC recommends the \$7 million increase with \$3.5 million from the general fund and \$3.5 million from TANF to provide childcare assistance to an estimated additional 1,634 children.

The CYFD is working on cost-containment measures with the potential to save the childcare assistance program several million dollars, including a requirement for single parents to register with the Human Services Department's Child Support Enforcement Division and changing the reimbursement rate for afterschool care from full-time to a rate based on the number of hours a child is in need of childcare services.

The CYFD also requested and the committee recommends \$800 thousand for the oversight of nearly 4,000 registered childcare homes. The increase replaces U.S. Department of Agriculture (USDA) funding, which the CYFD is no longer permitted to use for registered home oversight.

New Mexico was awarded \$25 million in December 2012 as part of the second phase of Race to the Top-Early Learning Challenge (RTT-ELC) federal grant competition. This federal initiative builds capacity to improve quality in early childhood care and education programs through workforce development and data system improvements. These federal funds could expand the training and technical assistance programs (TTAPs) or the scholarship program for early childhood teachers who pursue associate, bachelor, or graduate degrees in early childhood education known as T.E.A.C.H., both of which improve quality at childcare facilities.

The CYFD request of \$2.2 million from the general fund for home-visiting services is flat with the FY13 budget. Federal funds for home-visiting services are expected to decline in FY14 by \$1.7 million. The recommendation includes an additional \$1.8 million in general fund revenue to replace decreasing federal funds and expand services. The LFC recommends home-visiting programs follow the same criteria laid out by the federal government, such as targeting at-risk infants and families and providing evidenced-based home-visiting models. Numerous studies show home visiting is effective at improving the lives of at-risk children, including reducing child-abuse incidents. The committee recommends heightened accountability and oversight of contracted home-visiting providers to ensure families are receiving intensive services and programs are producing positive outcomes.

The CYFD's FY14 budget request for Program Support included a vacancy rate of 8.3 percent and an increase of \$1.8 million from the general fund: \$500 thousand for client shelter care, \$125 thousand for employee accountability measures including annual employee background checks, \$282 thousand for increases in health and retirement benefits, \$423 thousand for FTE transfers, and \$465 thousand in adjustments for risk management and unemployment rates.

In August, the CYFD reported a vacancy rate of 14.1 percent for Program Support. The committee recommends a vacancy rate of 11.8 percent and deletes 12 FTE positions vacant more than two years. The committee also recommends \$100 thousand in general fund revenues for yearly background checks of agency employees, the agency's efforts to address turnover and retention issues through leadership training, and \$500 thousand increase in general fund revenues for client shelter care. The number of shelter care clients increased by 14.3 percent from FY11 to FY12.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include twenty-seven million two hundred seventy-seven thousand five hundred dollars (\$27,277,500) for childcare programs from the temporary assistance for needy families block grant to New Mexico.

The federal funds appropriations to the early childhood services program of the children, youth and families department include thirty million seven hundred forty-four thousand eight hundred dollars (\$30,744,800) for childcare programs from the child care and development block grant to New Mexico.

Notwithstanding the provisions of Section 32A-23-9 NMSA 1978 or other substantive law, the general fund appropriations of nine million two hundred thirty-five thousand nine hundred dollars (\$9,235,900) to the children, youth and families department for the prekindergarten program includes no less than eight million three hundred twelve thousand three hundred ten dollars (\$8,312,310) to fund direct student participation and no more than nine hundred twenty-three thousand five hundred ninety dollars (\$923,590) for administrative and program support.

BASE EXPANSION:

The CYFD requested \$2.6 million and 50 new FTE to re-open the juvenile secure facility formerly known as Camp Sierra Blanca in Fort Stanton. The proposed facility will provide rehabilitative services to adjudicated youth closer to their communities in the southeastern part of the state while promoting family involvement. The 24-bed facility is expected to be operational in October 2013. The expansion request covered the operating costs associated with three-fourths of the fiscal year and included 50 new FTE.

Camp Sierra Blanca was established in 1964 as a forestry camp and branch of the New Mexico Boys School. The facility mainly housed low-security juvenile offenders. In FY08, the CYFD decided to close the facility and end the contract with Civigenics for the operation of the facility. The savings from closing Camp Sierra Blanca were redirected toward the cost of re-opening the Camino Nuevo Facility in Albuquerque. The New Mexico Corrections Department took over the facility in Fort Stanton in July 2009. A fence was installed and the facility can now house medium- to high-security juvenile offenders.

In FY12, the juvenile justice secure facilities experienced a 12.7 percent increase in the average secure facility daily population. The daily population at the secure juvenile justice facilities averaged 257 in FY12, up from 228 in FY11. According to the CYFD, the juvenile justice secure facilities operated at or near full capacity in FY12. The current bed capacity for the juvenile facilities is 274, including the San Juan County Detention Center. Of note is the increase in the female population, which historically has been housed in two living units but now occupies three. The CYFD projects the population in the secure facilities will grow by 38 youth over the next five years; however, national data and the agency's FY11 annual report do not support an increasing trend in commitments.

Capital start-up costs for the facility range from \$330 thousand to \$739 thousand based on decommission or renovation of buildings. In addition to the capital needs for occupancy, the CYFD will also need funding for five weeks of training for the 50 new FTE and miscellaneous start-up costs (furniture, computers, cooking utensils, linens, etc.). The agency will use land grant permanent funds for the capital start-up and training costs.

The committee recommends funding the expansion request to address the current bed-capacity limitations but does not recommend the additional 50 FTE because the agency had more than 194 FTE vacant at the time of the request. It is the committee's intent this facility transition into a reintegration center as commitments decrease or a new regional facility is built.

BASE EXPANSION LISTING
FY14 - 2013-2014

Agency Rank	(Program)	Agency Request	LFC Recommendation
	<u>Southeast Juvenile Facility</u>	<u>(P577)</u>	
TOTAL		2,625.0 2,625.0	2,625.0 2,625.0

JUVENILE JUSTICE FACILITIES

The purpose of the juvenile justice facilities program is to provide rehabilitative services to youth committed to the department, including medical, educational, mental health and other services that will support their rehabilitation.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	36,720.0	63,927.6	68,237.6	65,984.1	3.2
Other Transfers	997.0	1,691.8	1,424.7	1,401.0	-17.2
Federal Revenues	141.9	1,395.6	1,395.6	1,319.0	-5.5
Other Revenues	1,620.3	1,555.2	1,555.2	1,483.8	-4.6
Fund Balance	0.0	1,000.0	0.0	1,000.0	0.0
SOURCES TOTAL	39,479.2	69,570.2	72,613.1	71,187.9	2.3
USES					
Personal Services and Employee Benefits	30,975.8	52,720.9	55,128.8	52,815.1	0.2
Contractual Services	4,480.0	10,631.4	10,756.4	11,756.4	10.6
Other	3,643.1	6,217.9	6,727.9	6,616.4	6.4
TOTAL USES	39,098.9	69,570.2	72,613.1	71,187.9	2.3
FTE					
Permanent	561.5	892.3	939.3	850.3	-4.7
Term	0.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	561.5	895.3	942.3	853.3	-4.7

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of clients who complete formal probation	92%	90.7%	92%	92%	93%
Outcome	Percent of clients readjudicated within two years of previous adjudication	6.7%	6.6%	5.8%	6.3%	6.3%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	2.5%	1.4%	2.5%	2%	1.5%
* Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	10.7%	12.4%	9%	10%	10%
* Outcome	Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility	11.9%	8.6%	6%	8%	8%
Outcome	Percent of clients with improvement in reading on standardized pre- and post testing		45.1%	54.5%	54.5%	54.5%
Outcome	Percent of clients with improvement in math on standardized pre- and post testing		59.6%	51%	51%	60%
* Output	Number of physical assaults in juvenile justice facilities		261	<800	<300	<260
Outcome	Percent of clients successfully completing term of supervised release		92.1%	91%	91%	92%

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	57,967.6	71,356.2	72,069.1	72,499.9	1.6
Other Transfers	680.9	773.5	1,279.4	1,275.9	65.0
Federal Revenues	49,327.7	52,990.3	49,654.5	49,571.9	-6.5
Other Revenues	1,873.8	2,696.2	2,696.2	2,696.2	0.0
SOURCES TOTAL	109,850.0	127,816.2	125,699.2	126,043.9	-1.4
USES					
Personal Services and Employee Benefits	45,648.0	51,022.0	49,938.9	49,579.0	-2.8
Contractual Services	8,965.6	22,139.6	21,155.7	21,860.3	-1.3
Other	51,342.1	51,920.3	51,870.3	51,870.3	-0.1
Other Financing Uses	2,683.2	2,734.3	2,734.3	2,734.3	0.0
TOTAL USES	108,638.9	127,816.2	125,699.2	126,043.9	-1.4
FTE					
Permanent	843.0	848.8	845.8	828.8	-2.4
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	849.0	854.8	851.8	834.8	-2.3

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of children in foster care for twelve months with no more than two placements	85%	79.3%	82%	82%	85%
Outcome	Percent of children adopted within twenty-four months from entry into foster care	25.1%	35.2%	28.3%	28.3%	35.5%
Outcome	Percent of children in foster care who have at least one monthly visit with their caseworker			new	90%	90%
* Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	92.9%	92.8%	93%	93%	93%
Outcome	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services	89.8%	89%	90%	90%	90%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	91.8%	92.3%	93%	93%	93%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	63.6%	67.3%	65%	65%	65%
* Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.72%	99.48%	99.7%	99.7%	99.75%
Output	Percent of children reentering foster care in less than twelve months		8.3%	10%	10%	8.5%

EARLY CHILDHOOD SERVICES

The purpose of the early childhood services program is to provide quality childcare, nutrition services, early childhood education and training to enhance the physical, social and emotional growth and development of children.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	43,348.2	48,488.8	54,325.9	54,569.2	12.5
Other Transfers	24,368.3	24,385.1	26,568.3	28,066.4	15.1
Federal Revenues	73,759.4	85,086.7	83,758.4	83,727.8	-1.6
Other Revenues	769.4	750.0	750.0	750.0	0.0
Fund Balance	0.0	600.0	180.0	180.0	-70.0
SOURCES TOTAL	142,245.3	159,310.6	165,582.6	167,293.4	5.0
USES					
Personal Services and Employee Benefits	7,792.5	8,195.5	8,080.9	7,975.1	-2.7
Contractual Services	15,687.5	20,640.9	20,719.6	22,519.6	9.1
Other	117,220.2	130,474.2	136,782.1	136,798.7	4.8
TOTAL USES	140,700.2	159,310.6	165,582.6	167,293.4	5.0
FTE					
Permanent	100.5	101.5	101.5	98.5	-3.0
Term	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	150.5	151.5	151.5	148.5	-2.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u> 25%	<u>FY14 Request</u> 25%	<u>FY14 Recomm</u> 25%
* Outcome	Percent of children receiving state subsidy in stars/aim high programs level three through five or with national accreditation					
Outcome	Percent of mothers participating in home visiting who are identified as having symptoms of post-partum depression who are referred to services and then received services		44.5%	20%	40%	45%
* Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditation			25%	25%	25%
* Outcome	Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	89.74%	91.8%	70%	91.8%	92%

YOUTH AND FAMILY SERVICES

The purpose of the youth and family services program is to develop and provide needed quality prevention, intervention, and after-care services to youth and families in their communities.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>	
			<u>Agency Request</u>	<u>LFC Recommendation</u>
SOURCES				
General Fund Transfers	46,095.7	0.0	0.0	0.0
Other Transfers	1,020.0	0.0	0.0	0.0
Federal Revenues	7,997.6	0.0	0.0	0.0
Other Revenues	1,407.9	0.0	0.0	0.0
Fund Balance	182.2	0.0	0.0	0.0
SOURCES TOTAL	56,703.4	0.0	0.0	0.0
USES				
Personal Services and Employee Benefits	19,971.6	0.0	0.0	0.0
Contractual Services	30,784.1	0.0	0.0	0.0
Other	2,915.6	0.0	0.0	0.0
TOTAL USES	53,671.3	0.0	0.0	0.0
FTE				
Permanent	375.1	0.0	0.0	0.0
Term	12.0	0.0	0.0	0.0
TOTAL FTE POSITIONS	387.1	0.0	0.0	0.0

PROGRAM SUPPORT

The purpose of program support is to provide the direct services divisions with functional and administrative support so they may provide client services consistent with the department's mission and also support the development and professionalism of employees.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,040.4	23,960.0	25,755.2	25,282.4	5.5
Other Transfers	66.1	812.4	1,041.5	967.4	19.1
Federal Revenues	5,634.1	7,100.0	7,625.4	7,567.3	6.6
SOURCES TOTAL	16,740.6	31,872.4	34,422.1	33,817.1	6.1
USES					
Personal Services and Employee Benefits	9,931.1	13,881.9	14,572.3	14,037.1	1.1
Contractual Services	1,561.0	13,585.6	14,817.0	14,798.4	8.9
Other	4,533.9	4,404.9	5,032.8	4,981.6	13.1
TOTAL USES	16,026.0	31,872.4	34,422.1	33,817.1	6.1
FTE					
Permanent	157.0	187.0	193.0	181.0	-3.2
Term	4.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	161.0	199.0	205.0	193.0	-3.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Turnover rate for youth care specialists		37.9%	18%	30%	20%
* Output	Turnover rate for protective service workers			new	25%	25%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	7	7	7	7	7

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the United States Constitution and Article XVIII, Sections 1 and 2, of the New Mexico Constitution. The department is established and governed by the New Mexico Military Code (Sections 20-1-1 through 20-12-73 NMSA 1978). The governor is the commander in chief of the state military forces, and the adjutant general, appointed by the governor for a five-year term, directs the department.

MISSION:

The department's primary mission is to provide the necessary infrastructure to support the Army and Air National Guard, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,297.6	6,322.7	6,530.4	6,445.2	1.9
Other Transfers	38.0	0.0	0.0	0.0	
Federal Revenues	12,796.9	11,938.3	9,391.6	9,391.6	-21.3
Other Revenues	96.8	174.3	209.4	209.4	20.1
SOURCES TOTAL	19,229.3	18,435.3	16,131.4	16,046.2	-13.0
USES					
Personal Services and Employee Benefits	6,083.2	7,676.9	7,142.2	7,057.0	-8.1
Contractual Services	2,209.3	3,804.9	2,969.3	2,969.3	-22.0
Other	10,929.7	6,953.5	6,019.9	6,019.9	-13.4
TOTAL USES	19,222.2	18,435.3	16,131.4	16,046.2	-13.0
FTE					
Permanent	29.0	29.0	29.0	29.0	0.0
Term	102.0	98.0	86.0	86.0	-12.2
TOTAL FTE POSITIONS	131.0	127.0	115.0	115.0	-9.4

BUDGET ISSUES:

The U.S. Defense Department in FY13 changed some of the funding priorities in the Department of Military Affairs (DMA); which resulted in a federal revenue reduction of \$2.5 million. The LFC recommendation deletes 12 FTE totaling \$414.1 thousand: eight from facilities management, three from family support, and one from environmental management. All of these positions are funded by federal revenue and have been vacant for an extended period of time. Total recommended FTE for FY14 is 115.

Additionally, a memorandum of understanding (MOU) negotiated between the department and the State Personnel Office (SPO) removes all human resource functions from DMA and places them in SPO indefinitely. The department's MOU with SPO will cost \$200 thousand annually. Currently 3 FTE in DMA perform human resource functions and might be deleted, depending on the results of an organizational review.

The requested increase from the general fund totaled \$207.7 thousand. Included within this was an increase of \$113.4 thousand for salaries for the adjutant and deputy adjutant general positions. The state is obligated to, unless otherwise specified in the general appropriation bill, pay the adjutant the same as an active duty major general in the U.S. Army pursuant to Section 20-1-5 NMSA 1978. In total, the adjutant general is compensated \$188 thousand for base pay, clothing allowance, basic subsistence, and family subsistence all based on federal rates. The New Mexico Army National Guard has roughly 3,000 soldiers and 1,000 Air National Guardsmen. A typical active duty major general in the U.S. Army commands entire divisions with as many as 16 thousand soldiers. Likewise, the deputy adjutant is compensated a total of \$168 thousand, equal to an active duty brigadier general in the U.S. Army who usually commands a brigade of 4,000 soldiers.

The LFC recommendation includes language that reduces the adjutant general's salary to a governor's exempt pay plan range of 34 and reduces the deputy adjutant general's salary to an exempt pay range 32 but includes an increase of \$73.9 thousand from the general fund for the retirement swap and other increased costs.

The reduction in general fund revenue in previous years impacted the department's ability to support the New Mexico Youth Challenge Academy (NMYCA) and to conduct routine maintenance and support of its state-owned structures. The NMYCA is a program for high school dropouts who are not in trouble with the law, are drug free, and unemployed or underemployed. It consists of a 22-week resident phase followed by a 12-month post-resident phase. The program is offered twice per year. In FY11, staff for the NMYCA was reduced from 41 to 14, and the number of students served was reduced from 200 to 75.

Performance data indicates the program is successful with at-risk juveniles. In FY12 40 cadets at the NMYCA earned the equivalent of a high school diploma and 70 cadets graduated from the academy with 90 percent of those placed into the workforce. Of the 60 percent of cadets who had contact with the legal system prior to attending the academy, only 2 percent had contact with the legal system afterwards.

The share of expenses for NMYCA per cadet is split, with 75 percent paid with federal funds and 25 percent with state matching funds, resulting in a state cost of \$4 thousand for a 22-week academy. In comparison, a 22 week stay at the Youth Diagnostic Development Center (YDDC) costs the state almost \$70 thousand. Diverting teens before they get to a juvenile justice facility could slow the growth of facility populations and reduce the need to build new juvenile detention facilities.

Any potential increase in state appropriations to NMYCA should be weighed in light of potential risks to federal revenue. Federal defense spending could be reduced in coming years and would likely be a low priority for funding.

RECOMMENDED LANGUAGE:

The general fund appropriation to the national guard support program of the department of military affairs in the personal services and employee benefits category includes funding for the adjutant general position not to exceed range thirty-four in the governor's exempt plan and funding for the deputy adjutant general position not to exceed range thirty-two in the governor's exempt plan.

NATIONAL GUARD SUPPORT PROGRAM

The purpose of the national guard support program is to provide administrative, fiscal, personnel, facility construction and maintenance support to the New Mexico national guard in maintaining a high degree of readiness to respond to state and federal missions and to supply an experienced force to protect the public, provide direction for youth and improve the quality of life for New Mexicans.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Rate of attrition of the New Mexico army national guard	12.2%	13.4%	16%	16%	16%
* Outcome	Percent of strength of the New Mexico national guard	97%	97%	92%	93%	97%
Output	Number of major environmental compliance findings from inspections	1	0	4	3	1
* Outcome	Percent of cadets successfully graduating from the youth challenge academy	87%	93%	91%	92%	95%
* Output	Number of New Mexico youth challenge academy cadets who earn the equivalent of a high school diploma annually	38	40	38	39	40

STATUTORY AUTHORITY:

The Parole Board Act (Section 31-21-22 NMSA 1978) created the 15 member Parole Board and administratively attached it to the Corrections Department. Even though the Parole Board is administratively attached to the Corrections Department, it functions as an independent state agency responsible for paroling adults incarcerated at 10 Corrections Department prisons. The Probation and Parole Act (Section 31-21-3 through 31-21-19 NMSA 1978) further outlines the responsibilities of the Parole Board.

MISSION:

The Parole Board grants, denies, or revokes parole, conducts investigations, summons witnesses, and adopts rules and regulations for the effective discharge of board duties. The Parole Board also provides recommendations to the governor on applications for executive clemency.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	442.7	463.7	498.5	485.7	4.7
SOURCES TOTAL	442.7	463.7	498.5	485.7	4.7
USES					
Personal Services and Employee Benefits	322.3	339.6	358.7	345.9	1.9
Contractual Services	7.5	7.6	7.8	7.8	2.6
Other	100.7	116.5	132.0	132.0	13.3
TOTAL USES	430.5	463.7	498.5	485.7	4.7
FTE					
Permanent	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

BUDGET ISSUES:

The New Mexico Parole Board requested an increase of \$34.8 thousand, including \$12.8 thousand for the vacant executive director's position. Other requested increases included \$13.6 thousand for per diem and mileage related to a projected increase in the number of sex offender hearings and evidentiary hearings. The LFC recommends a 1.9 percent increase in personal services and employee benefits; adjustments for any one position may be compensated by salaries in other vacant positions.

Agency savings over the last several years from video conferencing, reducing board meetings from four to two per year, and carpooling will not be sufficient to offset the increased demand for resources for sex-offender hearings required by Section 31-21-10.1 NMSA 1978. The board is estimating it will conduct five of these hearings in FY13 and will conduct 22 in FY14, accounting for a \$9.2 thousand increase in board compensation expenses.

In FY12 the board conducted a total of 3,782 hearings, of which 2,594 were regular hearings and 1,188 were revocation hearings. The board conducted seven sex-offender hearings and is projected to hold an additional 37 by FY15, with a further increase every year for several years. By FY15 the Parole Board estimates it will need 1 additional FTE to keep up with the additional sex-offender caseload. The board issued 1,297 parole discharge certificates, including 752 satisfactory certificates, 288 unsatisfactory certificates, 253 closeout certificates, and four early discharges with good time. The board also processed 64 executive clemency requests and issued 2,302 parole certificates.

PAROLE BOARD

The purpose of the adult parole program is to provide and establish parole conditions and guidelines for inmates and parolees so they may reintegrate back into the community as law-abiding citizens.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	95.9%	95%	95%	95%	95%
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	32	33	30	30	30
* Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	92.8%	93.1%	95%	95%	95%
Outcome	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1 update	1 update	1 update	1 update	1 update

STATUTORY AUTHORITY:

Sections 32A-7A-1 through 32A-7A-8 NMSA 1978 created the Juvenile Public Safety Advisory Board (JPSAB). The board is administratively attached to the Children, Youth and Families Department (CYFD).

MISSION:

The mission of the JPSAB is to provide citizen oversight, review programs and initiatives, and make recommendations to the CYFD on all matters relating to adjudicated youth program operations; conduct onsite facility inspections and visits; and ensure the appropriate care and treatment services are being provided to youth.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	24.1	20.0	20.0	11.0	-45.0
SOURCES TOTAL	24.1	20.0	20.0	11.0	-45.0
USES					
Contractual Services	1.8	4.0	4.5	4.5	12.5
Other	6.1	16.0	15.5	6.5	-59.4
TOTAL USES	7.9	20.0	20.0	11.0	-45.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

The Juvenile Public Safety Advisory Board (JPSAB) is administratively attached to the CYFD and the board's administrative duties are carried out by the department. The agency's budget request was flat for FY14 compared with the FY13 operating budget. The JPSAB's FY14 budget funds board member expenses and an increased audit fee.

Actual expenditures in both FY11 and FY12 were less than 50 percent of the appropriations, \$7.9 thousand and \$6.1 thousand, respectively. The statute authorizes up to seven members on the advisory board. According to the CYFD, the advisory board has never had more than four members serving at any particular time.

The committee recommendation reduces the JPSAB's budget \$9 thousand to better align with actual expenditures.

JUVENILE PUBLIC SAFETY ADVISORY BOARD

The purpose of the juvenile public safety advisory board is to monitor each youth's rehabilitative process through therapy and support services to assure low risk for reoffending or re-victimizing the community.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of clients reviewed at forty days	100%	100%	98%	98%	98%
Outcome	Percent of clients successfully completing term of supervised release	89.6%	92.1%	87%	99%	99%

STATUTORY AUTHORITY:

The Corrections Department Act, Sections 9-3-1 through 9-3-13 NMSA 1978, created a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Corrections and Criminal Rehabilitation Department and to ensure a comprehensive criminal justice system in New Mexico.

MISSION:

The mission of the New Mexico Corrections Department (NMCD) is to provide a balanced approach to corrections, from incarceration to community-based supervision, with training, education, rehabilitation programs, and services that provide opportunities for offenders to successfully transition to communities.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	256,976.5	265,694.0	271,247.8	268,450.0	1.0
Other Transfers	650.0	465.3	482.9	482.9	3.8
Federal Revenues	427.0	157.5	171.2	171.2	8.7
Other Revenues	21,237.2	20,703.6	20,374.1	20,374.1	-1.6
Fund Balance	0.0	960.1	1,040.0	1,040.0	8.3
SOURCES TOTAL	279,290.7	287,980.5	293,316.0	290,518.2	0.9
USES					
Personal Services and Employee Benefits	121,464.4	130,987.0	131,986.3	131,774.4	0.6
Contractual Services	45,919.8	46,625.2	45,585.4	45,585.4	-2.2
Other	104,771.6	110,368.3	115,744.3	113,158.4	2.5
TOTAL USES	272,155.8	287,980.5	293,316.0	290,518.2	0.9
FTE					
Permanent	2,409.5	2,412.5	2,412.0	2,412.0	0.0
Term	39.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	2,448.5	2,447.5	2,447.0	2,447.0	0.0

BUDGET ISSUES:

The New Mexico Corrections Department (NMCD) requested \$271.2 million from the general fund, a \$5.5 million, or 2.1 percent, increase over the FY13 operating budget. The recommendation for general fund revenues is \$268.5 million.

The department request included moving the training academy from the Inmate Management and Control Program to Program Support because the academy supports the entire department. The recommendation supports this transfer, adding 51 FTE to Program Support. The request moved 7 additional FTE from the Community Offender Management (COM) Program and 1 FTE from Corrections Industries to Program Support for the internal auditing unit. Additionally, 3 internal investigations FTE from the Inmate Management and Control Program would be added to Program Support. In response to LFC evaluation recommendations, the agency asked to move 3 FTE from Corrections Industries to program support to create a new unit that will evaluate recidivism programming. The overall request and recommendation would increase Program Support by 65 FTE while reducing, by an equal amount, FTE from each of the other programs.

The request included merging the Community Corrections Program into the Community Offender Management Program. Currently the Community Corrections Program is a member of the Behavioral Health Purchasing Collaborative (BHPC) and contracts through Optum Health to provide residential, nonresidential, and post-incarceration support services. The Community Offender Management Program provides many of the same services as Community Corrections, and both programs use the same mental health providers. Merging the two programs will increase opportunities for reducing duplication and should result in an increase of organizational knowledge.

The merger would result in 17 FTE from Community Corrections and \$3.2 million in nonreverting revenue from the community corrections grant fund merging with the COM program. The committee supports the merger as long as revenue from the nonreverting community corrections grant fund are expended in a way consistent with the intent of the Adult Community Corrections Act.

In response to the June 2012 LFC evaluation that recommended more community-based resources for hard-to-place inmates, the department is in negotiations with the Otero County Correctional Facility (OCCF) to create a new sex offender unit. The new sex offender unit is expected to house 280 inmates at \$75 per day plus gross receipts taxes of 7.6 percent. The total FY14 request for the new contract with Otero County was \$8.2 million. The department reports the costs of the new contract will be offset by \$4 million in reduced private prison costs due to assessments for contractor noncompliance with contract conditions. The private operator of the prison is the Management and Training Corporation, not currently housing NMCD inmates. The facility houses inmates for several federal agencies and the Alamogordo Department of Public Safety.

The committee recommendation does not support the contract with Otero County and wants to note several concerns. First, New Mexico's rate of private prison use, according to the Bureau of Prisons, is greater than all other states in the nation with 43 percent of inmates in private prisons. Second, planned sex-offender treatment at the prison might not be evidence-based. The department should require, in the contract, all treatment be evidence-based with performance measures and sanctions for noncompliance. Third, because sex offenders receive little treatment in the current system, many spend their parole terms in in-house parole or locked up indefinitely, driving up costs to the state. Part of the new unit's purpose should be to reduce the use of in-house parole. Also, in 2004 the department entered into a similar contract with Lea County to house and treat sex offenders. The facility was found, in 2007 LFC evaluation, not to be meeting requirements stipulated in the contract, and in-short, was not providing the services paid for by the NMCD. Proper oversight should be taken to ensure this does not happen again. Last, 451 beds currently are empty in both state and private facilities, thus a contract with another private facility, is questionable.

The committee recommendation provides sufficient resources for the creation of more community-based resources for sex-offenders. The June 2012 LFC evaluation recommended the department create more resources for sex-offenders within the community. The Otero County Correctional Facility is not a community-based resource.

The total New Mexico inmate population in FY07 was 6,887. By FY09, the population dropped 5.8 percent to 6,488. As of November 27, 2012, the total number of inmates incarcerated in the 10 correctional facilities was 6,647. Current total capacity is 7,098 beds with men housed at 9 facilities and women housed at two facilities in Grants. According to a June 2012 prison population forecast conducted by the New Mexico Sentencing Commission current capacity will be reached by 2016.

The department will be ending the therapeutic communities program and replacing it with the evidence-based residential drug abuse program (RDAP). The new program uses cognitive-behavioral strategies that emphasize self-efficacy. The RDAP is already in use at the New Mexico Women's Correctional Facility and by the U.S. Justice Department. The RDAP has a high likelihood of success as long as it is implemented with fidelity.

All five programs in the department currently have elevated vacancy rates. Some of the job classifications with high vacancy rates also have the greatest potential to affect recidivism. For example, 20 percent of adult educators and 40 percent of mental health counselor positions are vacant. According to a recent LFC evaluation, adult education and cognitive behavioral therapy programs have the highest rates of return on investment when it comes to recidivism. The committee recommendation provides sufficient funding to reduce vacancies in key positions that can reduce recidivism. This funding potentially can save money in the long term if drops in recidivism reduces prison population.

The Corrections Industries (CI) Program is currently working with the University of New Mexico business school to develop a business plan that will keep inmates busy, increase opportunities for inmates once released, and remain budget neutral. Industries that NMCD has proposed for CI include printer cartridge recharging, working with Albuquerque-based businesses to produce furniture, and electronics recycling. While these developments move the department in the right direction, CI still has expensive equipment that remains unused.

The department's aging correctional facilities are in need of repair. The department estimates the cost of addressing deferred maintenance at all facilities, excluding the Springer Correctional Facility at \$28 million. The department is proposing the state invest in a master plan that evaluates all existing facilities and takes into account the needs of corrections from a statewide perspective. In FY14, the department is requesting capital outlay appropriations of \$11.7 million for heating and cooling systems, roof repair, fire suppression, and electrical systems upgrades.

RECOMMENDED LANGUAGE:

The appropriations for the community corrections and vendor-run program of the corrections department are appropriated to the community corrections grant fund.

The general fund appropriation to the community offender management program of the corrections department includes three million one hundred sixty-nine thousand eight hundred dollars (\$3,169,800) and the other state funds appropriation to the community offender management program of the corrections department includes six hundred twelve thousand seven hundred dollars (\$612,700) to the community corrections grant fund.

INMATE MANAGEMENT AND CONTROL

The purpose of the inmate management and control program is to incarcerate in a humane, professionally sound manner offenders sentenced to prison and to provide safe and secure prison operations. This includes quality hiring and in-service training of correctional officers, protecting the public from escape risks and protecting prison staff, contractors and inmates from violence to the extent possible within budgetary resources.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014				
		FY12	FY13	Agency	LFC	Percent
		2011-2012	2012-2013	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
General Fund Transfers	217,748.4	227,020.8	227,423.2	224,837.3	-1.0	
Other Transfers	393.9	213.6	233.1	233.1	9.1	
Federal Revenues	419.1	67.1	171.2	171.2	155.1	
Other Revenues	15,611.6	14,679.3	14,790.5	14,790.5	0.8	
Fund Balance	0.0	100.0	0.0	0.0	-100.0	
SOURCES TOTAL	234,173.0	242,080.8	242,618.0	240,032.1	-0.8	
USES						
Personal Services and Employee Benefits	96,076.6	103,238.3	100,094.8	100,094.8	-3.0	
Contractual Services	45,306.7	45,960.6	44,415.1	44,415.1	-3.4	
Other	89,947.3	92,881.9	98,108.1	95,522.2	2.8	
TOTAL USES	231,330.6	242,080.8	242,618.0	240,032.1	-0.8	
FTE						
Permanent	1,884.5	1,892.5	1,838.0	1,838.0	-2.9	
Term	36.0	32.0	32.0	32.0	0.0	
TOTAL FTE POSITIONS	1,920.5	1,924.5	1,870.0	1,870.0	-2.8	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Outcome	Recidivism rate of the success for offenders after release program at thirty-six months	33.70%	37%	35%	35%	32%
* Outcome	Percent of female offenders successfully released in accordance with their scheduled release dates, excluding in-house parole	84%	79.7%	90%	90%	90%
Outcome	Percent turnover of correctional officers in public facilities	10.3%	10.6%	13%	13%	10%
Output	Graduation rate of correctional officer cadets from the corrections department training academy	84.25%	72.4%	90%	90%	85%
Output	Percent of eligible inmates who earn a general equivalency diploma	39%	89.7%	78%	90%	90%
Output	Percent of participating inmates completing adult basic education	50%	45%	32%	50%	50%
* Outcome	Percent of male offenders successfully released in accordance with their scheduled release dates, excluding in-house parole	85%	82.2%	90%	90%	90%
* Outcome	Percent of prisoners reincarcerated back into the corrections department system within thirty-six months due to new charges or pending charges	21.23%	22.69%	40%	25%	22%
* Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	0	0	40%	40%	40%

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Percent of inmates testing positive for drug use or refusing to be tested in a random monthly drug test	1.39%	1.70%	≤2%	≤2%	≤2%
* Output	Number of inmate-on-inmate assaults with serious injury	14	21	23	23	15
* Output	Number of inmate-on-staff assaults with serious injury	4	1	10	5	4
* Output	Number of escapes from a publicly run corrections department facility	0	0	0	0	0
* Output	Number of escapes from a secure privately operated corrections department facility	0	0	0	0	0
Outcome	Percent of standard healthcare requirements met by medical contract vendor	95%	100%	87%	100%	100%
Outcome	Percent of eligible sex offenders within three years of release who are receiving treatment	42.70%	47.30%	65%	65%	85%
Output	Percent of inmate grievances resolved informally	50.52%	51.51%	85%	85%	85%
Outcome	Percent of sex offenders reincarcerated back into the corrections department within thirty-six months	29.19%	36.05%	40%	35%	25%
* Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations, excluding absconders and sanctioned parole violators	22.12%	22.61%	40%	20%	20%

CORRECTIONS INDUSTRIES

The purpose of the corrections industries program is to provide training and work experience opportunities for inmates to instill a quality work ethic and to prepare them to perform effectively in an employment position and to reduce idle time of inmates while in prison.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014</u>		<u>Percent Incr (Decr)</u>
				<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	Other Revenues	2,735.7	3,973.8	2,816.5	2,816.5	-29.1
	Fund Balance	0.0	0.0	427.3	427.3	
	SOURCES TOTAL	2,735.7	3,973.8	3,243.8	3,243.8	-18.4
USES						
	Personal Services and Employee Benefits	920.2	1,683.8	1,573.7	1,573.7	-6.5
	Contractual Services	2.2	25.4	25.4	25.4	0.0
	Other	1,540.3	2,264.6	1,644.7	1,644.7	-27.4
	TOTAL USES	2,462.7	3,973.8	3,243.8	3,243.8	-18.4
FTE						
	Permanent	31.0	31.0	27.0	27.0	-12.9
	Term	3.0	3.0	3.0	3.0	0.0
	TOTAL FTE POSITIONS	34.0	34.0	30.0	30.0	-11.8

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Profit and loss ratio	TBD	6.02%	break even		
Outcome	Percent of eligible inmates employed	3.34%	2.39%	6%		

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming, supervision and residential and nonresidential placement services to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>				
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	28,799.7	30,623.2	30,623.2	30,411.3	-0.7	
Federal Revenues	7.9	0.0	0.0	0.0		
Other Revenues	2,060.0	2,037.8	2,037.8	2,037.8	0.0	
Fund Balance	0.0	860.1	612.7	612.7	-28.8	
SOURCES TOTAL	30,867.6	33,521.1	33,273.7	33,061.8	-1.4	
USES						
Personal Services and Employee Benefits	17,318.1	19,997.6	19,850.2	19,638.3	-1.8	
Contractual Services	77.9	50.0	60.2	60.2	20.4	
Other	11,084.6	13,473.5	13,363.3	13,363.3	-0.8	
TOTAL USES	28,480.6	33,521.1	33,273.7	33,061.8	-1.4	
FTE						
Permanent	404.0	399.0	392.0	392.0	-1.8	
TOTAL FTE POSITIONS	404.0	399.0	392.0	392.0	-1.8	

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent turnover of probation and parole officers	13.1%	13.4%	20%	13%	12%
* Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	89.6%	91.4%	90%	90%	90%
Quality	Average standard caseload per probation and parole officer	99	114	95	95	90
Output	Percent of absconders apprehended	10.8%	12.5%	10%	15%	25%

COMMUNITY CORRECTIONS/VENDOR-RUN

The purpose of the community corrections program is to provide selected offenders on probation and parole with residential and nonresidential service settings and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration without undue risk to the public.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Average community corrections program caseload per probation and parole officer	28	28	30	30	28
* Output	Percent of male offenders who complete the residential treatment center program	20%	68%	75%	75%	75%
* Output	Percent of female offenders who complete the residential treatment center program	67%	82%	75%	75%	80%
* Output	Percent of female offenders who complete the halfway house program	88%	100%	75%	90%	95%

PROGRAM SUPPORT

The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014				
		FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	10,428.4	8,050.0	13,201.4	13,201.4	64.0
	Other Transfers	256.1	251.7	249.8	249.8	-0.8
	Federal Revenues	0.0	90.4	0.0	0.0	-100.0
	Other Revenues	829.9	12.7	729.3	729.3	5,642.5
	SOURCES TOTAL	11,514.4	8,404.8	14,180.5	14,180.5	68.7
USES						
	Personal Services and Employee Benefits	7,149.5	6,067.3	10,467.6	10,467.6	72.5
	Contractual Services	533.0	589.2	1,084.7	1,084.7	84.1
	Other	2,199.4	1,748.3	2,628.2	2,628.2	50.3
	TOTAL USES	9,881.9	8,404.8	14,180.5	14,180.5	68.7
FTE						
	Permanent	90.0	90.0	155.0	155.0	72.2
	TOTAL FTE POSITIONS	90.0	90.0	155.0	155.0	72.2

PERFORMANCE MEASURES

		<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Request</u>	<u>FY14</u> <u>Recomm</u>
* Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	44.62%	22.61%	25%	20%	20%
Output	Percent of institutional programming staff, probation and parole officers and supervisors, classification, addiction services bureau and mental health bureau staff trained in motivational interviewing techniques	0%	0%	100%	100%	100%
Outcome	Percent of employee union grievances resolved prior to arbitration	91%	98%	95%	95%	95%

STATUTORY AUTHORITY:

The Crime Victims Reparation Commission was created by Section 31-22-4 NMSA 1978 to protect the citizens of New Mexico from the impact of crime and to promote a stronger criminal justice system through the encouragement of all citizens to cooperate with law enforcement efforts. Eligibility for reparation awards, limits on the award per victim, and required deductions for payments received from collateral sources are specified in the law. The commission board is made up of five gubernatorial appointees.

MISSION:

The mission of the Crime Victims Reparation Commission is to assist victims of violent crime by providing reimbursement for certain eligible expenses related to the crime and by making distributions of federal grants for victims' assistance in accordance with federal guidelines.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,674.0	1,710.0	1,855.9	1,832.3	7.2
Federal Revenues	4,910.2	5,175.9	5,175.9	5,175.9	0.0
Other Revenues	499.6	499.5	499.5	499.5	0.0
Fund Balance	80.0	80.0	80.0	80.0	0.0
SOURCES TOTAL	7,163.8	7,465.4	7,611.3	7,587.7	1.6
USES					
Personal Services and Employee Benefits	1,039.4	1,121.2	1,167.1	1,143.8	2.0
Contractual Services	251.4	242.7	242.7	242.4	-0.1
Other	5,025.8	5,301.5	5,401.5	5,401.5	1.9
Other Financing Uses	654.8	800.0	800.0	800.0	0.0
TOTAL USES	6,971.4	7,465.4	7,611.3	7,587.7	1.6
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	20.0	20.0	20.0	20.0	0.0

BUDGET ISSUES:

The Crime Victims Reparation Commission includes the Victim Compensation Program and the Federal Grant Administration Program. Revenues for the commission come from general fund appropriations, restitution paid by perpetrators, and federal funds. Federal compensation funds equal 60 percent of in-state expenditures in the two federal fiscal years before the grant award. Of the \$5.2 million in federal funds, \$660 thousand, or 13 percent, can be used for victim payments. Federal funds for victim payments are expected to decline by 7 percent between FY13 and FY14.

The commission processes claims to reimburse victims, the deceased victim's dependents, or any individual who voluntarily assumes the funeral or medical expenses of a victim for statutorily specified criminal acts. In FY12, the commission paid \$1.5 million on 731 claims, which included 106 for child sexual abuse and 21 for child physical abuse. The highest claim amounts were for assault at \$775 thousand, homicide at \$290 thousand, and domestic violence at \$230 thousand. The general fund recommendation includes an increase of \$100 thousand in the other category for victims of violent crimes and for payments to their service providers. The victim compensation program received a special appropriation for FY13 of \$253 thousand; the recommended increase to the base budget is meant to partially offset the special appropriation, allowing the program to continue to reimburse victim care providers at 75 percent.

The Federal Grant Administration Program manages federal funds from the Office of Justice Programs Victims of Crime Act and Violence Against Women Act. In FY14, \$5.2 million is recommended from federal grants, of which 87 percent is for other agencies to provide direct services to victims.

VICTIM COMPENSATION

The purpose of the victim compensation program is to provide financial assistance and information to victims of violent crime in New Mexico so they can receive services to restore their lives.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,674.0	1,710.0	1,855.9	1,832.3	7.2
Other Revenues	499.6	499.5	499.5	499.5	0.0
Fund Balance	80.0	80.0	80.0	80.0	0.0
SOURCES TOTAL	2,253.6	2,289.5	2,435.4	2,411.8	5.3
USES					
Personal Services and Employee Benefits	776.9	866.0	911.9	888.6	2.6
Contractual Services	203.9	214.7	214.7	214.4	-0.1
Other	1,080.4	1,208.8	1,308.8	1,308.8	8.3
TOTAL USES	2,061.2	2,289.5	2,435.4	2,411.8	5.3
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	16.0	16.0	0.0

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of formal regional trainings conducted annually	5	10	8	8	8
* Output	Number of formal internal staff trainings conducted annually	6	6	6	6	6
* Efficiency	Average number of days to process applications	99	112	<120	<120	<120
Outcome	Percent increase in number of reparation applications received	-18%	9%	5%	2%	5%
Efficiency	Percent of payment vouchers for care and support sent to the department of finance and administration within two working days of the receipt of payment list	65%	80%	90%	90%	90%
Outcome	Percent increase in victims receiving direct advocacy	45%	90%	90%	90%	90%
Output	Number of victims receiving direct advocacy	741	1,691	1,800	1840	1,840

FEDERAL GRANT ADMINISTRATION

The purpose of the federal grant administration program is to provide funding and training to nonprofit providers and public agencies so they can provide services to victims of crime.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	4,910.2	5,175.9	5,175.9	5,175.9	0.0
SOURCES TOTAL	4,910.2	5,175.9	5,175.9	5,175.9	0.0
USES					
Personal Services and Employee Benefits	262.5	255.2	255.2	255.2	0.0
Contractual Services	47.5	28.0	28.0	28.0	0.0
Other	3,945.4	4,092.7	4,092.7	4,092.7	0.0
Other Financing Uses	654.8	800.0	800.0	800.0	0.0
TOTAL USES	4,910.2	5,175.9	5,175.9	5,175.9	0.0
FTE					
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Efficiency	Percent of sub recipients that receive compliance monitoring via desk audits	85%	85%	85%	85%	85%
* Output	Number of training workshops conducted for sub recipients	12	12	10	9	12
Outcome	Percentage increase in number of services provided to victims of crime by grant sub recipients	16%	16%	2%	2%	2%
* Efficiency	Percent of site visits conducted	16%	16%	30%		30%
Output	Number of statewide training conferences held for service providers and victim advocates	1	1	1	1	1
Efficiency	Number of working days to complete payment voucher after completion of drawdown	5	5	6	6	6
Output	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	5	5	5	5	5
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	5	5	5	5

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of the DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the New Mexico State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to the DPS. Laws 2007, Chapter 291, removed the Emergency Management and Homeland Security Support Program and created the Homeland Security and Emergency Management Department.

MISSION:

The mission of the Department of Public Safety is to provide the best and most efficient law enforcement, support, and emergency services available to protect and secure the people of New Mexico in their lives, homes, and communities. The DPS's areas of focus are drunken driving, drug crime, violent crime, and traffic safety.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	FY14 – 2013-2014		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	86,218.8	91,199.0	97,599.2	94,613.2	3.7
Other Transfers	11,211.7	19,737.0	21,000.0	20,564.6	4.2
Federal Revenues	7,937.1	15,146.9	14,498.4	14,498.4	-4.3
Other Revenues	4,520.7	7,648.6	8,066.4	8,066.4	5.5
Fund Balance	974.0	1,300.0	825.6	825.6	-36.5
SOURCES TOTAL	110,862.3	135,031.5	141,989.6	138,568.2	2.6
USES					
Personal Services and Employee Benefits	77,633.7	89,161.8	92,509.7	90,967.5	2.0
Contractual Services	3,635.3	8,006.6	7,602.2	7,346.1	-8.2
Other	27,103.1	33,405.2	37,588.7	35,965.6	7.7
Other Financing Uses	0.0	4,457.9	4,289.0	4,289.0	-3.8
TOTAL USES	108,372.1	135,031.5	141,989.6	138,568.2	2.6
FTE					
Permanent	1,130.5	1,130.5	1,130.5	1,122.5	-0.7
Term	101.0	101.0	107.0	107.0	5.9
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	1,255.7	1,255.7	1,261.7	1,253.7	-0.2

BUDGET ISSUES:

For FY14, the DPS requested \$97.6 million in general fund revenue, \$6.4 million over the FY13 general fund operating budget. The agency also requested \$4.5 million in supplemental requests for FY13 to cover increased costs for the governor's security, the recruit school food vendor contract, vehicle maintenance, fleet replacement, an in-vehicle camera system replacement, and fuel.

The FY14 general fund recommendation of \$94.6 million is \$3.4 million, or 3.7 percent, over the FY13 operating budget. The total agency recommendation is \$138.6 million, including \$14.5 million in federal revenues and \$8 million from other revenue sources. The overall recommendation is \$3.5 million over the FY13 operating budget.

The agency applied a 3.8 percent vacancy rate to Program Support, 7 percent to Law Enforcement, 0.6 percent to Motor Transportation, and 3.3 percent to the Statewide Law Enforcement Support program. The recommendation deleted 9 long vacant FTE in the Statewide Law Enforcement Support Program and Program Support. The recommendation includes modest additional vacancy savings.

The FY14 general fund recommendation for the Law Enforcement Program is \$70.5 million, 5.8 percent above the FY13 operating budget. A major issue facing the department is funding to replace the vehicle fleet, previously removed from the department's operating budget and funded with capital outlay. Because fleet replacement is a recurring cost, and because most vehicles need to be replaced once every four years, these funds should be within the department's operating budget. The department is requesting supplemental funding to replace 77 vehicles for FY13 and is requesting general fund revenues to replace another 112 vehicles in FY14. The staff recommendation will allow law-enforcement fleet replacement at a level within nationally recognized standards. The recommendation also allows vehicles to be replaced before costs related to maintenance and safety begin to increase.

The department would prefer to replace one-quarter of its patrol fleet each year at approximately \$3 million per year to avoid simultaneous mechanical failure of numerous vehicles. The department will greatly benefit from new police cars that are better engineered, last longer, and are more fuel efficient than the older models. The department has begun purchasing Ford police interceptor sedans, similar to the Ford Taurus. The new vehicles are expected to cut fuel consumption by at least 20 percent.

Several news agencies, along with the State Racing Commission, have reported a proliferation of illegal horse racing tracks. Officials from the U.S. Drug Enforcement Agency (DEA) have stated that many of the tracks are involved with the Sinaloa drug cartel of Mexico. The department should cooperate with the Racing Commission to investigate and eliminate illegal race tracks.

The department suffers from a chronically high officer vacancy rate. Based on discussions with department officials, the central factor causing elevated vacancy rates are recruitment and retention issues related to comparatively low salaries for state police officers, special investigations officers, and motor transportation officers. A recent departmental study found officers from the rank of recruit to lieutenant are between seventh and 10th in the state for law-enforcement salaries. However, other than conducting a second recruit school this year, the department has not made proposals to alleviate the situation long-term. The recommendation contains sufficient funding in the personal services and employee benefits category to reduce overtime and begin making officer compensation rates more competitive.

To increase the number of patrolmen, two recruit academies are being conducted in FY13. The department projects 507 out of 567 authorized state police officer positions will be filled in January 2013, and the number will decline again to 492 by the end of FY13. High vacancy rates limit the department's ability to deploy officers in a way that ensures the greatest public safety. For example, from January 2011 to September 2011 there were 97 alcohol-related traffic fatalities in New Mexico. During the same period in 2012, there have been 117 such fatalities, a 20 percent increase over 2011. While the increase is not entirely attributable to the department, high vacancies among officers may be a partial cause.

High vacancy rates also cause the department to expend more on overtime than it would otherwise. The department is requesting \$11.5 million in FY14 for overtime, which could be reduced if vacant positions were filled.

One significant issue affecting recruitment and retention in the Motor Transportation Division and the Special Investigations Division is the disparity among retirement plans for commissioned officers. Police officers under the state and municipal police retirement plan are eligible to retire in 20 years. By contrast, commissioned officers in the classified service, special investigators, and motor transportation police, are eligible to retire in 25 years if hired before July 1, 2010. If hired after July 1, 2010, commissioned officers in the classified service are eligible to retire after 30 years of service. The disparity causes many individuals to seek commissioned officer positions and might be contributing to the almost 20 percent vacancy rate in the Motor Transportation Division. However, possible changes to the police retirement plan could help to alleviate these pressures.

The FY14 recommendation also includes an increase in general fund appropriations for fuel; resulting in a \$1.2 million increase above FY12 actual general fund expenditures. The increase is needed to replace federal American Recovery and Reinvestment Act (ARRA) funds and special appropriations used in FY12. The agency requested an additional \$540 thousand for the replacement of the in-vehicle video monitoring system in the operating budget. Department personnel have stated they do not have the capacity to take on more information technology (IT) projects than those listed as the first two priorities in the IT request; therefore the FY14 recommendation does not include funding for the new system.

The Motor Transportation Division monitors five major ports of entry in Gallup, San Jon, Raton, Lordsburg and Anthony, 24 hours, seven days a week. Two of those five ports are on the Mexico border. Eleven other ports of entry are open randomly for weight enforcement or interdiction operations. The FY14 general fund recommendation to the Motor Transportation Program includes \$10.3 million from the general fund, a 10.1 percent increase over the FY13 operating budget. The FY14 federal fund recommendation is \$5.5 million, \$127 thousand less than the FY13 operating budget. The recommendation from the state road fund is \$5.8 million, an increase of \$80.2 thousand.

In FY13, the department created the Statewide Law Enforcement Support Program, a combination of scientific, technical, and training functions that support the state's law enforcement community. The department has three scientific laboratories, one each in Santa Fe, Hobbs and Las Cruces. As of September 2012, 14 percent of the forensic scientist positions were vacant, representing a sharp decrease from the 25 percent vacancy rate for the same time in 2011.

The DPS sex offender database was funded in part by the Adam Walsh grant. The grant was reduced by \$273.4 thousand because of New Mexico's noncompliance with the Adam Walsh Child Protection and Safety Act by July 27, 2011; the state also missed the second deadline of July 27, 2012.

The FY14 Statewide Law Enforcement Support Program request was 3.4 percent higher than the FY13 operating budget due primarily to increases in personnel costs and for increased information technology costs. The FY14 recommendation to the Statewide Law Enforcement Support Program is \$16.7 million, with \$10 million from general fund transfers.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the motor transportation program of the department of public safety include five million eight hundred forty-four thousand three hundred dollars (\$5,844,300) from the state road fund for the motor transportation division.

Any unexpended balance in the motor transportation program of the department of public safety remaining at the end of fiscal year 2014 made from appropriations from the state road fund shall revert to the state road fund.

The general fund appropriation to the statewide law enforcement support program of the department of public safety includes sufficient funding for all operations at the forensic laboratory in southeastern New Mexico.

LAW ENFORCEMENT

The purpose of the law enforcement program is to provide the highest quality of law enforcement services to the public and ensure a safer state.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	62,379.1	66,678.6	72,145.2	69,767.6	4.6
Other Transfers	2,265.7	9,363.3	9,455.0	9,455.0	1.0
Federal Revenues	1,603.8	2,350.2	1,779.3	1,779.3	-24.3
Other Revenues	2,354.2	5,084.2	5,138.4	5,138.4	1.1
Fund Balance	974.0	1,200.0	675.6	675.6	-43.7
SOURCES TOTAL	69,576.8	84,676.3	89,193.5	86,815.9	2.5
USES					
Personal Services and Employee Benefits	52,655.7	59,672.7	60,627.7	59,842.6	0.3
Contractual Services	489.0	1,513.3	1,607.7	1,351.6	-10.7
Other	15,507.6	19,632.4	23,449.1	22,112.7	12.6
Other Financing Uses	0.0	3,857.9	3,509.0	3,509.0	-9.0
TOTAL USES	68,652.3	84,676.3	89,193.5	86,815.9	2.5
FTE					
Permanent	749.0	755.0	756.0	756.0	0.1
Term	3.0	3.0	3.0	3.0	0.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	776.2	782.2	783.2	783.2	0.1

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties		102.6	288	288	110
Output	Number of minor compliance operations per agent assigned to alcohol enforcement duties		15.3	12	12	14
Outcome	Average turnaround time to issue a concealed carry permit from the date the application is received to the date completed, in days		33.8	45	45	30
Output	Number of traffic-related enforcement projects held		849	150	150	850
Output	Number of driving-while-intoxicated checkpoints and saturation patrols conducted		724	420	420	730
* Output	Number of driving-while-intoxicated arrests per patrol officer		8.1	12	12	12
* Output	Number of criminal investigations conducted by commissioned personnel per full-time equivalent assigned to the patrol and investigations bureaus		56.1	670	60	60
Output	Number of drug related investigations conducted by commissioned personnel per full-time equivalent assigned to the investigations bureau		16.5	670	20	20

MOTOR TRANSPORTATION

The purpose of the motor transportation program is to provide the highest quality of commercial motor vehicle enforcement services to the public and ensure a safer state.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	9,171.1	9,323.8	10,384.1	10,269.2	10.1
Other Transfers	8,890.6	9,262.9	10,136.8	9,701.4	4.7
Federal Revenues	3,089.5	5,628.5	5,501.1	5,501.1	-2.3
Other Revenues	38.2	211.5	425.0	425.0	100.9
SOURCES TOTAL	21,189.4	24,426.7	26,447.0	25,896.7	6.0
USES					
Personal Services and Employee Benefits	14,138.2	16,156.4	18,005.6	17,742.0	9.8
Contractual Services	2,024.1	3,829.5	3,268.8	3,268.8	-14.6
Other	4,574.4	4,440.8	5,172.6	4,885.9	10.0
TOTAL USES	20,736.7	24,426.7	26,447.0	25,896.7	6.0
FTE					
Permanent	218.5	217.5	217.5	217.5	0.0
Term	55.0	55.0	55.0	55.0	0.0
TOTAL FTE POSITIONS	273.5	272.5	272.5	272.5	0.0

PERFORMANCE MEASURES						
		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of commercial motor vehicle citations issued	33,492	27,684	40,256	40,800	30,000
* Output	Number of commercial motor vehicle safety inspections	101,984	87,682	85,000	85,000	90,000
Output	Number of motor carrier safety trainings completed		25	32	32	32

STATEWIDE LAW ENFORCEMENT SUPPORT PROGRAM

The purpose of the statewide law enforcement support program is to promote a safe and secure environment for the state of New Mexico through intelligently led policing practices, vital scientific and technical support, current and relevant training and innovative leadership for the law enforcement community.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	9,336.2	9,992.4	10,333.9	10,061.0	0.7
Other Transfers	0.0	1,040.0	1,345.0	1,345.0	29.3
Federal Revenues	751.5	2,362.3	2,615.1	2,615.1	10.7
Other Revenues	2,123.9	2,352.9	2,503.0	2,503.0	6.4
Fund Balance	0.0	100.0	150.0	150.0	50.0
SOURCES TOTAL	12,211.6	15,847.6	16,947.0	16,674.1	5.2
USES					
Personal Services and Employee Benefits	7,369.5	9,397.6	9,716.1	9,443.2	0.5
Contractual Services	991.0	2,525.6	2,531.5	2,531.5	0.2
Other	2,991.0	3,324.4	3,919.4	3,919.4	17.9
Other Financing Uses	0.0	600.0	780.0	780.0	30.0
TOTAL USES	11,351.5	15,847.6	16,947.0	16,674.1	5.2
FTE					
Permanent	103.0	102.0	102.0	98.0	-3.9
Term	35.0	35.0	41.0	41.0	17.1
TOTAL FTE POSITIONS	138.0	137.0	143.0	139.0	1.5

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of forensic biology and DNA cases completed per filled full-time equivalent within thirty working days		63.0%	40%	60%	60%
Outcome	Percent of forensic latent fingerprint cases completed per filled full-time equivalent within thirty working days		24.4%	40%	40%	30%
Outcome	Percent of forensic firearms and toolmark cases completed per filled full-time equivalent within thirty working days		54.7%	40%	40%	60%
Outcome	Percent of forensic chemistry cases completed per filled full-time equivalent within thirty working days		86.2%	85%	85%	85%
Output	Number of DNA profiles entered into the combined DNA index system		616	320	320	620
Output	Number of finger and palm prints entered into the automated fingerprint identification system		1,241	900	900	1,250
Output	Increase in the number of live scan end-users trained in law enforcement and correctional facilities throughout the state		78	75	75	75
Outcome	Number of mandatory trainings delivered by the law enforcement academy compared with the number of statutorily required trainings, annually		36	26	26	36
Explanatory	Average number of incoming New Mexico law enforcement telecommunications system transactions per day increase	36.7%	123.9%	10%	10%	100%
Outcome	Percent of service requests received from statewide criminal justice entities resolved within forty-eight hours of receipt		97.4%	98%	98%	98%
Outcome	Percent increase in the number of criminal justice employees using the law enforcement automated data services system, per quarter		44.4%	5%	5%	5%
Outcome	Percent of complaint cases reviewed and adjudicated annually		50.7%	80%	80%	80%

PROGRAM SUPPORT

The purpose of program support is to manage the agency's financial resources, assist in attracting and retaining a quality workforce and provide sound legal advice and a clean, pleasant working environment.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 2011-2012 Actuals</u>	<u>FY13 2012-2013 Budgeted</u>	<u>FY14 - 2013-2014 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	5,332.4	5,204.2	4,736.0	4,515.4	-13.2
	Other Transfers	55.4	70.8	63.2	63.2	-10.7
	Federal Revenues	2,492.3	4,805.9	4,602.9	4,602.9	-4.2
	Other Revenues	4.4	0.0	0.0	0.0	
	SOURCES TOTAL	7,884.5	10,080.9	9,402.1	9,181.5	-8.9
USES						
	Personal Services and Employee Benefits	3,470.3	3,935.1	4,160.3	3,939.7	0.1
	Contractual Services	131.2	138.2	194.2	194.2	40.5
	Other	4,030.1	6,007.6	5,047.6	5,047.6	-16.0
	TOTAL USES	7,631.6	10,080.9	9,402.1	9,181.5	-8.9
FTE						
	Permanent	60.0	56.0	55.0	51.0	-8.9
	Term	8.0	8.0	8.0	8.0	0.0
	TOTAL FTE POSITIONS	68.0	64.0	63.0	59.0	-7.8

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Efficiency	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	0	0	10	10	10
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	65	65	75	75	75

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA (Homeland Security and Emergency Management Act) to consolidate and coordinate homeland security and emergency management functions for the state and to act as a conduit for federal assistance and cooperation.

MISSION:

The department's mission is to lead New Mexico's efforts in protecting life and property against all threats and hazards by integrating and managing comprehensive and coordinated protective actions, preparedness programs, mitigation projects, response activities, and recovery efforts prior to, during, and following emergencies or disasters.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,467.6	2,393.2	2,893.2	2,424.3	1.3
Other Transfers	82.4	183.3	183.3	183.3	0.0
Federal Revenues	20,101.6	34,169.6	34,196.6	34,196.6	0.1
Other Revenues	8.6	110.0	110.0	110.0	0.0
SOURCES TOTAL	22,660.2	36,856.1	37,383.1	36,914.2	0.2
USES					
Personal Services and Employee Benefits	3,793.6	4,280.5	4,624.2	4,311.6	0.7
Contractual Services	1,868.5	1,415.6	1,422.2	1,422.2	0.5
Other	21,685.4	31,160.0	31,336.7	31,180.4	0.1
TOTAL USES	27,347.5	36,856.1	37,383.1	36,914.2	0.2
FTE					
Permanent	16.0	15.0	16.0	15.0	0.0
Term	46.0	45.0	46.0	45.0	0.0
TOTAL FTE POSITIONS	62.0	60.0	62.0	60.0	0.0

BUDGET ISSUES:

The majority of Department of Homeland Security and Emergency Management's (DHSEM) revenue comes from federal funds with 6.5 percent from the general fund. The FY14 request from the general fund is \$500 thousand, or 21 percent, above FY13 operating budget levels. The department receives federal Emergency Management Performance Grant (EMPG) funds, which allows the DHSEM to spend grant money in an amount equal to the amount allocated from general fund revenues. The maximum the state can spend from the EMPG is almost \$4 million and the stated purpose of the requested increase is to leverage more of these funds.

The department requested a total increase of 8 FTE: 3 FTE fully funded through federal revenues, 4 FTE funded with 50 percent general fund, and 1 unauthorized FTE fully funded with general fund revenues. The department also requested that an additional 2 FTE, currently funded with federal revenues, be funded with general fund revenues. The 2 FTE funded from federal revenues are one exempt public information officer (PIO) and one chief information officer (CIO). The CIO is currently funded through the department's indirect cost allocation; which does not contain sufficient funds.

The department has not demonstrated how the additional FTE will be used to enhance performance or why the duties of the PIO cannot be carried out by the secretary or deputy secretary. The department made budget adjustment requests out of the personal services category and reverted to the general fund a total of \$204 thousand in FY12. The LFC recommendation of \$2.4 million in general fund revenues will allow the agency to either add additional term employees or shift federally funded FTE to general fund revenue.

HOMELAND SECURITY AND EMERGENCY MANAGEMENT

The purpose of the homeland security and emergency management program is to provide for and coordinate an integrated, statewide, comprehensive emergency management system for New Mexico, including all agencies, branches and levels of government for the citizens of New Mexico.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Number of exercises conducted annually in compliance with federal guidelines	32	38	34	38	38
* Outcome	Number of program and administrative team compliance visits conducted each year on all grants	42	42	42	42	42
Outcome	Number of local emergency operation plans current within three years	20	12	32	32	32
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	30	30	30	30
Output	Number of facilitated training courses conducted annually	N/A	N/A	130	110	130

STATUTORY AUTHORITY:

Sections 67-1-1 through 67-16-14 NMSA 1978 codify laws pertaining to the New Mexico Department of Transportation (NMDOT), the State Transportation Commission, and highways and transportation in general. Article V, Section 14, of the Constitution of New Mexico establishes the State Transportation Commission. Each of the six governor-appointed commissioners represents a highway district. The department is administered in accordance with the policies established by the commission and all applicable federal and state laws and regulations.

MISSION:

The department and the commission maintain responsibility for creating a comprehensive program of design, construction, and maintenance of the state's highway system. The department's mission is to use its personnel and technical and financial resources to facilitate a high-quality, multi-modal state transportation network.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	432,688.2	403,449.0	403,449.0	403,449.0	0.0
Other Revenues	415,977.4	424,589.0	424,768.2	424,848.4	0.1
Fund Balance	3,541.8	7,463.0	21,500.0	21,500.0	188.1
SOURCES TOTAL	852,207.4	835,501.0	849,717.2	849,797.4	1.7
USES					
Personal Services and Employee Benefits	127,818.7	144,928.0	145,923.4	139,301.4	-3.9
Contractual Services	214,209.3	369,217.2	383,681.4	387,203.4	4.9
Other	265,749.1	315,591.7	314,348.3	317,448.3	0.6
Other Financing Uses	6,846.0	5,764.1	5,764.1	5,844.3	1.4
TOTAL USES	614,623.1	835,501.0	849,717.2	849,797.4	1.7
FTE					
Permanent	2,446.0	2,446.0	2,446.0	2,386.0	-2.5
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,502.5	2,502.5	2,502.5	2,442.5	-2.4

BUDGET ISSUES:

The New Mexico Department of Transportation (NMDOT) appropriation request for FY14 totaled \$849.7 million, an increase of \$14.2 million, or 1.7 percent, compared with the FY13 operating budget and an increase of \$235.1 million, or 38 percent, compared with FY12 actual expenditures. According to the department, FY12 actual expenditures were \$237.6 million less than FY12 budgeted appropriations because of lag times related to the obligation of funds by the department and the reimbursement of federal funds.

The July 2012 state road fund forecast indicates that FY12 year-to-date actual revenues are tracking \$1.2 million, or 2.2 percent, below January 2012 projections. Fiscal year 2013 revenues are tracking relatively flat with January projections at \$385.8 million. The FY14 projection is \$386.9 million, an increase of \$1.4 million, or 0.4 percent, compared with the FY13 operating budget estimate of \$385.5 million. Fiscal year 2014 revenue projections for the state road fund are approximately \$12 million below the pre-recession peak of \$398.8 million in FY07, a revenue level NMDOT does not anticipate attaining until FY16 at the earliest. The next revenue forecast will be in January 2013.

The department continues to face significant budgetary shortfalls in its construction and maintenance needs. NMDOT officials report the state currently has at least \$1.5 billion in unfunded construction needs, including significant "mega-projects" in the Albuquerque metro region; deferred projects from Governor Richardson's Investment Partnership (GRIP); priority projects to improve main streets across New Mexico; and significant unfunded interchange needs along Interstate 10, Interstate 25, and Interstate 40. Current estimates from the NMDOT for FY14 project a gap between routine maintenance needs and required resources of approximately \$164 million, structurally deficient bridge repair needs of \$250 million, and heavy equipment replacement needs of \$150 million.

State road funds, even when combined with federal funds, are insufficient to address infrastructure projects critical to the economic welfare of the state. For the department to make tangible progress on very basic transportation requirements, the Legislature should consider additional funding to compensate for current shortfalls.

The FY14 request for the Programs and Infrastructure (PINF) Program in the contractual services category – used primarily for road betterments construction on state roads not eligible for reimbursement from the Federal Highway Administration – was \$304.8 million, an increase of \$3.5 million, or 1.2 percent, compared with the FY13 operating budget of \$301.2 million and an increase of \$139.1 million, or 84 percent, compared with FY12 actual expenditures. The FY14 request for the Transportation and Highway Operations (THOPS) Program totaled \$240.2 million, an increase of \$1.5 million, or 0.6 percent, compared with FY13 operating levels, all of which will be used for the improvement of 31 highway rest areas. The majority of the increase in the Business Support Program is attributed to agency wide increases in workers compensation insurance, employee liability, unemployment compensation and property insurance fees, and digital conversion of department records.

The committee recommendation makes the following adjustments to the base FY14 department request:

The recommendation applies additional vacancy savings of \$600 thousand to the PINF Program (responsible for improvements and additions to the state highway infrastructure) and \$2.5 million to the THOPS Program (responsible for the maintenance of the state highway infrastructure) and redirects the entire amount to the other category in the THOPS Program to fund additional field supplies for highway maintenance work. Further, the recommendation eliminates 20 FTE in the PINF Program, 30 FTE in the THOPS Program, and 10 FTE in the Business Support Program for a savings of more than \$3.5 million and redirects the entire amount to the contractual services category in the THOPS Program to fund the maintenance of roads, highways, and bridges.

The recommendation reflects the need to prioritize addressing transportation infrastructure needs and to adjust the NMDOT personal services and employee benefits category in the face of high vacancy rates. Vacancy rates at the department continue to be in the range of 19 percent – nearly one-fifth of the total number of authorized FTE – and the positions eliminated in the committee recommendation have been vacant for approximately two years.

The committee recommends the department develop a plan that outlines the specific personnel needs of each program given continued budget constraints, including the reclassification of existing FTE to better recruit and retain qualified individuals. As an example, the number of authorized FTE for financial and management analysts far exceeds actual departmental needs and the elimination of these positions should be considered. Similarly, given the end of GRIP construction projects, many long-vacant engineer positions will likely never be filled and should be eliminated or reclassified. Finally, while the need for highway maintenance workers is obvious, all vacant positions are unlikely to be filled in the immediate future. The department should reclassify positions to increase salary ranges and eliminate the remaining positions. The Legislature can consider expansion requests from the department in the future.

The NMDOT FY14 request for the transfer of state road funds to the Department of Public Safety (DPS) for the operation of the Motor Transportation Program was \$5.76 million. The committee recommendation increases the amount being transferred by \$80.2 thousand for a total of \$5.84 million, consistent with the DPS FY14 budget request.

In the FY14 appropriations request, the department requested approximately \$159.5 million for debt principal and debt interest. Approximately \$25.3 million of this request was related to Rail Runner debt obligations, with the remainder associated with debt obligations for road and highway construction. Debt obligations associated with the Rail Runner are paid for entirely through state road fund revenues. Another \$3.2 million – not included in the \$159.5 million request – was requested for fees provided to the New Mexico Finance Authority (NMFA) for the administration of the GRIP bonds.

In 2005, the Legislature passed and the governor signed legislation creating a local transportation infrastructure fund (LTIF), the purpose of which was the financing of local transportation projects. Under 6-21-6.8 NMSA 1978, one-half of all fees transferred from the NMDOT to the New Mexico Finance Authority (NMFA) for the administration of transportation revenue bonds are deposited directly into the fund. The other half of the fees is retained by the NMFA for administration. In previous fiscal years, the NMDOT transferred approximately \$3.2 million in fees, or 0.25 percent of outstanding principal, to the NMFA. In FY13, the Legislature instructed the NMDOT to transfer \$800 thousand to the NMFA, with the remainder redirected to the contractual services category in the PINF Program for construction on state roads. For FY14, the recommendation continues the \$800 thousand transfer to NMFA and redirects the remaining \$2.4 million to the contractual services category in the THOPS Program to fund the maintenance of roads, highways, and bridges.

The NMDOT faces significant funding constraints as a result of debt obligation incurred through the GRIP program. Long-term debt obligations represent nearly 20 percent of revenue obtained from federal and state sources. In addition to negotiations with the NMFA to reduce administration fees, the NMDOT also continues to look for opportunities to exit variable-rate bonds and convert to fixed-rate bonds. Currently, approximately \$470.4 million of variable-rate debt is outstanding. The current cost to exit the variable-rate bonds stands at \$142 million. The State Transportation Commission recently approved the refinancing of some fixed-rate bonds for a savings of \$32.9 million.

Federal transportation legislation -- now called Moving Ahead for Progress in the 21st Century (MAP 21), reauthorized on June 29, 2012, for federal fiscal years (FFY) 2013 and 2014 -- maintains federal funding at current levels with a small offset for inflation. New Mexico will receive approximately \$355.7 million in FFY13 and \$358.8 million in FFY14. By federal statute, all of this funding will be directed to the completion of reconstruction projects contained within the Statewide Transportation Improvement Program (STIP). An analysis of transportation programs by the Federal Funds Information for States indicates New Mexico would be minimally affected by the process of federal budget sequestration, should it occur.

The STIP is a four-year, federally mandated, multi-modal transportation plan created through a lengthy consultation process that includes NMDOT officials and engineers, local and regional governments, metropolitan and regional planning organizations (MPOs and RPOs), other state agencies, and the public. The state must provide a match to federal funding for projects included in the STIP. The current STIP, inclusive of three amendments passed by the State Transportation Commission (STC) and approved by the Federal Highway Administration (FHWA), contains a total of 678 projects worth approximately \$1.8 billion. This funding is entirely dedicated to the maintenance, repair, and reconstruction of existing roads and bridges.

The department continues to request far more than it can spend and as a result requests additional language in the General Appropriations Act that allows the extension of appropriation authority in the PINF and THOPS programs from prior fiscal years to the current fiscal year. The rationale for the language -- related primarily to federal funds -- is that flexibility is required to account for seasonal and contractual lag times. This is accurate to some extent. However, data provided by the NMDOT indicates that in fiscal years 2011-2013 the department has carried forward over \$821.9 million in the PINF Program and \$72.4 million in the THOPS Program. The department has not provided clear rationale why appropriated funding has not been expended in a timely manner. Given funding shortfalls in these programs -- THOPS in particular -- the department should establish more effective plans for expenditure.

The most recent unaudited financial report from the Rio Metro Regional Transit District projects a budget surplus of nearly \$8 million for the Rail Runner at the close of FY12. The balance will be rolled into revenue for FY13 and projections indicate a budget surplus of approximately \$1.3 million at the end of the fiscal year. For FY13 and beyond, federal Congestion Mitigation and Air Quality (CMAQ) funding will no longer be available to Rio Metro, a loss of approximately \$5.4 million. The loss will be offset by \$6.4 million in federal 5307 funds received in FY13, increasing incrementally to \$7.2 million in FY17. The Rail Runner is also eligible for federal 5337 "State of Good Repair" funding beginning in FY15, which is specifically dedicated to repairing and upgrading rail and transit systems. Rio Metro expects to receive \$2 million in FY15 and \$5.5 million in FY16 and FY17 from the repair and upgrade fund.

The NMDOT had not projected these new federal revenues to support the Rail Runner; however, the inclusion of these revenues does not ensure financial sustainability. Innovative policies will have to be developed to address major capital and maintenance needs and proposed Rio Metro budgets do not include funds dedicated to the depreciation and replacement of locomotives and passenger cars, bridge repair and replacement, stations and parking improvement, and other priorities. According to Rio Metro, unfunded needs will total approximately \$29.5 million in FY13 and FY14. The MAP-21 requires organizations like Rio Metro to outline and implement detailed plans on capital asset management before receiving federal funding. Rio Metro has only recently begun this planning.

The North Central Regional Transit District (NCRTD) was cited for several material weaknesses related to its finances in their FY11 financial audit. These weaknesses occurred under previous NCRTD management, and current management states action is being taken to eliminate the issues. Rio Metro was not cited for any material weaknesses or deficiencies in its FY11 financial audit.

Although the Regional Transit Districts (RTDs) possess their own boards and management structures, the NMDOT should continue to exercise strict oversight over these entities to ensure effective and efficient expenditures of increasingly constrained federal funding.

The NMDOT's financial audit for the year ending June 30, 2011, found significant deficiencies in internal control over financial reporting and internal control over major programs related to federal awards. The department should make every effort to remedy the identified deficiencies to ensure its financial integrity and reinforce the public trust.

PROGRAMS AND INFRASTRUCTURE

The purpose of the programs and infrastructure program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 - 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	428,204.7	400,449.0	400,449.0	400,449.0	0.0
Other Revenues	187,837.2	142,380.0	141,396.3	137,171.2	-3.7
Fund Balance	3,541.8	7,463.0	20,000.0	20,000.0	168.0
SOURCES TOTAL	619,583.7	550,292.0	561,845.3	557,620.2	1.3
USES					
Personal Services and Employee Benefits	22,485.8	25,417.8	25,417.8	23,643.8	-7.0
Contractual Services	181,756.7	320,954.5	333,714.0	333,714.0	4.0
Other	177,756.9	203,919.7	202,713.5	200,262.4	-1.8
TOTAL USES	381,999.4	550,292.0	561,845.3	557,620.2	1.3
FTE					
Permanent	361.0	361.0	361.0	341.0	-5.5
Term	38.0	38.0	38.0	38.0	0.0
TOTAL FTE POSITIONS	399.0	399.0	399.0	379.0	-5.0

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Explanatory	Annual number of riders on park and ride	292,476	310,128	>250,000	>250,000	>250,000
* Explanatory	Annual number of riders on the rail runner, in millions	1.2	1.2	≥1.5	>1.2	>1.2
Outcome	Number of traffic fatalities	306	395	<345	<400	<325
Outcome	Number of alcohol-related traffic fatalities	89	169	<130	<170	<130
Outcome	Number of non-alcohol-related traffic fatalities	217	226	<215	<250	<215
* Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	114	169	<150	<180	<150
* Outcome	Number of crashes in established safety corridors	794	511	<700	<750	<600
* Outcome	Percent of projects in production let as scheduled	56%	65%	>60%	>55%	>80%
Outcome	Percent of airport runways in satisfactory or better condition	60%	64%	>60%	>60%	>60%
* Quality	Ride quality index for new construction	4.0	4.1	>4.0	>4.0	>4.0
Quality	Percent of final cost-over-bid amount on highway construction projects	2.9%	3%	<5.5%	<5.5%	3%
Outcome	Percent of front-occupant seatbelt usage	89.9%	91%		delete	delete
Outcome	Number of pedestrian fatalities	38	57	<43	<55	<40
Outcome	Number of head-on crashes per one hundred million vehicle miles traveled	1.18	3.65	<2.00	delete	delete
Outcome	Number of alcohol-related fatalities per one hundred million vehicle miles traveled	0.33	0.48	<0.70	delete	delete
Output	Number of non-alcohol-related traffic fatalities per one hundred million vehicle miles traveled	0.81	0.81	<0.90	delete	delete
Outcome	Number of traffic fatalities per 100 million vehicle miles traveled	1.15	1.30	<1.5	delete	delete
Outcome	Number of alcohol-related fatal crashes	120	125	<130	delete	delete
Outcome	Number of alcohol-related injury crashes	1,640	682	<1,300	delete	delete
Outcome	Number of alcohol-related crashes	2,335	2,460	<2,400	delete	delete
Outcome	Number of rural traffic fatalities			≤260	<260	<135
Outcome	Number of urban traffic fatalities			≤100	<100	<80
Outcome	Number of rural alcohol-related traffic fatalities			≤90	<90	<90
Outcome	Number of urban alcohol-related traffic fatalities			≤45	<45	<40
Outcome	Number of serious injuries in rural areas			≤1,400	<1,400	<1,400
Outcome	Number of serious injuries in urban areas			≤700	<700	<700

TRANSPORTATION AND HIGHWAY OPERATIONS

The purpose of the transportation and highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

		FY14 - 2013-2014				
		FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	Federal Revenues	4,483.5	3,000.0	3,000.0	3,000.0	0.0
	Other Revenues	185,771.1	235,767.1	235,665.1	240,477.2	2.0
	Fund Balance	0.0	0.0	1,500.0	1,500.0	
	SOURCES TOTAL	190,254.6	238,767.1	240,165.1	244,977.2	2.6
USES						
	Personal Services and Employee Benefits	83,250.6	96,531.6	96,531.6	92,270.6	-4.4
	Contractual Services	30,534.7	44,352.0	45,852.0	49,374.0	11.3
	Other	76,469.3	97,883.5	97,781.5	103,332.6	5.6
	TOTAL USES	190,254.6	238,767.1	240,165.1	244,977.2	2.6
FTE						
	Permanent	1,834.0	1,834.0	1,834.0	1,804.0	-1.6
	Term	16.7	16.7	16.7	16.7	0.0
	TOTAL FTE POSITIONS	1,850.7	1,850.7	1,850.7	1,820.7	-1.6

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
* Output	Number of statewide pavement preservation lane miles	2,094	2,169	>2,500	>2,225	>2,500
Efficiency	Maintenance expenditures per lane mile of combined system wide miles	\$1,656	\$2,684	> \$1,500	delete	delete
* Outcome	Percent of non-interstate lane miles rated good	N/A	84.5%	>75%	>75%	>85%
* Output	Amount of litter collected from department roads, in tons	15,282	9,001	>14,000	>13,000	>14,000
* Outcome	Percent of interstate lane miles rated good	N/A	96.8%	>90%	90%	97%
* Quality	Customer satisfaction levels at rest areas	98.9%	99%	>95%	>95%	>98%
Outcome	Number of combined system wide miles in deficient condition	3,407	3,644	< 5,000	<5,000	<3,500
Output	Number of damage claims submitted each year			≤20	<20	<20
Output	Number of damage claims paid each year			≤20	delete	delete

PROGRAM SUPPORT

The purpose of program support is to provide management and administration of financial and human resources, custody and maintenance of information and property and the management of construction and maintenance projects.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 - 2013-2014</u>			
	<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
Other Revenues	42,369.1	46,441.9	47,706.8	47,200.0	1.6
SOURCES TOTAL	42,369.1	46,441.9	47,706.8	47,200.0	1.6
USES					
Personal Services and Employee Benefits	22,082.3	22,978.6	23,974.0	23,387.0	1.8
Contractual Services	1,917.9	3,910.7	4,115.4	4,115.4	5.2
Other	11,522.9	13,788.5	13,853.3	13,853.3	0.5
Other Financing Uses	6,846.0	5,764.1	5,764.1	5,844.3	1.4
TOTAL USES	42,369.1	46,441.9	47,706.8	47,200.0	1.6
FTE					
Permanent	251.0	251.0	251.0	241.0	-4.0
Term	1.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	252.8	252.8	252.8	242.8	-4.0

PERFORMANCE MEASURES

		<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY14</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Quality	Number of external audit findings	18	12	<6	<8	<8
Quality	Percent of prior-year audit findings resolved	71%	66%	> 80%	>80%	>80%
Efficiency	Percent of invoices paid within thirty days	95%	97%	> 90%	>90%	>90%
* Outcome	Vacancy rate in all programs	16.4%	19.4%	<10%	<15%	<15%
Output	Percent of information technology projects on time and on budget		100%		delete	delete
Output	Number of employee work days lost due to accidents	667	982	< 350	delete	delete
* Output	Number of employee injuries	92	90	<100	<100	<100
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	6	6 days	10 days	10 days	10 days
Output	Number of employee injuries occurring in work zones			≤ 50	<50	<50

STATUTORY AUTHORITY:

Article XII, Section 6, of the New Mexico Constitution created a cabinet department headed by a secretary of public education and created an elected, advisory Public Education Commission. The secretary of public education is appointed by the governor and confirmed by the Senate. The secretary of public education has administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for public schools.

MISSION:

The purpose of the department is to create and maintain a customer-focused organization that provides leadership, technical assistance, and quality assurance to improve performance for all students and close the achievement gap.

BUDGET SUMMARY (dollars in thousands)					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,534.2	10,739.6	12,240.2	11,711.9	9.1
Other Transfers	0.0	0.0	17.6	17.6	
Federal Revenues	25,110.1	27,003.2	27,061.7	27,061.7	0.2
Other Revenues	3,143.8	2,490.6	3,090.6	3,261.4	30.9
SOURCES TOTAL	38,788.1	40,233.4	42,410.1	42,052.6	4.5
USES					
Personal Services and Employee Benefits	14,204.6	18,035.2	19,341.3	18,983.8	5.3
Contractual Services	19,286.4	17,439.9	18,536.2	18,536.2	6.3
Other	2,502.3	4,758.3	4,532.6	4,532.6	-4.7
TOTAL USES	35,993.3	40,233.4	42,410.1	42,052.6	4.5
FTE					
Permanent	208.2	158.2	156.8	148.8	-5.9
Term	98.0	97.6	105.5	97.5	-0.1
Temporary	4.6	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	310.8	256.8	263.3	247.3	-3.7

BUDGET ISSUES:

The Public Education Department (PED) budget request for FY14 totaled \$42.4 million, an overall increase of almost \$2.2 million, or 5.4 percent, from the FY13 operating budget. The agency's federal funds request was essentially flat with the FY13 operating budget. The request for other revenues was an increase of 24 percent, mostly from the 2 percent administrative set-aside of state-chartered charter schools' state equalization guarantee (SEG) distributions. The general fund request was a \$1.5 million increase, or 14 percent, and included \$150.6 thousand for increases in retirement and health care premiums and almost \$1.4 million in expansion requests. The department reverted \$175 thousand from their operating budget in FY12.

The request included an increase in authorized FTE from 256.8 to 263.3 and included 2 FTE transferred from the Office of Education Accountability in the Department of Finance and Administration already accounted for in the FY13 budget. Historically the PED reported vacancy rates in excess of 20 percent, and the department continues to experience high vacancy rates. The PED indicated its vacancy rate during FY12 was 23 percent after reorganizing and eliminating a number of positions. As a result of the reorganization and a significant reduction in general fund support for FY12, the department's authorized FTE were significantly decreased from 310.8 to 256.8 for FY13. Despite this significant reduction in authorized FTE, the PED continues to have a high number of vacant positions – approximately 70 in September 2012. The PED request included a 7.9 percent vacancy savings rate applied to positions funded with general fund dollars. Vacant positions were requested at midpoint. The department currently operates with 15 exempt employees, four less than in FY11.

The LFC recommendation for FY14 totals almost \$42.1 million, an increase of \$1.8 million, or 4.5 percent, over the FY13 operating budget. The recommendation includes a general fund increase of \$972.3, or 9.1 percent. General fund support for the department has decreased almost 28 percent since FY10. The department's operating budget was modestly increased for FY13 – the first increase since FY09. The FY14 LFC recommendation increases funding for employer retirement rates and healthcare premiums and partially funds the department's expansion requests. The committee recommendation includes an increase in other revenues of \$170.8 thousand over the department's request to better reflect actual revenues received by the department for issuance and renewal of teacher and administrator licenses and the 2 percent administrative set-aside of state-chartered charter schools' state equalization guarantee (SEG) distributions.

The committee recommendation preserves a number of positions reclassified by the department and eliminates 9.5 FTE, some that have been vacant for more than two years. The department has not operated with more than 195 FTE since the reduction in force in 2011. The committee encourages the department to continue to reclassify positions and fill vacant positions.

The department has increased focus on financial operations within the department and over school districts and charter schools. The department has engaged in a robust analysis of district and charter school budgets to ensure resources are allocated to programs with proven results. The department has prioritized classroom spending, increased transparency in school spending, and worked to ensure investments by districts and charter schools are being made in evidence-based programs. The department has created an audit unit within the School Budget and Finance Analysis Bureau to ensure funding units claimed by school districts and charter schools are accurate and appropriately claimed. The department reports districts and charter schools claimed approximately \$7 million less in special education funding for the 2012-2013 school year as a result of special education audits conducted during 2011 and 2012. Prior to 2011, units claimed by districts and charter schools had largely gone unchallenged. The department continues to focus on accurate data collection and reporting to ensure equitable distribution of SEG funding and other categorical grant funding.

Multiple evaluations of the public school funding formula have noted the formula has an excessive number of components unnecessarily burdensome to districts, charter schools, and state administrators. The department's administration of the funding formula in some instances has been inadequate, and PED guidance to districts and charter schools has been found to be ineffective, leading to noncompliance with federal regulations and state statutes, differences in delivery of services, and inequitable distribution of the SEG. To date, it does not appear the department has addressed the department-related findings of the joint evaluation by the LFC and the Legislative Education Study Committee (LESC), especially items that do not require legislative action, such as defining job classes eligible to include in the training and experience index calculation, providing clear guidance on how to classify D level special education students, and establishing caseload minimums for ancillary service providers. The Legislature should consider revisions to update key components of the public education funding formula to promote better equity while still recognizing disparity in size, simplify the formula and minimize administrative burden, and align the formula to modern education policy.

The PED continues to focus on five key areas identified in the department's strategic plan: a smarter return on New Mexico's investment, real accountability and real results, the ready-for-success initiative, rewards for effective educators and leaders, and effective options for parents. During the 2012 legislative session, the Legislature appropriated more recurring flow-through funding to the department for use in FY13 than in previous years. In exchange for allowing PED to manage, allocate, and monitor these funds, the Legislature expected increased accountability. However, the department did not meet some specified accountability requirements. For example, the Legislature appropriated \$2.5 million to the PED for use in FY11 and FY12 for the governor's education reforms contingent on the PED providing a detailed report to the LFC and the LESC on expenditures and results of reforms and initiatives. To date, the LFC has not received the mandated report. The department appears to be advancing ideas that have merit; however, the department is not providing adequate evidence that department-led initiatives are improving student outcomes. Additionally, the committee notes concern with substantial departure by the department from initial expenditure plans submitted with funding requests.

The department continues to advance initiatives aimed at improving early literacy and educator quality. The PED implemented a new evaluation system by rule that bases 50 percent of a teacher's annual evaluation on student growth. The department is piloting the new system in a number of schools statewide during the 2012-2013 school year and will fully implement the system for the 2013-2014 school year. The PED should continue to update the annual teacher and principal evaluation systems and the professional development dossier to require meaningful use of student achievement data as a factor in determining overall teacher and principal effectiveness; however, the department should be cautious in using value-added data to make high-stakes employment decisions. In addition to overhauling the evaluation system, the department should continue to address other quality levers, including teacher preparation programs, effective recruitment and retention strategies, and compensation to achieve the highest quality teacher workforce.

The department also successfully focused attention statewide on the importance of ensuring young students are able to read. The New Mexico Reads to Lead early reading initiative placed reading coaches in numerous schools around the state that have struggling readers. However, distribution of early reading funding was not targeted to the state's most at-risk students, nor was it targeted to the state's most struggling readers – funding was allocated to districts with the strongest applications. The department is encouraged to improve the distribution plan in future years to ensure funding targets the students most in need.

The department must be mindful of the quantity, quality and scope of initiatives it prioritizes, given department, school district, and charter school budget constraints. Policy decisions and initiatives should only be implemented after thoughtful identification of the problem and development of a clear, strategic plan. Increased initiatives may dilute the ability of the department to provide quality oversight and technical assistance to school districts and charter schools. The department's budget request noted the potential inability to manage the magnitude of current responsibilities. The department should take a more active advocacy role for existing statewide initiatives that have demonstrated results, such as the prekindergarten program and the kindergarten-three-plus program. The department should also continue to review its core mission and eliminate requirements not directly tied to the department's educational mission.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public education department includes seven hundred fifty thousand dollars (\$750,000) for operating and maintaining the operating budget management system and student teacher accountability reporting system contingent on the public education department granting access to these systems to the legislative finance committee and the legislative education study committee.

BASE EXPANSION:

The department's request included four expansions. The first request included moving the \$750 thousand recurring special appropriation for the Operating Budget and Management System (OBMS) and Student Teacher Accountability Reporting System (STARS) into the department's operating budget. This expansion request funded 2 FTE and had no net general fund impact. The second request was for \$256.2 thousand for four existing unfunded positions to support three of the PED's education initiatives: increased data analysis needed to sustain the school grading program, the teacher effectiveness initiative, and transition to common core state standards. The third request was for \$113.4 thousand for two existing unfunded positions to support implementation of charter school performance contracts required by Senate Bill 446 (Laws 2011, Chapter 14). The last request was for \$230.4 thousand for four unfunded budget analyst positions in the School Budget and Financial Analysis Bureau to decrease the workload on the existing budget analysts.

The committee recommends \$992.5 thousand of the department's expansion request. The committee recommendation includes movement of OBMS and STARS funding into the department's operating budget. The remaining \$242.5 thousand funds four unfunded authorized positions: two in the Accountability, Assessment and Interventions Bureau, one in the Charter Schools Division, and one in the School Budget and Financial Analysis Bureau.

BASE EXPANSION LISTING
FY14 - 2013-2014

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
01	Assessment and Accountability Division 4 FTE	(P527)	256.2	128.2
02	Charter Schools Division 4 FTE	(P527)	113.4	56.7
03	Budget & Financial Analysis Bureau 4 FTE	(P527)	230.4	57.6
04	OBMS/STARS Hosting and Maintenance 2 FTE	(P527)	750.0	750.0
TOTAL			1,350.0	992.5

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department focuses on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of school grades accurately reported to the public not less than two weeks before the first day of school			New	100%	100%
Outcome	Percent of prior-year audit findings resolved	20%	43%	90%	50%	90%
Outcome	Percent of teachers passing all strands of professional dossiers the first submittal	76%	91.7%	80%	80%	80%
Outcome	Average number of days to process a request for information, from date of receipt			New	15	15
Outcome	Average number of days to process a request for proposals, from date of receipt			New	15	15
* Outcome	Average processing time for school district budget adjustment requests, in days	4G/19.4F	3G/12.5F	7	14	7
Outcome	Average processing time for school district federal budget adjustment requests processed, in days	19.4	7.7	25	21	7
* Outcome	Percent change from the preliminary unit value to the final unit value	2.79%	0.32%	2%	2%	2%
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices			25	24	24

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of school-district- and charter-school-reported data in student, teacher accountability reporting system, reported accurately			100%	100%	100%
Outcome	Percent of state funds annually reverting			<1%	<1%	<1%
Outcome	Percent of federal funds annually reverting			<1%	<1%	<1%
Outcome	Total amount of private funding received for public education, in millions			\$1	\$1M	\$5M
Explanatory	Change in the number of required reports for state and federal reporting			New	TBD	10
Explanatory	Percent change in the data elements required for state and federal reporting			TBD	TBD	TBD
Explanatory	Percent of eligible children served in state-funded prekindergarten	27.55%	27.8%	TBD	30%	TBD
* Explanatory	Number of eligible children served in state-funded prekindergarten	4,435	4,535	TBD	5,000	TBD
Explanatory	Percent of elementary schools participating in the state-funded elementary school breakfast program	76.5%	30.53%	TBD	TBD	TBD
* Explanatory	Number of elementary schools participating in the state-funded elementary school breakfast program	157	156	TBD	TBD	TBD
Explanatory	Number of elementary students participating in the state-funded elementary school breakfast program			TBD	TBD	TBD
Explanatory	Number of school districts and charter schools that failed to submit an annual audit within ninety days of the due date			TBD	TBD	TBD
Explanatory	Percent of elementary students participating in the state-funded elementary school breakfast program			New	TBD	TBD
Explanatory	Number of school districts and charter schools that did not receive their full state equalization guarantee distribution because they failed an audit within ninety days of the due date			New	0	TBD
Outcome	Percent of public education department contracts issued retroactively			5%	>2%	<2%
Output	Number of data validation audits of funding formula components annually			30	30	60
Explanatory	Number of charter schools authorized by local school boards in the current fiscal year			New	TBD	TBD
Explanatory	Number of charter schools authorized by the public education commission in the current fiscal year			New	TBD	TBD
Explanatory	Number of charter amendments approved by the public education commission in the current fiscal year			New	TBD	TBD
Explanatory	Number of charter school renewals denied in the current fiscal year			New	TBD	TBD
Explanatory	Number of charter school renewals denied in the current fiscal year			New	TBD	TBD
Output	Number of local education agencies audited for funding formula components and program compliance annually			New	35	50
Explanatory	Number of charter amendments approved by local school boards in the current fiscal year			New	TBD	TBD
Output	Percent of school district budget adjustment requests processed fewer than fifteen days			100%	100%	100%
Explanatory	Public usage of public education department guidance and information on redesigned interactive website, in website hits			TBD	TBD	TBD
Outcome	Total amount of federal competitive funding received for public education, in millions			\$1M	\$1M	\$15M

STATUTORY AUTHORITY:

The Regional Cooperative Education Act, Sections 22-2B-1 to 22-2B-6 NMSA 1978, provides for the formation of regional education cooperatives (RECs) among local school boards or other state-supported educational institutions to provide education-related services. These services may include technical assistance, staff development, cooperative purchasing, fiscal management, and the administration of federal programs, among others. The Public Education Department (PED) is authorized to approve the existence and operation of RECs, classified as individual state agencies administratively attached to the PED and exempt from the provisions of the State Personnel Act. An REC is governed by a regional education coordinating council (RECC) composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

Budget Issues: Prior to FY09, RECs did not receive direct general fund appropriations. Historically, an REC received operating revenue from school districts as federal flow-through funds and from the district distribution from the state equalization guarantee (SEG) for ancillary-related services. In FY06, to comply with provisions of the federal Cash Management Improvement Act of 1990, the PED changed the way funds are distributed to RECs from an advance allotment to a reimbursement for costs incurred. RECs reported these changes caused cash-flow issues and late payments to vendors. As a result, RECs have received general fund support since FY09 generally in the form of a flow-through appropriation made to PED to allocate to one or more REC.

In FY13, the PED received a general fund flow-through appropriation of \$938.2 thousand to allocate to RECs. On submission of an application by an REC, the PED may allocate funding to a REC provided the application adequately justifies a need for the allocation, and the PED finds the REC has submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirements pursuant to the Audit Act, and is otherwise financially stable. Allocations made in FY13 can only be used for FY13 operating expenses.

For FY13, all RECs applied for an initial allocation. The PED distributed half of the appropriation equally among the nine RECs. All RECs will have to apply for a second allocation in January 2013. The PED appears to distribute funding equally among all RECs with very little analysis of actual need.

The LFC continues to recommend the PED engage in robust oversight of RECs, including meaningful analysis of budget expenditures and need. Additionally, the LFC recommends the PED monitor REC performance and establish performance measures to be met by each REC for FY13 and FY14 to ensure programmatic and fiscal accountability.

Given the importance of the RECs to rural school district operations, the committee recommends continuation of a PED flow-through appropriation of \$938.2 thousand, to be allocated to RECs that meet all conditions of the appropriation.

RECOMMENDED LANGUAGE:

Recommended language for public education department flow-through appropriation.

A regional education cooperative may submit an application to the public education department for an allocation from the nine hundred thirty-eight thousand two hundred dollar (\$938,200) appropriation. The public education department may allocate amounts to a regional education cooperative provided the regional education cooperative's application has adequately justified a need for the allocation, and the department finds the regional education cooperative has submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirement pursuant to the Audit Act, and is otherwise financially stable. An allocation made to a regional education cooperative may only be used for current year operating expenses.

REGIONAL EDUCATION COOPERATIVES										
Cooperative	FY13 Appropriation					FY14 LFC Recommendation				
	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$681.1	\$0.0	\$0.0	\$681.1	\$0.0	\$674.6	\$0.0	\$0.0	\$674.6
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$2,688.2	\$0.0	\$330.4	\$3,018.6	\$0.0	\$2,662.3	\$0.0	\$355.8	\$3,018.1
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$0.0	\$0.0	\$284.6	\$284.6	\$0.0	\$0.0	\$0.0	\$1,412.1	\$1,412.1
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$2,574.0	\$0.0	\$295.3	\$2,869.3	\$0.0	\$2,231.6	\$114.2	\$415.4	\$2,647.0
Regional Education Cooperative #6 (Clovis)	\$0.0	\$922.9	\$0.0	\$320.4	\$1,243.3	\$0.0	\$1,168.2	\$0.0	\$28.4	\$1,196.6
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$268.4	\$0.0	\$411.4	\$679.8	\$0.0	\$535.1	\$0.0	\$365.2	\$900.3
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,673.9	\$0.0	\$613.2	\$2,287.1	\$0.0	\$1,507.3	\$0.0	\$599.4	\$2,106.7
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$2,341.1	\$0.0	\$1,017.9	\$3,359.0	\$0.0	\$3,439.0	\$0.0	\$1,182.6	\$4,621.6
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$1,422.4	\$0.0	\$0.0	\$1,422.4	\$0.0	\$1,275.4	\$0.0	\$0.0	\$1,275.4
TOTAL	\$0.0	\$12,572.0	\$0.0	\$3,273.2	\$15,845.2	\$0.0	\$13,493.5	\$114.2	\$4,358.9	\$17,966.6

¹No general fund support was directly appropriated to RECs in FY13. A flow-through appropriation of \$938.2 thousand was made to the PED. All RECs applied to the PED for an allotment; to date all RECs have received equal allocations totaling \$469.1 thousand. The PED intends to distribute the remaining balance in January 2013.

STATUTORY AUTHORITY:

The Public School Facilities Authority (PSFA) was created in 2003 to staff the Public School Capital Outlay Council (PSCOC) pursuant to the Public School Capital Outlay Act, Section 22-24-9 NMSA 1978. Under the direction of the PSCOC, the PSFA is responsible for providing support and oversight in administering construction grants, deficiencies correction, and statewide, standards-based programs; assisting school districts with the development and implementation of five-year master plans and preventive maintenance plans; and overseeing all state-funded public school construction. The director, versed in construction, architecture, or project management, is selected by the council.

The membership of the council consists of a representative from the Governor's Office, the secretary of the Department of Finance and Administration, the secretary of the Public Education Department, the president of the New Mexico School Boards Association, the director of the Construction Industries Division of the Regulation and Licensing Department, the president of the State Board of Education, the director of the Legislative Finance Committee, the director of the Legislative Council Service, and the director of the Legislative Education Study Committee.

MISSION:

The mission of the PSFA is to support quality public education by encouraging and assisting districts with the prudent planning, construction, and maintenance of appropriate physical environments to foster successful student learning, to involve active community participation in the education process, and to assist policymakers and New Mexico taxpayers with current and accurate financial and technical information and recommendations.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY14 – 2013-2014</u>			
		<u>FY12</u>	<u>FY13</u>	<u>Agency</u>	<u>Percent</u>
		<u>2011-2012</u>	<u>2012-2013</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	Other Revenues	5,656.4	5,523.6	5,672.3	1.0
	SOURCES TOTAL	5,656.4	5,523.6	5,672.3	1.0
USES					
	Personal Services and Employee Benefits	3,749.0	3,822.2	4,031.1	3.6
	Contractual Services	143.6	197.1	196.3	-8.9
	Other	1,435.4	1,504.3	1,444.9	-4.3
	TOTAL USES	5,328.0	5,523.6	5,672.3	1.0
FTE					
	Permanent	50.0	50.0	50.0	0.0
	TOTAL FTE POSITIONS	50.0	50.0	50.0	0.0

BUDGET ISSUES:

Since its creation, the PSFA has funded its operational costs from balances in the public school capital outlay fund (PSCOF), which derives its revenue from supplemental severance tax bonds (SSTB) proceeds. Section 22-24-4 NMSA 1978 provides that operational expenses, both core and field oversight, are authorized to be paid from the fund and are limited to an amount not to exceed 5 percent of the three-year average annual grant assistance. The fund is nonreverting and any unexpended funds from appropriations revert to the fund at the end of the fiscal year. Historically, the agency maintained expenses below 3 percent of annual awards. In FY12 this grew to 3.6 percent, and it is expected to be 3.6 percent for FY13. Recent growth in the expense ratio is due to several years of modest awards coupled with the implementation of new software to assist districts with facilities management and construction efforts.

For FY14, the agency requested almost \$5.7 million from the PSCOF to cover all agency operational costs, a 2.7 percent increase from the FY13 base and a 6.5 percent increase from FY12 recurring operating expenses. For FY12, the agency reverted \$328.4 thousand due to a 10 percent vacancy rate, decreased professional services contracts, and over-budgeting of other costs, including instate travel expenses and transportation pool funding needs.

The PSFA's vacancy rate has been historically high, ranging between 10 percent and 14 percent since FY07. For FY13, the average vacancy rate has grown to 15 percent, or seven vacant positions. Of the seven vacant positions, a regional manager position has been vacant since the third quarter of FY07. The agency anticipates filling at least three of the seven vacant positions during the second quarter of FY13. The agency request assumed funding all 50 positions and did not impose a vacancy rate. The LFC recommendation takes into consideration previous staffing patterns and the desire of the agency to fill several vacant positions, assumes a 1 percent vacancy savings rate, and makes technical adjustments to eliminate requested salary increases for individual employees.

Since FY03, the PSCOC has awarded approximately \$1.7 billion to fund about 1,200 standards-based and deficiency-corrections projects in districts and the New Mexico School for the Blind and Visually Impaired and the New Mexico School for the Deaf (special schools). As a result, the state made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings. The state, using nine weighted categories to establish the weighted New Mexico condition index (wNMCI) rating of every facility, ranks every facility in terms of relative need, from greatest to least. The rate reflects a ratio of the cost of repair and improvement against the value of the facility so that a lower number reflects a building in better condition. Since 2004, when the standards-based process for funding school facilities was implemented, the average wNMCI score for all school buildings improved from 70 percent to 34 percent, with the top 100 projects improving from 172 percent to 48 percent. The wNMCI of the top 100 projects decreased from 64 percent to 48 percent from 2011 to 2012. These scores indicate the magnitude of need among all school facilities across the state dropped dramatically and most projects going forward should focus on renovation rather than replacement.

In recent years, the PSCOF has been used to fund an ever-growing list of initiatives for the PSCOC, the PSFA, schools, and school districts. These include, among others, an expanded and inflation-adjusted state match to the local 2 mill levy, increased lease payment assistance to charter schools tied to the consumer price index, facility master plan assistance, building demolition, and reimbursements to the Construction Industries Division and the State Fire Marshal for inspection services. Combined, these initiatives reduce funding for the core agency mission of building and repairing schools.

The PSCOC approach of funding only planning and design until a project is ready to bid and only then awarding construction funding is paying off with a significant reduction in the amount of time needed to complete projects, reducing long-term costs associated with project delays. Additionally, the PSCOC has started certifying the need for construction bond financing only when a project is construction ready.

The agency continues to be successful in providing oversight and assistance to districts in pre-project planning, project design, project approval, and construction for projects authorized by the council and continues to oversee master planning efforts that allow districts to better maintain facilities. For example, project development times have improved sharply. In FY05, just over 30 percent of projects were under contract within the first 15 months; in 2012, this improved to 68 percent.

In 2012 the PSFA completed adequacy standards for the special schools, though not in time for them to apply for funding during the regular standards-based cycle; however, the PSCOC allowed the special schools to request out-of-cycle funding for critical standards-based projects. Projects prioritized by the special schools include both educational spaces and administrative spaces. Regulations promulgated by the PSCOC define educational spaces and administrative spaces and provide for 50 percent of educational spaces and 100 percent of administrative spaces to be funded with special school matching funds, though the PSCOC can waive the local match requirements. The PSCOC expects the special schools will seek matching funding for projects from the Legislature. The PSCOC has discussed funding administrative spaces for the special schools, though concern exists about treating the special schools differently than public schools (that do not receive funding for administrative spaces).

Now that the condition of facilities has drastically improved, the PSCOC, the PSFA, and the Public School Capital Outlay Oversight Task Force (PSCOOTF) are addressing a number of important policy issues, including funding formula inequities, charter school facilities, and lease assistance. A number of these issues are likely to be addressed during the 2013 legislative session.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities oversight program is to oversee public school facilities in all eighty-nine school districts to ensure correct and prudent planning, building and maintenance using state funds and to ensure adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of total submitted school construction plans reviewed and acted on	85%	85%	100%	100%	100%
Outcome	Percent compliance with prompt payment provision of Prompt Payment Act for all direct payments to vendors	95%	94%	100%	100%	100%
* Outcome	Percent of projects meeting all contingencies completed within the specified period of awards	85%	80%	90%	90%	90%
Outcome	Number of days to disseminate all pertinent documents to school districts for all awards made by the public school capital outlay council	15	10	15	10	10
Explanatory	Average processing time of final action on plans submitted	12 days	11 days			
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	37.93%	33.52%			

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Section 21-21k-1 through 21-21k-7 NMSA 1978. As required by Internal Revenue Code 529, the ETB is administratively attached to the Higher Education Department and administers the education trust fund, which includes all funds received pursuant to college investment agreements and prepaid tuition contracts as part of the state's qualified tuition program.

The ETB is governed by a four-person board that includes the secretary of the Higher Education Department and appointments by the governor, the Speaker of the House, and the president pro tem of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

The ETB administers the state's federally authorized college savings plan, a flexible, convenient and tax-efficient means for families to save for college costs, including tuition, fees, room, books, and supplies.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY12 Actuals</u>	<u>FY13 Operating Budget</u>	<u>FY14 Request</u>
Sources				
	Fund Balance	\$1,765.2	\$1,878.0	\$1,604.1
	TOTAL REVENUES	\$1,765.2	\$1,878.0	\$1,604.1
Uses				
	Personal Services and Employee Benefits	\$21.2	\$140.0	\$131.9
	Contractual Services	\$371.3	\$1,450.0	\$1,442.0
	Other	\$311.6	\$109.9	\$30.2
	Other Financing Uses	\$704.0	\$178.1	\$0.0
	TOTAL USES	\$1,408.1	\$1,878.0	\$1,604.1
	TOTAL FTE POSITIONS (Term)	1.0	1.0	1.5

BUDGET ISSUES:

The ETB manages almost \$2 billion in gross assets in two investment plans: the Education Plan (TEP) and Scholar'sEdge. The Education Plan, a direct plan account, consists of \$355.7 million (June 2012) in age-based and static portfolio assets, including active-managed funds and index funds. Between June 2011 and June 2012, TEP assets grew by 6.8 percent though the number of unique account holders (12 thousand) and accounts (20 thousand) remained flat during this same period. The Scholar'sEdge, an advisor-sold plan, consisting of \$1.6 billion in assets (June 2012), includes age-based and static portfolio options using a number of funds and mutual funds and a stable value option. More than 86 thousand individuals hold almost 134 thousand Scholar'sEdge accounts by June 2012, representing a slight decline in both the number of unique account holders and total accounts. Both investment programs include more out-of-state investors than in-state investors.

The board's proposed operating budget for FY14 is \$1.6 million, slightly less than the board's FY13 operating budget. The board's operations are funded entirely from fees and dividend revenues; no general fund support is required. During FY13, the ETB fully implemented the settlement agreement of a suit against OppenheimerFunds Inc. (OFI), which included disbursement of \$67 million to eligible investors. Funding for contractual services remains consistent, with lower legal costs balanced by higher investment management costs. Importantly, the board is current with all financial audits, including audits of the investment portfolio and board's operations. In past years, these audits were done separately, though the board will transition to a single audit for both investments and operations for FY13.

During FY13, the board stabilized. The secretary of the Higher Education Department (HED) actively serves as the board chair. The board hired an executive director with extensive experience in managing federal college savings plans. Importantly, the board hired an investment consultant who works closely with the executive director and program manager; this team drafted an investment plan and implemented a quarterly review to evaluate and monitor fund performance and an annual portfolio review. The board also selected legal counsel to help transition the board from its largely reactive, litigation position to that of a more balanced, mature organization.

For FY14, the board's budget submission requested it be included in the General Appropriation Act (GAA) as a state agency. Currently, the board's budget is established through an annual budget adjustment request and is based on the HED's budget authority. The board does not rely on state revenues, though its FTE are considered part of the HED's personnel totals and receive benefits available to state employees. Without a thorough assessment of whether the board, given its size and functions, can and will adopt the policies and practices common to state agencies, the LFC recommends the board's budget authority remain outside of the GAA.

Each year, the board funds a scholarship program administered by the HED, the ETB Pathways Scholarship. At the board's direction, scholarship funds assist students who have financial need and demonstrate academic success. Supported with revenues from marketing and administrative fees paid by fund managers, the ETB has maintained its scholarship contribution to the HED at \$500 thousand and proposes to do so again for FY14. To consolidate similar state aid programs and better align the state's student financial aid programs with college-completion goals, the committee's FY14 recommendation includes the \$500 thousand contribution in the state's Student Incentive Grant program, which requires a student recipient to demonstrate financial need and make academic progress in college. The committee further requests the board formally consider efforts to direct the state's student aid programs toward improving student performance and graduation rates.

STATUTORY AUTHORITY:

Pursuant to 21-1-26 NMSA, the Higher Education Department (HED) determines an adequate level of funding for institutions of higher education and recommends the equitable distribution of available funds among them. Responsibilities of the department include implementing the Post-Secondary Education Planning Act, the Post-Secondary Education Articulation Act, Student Loan Act, Education Trust Act, graduate program approval, and proprietary school licensing; for which it collects fees. Additionally, the department recommends institutional capital project priorities and administers state-funded financial aid programs. The department administers the adult basic education program. The department also provides financial oversight of the constitutionally created special schools: the New Mexico Military Institute, the New Mexico School for the Deaf, and the New Mexico School for the Blind and Visually Impaired. Lastly, the department is charged with cooperating with colleges and universities to create a statewide public agenda for higher education needs and goals, study enrollment capacity needs, develop a statement of statewide educational needs, and analyze the financial impacts of proposed new and expanded degree programs.

MISSION:

The mission of the HED is to administer a coordinated statewide system of public, postsecondary education with governance shared between the department and the governing boards of the colleges and universities.

BUDGET SUMMARY
(dollars in thousands)

	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	<u>FY14 – 2013-2014</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	35,819.1	34,548.9	34,755.5	34,375.7	-0.5
Other Transfers	68,371.5	44,522.7	44,522.7	44,718.8	0.4
Federal Revenues	9,553.2	10,176.2	10,175.0	10,175.0	0.0
Other Revenues	3,885.3	14,884.7	15,273.1	23,004.0	54.5
SOURCES TOTAL	117,629.1	104,132.5	104,726.3	112,273.5	7.8
USES					
Personal Services and Employee Benefits	2,748.2	3,800.0	4,140.7	3,653.9	-3.8
Contractual Services	1,445.6	2,124.2	2,321.6	2,371.6	11.6
Other	111,959.9	98,208.3	98,264.0	106,248.0	8.2
TOTAL USES	116,153.7	104,132.5	104,726.3	112,273.5	7.8
FTE					
Permanent	33.0	32.5	30.5	29.5	-9.2
Term	20.0	22.5	21.0	21.5	-4.4
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	55.0	55.0	51.5	51.0	-7.3

BUDGET ISSUES:

The HED FY13 operating budget request, totaling \$104.7 million, reflected an increase of nearly \$600 thousand from the FY13 operating budget. Nearly half of this increase represented a correction in reporting fund sources for two financial aid programs, and the other half represented the department's request of an additional 4 FTE requiring increases in both general fund appropriations and other revenues. The total FY14 general fund appropriation request was nearly \$34.8 million, \$206.6 thousand more than the FY13 general fund level. Significant qualifications and disclaimers to the department's FY10 and FY11 audits and estimated FY12 actual figures make it difficult to determine actual expenditure levels for those years.

The committee's recommendation follows the department's FY14 base general fund request of \$34.4 million, although it reprioritizes general fund allocations for both the Policy Development and Institutional Finance and Oversight Program and the Student Financial Aid Program. The department corrected an error of \$225.7 thousand in its general fund appropriations for two financial aid programs (funded with other revenues), transferring the general fund savings to the department's operating budget. The committee recommends the \$225.7 thousand in general fund appropriations remain in the Student Financial Aid Program, adding the amount to the student opportunity grant, the state's largest need-based aid program.

The LFC recommendation supports the department's request of \$65 thousand from the general fund to restore a statutory 1.5 percent retirement reduction and the agency's increased costs for insurance and benefits.

The department made significant changes in its administration and personnel during FY13, including reducing the number of permanent and term employees and reclassifying positions to better meet departmental goals and objectives. To improve departmental human resources functions, the HED contracted for \$45 thousand with the State Personnel Office to perform these

functions in FY13 and proposes to continue this contract in FY14. Critical vacancies persist, with the department maintaining a consistent vacancy rate of 30 percent. Such a high vacancy rate impedes the department's ability to meet basic statutory and financial responsibilities in a timely way and carry out policy priorities, including staffing the instruction and general funding formula effort. For example, the department was able to complete both the FY10 and FY11 financial audits by the end of FY12, but key vacancies limit the department's efforts to address material and significant findings in both completed audits in a reasonable time. An exception to this circumstance is the department's use of contracting to audit its student aid loan programs, reconcile student borrower accounts, and prepare materials for the department's FY12 audit. Despite chronically high vacancy rates, the committee applied a conservative vacancy savings rate of 10 percent for FY14, expecting the department will hire and retain critical staff.

The committee supports the department's FY14 base personnel request by eliminating 7 FTE and supporting the expansion request for 2 FTE for the Private and Proprietary Schools Program. While the Private and Proprietary Schools Program lacks performance measures to assess the program's efficacy and efficiency, the department provided strong justification for increasing efforts to protect New Mexican residents attending such institutions. These two new positions would be funded with other revenues and restricted fund balance. The committee does not recommend the department's request for an additional 2 FTE for an information technology specialist and institutional auditor funded with general fund appropriations. The department may reprioritize vacant positions and savings to meet these needs.

Additionally, the committee included the authorized single FTE and proposed an additional 0.5 FTE for the Education Trust Board (ETB) in the department's FY14 personnel total. Since the establishment of the ETB, a distinct but administratively attached agency, the General Appropriation Act has included the board's single FTE within the department's total. The committee recommends this approach for FY14. In sum, the committee's recommendation supports total staffing of 51 FTE (29.5 permanent FTE and 21.5 term FTE), down four positions from the FY13 authorized level of 55 FTE.

The HED receives funds from many sources for programs within the Policy Development and Institution Financial Oversight Program. The department's FY14 request remained flat with FY13 for research and public service projects it administers. The LFC recommendation follows the request, with some exceptions. The committee's FY14 recommendation explicitly includes a transfer of \$364 thousand in other state funds for adult basic education (ABE) instructional materials; this amount equals the Public Education Department's FY13 transfer for instructional materials pursuant to Section 22-15-9 NMSA (1978). The LFC also recommends allocating \$1.2 million of the nursing performance enhancement fund for grants to institutions and \$50 thousand to administrative purposes. In FY13, the department retained \$150 thousand for administrative purposes without clear justification or a history of retaining funds for this purposes.

From the recommended vacancy savings, the committee directed an additional \$394.7 thousand in general fund appropriations to the ABE program to meet the state's maintenance of effort and provide additional services for FY14. To receive federal funds totaling \$5.2 million for this program, the state must provide \$6.04 million through a combination of non-federal funds and eligible in-kind services. The committee's FY14 recommendation for ABE totals nearly \$5.58 million, or \$50 thousand over FY12 actual ABE expenditures. The department requested the same amount of state support for FY14 as in FY13; however, this amount was insufficient to meet the matching requirement for FY13 and the department required a special appropriation to help meet the requirement. To further address the apparent shortfall in ABE funding for FY13, the HED requested up to \$600 thousand for in-kind services from the higher education institutions providing ABE services, but no agreement is in place to account for the institutions' in-kind services or funds. After considering other state funds and in-kind services toward the state's obligation, the HED's FY14 request of \$5.2 million would leave the maintenance of effort total \$327 thousand short of the federally required level.

The HED's total FY14 Student Financial Aid Program request was flat with FY13, with a few significant exceptions: (1) the transfer of \$225.7 thousand of general fund appropriations to the operating budget, (2) the inclusion of a \$150 thousand nonrecurring, general fund appropriation for the Primary Care Physician Waiver Program, and (3) the request of \$25 thousand in funding for the Firefighters Scholarship Program. The FY14 request for the Student Financial Aid Program is nearly \$81.4 million, with \$21.9 million, or 27 percent, from the general fund.

The LFC's FY14 recommendation for student financial aid consolidates student aid funding and increases need-based aid. The committee's recommendation totals nearly \$89.2 million, with about \$22 million from the general fund. The recommendation supports the department's request to fund the firefighter's scholarship but also increases funding for the state's Student Incentive Grant Program by \$725 thousand, or 6.5 percent, for a total of \$11.8 million. The increase for the Student Incentive Grant Program comes from \$225.7 thousand in general fund appropriations maintained but reallocated in the department's Student Financial Aid Program and \$500 thousand from the Education Trust Board, formerly dedicated to the ETB Pathways Scholarship. The LFC does not support funding the Primary Care Physician Tuition Waiver Program beyond the FY13 appropriation of nonrecurring funds; the department needs to continue improving its administration of existing loan-forgiveness and loan-for-service programs, maintain student borrower records through a student's service or repayment period, and promulgate regulations governing the program.

For FY14, the HED requested \$52.5 million for the Legislative Lottery Scholarship Program, reflecting the FY11 level of program expenditures. In the 2011-2012 academic year, the state spent \$58.16 million on legislative lottery scholarships, including \$41.3 million from lottery revenues and \$16.8 million from fund balances in the lottery scholarship fund. The committee's FY14 recommendation for New Mexico's largest student aid program is \$60.2 million, anticipating relatively flat lottery revenues of \$42.2 million and \$18 million in fund balance. The recommendation is 15 percent higher than the department's request but more accurately reflects projected FY13 program costs. Though expenditures for fall 2012 are not yet available, tuitions at four-year and two-year colleges increased an average of 4 percent for academic year 2012-2013 (FY13), allowing the committee to offer a conservative estimate of \$60.6 million in Legislative Lottery Scholarship Program expenditures for FY13. If projected scholarship costs are accurate, the committee's recommendation would deplete the lottery fund balance during academic year 2013-2014 (FY14). The HED has authority to adjust scholarship award amounts if insufficient funds are available to cover full costs of tuition.

RECOMMENDED LANGUAGE:

For the Higher Education Section:

On approval of the higher education department, the state budget division of the department of finance and administration may approve increases in budgets of agencies, in this section, which the exception of the policy development and institutional financial oversight program of the higher education department, whose other state funds exceed amounts specified. In approving budget increases, the director of the state budget division shall advise the legislature through its officers and appropriate committees, in writing, of the justification for the approval.

Except as otherwise provided, any unexpended balances remaining at the end of fiscal year 2014 shall not revert to the general fund.

For the Higher Education Department:

Any unexpended balances in the policy development and institutional financial oversight program of the higher education department remaining at the end of fiscal year 2014 from appropriations made from the general fund shall revert to the general fund.

The department shall recommend revisions to the funding formula authorized by Section 21-2-5.1 NMSA 1987 no later than October 1, 2013, and such revisions shall include the means to value and fund institutional mission-specific measures.

BASE EXPANSION LISTING FY14 - 2013-2014

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Business Ops, Spec A PPS	(P505)	50.2	53.4
2	Business Ops, Spec A PPS	(P505)	80.2	83.1
3	IT Applications Developer III	(P505)	100.0	0.0
4	<u>Institutional Auditor</u>	<u>(P505)</u>	<u>65.3</u>	<u>0.0</u>
TOTAL			295.7	136.5

POLICY DEVELOPMENT AND INSTITUTIONAL FINANCIAL OVERSIGHT

The purpose of the policy development and institutional financial oversight program is to provide a continuous process of statewide planning and oversight within the department's statutory authority for the state higher education system and to ensure both the efficient use of state resources and progress in implementing a statewide agenda.

BUDGET SUMMARY (dollars in thousands)					
		<u>FY14 - 2013-2014</u>			
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	13,934.5	12,422.3	12,854.6	12,399.1	-0.2
Other Transfers	209.8	284.9	284.9	481.0	68.8
Federal Revenues	9,209.3	9,926.2	9,925.0	9,925.0	0.0
Other Revenues	141.8	144.4	282.1	287.9	99.4
SOURCES TOTAL	23,495.4	22,777.8	23,346.6	23,093.0	1.4
USES					
Personal Services and Employee Benefits	2,748.2	3,800.0	4,140.7	3,653.9	-3.8
Contractual Services	1,393.4	2,070.7	2,268.1	2,318.1	11.9
Other	18,645.5	16,907.1	16,937.8	17,121.0	1.3
TOTAL USES	22,787.1	22,777.8	23,346.6	23,093.0	1.4
FTE					
Permanent	33.0	32.5	30.5	29.5	-9.2
Term	20.0	22.5	21.0	21.5	-4.4
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	55.0	55.0	51.5	51.0	-7.3

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of first-time, degree-seeking community college students who have graduated from the same institution or another public institution or have transferred within three years	21%	21%	23%	23%	23%
Output	Number of adult education students who enter into postsecondary education and training	1,056	1,001	1,200	1,200	1,200
Output	Number of adult education students obtaining employment	1,209	678	1,500	1,000	1,000
* Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution within six years	40.2%	40.2%	43%	43%	43%
Outcome	Number of awards produced in postsecondary programs geared toward New Mexico workforce needs			5,000	7,500	7,500
Explanatory	Number of enrolled students in adult education programs	21,466	18,854	22,500	20,000	20,000
Output	Number of returning undergraduate students (adults) who are taking remedial education courses.		5,817	3,000	6,500	6,500
Outcome	Number of students receiving a baccalaureate degree from a New Mexico public postsecondary institution		7,329	7,120	7,500	7,500
Outcome	Number of students receiving an associate's degree or certificate from a New Mexico public postsecondary institution		11,120	3,000	13,000	13,000
* Output	Number of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	13,085	14,461	13,200	13,200	14,000
Outcome	Number of high school students earning dual-credits from New Mexico public postsecondary institutions	11,692	11,666	15,000	13,000	12,000
Outcome	For recent New Mexico high school graduates, percent of students who require remediation in math, English, or both who pass the remedial course and pass the ensuing college credit course within the same discipline within one year	77%	80%	78%	78%	80%
Outcome	Number of adult education students who earn the general education diploma	1,727	1,800	1,750	2,000	2,000
Outcome	Percent of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	20%	21%	22%	22%	22%
Outcome	Average number of credit hours accrued in the attainment of a bachelor's degree by students who transfer in versus those who originate at the degree-awarding institution	149:159	150:147	137:125	130:125	130:125
Efficiency	Percent of properly completed capital infrastructure draws released to the state board of finance within thirty days of receipt from the institutions	100%	100%	100%	100%	100%
Output	Percent of institutional operating budgets approved by the New Mexico higher education department deadline of June 1st			New	100%	100%
* Efficiency	Percent of budget adjustment requests from institutions of higher education processed within two weeks of receipt			New	100%	100%
Explanatory	Percent of institutional fiscal watch program quarterly reports from institutions submitted to higher education department, department of finance and administration, and the legislative finance committee.			New	100%	100%

STUDENT FINANCIAL AID

The purpose of the student financial aid program is to provide access, affordability, and opportunities for success in higher education to students and their families so that all New Mexicans may benefit from postsecondary education and training beyond high school.

BUDGET SUMMARY (dollars in thousands)					
FY14 - 2013-2014					
	FY12 2011-2012 <u>Actuals</u>	FY13 2012-2013 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	21,884.6	22,126.6	21,900.9	21,976.6	-0.7
Other Transfers	68,161.7	44,237.8	44,237.8	44,237.8	0.0
Federal Revenues	343.9	250.0	250.0	250.0	0.0
Other Revenues	3,743.5	14,740.3	14,991.0	22,716.1	54.1
SOURCES TOTAL	94,133.7	81,354.7	81,379.7	89,180.5	9.6
USES					
Contractual Services	52.2	53.5	53.5	53.5	0.0
Other	93,314.4	81,301.2	81,326.2	89,127.0	9.6
TOTAL USES	93,366.6	81,354.7	81,379.7	89,180.5	9.6
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>	FY14 <u>Request</u>	FY14 <u>Recomm</u>
Outcome	Percent of first-time freshman lottery recipients graduated from college after the ninth semester	72%	73%	75%	74%	75%
Outcome	Percent of students who received state loan-for-service funding who provided service after graduation	91%	92.2%	92%	92%	92%
Outcome	Percent of state financial aid funds used for need-based aid	28%	28%	35%	30%	35%
Output	Annual average federal student loan debt for all students enrolled at four-year public schools	\$22,250	\$22,656	\$15,000	\$20,000	\$20,000
Output	Annual average federal student loan debt for all students enrolled at two-year public schools	\$11,500	\$12,307	\$6,500	\$10,500	\$10,500
* Output	Number of lottery success recipients enrolled in or graduated from college within the ninth semester	3,619	3,710	3,750	3,800	3,800
* Outcome	Number of need-based scholarships awarded to students with an estimated family contribution of zero	32,514	36,778	30,000	37,000	37,000
* Output	Number of students receiving college affordability awards	3,127	2,931	3,500	3,200	3,200

Student Financial Aid Program Detail (Dollars in Thousands)	FY12 Actual	FY13 OPBUD	FY14 HED Request	FY14 LFC Recommendation	LFC % inc./dec. FY13 OPBUD
Student Incentive Grant					
General Fund	10,695.1	11,108.0	11,108.0	11,333.7	2.0%
Other Revenues	-	-	-	500.0	500.0%
Total	10,695.1	11,108.0	11,108.0	11,833.7	6.5%
College Affordability Endowed Scholarships					
Other Program Revenues	1,697.2	2,000.0	2,000.0	2,000.0	0.0%
Other Transfer	10,000.0	2,000.0	2,000.0	2,000.0	0.0%
Total	11,697.2	4,000.0	4,000.0	4,000.0	0.0%
Nursing Student Loan					
General Fund	233.5	156.7	-	-	-100.0%
Other Revenues	-	129.0	285.7	285.7	121.5%
Total	233.5	285.7	285.7	285.7	0.0%
Nurse Loan For Service					
Other Revenues	16.0	145.5	145.5	145.5	0.0%
Total	16.0	145.5	145.5	145.5	0.0%
Medical Student Loan Program					
Other Revenues	295.0	323.0	323.0	323.0	0.0%
Total	295.0	323.0	323.0	323.0	0.0%
Primary Care Physician Tuition Waiver					
General Fund	-	150.0	150.0	-	-100.0%
Total	-	150.0	150.0	-	-100.0%
Work-Study					
General Fund	5,142.1	5,142.1	5,142.1	5,142.1	0.0%
Total	5,142.1	5,142.1	5,142.1	5,142.1	0.0%
Vietnam Veterans Scholarship					
General Fund	160.2	141.1	141.1	141.1	0.0%
Total	160.2	141.1	141.1	141.1	0.0%
Graduate Scholarship					
General Fund	558.9	619.0	619.0	619.0	0.0%
Total	558.9	619.0	619.0	619.0	0.0%
New Mexico Scholars					
General Fund	1,244.4	1,000.0	1,000.0	1,000.0	0.0%
Total	1,244.4	1,000.0	1,000.0	1,000.0	0.0%
Minority Doctoral Assistance					
General Fund	105.0	132.0	132.0	132.0	0.0%
Total	105.0	132.0	132.0	132.0	0.0%
Teacher Loan-for-Service					
General Fund	34.0	94.0	-	-	-100.0%
Other Revenues	-	145.7	239.7	239.7	64.5%
Total	34.0	239.7	239.7	239.7	0.0%

Student Financial Aid Program Detail (Dollars in Thousands)		FY12 Actual	FY13 OPBUD	FY14 HED Request	FY14 LFC Recommendation	LFC % inc./dec. FY13 OPBUD
Allied Health						
	Other Revenues	93.0	104.8	104.8	104.8	0.0%
	Total	93.0	104.8	104.8	104.8	0.0%
Health Professional Loan Repayment						
	General Fund	851.1	1,076.2	1,076.2	1,076.2	0.0%
	Federal Funds	169.0	200.0	200.0	200.0	0.0%
	Total	1,020.1	1,276.2	1,276.2	1,276.2	0.0%
Legislative Endowment Fund						
	Other Revenues	108.8	109.4	109.4	109.4	0.0%
	Total	108.8	109.4	109.4	109.4	0.0%
WICHE Loan-for-Service						
	General Fund	1,936.5	2,121.5	2,121.5	2,121.5	0.0%
	Total	1,936.5	2,121.5	2,121.5	2,121.5	0.0%
Lottery Scholarship						
	Other Revenues	41,328.7	42,237.8	42,237.8	42,237.8	0.0%
	Fund Balance	16,833.0	10,274.9	10,274.9	18,000.0	75.2%
	Total	58,161.7	52,512.7	52,512.7	60,237.8	14.7%
Dentistry Loan for Service						
	General Fund	54.0	51.3	51.3	51.3	0.0%
	Total	54.0	51.3	51.3	51.3	0.0%
Public Service Law Loan Repayment						
	General Fund	57.1	281.2	281.2	281.2	0.0%
	Total	57.1	281.2	281.2	281.2	0.0%
Peace Officer and Fire Fighter Scholarship						
	General Fund	-	-	25.0	25.0	100.0%
	Total	-	-	25.0	25.0	100.0%
Dental Residency Program						
	Other Revenues	970.0	1,000.0	1,000.0	1,000.0	0.0%
	Total	970.0	1,000.0	1,000.0	1,000.0	0.0%
Merit-based Scholarships						
	General Fund	45.6	53.5	53.5	53.5	0.0%
	Total	45.6	53.5	53.5	53.5	0.0%
Pathways Scholarship (Education Trust Board)						
	Other Revenues	557.0	500.0	500.0	-	-100.0%
	Total	557.0	500.0	500.0	-	-100.0%
Higher Education Department Outreach						
	Other Revenues	6.5	8.0	8.0	8.0	0.0%
	Total	6.5	8.0	8.0	8.0	0.0%
Robert C. Byrd						
	Federal Funds	99.8	-	-	-	0.0%
	Total	99.8			-	0.0%
John R. Justice Loan Repayment						
	Federal Funds	75.1	50.0	50.0	50.0	0.0%
	Total	75.1	50.0	50.0	50.0	0.0%
	GRAND Total	93,366.6	81,354.7	81,379.7	89,180.5	9.6%
	GF GRAND Total	21,117.5	22,126.6	21,900.9	21,976.6	-0.7%

Note: FY12 Fund balances not submitted and not available from HED.

HIGHER EDUCATION GENERAL FUND APPROPRIATIONS FOR FY14
(in thousands)

INSTRUCTION & GENERAL	FY13 OpBud	FY14 HED Revised Request	FY14 LFC Recommendation
FY13 I&G Operating Base			
Institutional I&G	\$556,706.1		
UNM HSC	\$58,625.1	\$58,625.1	\$58,625.1
Total Institutional and UNM HSC I&G	\$615,331.2		
FY14 Institutional I&G Base Year			
FY12 I&G + ERB + Institutional Share		\$528,713.6	\$528,713.5
FY13 Workload and Statewide Outcomes		\$27,992.5	\$27,992.5
Less Percent of FY13 I&G Outcomes Funding		(\$27,992.5)	(\$4,198.8)
FY14 Institutional Adjusted I&G Base Year		\$528,713.6	\$552,507.2
Workload Outcomes (Course Completion & Student Services)		\$1,504.4	\$14,442.0
Statewide Outcomes Measures (Change in Awards, 2009-10 to 2010-11)			
All Certificates and Degrees		\$2,227.5	\$3,564.1
Workforce Certificates and Degrees		\$230.8	\$923.1
At-Risk Certificates and Degrees		\$774.4	\$3,097.7
Graduate Awards Differential		\$0.0	\$176.2
Subtotal Statewide Outcomes Measures		\$3,232.7	\$7,761.1
Reallocated FY13 Outcomes Funding, per institution		\$27,992.5	\$0.0
Total Outcomes-Based Funding		\$32,729.6	\$22,203.1
<i>Institutional Share (Change in Other State & Local Govt. Support)</i>		(\$2,701.4)	(\$2,701.4)
TOTAL I&G Funding	\$615,331.2	\$617,366.9	\$630,634.0
FY14 ERB Restoration (1.5%)		\$9,813.4	\$5,954.1
FY14 ERB Increase (.75%)		\$4,906.7	\$2,977.2
HIGHER EDUCATION ADJUSTED BASE I&G	\$615,331.2	\$632,087.0	\$639,565.3
Dollar Change from FY13 Operating Budget		\$16,755.8	\$24,234.1
Percent Change FY13 OpBud to FY14		2.7%	3.9%

HIGHER EDUCATION GENERAL FUND APPROPRIATIONS FOR FY14
(in thousands)

	FY13 OpBud	FY14 HED Revised Request	FY14 LFC Recommendation
OTHER CATEGORICAL			
Special Schools (I&G and Special Projects)			
N.M. School for the Blind and Visually Impaired	\$975.2	\$975.2	\$1,075.2
N.M. School for the Deaf	\$3,767.8	\$3,767.8	\$3,842.8
N.M. Military Institute	\$1,786.6	\$1,786.6	\$1,836.6
Subtotal	\$6,529.6	\$6,529.6	\$6,754.6
Athletics (incl. NMML)	\$12,172.1	\$12,172.1	\$12,172.1
Public television	\$3,051.9	\$3,051.9	\$3,051.9
Research and public service projects	\$86,082.9	\$86,082.9	\$87,617.9
FY14 ERB Restoration (1.5%)	\$0.0	\$1,655.9	\$1,318.0
FY14 ERB Increase (.75%)		\$827.9	\$659.0
OTHER CATEGORICAL SUBTOTAL	\$107,836.5	\$110,320.3	\$111,573.5
Dollar Change from FY13 Operating Budget		\$2,483.8	\$3,737.0
Percent Change FY13 OpBud to FY14		2.3%	3.5%
HIGHER EDUCATION			
Higher Ed Dept. Op. Bud. + Flow Through	\$12,422.3	\$12,854.6	\$12,399.1
Higher Ed Student Aid	\$22,126.6	\$21,900.9	\$21,976.6
HIGHER EDUCATION DEPARTMENT TOTAL	\$34,548.9	\$34,755.5	\$34,375.7
Dollar Change from FY13 Operating Budget		\$206.6	(\$173.2)
Percent Change FY13 OpBud to FY14		0.6%	-0.5%
TOTAL HIGHER EDUCATION FY13	\$757,716.6	\$777,162.8	\$785,514.5
Dollar Change from FY13 Operating Budget		\$19,446.2	\$27,797.9
Percent Change from FY13 Operating Budget		2.6%	3.7%

Note: The HED revised its FY14 request to include the ERB contribution of 1.5% (Laws 2011, Ch. 178) and increase of 0.75% (Section 22-11-21B NMSA 1978) based on historical calculation. LFC FY14 recommendation included ERB increases based on general fund rate of I&G salaries, special schools salaries and the historic calculation of RPSP-state funded salaries.

HIGHER EDUCATION FY14 GENERAL FUND BUDGET SUMMARY
(in thousands)

Institution / Program (detail listed primarily in HB2 order)	FY13 Operating Budget	FY14 HED Revised Request	FY14 LFC Recommendation	Dollar Change	Percent Change
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$35,246.0	\$35,874.6	\$36,310.0	\$1,064.0	3.0%
New Mexico State University (954)	\$186,430.8	\$191,229.8	\$192,730.1	\$6,299.3	3.4%
University of New Mexico (952)	\$199,552.4	\$204,931.7	\$207,213.3	\$7,660.9	3.8%
UNM Health Sciences Center (952)	\$85,413.7	\$87,631.1	\$87,943.5	\$2,529.8	3.0%
Eastern New Mexico University (960)	\$42,007.0	\$42,991.7	\$44,165.8	\$2,158.8	5.1%
New Mexico Highlands University (956)	\$29,160.0	\$29,541.7	\$29,896.8	\$736.8	2.5%
Northern New Mexico College (964)	\$10,525.9	\$10,772.4	\$10,775.8	\$249.9	2.4%
Western New Mexico University (958)	\$17,554.7	\$18,043.9	\$18,610.8	\$1,056.1	6.0%
Central NM Community College (968)	\$47,750.4	\$50,063.9	\$51,791.8	\$4,041.4	8.5%
Clovis Community College (977)	\$8,750.9	\$9,314.2	\$9,519.1	\$768.2	8.8%
Luna Community College (970)	\$7,762.1	\$7,834.8	\$7,839.0	\$76.9	1.0%
Mesalands Community College (972)	\$4,290.1	\$4,340.8	\$4,285.3	-\$4.8	-0.1%
New Mexico Junior College (974)	\$6,215.0	\$5,722.7	\$5,695.9	-\$519.1	-8.4%
San Juan College (976)	\$23,198.7	\$23,758.0	\$23,988.4	\$789.7	3.4%
Santa Fe Community College (966)	\$12,501.0	\$12,970.4	\$13,269.4	\$768.4	6.1%
Subtotal - Universities and Community Colleges	\$716,358.7	\$735,021.7	\$744,035.1	\$27,676.4	3.9%
New Mexico Military Institute (978)	\$2,066.1	\$2,290.2	\$2,127.5	\$61.4	3.0%
New Mexico School for the Deaf (980)	\$3,767.8	\$3,948.9	\$3,893.0	\$125.2	3.3%
NM School for the Blind & Visually Impaired (979)	\$975.2	\$1,146.5	\$1,083.2	\$108.0	11.1%
Subtotal - Special Schools	\$6,809.1	\$7,385.6	\$7,103.7	\$294.6	4.3%
New Mexico Higher Education Department (950)	\$34,548.9	\$34,755.5	\$34,375.7	-\$173.2	-0.5%
TOTAL GENERAL FUND	\$757,716.7	\$777,162.8	\$785,514.5	\$27,797.8	3.7%
SUMMARY BY MAJOR FUNCTION					
University I&G (NNMC included eff. FY08)	\$385,056.7	\$395,015.7	\$398,780.9	\$13,724.2	3.6%
Community College I&G	\$171,649.3	\$177,021.3	\$181,272.0	\$9,622.7	5.6%
UNM/HSC I&G	\$58,625.1	\$60,050.1	\$59,512.5	\$887.4	1.5%
Special schools (excl athletics)	\$6,529.6	\$7,106.1	\$6,824.2	\$294.6	4.5%
Nursing programs	\$2,052.7	\$2,052.7	\$2,052.7	\$0.0	0.0%
Dental programs (incl residencies)	\$166.0	\$166.0	\$166.0	\$0.0	0.0%
Athletics	\$11,865.1	\$12,271.0	\$12,270.5	\$405.4	3.4%
Educational Television	\$3,051.9	\$3,090.1	\$3,090.0	\$38.1	1.2%
NM/HED - Operations & Aid	\$34,548.9	\$34,755.5	\$34,375.7	-\$173.2	-0.5%
Other programs	\$84,171.3	\$85,634.3	\$87,170.0	\$2,998.7	3.6%
TOTAL GENERAL FUND	\$757,716.6	\$777,162.8	\$785,514.5	\$27,797.9	3.7%

HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL
(dollars in thousands)

Agency/Institution/Program	FY13 2012-2013	FY14 2013-2014			
	OPERATING BUDGET	REVISED HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
UNM					
I&G	\$173,006.7	\$178,071.5	\$179,920.4	\$6,913.7	4.0%
Athletics	\$2,244.7	\$2,263.7	\$2,263.6	\$18.9	0.8%
Educational Television	\$1,030.8	\$1,039.6	\$1,039.5	\$8.7	0.8%
Gallup	\$8,703.7	\$8,568.0	\$8,680.3	-\$23.4	-0.3%
Los Alamos	\$1,783.5	\$1,841.0	\$1,862.7	\$79.2	4.4%
Taos	\$3,036.6	\$3,206.0	\$3,390.7	\$354.1	11.7%
Valencia	\$5,032.0	\$5,166.9	\$5,379.7	\$347.7	6.9%
BBER-Census & Pop. Analysis	\$369.4	\$375.3	\$375.3	\$5.8	1.6%
Student Mentoring Programs	\$283.3	\$285.3	\$285.3	\$1.9	0.7%
Community Based Education	\$425.8	\$434.0	\$433.9	\$8.1	1.9%
Corrine Wolfe Children's Law Center	\$165.7	\$168.2	\$168.3	\$2.5	1.5%
Disabled Student Services	\$192.4	\$192.4	\$192.4	\$0.0	0.0%
Ibero-American Education	\$87.8	\$88.5	\$88.6	\$0.8	0.9%
Morrissey Hall Programs	\$45.7	\$46.0	\$0.0	-\$45.7	-100.0%
Judicial Selection	\$22.0	\$22.3	\$22.3	\$0.3	1.4%
Land grant studies program	\$30.4	\$30.8	\$30.9	\$0.4	1.5%
Mfg. Engineering Program.	\$350.3	\$355.8	\$355.9	\$5.6	1.6%
Minority Student Services	\$681.1	\$689.0	\$736.9	\$55.8	8.2%
Native American Suicide Prevention	\$100.0	\$100.0	\$0.0	-\$100.0	-100.0%
New Mexico Historical Review	\$46.7	\$47.1	\$47.2	\$0.4	1.0%
Resource Geographic Info Sys	\$63.1	\$64.6	\$64.6	\$1.5	2.4%
Small Business Innovation and Research Center	\$125.0	\$125.0	\$125.0	\$0.0	0.0%
Southwest Indian Law Clinic	\$166.5	\$169.1	\$168.9	\$2.4	1.4%
Southwest Research Center	\$1,070.7	\$1,086.2	\$1,086.2	\$15.5	1.4%
Substance Abuse Program	\$134.6	\$136.0	\$136.0	\$1.3	1.0%
Utton Transboundary Resources Center	\$285.6	\$290.3	\$290.3	\$4.7	1.6%
Wildlife Law Education	\$68.2	\$69.1	\$69.1	\$0.9	1.3%
UNM Total	\$199,552.3	\$204,931.7	\$207,213.3	\$7,661.0	3.8%
Health Sciences Center					
I & G	\$58,625.1	\$60,050.1	\$59,512.5	\$887.4	1.5%
Cancer Center	\$2,586.2	\$2,618.2	\$2,618.3	\$32.1	1.2%
Carrie Tingley Hospital	\$4,695.5	\$4,943.3	\$4,943.3	\$247.8	5.3%
Children's Psychiatric Hospital	\$6,505.1	\$6,823.1	\$6,823.1	\$318.0	4.9%
Hepatitis C Comm. Health Outcomes	\$966.9	\$978.3	\$1,478.4	\$511.5	52.9%
Native American Health Center	\$266.2	\$269.1	\$269.1	\$2.8	1.1%
Native American Suicide Prevention	\$0.0	\$0.0	\$100.0	\$100.0	
Newborn Intensive Care	\$3,186.8	\$3,251.5	\$3,251.5	\$64.7	2.0%
Nursing Expansion	\$831.4	\$831.4	\$831.4	\$0.0	0.0%
Office of Medical Investigator	\$4,445.7	\$4,515.1	\$4,765.2	\$319.5	7.2%
Out-of-County Indigent	\$664.4	\$664.4	\$664.4	\$0.0	0.0%
Pediatric Oncology	\$1,155.8	\$1,174.1	\$1,174.0	\$18.1	1.6%
Poison Control Center	\$1,484.6	\$1,512.5	\$1,512.5	\$27.9	1.9%
Health Sciences Total	\$85,413.7	\$87,631.1	\$87,943.5	\$2,529.8	3.0%
Total UNM and UNM HSC	\$284,966.0	\$292,562.8	\$295,156.8	\$10,190.8	3.6%

HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL
(dollars in thousands)

	FY13 2012-2013	FY14 2013-2014			
Agency/Institution/Program	OPERATING BUDGET	REVISED HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
NMSU					
I&G	\$109,677.8	\$112,193.7	\$112,308.5	\$2,630.7	2.4%
Athletics	\$3,099.2	\$3,126.0	\$3,126.1	\$26.8	0.9%
Educational Television	\$960.5	\$975.9	\$976.0	\$15.4	1.6%
Alamogordo	\$7,043.3	\$7,376.8	\$7,590.0	\$546.7	7.8%
Carlsbad	\$4,357.0	\$4,227.8	\$4,205.8	-\$151.2	-3.5%
Nursing Expansion	\$53.2	\$53.2	\$53.2	\$0.0	0.0%
Dona Ana	\$19,826.6	\$21,016.8	\$21,897.3	\$2,070.7	10.4%
Grants	\$3,435.5	\$3,498.5	\$3,562.8	\$127.3	3.7%
Department of Agriculture	\$10,436.2	\$10,546.4	\$10,646.3	\$210.1	2.0%
Agricultural Experiment Station	\$13,562.9	\$13,908.3	\$13,908.2	\$345.3	2.5%
Cooperative Extension Service	\$11,859.0	\$12,158.0	\$12,158.0	\$298.9	2.5%
Minority Student Services	\$421.4	\$426.6	\$426.5	\$5.1	1.2%
Alliance Teaching and Learning Advancement	\$73.0	\$74.2	\$74.2	\$1.2	1.6%
Arrowhead Center for Business Dev.	\$94.4	\$99.1	\$149.1	\$54.7	57.9%
Carlsbad Mfg. Sector Development	\$126.5	\$131.0	\$131.0	\$4.5	3.6%
Indian Resources Development	\$218.1	\$221.1	\$221.1	\$3.0	1.4%
Mental Health Nurse Practitioner Program	\$252.8	\$252.8	\$252.8	\$0.0	0.0%
Manufacturing Sector Development Program	\$280.7	\$288.9	\$388.8	\$108.1	38.5%
Nursing Expansion	\$441.5	\$441.5	\$441.5	\$0.0	0.0%
Water Resources Research	\$211.2	\$213.2	\$213.2	\$2.0	0.9%
NMSU Total	\$186,430.8	\$191,229.8	\$192,730.1	\$6,299.3	3.4%
NMHU					
I&G	\$26,317.5	\$26,671.1	\$26,926.4	\$608.9	2.3%
Athletics, Wrestling and Rodeo	\$1,854.1	\$1,872.3	\$1,872.3	\$18.1	1.0%
Advanced Placement	\$229.2	\$230.3	\$230.3	\$1.0	0.5%
Ben Lujan Leadership Institute	\$200.0	\$200.0	\$200.0	\$0.0	0.0%
Forest and watershed institute	\$209.3	\$212.8	\$312.8	\$103.5	49.4%
Minority Student Services	\$349.9	\$355.2	\$355.2	\$5.3	1.5%
NMHU Total	\$29,160.0	\$29,541.7	\$29,896.8	\$736.8	2.5%
WNMU					
I&G	\$15,045.6	\$15,524.6	\$15,991.5	\$945.9	6.3%
Athletics	\$1,725.0	\$1,735.2	\$1,735.2	\$10.2	0.6%
Child Development Center	\$211.7	\$211.7	\$211.7	\$0.0	0.0%
Instructional Television	\$78.4	\$78.4	\$78.4	\$0.0	0.0%
Nursing Expansion	\$352.6	\$352.6	\$352.6	\$0.0	0.0%
Service Learning Program	\$0.0	\$0.0	\$100.0	\$100.0	100.0%
Web-based Teacher Licensure	\$141.4	\$141.4	\$141.4	\$0.0	0.0%
WNMU Total	\$17,554.7	\$18,043.9	\$18,610.8	\$1,056.1	6.0%
ENMU					
I&G	\$24,874.0	\$25,671.0	\$26,561.4	\$1,687.4	6.8%
Athletics	\$1,969.2	\$1,982.5	\$1,982.4	\$13.2	0.7%
Educational Television	\$982.2	\$996.2	\$996.2	\$13.9	1.4%
Roswell	\$11,394.5	\$11,556.7	\$11,715.0	\$320.5	2.8%
Nursing Expansion	\$33.3	\$33.3	\$33.3	\$0.0	0.0%
Ruidoso	\$2,058.5	\$2,055.4	\$2,096.2	\$37.7	1.8%
Allied Health	\$155.6	\$155.6	\$155.6	\$0.0	0.0%
At-Risk Student Tutoring	\$75.5	\$75.5	\$75.5	\$0.0	0.0%
Blackwater Draw Site & Museum	\$76.8	\$78.1	\$94.5	\$17.7	23.0%
Student Success Programs	\$387.4	\$387.4	\$455.8	\$68.4	17.7%
ENMU Total	\$42,007.0	\$42,991.7	\$44,165.8	\$2,158.8	5.1%

HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL
(dollars in thousands)

Agency/Institution/Program	FY13 2012-2013	FY14 2013-2014			
	OPERATING BUDGET	REVISED HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
NMIMT					
I&G	\$25,806.6	\$26,311.6	\$26,497.0	\$690.4	2.7%
Athletics	\$204.2	\$207.6	\$207.5	\$3.3	1.6%
Aquifer Mapping	\$301.8	\$304.6	\$304.7	\$2.8	0.9%
Bureau of Mine Safety	\$258.3	\$260.9	\$260.9	\$2.6	1.0%
Bureau of Geology & Mineral Resources	\$3,478.1	\$3,525.2	\$3,675.2	\$197.1	5.7%
Cave & Karst Research	\$377.7	\$382.5	\$382.5	\$4.8	1.3%
Energetic Materials Research Center	\$636.4	\$642.9	\$642.9	\$6.4	1.0%
Geophysical Research Center	\$736.5	\$749.5	\$849.6	\$113.1	15.3%
Homeland Security	\$540.5	\$548.7	\$548.8	\$8.3	1.5%
Institute for Complex Additive Sys Analysis	\$734.5	\$746.9	\$747.0	\$12.4	1.7%
Petroleum Recovery Research	\$1,965.9	\$1,983.4	\$1,983.5	\$17.6	0.9%
Science Fair/Science Olympiad	\$205.5	\$210.8	\$210.8	\$5.3	2.6%
NMIMT Total	\$35,246.0	\$35,874.6	\$36,310.0	\$1,064.0	3.0%
NNMC					
I&G	\$10,328.5	\$10,572.2	\$10,575.7	\$247.2	2.4%
Athletics	\$197.4	\$200.2	\$200.1	\$2.7	1.4%
NNMC Total	\$10,525.9	\$10,772.4	\$10,775.8	\$249.9	2.4%
SFCC					
I&G	\$8,492.7	\$8,960.0	\$9,259.0	\$766.3	9.0%
Small Business Development Centers	\$3,967.4	\$3,969.5	\$3,969.5	\$2.1	0.1%
Nursing Expansion	\$40.9	\$40.9	\$40.9	\$0.0	0.0%
SFCC Total	\$12,501.0	\$12,970.4	\$13,269.4	\$768.4	6.1%
CNMCC					
I&G	\$47,750.4	\$50,063.9	\$51,791.8	\$4,041.4	8.5%
CNMCC Total	\$47,750.4	\$50,063.9	\$51,791.8	\$4,041.4	8.5%
LCC					
I&G	\$7,288.1	\$7,359.0	\$7,363.2	\$75.1	1.0%
Athletics	\$212.7	\$214.5	\$214.5	\$1.8	0.8%
Nursing Expansion	\$31.8	\$31.8	\$31.8	\$0.0	0.0%
Student Services Economic Development	\$229.5	\$229.5	\$229.5	\$0.0	0.0%
LCC Total	\$7,762.1	\$7,834.8	\$7,839.0	\$76.9	1.0%
MCC					
I&G	\$4,159.2	\$4,209.9	\$4,154.4	-\$4.8	-0.1%
Athletics	\$59.9	\$59.9	\$59.9	\$0.0	0.0%
Wind Training Center	\$71.0	\$71.0	\$71.0	\$0.0	0.0%
MCC Total	\$4,290.1	\$4,340.8	\$4,285.3	-\$4.8	-0.1%
NMJC					
I&G	\$5,699.2	\$5,203.5	\$5,176.8	-\$522.4	-9.2%
Athletics	\$326.2	\$329.6	\$329.5	\$3.3	1.0%
Lea County Distance Education Consortium	\$30.0	\$30.0	\$30.0	\$0.0	0.0%
Nursing Expansion	\$72.9	\$72.9	\$72.9	\$0.0	0.0%
Oil and Gas Training Center	\$86.7	\$86.7	\$86.7	\$0.0	0.0%
NMJC Total	\$6,215.0	\$5,722.7	\$5,695.9	-\$519.1	-8.4%

HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL
(dollars in thousands)

Agency/Institution/Program	FY13 2012-2013	FY14 2013-2014			
	OPERATING BUDGET	REVISED HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
SJC					
I&G	\$22,869.3	\$23,428.6	\$23,659.0	\$789.7	3.5%
Dental Hygiene	\$166.0	\$166.0	\$166.0	\$0.0	0.0%
Nursing Expansion	\$163.4	\$163.4	\$163.4	\$0.0	0.0%
SJC Total	\$23,198.7	\$23,758.0	\$23,988.4	\$789.7	3.4%
CCC					
I&G	\$8,719.2	\$9,282.5	\$9,487.4	\$768.2	8.8%
Nursing Expansion	\$31.7	\$31.7	\$31.7	\$0.0	0.0%
CCC Total	\$8,750.9	\$9,314.2	\$9,519.1	\$768.2	8.8%
Four-Year/Two-Year Total	\$716,358.6	\$735,021.7	\$744,035.1	\$27,676.5	3.9%
NMMI					
I&G	\$993.8	\$1,217.9	\$1,005.2	\$11.4	1.1%
Athletics	\$279.5	\$279.5	\$279.5	\$0.0	0.0%
Knowles Legislative Scholarship	\$792.8	\$792.8	\$842.8	\$50.0	6.3%
NMMI Total	\$2,066.1	\$2,290.2	\$2,127.5	\$61.4	3.0%
NMSBVI					
I&G	\$584.0	\$755.3	\$592.0	\$8.0	1.4%
Low Vision Clinic Programs	\$17.8	\$17.8	\$117.8	\$100.0	561.8%
Early childhood center	\$373.4	\$373.4	\$373.4	\$0.0	0.0%
NMSBVI Total	\$975.2	\$1,146.5	\$1,083.2	\$108.0	11.1%
NM School for the Deaf					
I&G	\$3,535.9	\$3,717.0	\$3,661.1	\$125.2	3.5%
Statewide Outreach Services	\$231.9	\$231.9	\$231.9	\$0.0	0.0%
School for the Deaf Total	\$3,767.8	\$3,948.9	\$3,893.0	\$125.2	3.3%
Special School GF Total	\$6,809.1	\$7,385.6	\$7,103.7	\$294.6	4.3%
Higher Education Department					
Operating	\$3,463.8	\$3,896.1	\$3,046.4	-\$417.4	-12.1%
Adult Basic Education	\$5,186.8	\$5,186.8	\$5,581.0	\$394.2	7.6%
Student Financial Aid	\$22,126.6	\$21,900.9	\$21,976.6	-\$150.0	-0.7%
High Skills	\$338.1	\$338.1	\$338.1	\$0.0	0.0%
NM MESA, Inc.	\$1,182.3	\$1,182.3	\$1,182.3	\$0.0	0.0%
Program Dev. Enhancement Fund - Nursing	\$1,250.0	\$1,250.0	\$1,250.0	\$0.0	0.0%
ENLACE	\$1,001.3	\$1,001.3	\$1,001.3	\$0.0	0.0%
HED Total	\$34,548.9	\$34,755.5	\$34,375.7	-\$173.2	-0.5%
HIGHER EDUCATION TOTAL	\$757,716.6	\$777,162.8	\$785,514.5	\$27,797.9	3.7%

STATUTORY AUTHORITY:

Article XII, Section 11, of the New Mexico Constitution established the state educational institutions and the control and management of each institution by a board of regents. Other institutions are established by statute, pursuant to Chapter 21, Articles 13, 14, and 16A NMSA 1978. Most statutory provisions pertaining to postsecondary education can be found in Sections 21-1-1 through 21-29-6 NMSA 1978.

BUDGET ISSUES:

The budgets for higher education institutions and special schools are based on state general fund appropriations, other state funds, and federal funds. The general fund appropriation supports instruction and general (I&G) expenditures and other expenditure categories, including athletics and research and public service projects. The Higher Education Department (HED) submitted an FY14 budget request for all institutions and special schools totaling \$2.8 billion, of which the general fund appropriation request totaled \$742.4 million, or 26 percent, of the FY14 budget request. The department's request included \$632.1 million for I&G purposes, \$102.9 million for research and public service projects and other activities, and \$7.4 million for the special schools. The department's revised budget request included \$17.2 million for the 1.5 percent statutory resumption of the employer contribution to the education retirement fund pursuant to Laws 2011, Chapter 178, and the scheduled 0.75 percent increase in employer contributions pursuant to Section 21-11-21 NMSA 1978. The department's general fund request was \$19.2 million, or 2.7 percent, higher than the FY13 general fund appropriation.

The HED based its FY14 I&G funding request on the recently revised version of the I&G funding formula. The formula, in theory, calculates the cost associated with providing a system of higher education in New Mexico and, in practice, provides the basis for developing a general fund appropriations recommendation. The formula is primarily student-enrollment driven; reflecting costs for providing instruction, academic and institutional support, student services, and operating and maintaining educational facilities. For FY13, the formula was substantially revised, incorporating outcome measures that reduce total student course enrollment by course completion rates and reward institutions for producing certificates and degrees generally, in particular workforce areas, and by at-risk students. The revision also added a credit for state and local government revenues but eliminated the historic tuition credit, particular budget transfers for student aid and other purposes, and complex calculations for building and equipment renewal and replacements. The revision was the first step to connect state funding with performance outcomes. The HED, the Department of Finance and Administration (DFA), and LFC staff and institutional leaders identified many issues to be researched and developed during the 2012 interim to continue the direction toward performance funding while providing financial stability to institutions and recognizing differentiation of institutional missions.

During the 2012 interim, the HED disbanded the long-standing Higher Education Funding Formula Task Force and established a steering committee comprising institutional representatives and a technical committee of institutional researchers and finance staff and individuals from the DFA and the LFC. The secretary charged the steering committee with considering formula refinements that would further student success, statewide economic goals, and workforce needs and the technical committee with testing formula options and scenarios. This approach to developing formula proposals and vetting options concluded with mixed results, addressing some but not many of the previously identified concerns. Though members of the steering committee continued to support allocating a portion of general fund appropriations based on institutional and student performance, some institutional leaders voiced concern that draft refinements for FY14 failed to include mission-specific measures submitted to the department in September 2012 and failed to address fundamental concerns with the cost matrices used as the basis for valuing the performance outcome measures. The steering committee did not produce a final report for the secretary's consideration, and the secretary did not distribute the final formula revisions to the higher education community before submitting the FY14 budget request.

The HED's FY14 I&G funding formula revisions for institutions included refinements to existing workload and statewide outcome measures and transitioned from funding based on the raw numbers of certificates and degrees produced to funding the change in awards produced between two academic years. The department clarified formula components, such as changing the course completion definition, revising the definition of eligible certificates included in the statewide outcomes measures, and revising the classifications of additional certificates and awards that satisfied state workforce needs. These changes generally addressed institutional concerns and state needs at the certificate and less-than-baccalaureate degree level but did not address the state's interests in producing more bachelor's and graduate degrees. The proposed formula omitted some provisions included in the FY13 proposal, specifically a sanding mechanism and a 2 percent stop-loss component to limit an institution's loss of formula funding to no more than 2 percent of the institution's prior-year funding level. Lastly, the department initially proposed and institutional sectors anticipated including mission-specific measures in the formula, if only to establish benchmark data for consideration and funding in FY15. The department's submission did not include these measures, citing concerns with verifying the underlying data and valuing the measures, and LFC staff was not able to obtain these measures from the department.

Similar to FY13, the HED incorporated additional academic year data and other changes into the formula to craft the FY14 appropriations request and applied a methodology that allowed for some additional general fund support. For FY14, the HED adjusted the formula base year by removing the \$27.9 million in outcomes funding from FY13, assigned values to the workload and statewide outcomes measures, calculated the change in these measures from FY13 to FY14, and applied a credit for other state and local revenues received by institutions. The department proposed weighted values of 5 percent for both the workload measure and the change in total awards statewide outcome measure. The department proposed valuing the change in workforce awards at 2 percent and at-risk awards at 3 percent. Reflecting the department's priorities, these weights varied from those applied by the Legislature in FY13. The department allocated \$32.7 million among the workload and statewide outcomes: \$4.7 million was allocated to institutions (\$1.5 million for workload and \$3.2 million for statewide outcomes) based on the FY14 proposed weighted values and \$27.9 million was allocated as a lump sum to each institution based on its total rate of improvement on outcome measures. After applying the \$2.7 million institutional share credit, the FY14 I&G general fund appropriation request for institutions, excluding the University of New Mexico Health Sciences Center's (UNM HSC's) I&G appropriation, totaled \$558.7 million, or \$2 million higher than the FY13 funding level.

The committee's FY14 budget recommendation, by increasing general fund support for institutions, promotes the transition to outcomes-based funding and maintains momentum for the HED, DFA, LFC, and institutions to continue improving the I&G funding formula. The LFC general fund appropriation recommendation for institutions and special schools totals \$751.1 million, or 3.8 percent above the FY13 operating level. The increase of \$27.9 million supports the outcome-based initiatives (\$15.3 million), increases funding for priority research and public research projects (\$1.5 million), and restores the 1.5 percent employer retirement contribution (\$7.3 million) pursuant to Laws 2011, Chapter 178, and a 0.75 percent increase to the education retirement fund (\$3.6 million) pursuant to Section 22-11-21 NMSA 1978. The LFC recommendation for the 0.75 percent retirement increase is contingent on enactment of legislation to improve actuarial solvency of the education retirement fund.

Excluding the UNM HSC share of the total \$639.6 million in higher education I&G funding, the committee recommends \$580.9 million for I&G, including the retirement contributions, growing institutional I&G by 4.2 percent over the FY13 level. The \$22.2 million formula increase is allocated among course-completion-based workload and student services (\$14.4 million) and statewide outcome measures (\$7.8 million). The LFC recommendation funds the workload outcome at 48 percent, statewide outcome measures of change in total awards and change in workforce awards at 8 percent each, and statewide outcome measure of change in at-risk awards at 12 percent. Like the HED request, the LFC recommendation places a greater priority and incentive on awards earned by financially at-risk students.

Consistent with the committee's recommendation for FY13 and the HED's FY14 proposed formula, the LFC's recommendation applies a FY14 adjusted base year, sanding 15 percent of the FY13 total outcomes-based funding, or \$4.2 million, and reallocating the amount according to the committee's proposed formula weights for FY14. Taking a modest amount of prior-year outcomes funding from the base year – unlike the department taking all outcome funding from the base year – provides institutions with budgetary stability while providing an incentive for institutions to improve their performance and secure additional statewide and mission-specific outcome funding moving forward.

Lastly, unique to the committee's recommendation, the statewide outcome funding includes a \$176.2 thousand graduate award differential. This unique component both addresses an important concern of institutions and the state – that graduate awards might not be valued appropriately given state economic goals and objectives – and provides an opportunity for the higher education community to evaluate the formula awards matrix during the 2013 interim.

For FY14, the LFC adopted the modest institutional share or credit included in the HED request, totaling \$2.7 million, or less than 0.2 percent of total I&G funding. There is no historical calculation of tuition credits or tuition waivers as in prior years. Like the HED, the LFC recommendation does not include a stop-loss provision for institutions that, under the FY14 formula run, received less than their FY13 formula funding level. The institutions that received a significant reduction in formula funding (greater than 4 percent) in FY14, received significant mill levy revenues during the years of data considered in the formula, resulting in a larger formula credit.

The committee recognizes the continued effort by the executive and institutions to refine the revised formula but more work is required to meet statewide economic and educational attainment goals. While the HED did not include mission-specific measures in the FY14 proposed funding formula, the committee requests the HED and institutions establish baseline data for these draft measures and refine measure values during the 2013 interim for full consideration and funding in FY15. Also, the committee recommends the HED, task force, institutional leaders, and others continue to develop formula components for implementation in FY15 and address a number of the principal concerns during the FY14 formula process: conduct a new cost-study to confirm the underlying values in the matrices supporting the workload and statewide outcome measures or an evaluation of the matrices to address anomalies in values; review the impact of formula revisions on mandatory transfers from I&G, including 3 percent scholarship funds and building and equipment replacement and renewal funds; evaluate funding streams and formula impacts on changes to delivering remedial education and dual credit courses; and consider building formula forecasts reflecting enrollment trends, workforce needs, and award production.

Institutions submitted 43 requests for new programs and expansions of existing research and public service projects (RPSPs) in FY14, and the HED's FY14 general fund request for RPSPs, athletics, and public television was \$103.2 million, or \$1.9 million above the FY13 operating level. The department's increase did not fund any project expansions or new projects but instead funded the 1.5 percent employer's share of retirement payments under Laws 2011, Chapter 178, and the 0.75 percent increase to the education retirement fund required under Section 22-11-21 NMSA 1978. The committee recommends \$104.7 million in general fund support for RPSPs (\$89.4 million), athletics (\$12.2 million), and public television (\$3.1 million). This \$3.4 million increase includes general fund support to restore the 1.5 percent employer's share of retirement payments and the 0.75 percent increase to the education retirement fund. Under the LFC recommendation, a number of programs and services at research universities and the UNM HSC increased, particularly those that focused on economic development; health and welfare; and science, technology, engineering, and math outreach and training. Top priority programs and services at comprehensive universities also received modest increases. The LFC recommends the HED, institutions, and statewide agencies attached to institutions work together to revise the budget reporting process to reflect the greater complexity and responsibilities of these agencies as compared with most RPSPs.

The HED's FY14 revised request for UNM HSC was \$87.6 million, while the LFC recommendation is \$87.9 million. Both the department's request and the LFC's recommendation include funds for the 1.5 percent increase in employer payments under Laws 2011, Chapter 178, and the 0.75 percent increase required under Section 22-11-21 NMSA 1978. The LFC recommendation also includes increases to UNM HSC priority programs: an additional \$511 thousand for Project ECHO, for a \$1.5 million total general fund appropriation, and nearly \$320 thousand for the Office of the Medical Investigator to pay for costs associated with transporting deceased residents back to their home areas, for a \$4.8 million total general fund appropriation. Pursuant to House Memorial 43 (2012 session), the HED submitted a status report to the Legislature on the feasibility of establishing a school of public health to be led by the University of New Mexico and New Mexico State University. The department noted it will continue working with these institutions on the feasibility of such a school, and the LFC recommends the department and institutions complete a thorough analysis during the 2013 interim.

For New Mexico's special schools -- the New Mexico School for the Blind and Visually Impaired, the New Mexico School for the Deaf, and the New Mexico Military Institute -- the LFC recommends a nearly \$295 thousand increase in FY14 general fund appropriations over the FY13 level, for a total of \$7.1 million. Based on the schools' requests, the committee increased funding for the Military Institute's and School for the Blind and Visually Impaired's research and special projects, while the School for the Deaf's I&G appropriation was increased. The increase also includes \$69.6 thousand in general fund appropriations for the 1.5 percent and 0.75 percent retirement fund contributions. The HED's FY14 revised request included funds for both employer retirement provisions for each school, for a total general fund appropriation of \$7.4 million.

RECOMMENDED LANGUAGE:

FOR ALL INSTITUTIONS:

The instruction and general fund appropriation includes [\$_____ (____ thousand dollars)] pursuant to Section 22-11-21 NMSA 1978 and contingent on enactment of legislation during the second session of the fifty-first Legislature to improve actuarial solvency of the educational retirement fund.

FOR N.M.INSTITUTE OF MINING AND TECHNOLOGY:

The general fund appropriation to the New Mexico institute of mining and technology for the bureau of mines includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

FOR UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER:

The other state funds appropriations to the university of New Mexico health sciences center includes two million nine hundred sixty-two thousand one hundred dollars (\$2,962,100) from the tobacco settlement program fund.

UNM MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44.4%	45.1%	46.5%	47%	47%
Output	Total number of baccalaureate degrees	3,117	3,351	3,225	3,250	3,300
* Output	Number of post-baccalaureate degrees awarded	1,200	1,329	1,475	1,500	1,500
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	78.3%	74.1%	77.6%	77.8%	77.8%
* Output	Number of undergraduate transfer students from two-year colleges	1,839	1,946	1,730	1,750	1,800
Output	Number of degrees awarded using extended services	306	415	290	310	600
Outcome	Amount of external dollars for research and public service, in millions	\$126.5	\$126.7	\$126	\$129	\$129
Outcome	Percent of enrolled Native American students among all degree-seeking undergraduates as of fall census date	7.7%	8.7%	8.7%	7.1%	8%
Outcome	Percent of first-time full-time degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	78.4%	77.0%	76.6%	76.8%	76.8%

UNM GALLUP BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	40.4%	44.1%	42%	42.5%	42.5%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	4.8%	8.4%	8%	8%	8%
Outcome	Percent of graduates placed in jobs in New Mexico	57.8%	57.7%	60%	60%	60%
* Output	Number of students enrolled in the adult basic education program	637	660	750	725	725
Outcome	Percent of Hispanic students enrolled	8.9%	9.8%	10%	10%	10%
Outcome	Percent of Hispanic graduates	7.8%	9.1%	10%	10%	10%
Output	Number of students enrolled in the area vocational schools program	384	392	400	400	400
Efficiency	Percent of programs having stable or increasing enrollments	72.1%	71.7%	64%	64.5%	70%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.3%	79.7%	83%	82.5%	83%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	82.2%	85.8%	82.5%	80%	82.5%

UNM LOS ALAMOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	74.4%	75.9%	74%	59%	74%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	59.62	62.3%	60%	57%	60%
Outcome	Percent of graduates placed in jobs in New Mexico	80.2%	80.2%	80.9%	48%	80%
Outcome	Percent of Asian graduates	1.0%	0%	3.0%	2%	2%
* Output	Number of students enrolled in the adult basic education program	459	392	450	415	415
Output	Number of students enrolled in the small business development center program	313	448	325	350	350
Efficiency	Percent of programs having stable or increasing enrollments	84.8%	90.9%	84%	67%	84%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	80%	79.7%	80%	79%	80%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	97.3%	92.7%	97%	69%	94%
Outcome	Percent of white students enrolled	46.6%	45.6%	50%	49%	49%

UNM VALENCIA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	70.5%	75.9%	72%	70%	73%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	4.8%	4.3%	8%	5%	5%
Outcome	Percent of graduates placed in jobs in New Mexico	62.8%	42.7%	65%	60%	60%
Outcome	Percent of Native Americans enrolled	5%	5.2%	5%	3%	5%
Outcome	Percent of Native American graduates	0.7%	1.1%	3.5%	3%	3%
* Output	Number of students enrolled in the adult basic education program	1,558	1,438	1,500	950	1,500
Output	Number of students enrolled in the community services program	3,409	1,795	3,000	2,000	2,000
Efficiency	Percent of programs having stable or increasing enrollments	82.4%	80%	78%	75%	80%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	73.6%	78.8%	80%	75%	80%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87%	84.2%	88%	85%	88%

UNM TAOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	47.2%	48.6%	59%	59%	59%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	17.1%	21.7%	17%	8%	20%
Outcome	Percent of program completers who were placed in jobs in New Mexico based on unemployment insurance wage data	63.6%	60.8%	66%	66%	66%
Outcome	Percent of males enrolled	35.4%	36.4%	33%	33%	33%
Outcome	Percent of male graduates	20.6%	22.2%	20.7%	20%	20%
* Output	Number of students enrolled in the adult basic education program	294	304	300	275	275
Output	Number of students enrolled in the concurrent enrollment program	549	579	400	400	500
Efficiency	Percent of programs with stable or increasing enrollment	85.7%	81%	80%	55%	80%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.1%	80.5	76%	70%	82%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	93%	92.5%	88%	81%	90%

UNM HEALTH SCIENCES CENTER

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy, and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of degrees awarded using extended university courses	59	74	74	25	74
Output	Number of post-baccalaureate degrees awarded	312	364	314	308	308
Outcome	Increase in external research and public service expenditures, in millions	\$291	\$289	\$289.3	\$295.1	\$300.0
Outcome	First-attempt pass rates on national medical licensing exam, step three, board exam	97%	92%	95%	95%	95%
Output	Pass rates on national medical licensing exam, step two, board exam, first attempt	98%	100%	95%	95%	95%
Output	Total number of university of New Mexico hospital clinic visits	462,838	432,817	443,637	454,728	454,700
Output	Number of autopsies performed each year by the office of the medical investigator	2,056	2,133	2,217	2,284	2,284
Output	Number of patient days at Carrie Tingley hospital	4,120	4,148	4,118	3,898	3,898
* Output	Total number of university of New Mexico hospital inpatient discharges	27,452	27,685	27,962	28,405	28,405
* Output	Percent of human poisoning exposures treated safely at home after poison and drug information center contact	70%	67%	72%	72%	72%
Output	University of New Mexico hospital inpatient readmission rate	3.9%	4%	4%	4%	4%
Outcome	University of New Mexico inpatient satisfaction rate	83.3%	82.4%	82.6%	83.1%	83.1%
Output	Number of university of New Mexico cancer research and treatment center clinical trials	217	217	190	190	190

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Pass rate on national certification licensing exam test by college of nursing bachelors of science in nursing candidates	n/a	82.3%	85%	85%	85%
Output	Pass rate for graduate students on American nurses credentialing center family nurse practitioner certification exam	100%	100%	95%	95%	95%
Output	First-time pass rate on the North American pharmacist licensure examination from the college of pharmacy	87%	87%	95%	95%	95%

NMSU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44.5%	45.7%	47%	47%	47%
Output	Number of nursing degrees conferred.	182	126	130	130	130
Outcome	Number of Hispanic undergraduate degree-seeking students.	7,089	6,829	6,900	6,900	6,900
Outcome	Second-year students who are still enrolled two fall semesters later or have completed a degree (two- or four-year degree)	80%	77.1%	78%	78%	78%
* Output	Total number of baccalaureate degrees awarded	2,229	2,387	2,400	2,400	2,450
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	74.8%	71%	72%	72%	72%
* Outcome	Number of undergraduate transfer students from two-year colleges	902	1,217	1,250	650	1200
Output	Number of degree programs offered via distance education	30	33	34	34	37
Quality	Percent of academic departments or programs using the results of student learning outcomes for improvement	86%	85%	75%	75%	75%
Outcome	External dollars for research and creative activity, in millions	\$200.4	\$193.3	\$205.8	\$205.8	\$205.8
Output	Number of teacher preparation programs available at New Mexico community college sites	4	4	4	4	4

NMSU ALAMOGORDO BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	64.2%	61%	65%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	8.8%	8.9%	14%	14%	14%
Outcome	Percent of graduates placed in jobs in New Mexico	71.6%	66.9%	72%	72%	72%
Outcome	Percent of Hispanic students enrolled	36.3%	36.1%	36.6%	37%	37%
Outcome	Percent of Native Americans graduates	3.3%	2.5%	4%	4%	4%
* Output	Number of students enrolled in the adult basic education program	518	472	550	500	550
Output	Number of students enrolled in the small business development center program	364	390	500	500	500
Efficiency	Percent of programs having stable or increasing enrollments	75.9%	75.4%	77%	78%	78%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	77.9%	74.5%	79.8%	79.8%	80%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	89.9%	89.9%	90.5%	93%	93%

NMSU CARLSBAD BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	42.9%	49.7%	52%	50%	50%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate- seeking community college students who complete the program in one hundred fifty percent of normal time to completion	3.2%	5.4%	4%	6%	6%
Outcome	Percent of graduates placed in jobs in New Mexico	76.6%	74.1%	80%	80%	80%
Outcome	Percent of Hispanic students enrolled	43.3%	44.4%	45%	45%	45%
Outcome	Percent of Hispanic graduates	39.3%	39.1%	42.5%	42.5%	42.5%
Output	Number of students enrolled in the contract training program	774	639	800	700	700
Output	Number of students enrolled in concurrent enrollment	515	850	625	900	900
Efficiency	Percent of programs having stable or increasing enrollments	70.9%	65%	75%	70%	70%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67.8%	78%	70%	70%	73%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	95.3%	87.2%	96%	92%	92%

NMSU DONA ANA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.9%	52.9%	53%	48%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	9.6%	11.3%	15%	15%	15%
Outcome	Percent of graduates placed in jobs in New Mexico	68.7%	66.4%	77%	77%	77%
Outcome	Percent of males enrolled	43.4%	43.7%	45%	45%	45%
Outcome	Percent of Hispanic graduates	63.6%	65.3%	65%	62.5%	65%
Output	Number of students enrolled in the contract training program	1,396	1,630	1,500	1,500	1,500
* Output	Number of students enrolled in the adult basic education program	4,260	4,606	5,000	5,000	5,000
Efficiency	Percent of programs having stable or increasing enrollments	92.6%	95.8%	93%	91%	91%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	82.9%	81.9%	84.5%	81%	83%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	91.2%	92%	90.5%	87%	92%

NMSU GRANTS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52%	54.8%	53%	53%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	18.4%	18.4%	22.6%	22%	22%
Outcome	Percent of graduates placed in jobs in New Mexico	68.1%	69.6%	74%	74%	74%
Outcome	Percent of Hispanic students enrolled	40.9%	42.4%	38.2%	33%	40%
Outcome	Percent of Native American graduates	40.0%	36.9%	42%	36%	40%
* Output	Number of students enrolled in the adult basic education program	427	346	440	400	400
Efficiency	Percent of programs having stable or increasing enrollments	84.1%	79.3%	84%	78%	80%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	78.4%	77.4%	79%	78%	78%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	88.3%	87.9%	88.5%	88%	88%

NEW MEXICO HIGHLANDS UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	18.9%	20.9%	20%	20%	20%
* Output	Total number of baccalaureate degrees awarded	353	351	355	330	360
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	48.3%	50.6%	53%	53%	53%
Output	Number of students enrolled in extended services	1,395	1,425	1,100	1,300	1,350
* Output	Number of undergraduate transfer students from two-year colleges	430	488	450	450	470
Outcome	Percent of graduating seniors indicating "satisfied" or "very satisfied" with the university on student satisfaction survey	94.6%	94.9%	90%	90%	95%
Outcome	Percent of total funds generated by grants and contracts	20%	28%	28%	25%	25%
Outcome	Number of enrolled Native American students among all degree-seeking undergraduates as of fall census date	195	164	170	170	170
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	62.6%	56.1%	58%	58%	58%

WESTERN NEW MEXICO UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	62.2%	58.6%	58.6%	58%	58%
* Output	Total number of baccalaureate degrees awarded	179	171	180	180	180
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	51.1%	50.4%	53%	53%	53%
Output	Number of courses available through instructional television and online via the internet	489	464	515	515	515
Efficiency	Year-end instruction and general balance as a percent of instruction and general expenditures	12.4%	16.10%	3-5%	3-5%	3-5%
Output	Number of graduates from the school of education	126	120	150	150	120
Outcome	External dollars to be used for programs to promote student success, in millions	\$3.2	\$3.3	\$3	\$3	\$3
* Output	Number of undergraduate transfer students from two-year colleges	138	182	170	170	170
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	20.6%	17.1%	20%	20%	20%
Outcome	Percent of enrolled Hispanic and Native American students among all degree-seeking undergraduates as of fall census date	55.1%	57.7%	55%	55%	55%

ENMU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	61.1%	60.4%	64%	64%	64%
* Output	Total number of baccalaureate degrees awarded	505	583	600	630	630
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	61.6%	63.9%	64%	64%	64%
Output	Number of undergraduate transfer students from two-year colleges	578	730	775	730	730
Output	Number of internet-based courses offered	520	656	675	800	800
Outcome	External dollars supporting research and student success, in millions	\$5.3	\$5.2	\$6	\$6	\$6
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	24.1%	23.7%	30%	30%	30%
Outcome	Percent of graduating seniors who are "satisfied" or "very satisfied" with their educational experience	95.6%	97%	95%	95%	95%
Outcome	Percent of enrolled Hispanic students among all degree-seeking undergraduates as of fall census date	33%	33.3%	34%	35%	35%

ENMU ROSWELL BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	50.2%	55.8%	50.2%	50%	50%
* Outcome	Percent of students who complete within one hundred fifty percent of time	18.6%	18.5%	18.6%	16%	17%
Outcome	Percent of graduates placed in jobs in New Mexico	72.5%	68.1%	72.5%	68.5%	69.5%
Outcome	Percent of males enrolled	46.7%	47.3%	47%	46.9%	47%
Outcome	Percent of male graduates	55.7%	53.1%	58%	55.1%	55.1%
Output	Number of students enrolled in the concurrent enrollment program	1,163	2,076	800	850	2,100
Output	Number of students enrolled in the distance education program	3,288	2,861	3,000	2,600	2,800
Efficiency	Percent of programs having stable or increasing enrollments	71.9%	81.5%	60%	57.5%	70.5%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76%	75.8%	76.5%	76.2%	77%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	85%	76.1%	83%	77%	81%

ENMU RUIDOSO

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	48%	48.6%	54%	54%	54%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	8.4%	10.4%	20%	20%	20%
Outcome	Percent of graduates placed in jobs in New Mexico	71.7%	72.3%	78%	78%	78%
Outcome	Percent of Hispanic students enrolled	27.7%	30%	26%	27%	27%
Outcome	Percent of Hispanic student graduates	29.2%	33.9%	29%	29%	30%
* Output	Number of students enrolled in adult basic education	342	294	500	480	480
Output	Number of students enrolled in the contract training program	947	856	900	875	900
Output	Percent of programs having stable or increasing enrollments	73.8%	73%	75%	75%	75%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	70.3%	68.9%	70%	67%	73%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.2%	86.6%	92%	91%	91%

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the work force, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of students enrolled in distance education courses	612	380	400	400	400
Output	Number of students registered in master of science teaching program	224	245	170	175	180
Outcome	External dollars for research and creative activity, in millions	\$87.4	\$88.9	\$86	\$72	\$80
* Output	Number of undergraduate transfer students from two-year colleges	50	59	40	50	60
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date.	27.3%	28.1%	28%	28%	28%
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or who have completed a two-year or four-year degree.	73.49%	68.78%	58%	58%	73%
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44.5%	47.4%	48%	45%	48%
* Output	Total number of degrees awarded	303	313	300	300	320
Outcome	Percent of first-time freshmen retained to sophomore year	73.7%	70.6%	72%	72%	72%

NORTHERN NEW MEXICO COLLEGE

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Number of courses available through instructional television and online	208	229	230	230	230
Outcome	Percent of graduating seniors "satisfied" or "very satisfied" with the college in all survey categories			New	80%	80%
Outcome	Percent of first-time, degree-seeking, first-time freshmen retained to second year	55.4%	54%	66.5%	66.5%	66.5%
Outcome	Percent of first-time, full-time degree-seeking students still enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or have completed a two-year or four-year degree	26%	29%	30%	30%	40%
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	80.31%	89%	80%	80%	80%
Output	Number of students enrolled in extended services courses	254	125	150	150	160
* Output	Number of undergraduate transfer students from two-year colleges			New	105	105
* Output	Percent of first-time, full-time freshmen completing an academic program within six years		100%	25%	100%	25%
Outcome	Percent of total funds generated by grants and contracts	38%	39%	39%	39%	39%
* Output	Total number of baccalaureate degrees awarded	40	52	55	55	55

SANTA FE COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	57.5%	62.6%	59%	58%	58%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	10.1%	7.8%	11.5%	11%	11%
Outcome	Percent of graduates placed in jobs in New Mexico	72.9%	70.9%	75%	75%	75%
Outcome	Percent of Hispanic students enrolled	34.6%	36.5%	42%	42%	42%
Outcome	Percent of Hispanic graduates	40.8%	40.6%	44%	44%	44%
* Output	Number of students enrolled in the adult basic education program	1,934	2,084	2,000	2,100	2,100
Output	Number of students enrolled in the contract training program	1,934	2,223	2,500	2,500	2,500
Efficiency	Percent of programs having stable or increasing enrollments	84.3%	80.1%	80%	77%	80.3%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79%	76.3%	80%	79.5%	79.5%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.7%	87.9%	87%	85%	88%

CENTRAL NEW MEXICO COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	53.7%	54.1%	55%	54.5%	54.5%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	7.7%	7.9%	11%	11%	11%
Outcome	Percent of graduates placed in jobs in New Mexico	75.4%	71.5%	82%	82%	82%
Outcome	Percent of Hispanic students enrolled	41.2%	41.6%	43%	42%	42%
Outcome	Percent of Hispanic graduates	40.3%	41.1%	42%	42%	42%
Output	Number of students enrolled in distance education program	12,322	13,554	13,000	12,200	12,200
Output	Number of students enrolled in concurrent enrollment program	2,172	2,397	1,950	2,150	2,150
Efficiency	Percent of programs having stable or increasing enrollments	83.9%	84.3%	85%	85%	85%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.1%	82.2%	82%	82.5%	82.5%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.1%	91.5%	94%	93%	94%

LUNA COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	44.2%	55.4%	63%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	14.6%	19.9%	25%	25%	25%
Outcome	Percent of graduates placed in jobs in New Mexico	82.7%	76.6%	85%	80%	80%
Outcome	Percent of white students enrolled	15.4%	15.5%	16%	18%	18%
Outcome	Percent of male graduates	23.5%	10.3%	25%	20%	20%
Output	Number of students enrolled in the health education center program	3,474	4,994	3,600	4,000	4,000
Output	Number of students enrolled in the small business development center program	240	199	350	250	250
Efficiency	Percent of programs having stable or increasing enrollments	61.9%	52.8%	70%	65%	65%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	70.5%	71%	75%	75%	75%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	93.3%	92.6%	95%	97%	97%

MESALANDS COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	53.6%	55.5%	54%	53.5%	55.5%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	23.5%	38.6%	24%	25%	26%
Outcome	Percent of graduates placed in jobs in New Mexico	38.3%	32.5%	58.6%	36%	36%
Outcome	Percent of Hispanic students enrolled	36.6%	37%	36%	36.5%	36.5%
Outcome	Percent of female graduates	25.7%	34.3%	30.1%	31.5%	31.5%
* Output	Number of students enrolled in the adult basic education program	92	220	184	200	200
Output	Number of students enrolled in the small business development center program	119	227	100	100	100
Efficiency	Percent of programs having stable or increasing enrollments	88%	57.8%	89%	80%	80%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	69.8%	71%	69%	70%	70%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	82.4%	82.5%	83%	82.6%	82.6%

NEW MEXICO JUNIOR COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	67.6%	68.8%	67%	65%	67%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	18.4%	14.9%	33%	33%	33%
Outcome	Percent of graduates placed in jobs in New Mexico	75.4%	67.5%	76%	75%	75%
Outcome	Percent of Hispanic students enrolled	39.3%	40%	42%	43%	43%
Outcome	Percent of Hispanic graduates	42%	39.1%	45%	45%	45%
Output	Number of students enrolled in contract training	3,221	2,216	4,000	4,000	4,000
Output	Number of students enrolled in distance education program	21,951	21,085	20,000	22,500	22,500
Efficiency	Percent of programs having stable or increasing enrollments	81.3%	92.3%	83%	83%	83%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	70.8%	76.8%	75%	75%	75%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	85.2%	80.2%	86%	85%	85%

SAN JUAN COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	65.3%	60.8%	68%	62%	64%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	12%	12.8%	15%	14%	14%
Outcome	Percent of graduates placed in jobs in New Mexico	72.2%	71.5%	67%	71%	71%
Outcome	Percent of Native Americans enrolled	27.8%	29.6%	29%	30%	30%
Outcome	Percent of Native American graduates	26.2%	28.3%	28%	29%	29%
Output	Number of students enrolled in the community services program	2,268	1,777	2,700	2,100	2,100
Output	Number of students enrolled in the service learning program	727	955	730	825	825
Efficiency	Percent of programs having stable or increasing enrollments	74.3%	71.4%	75%	73%	73%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	80.3%	80.9%	83%	83%	83%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.9%	86.1%	88%	86%	86%

CLOVIS COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	45.1%	51.3%	65%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	23.9%	19.2%	25%	14%	20%
Outcome	Percent of graduates placed in jobs in New Mexico	71.9%	68.7%	73%	72%	72%
Outcome	Percent of Hispanic students enrolled	28.4%	29.2%	30%	30%	30%
Outcome	Percent of Hispanic graduates	31%	29.2%	32%	30%	30%
Output	Number of students enrolled in the distance education program	3,155	3,131	3,500	3,500	3,500
Output	Number of students enrolled in the concurrent enrollment program	607	456	650	600	600
Efficiency	Percent of programs having stable or increasing enrollments	73.3%	73.6%	75%	75%	75%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	68.8%	67.4%	74%	74%	74%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.6%	86.9%	88%	87%	87%

NEW MEXICO MILITARY INSTITUTE

The purpose of the New Mexico military institute is to provide college-preparatory instruction for students in a residential, military environment culminating in a high school diploma or associates degree.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	99%	96%	96%	96%	96%
* Outcome	American college testing composite scores for graduating high school seniors	22.4	22	22	22	22
* Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	59	58	60	60	60
* Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	57.3	56.6	59	59	59
Efficiency	Percent of legislative scholarships (Knowles) awarded	100%	85%	100%	100%	100%
Efficiency	Total annual cost of attendance	\$9,128	\$10,655	\$11,087	\$10,800	\$10,800

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired program is to provide the training, support and resources necessary to prepare blind and visually impaired children of New Mexico to participate fully in their families, communities and workforce and to lead independent, productive lives.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	NMSBVI will foster an atmosphere of creativity that results in innovative practices and programs				100%	100%
Output	NMSBVI will create a training system that results in sufficient numbers of specialized staff in the field of blindness and visual impairment for the state of New Mexico				100%	100%
* Outcome	NMSBVI will create a system to convey and receive information about blindness and visual impairment educational services, trends, research, etc. to all those involved or interested in serving students who are blind or visually impaired.				100%	100%
* Outcome	NMSBVI will build a system of data-driven decision making that will be used collaboratively to determine goals, services and settings for educating New Mexico students with blindness and visual impairments.				100%	100%
Outcome	NMSBVI will develop a system that supports the successful transition of students with blindness or visual impairments and their programming across settings.				100%	100%

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf program is to provide a school-based comprehensive, fully accessible and language-rich learning environment for its students who are deaf and hard-of-hearing and to work collaboratively with families, agencies and communities throughout the state to meet the unique communication, language and learning needs of children and youth who are deaf and hard-of-hearing.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	82.8%	81.45%	83%	75%	75%
* Outcome	Percent of students in grades three to twelve who are significantly cognitively delayed demonstrating sufficient growth across curricular domains	100%	100%	100%	100%	100%
Outcome	Rate of transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment for graduates based on a three-year rolling average	89%	89%	93%	100%	100%
* Outcome	Percent of students in grades three to twelve who are late language learners who demonstrate significant gains in language and communication as demonstrated by pre- and post-test results	74.5%	68.5%	80%	80%	80%
Outcome	Percent of parents satisfied with educational services from the center for educational consultation and training (statewide outreach)	93.3%	100%	96%	90%	90%
Outcome	Percent of parents with children receiving outreach services indicating ability to make informed decisions about educational options and programs	83.5%	80%	100%	90%	90%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	100%	90%	90%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY14
(dollars in thousands)

School Year 2012-2013 Preliminary Unit Value = \$3668.18				
	FY13 APPROPRIATION	FY14 REVISED PED REQUEST	FY14 LFC RECOMMENDATION	
PROGRAM COST	\$2,294,777.4	\$2,343,438.9	\$2,343,438.9	1
Laws 2011, Chapter 178 Retirement Adjustments	\$25,274.4			2
1.5 Percent ERB Retirement Swap Reversal		\$21,049.9	\$20,478.4	3
0.75 percent ERB Retirement Contribution Increase		\$11,502.4	\$11,166.4	4
Enrollment Growth and New Program Units	\$11,099.5	\$6,937.1	\$6,937.1	5
New Charter School Units	\$8,182.4			6
Year-Over-Year Base Unit Changes	(\$6,179.7)			7
Insurance	\$10,284.9	\$17,566.9	\$11,631.3	8
Fixed Costs		\$3,841.6		9
Funding Formula Reform - At-Risk and T&E Index Units (contingent on statutory change)			\$23,000.0	10
Administration of the Eleventh Grade NMSBA to Tenth Graders		\$1,700.0		11
H-4 Science Retest - NMSBA		\$264.0		12
PROGRAM COST	\$2,343,438.9	\$2,406,300.8	\$2,416,652.1	13
Dollar Increase/Decrease Over Prior Year Appropriation	\$48,661.5	\$62,861.9	\$73,213.2	14
Percentage Increase	2.1%	2.7%	3.1%	15
LESS PROJECTED CREDITS	(\$69,000.0) ¹	(\$62,000.0)	(\$64,000.0)	16
LESS OTHER STATE FUNDS (from driver's license fees)	(\$850.0)	(\$3,000.0)	(\$1,500.0)	17
STATE EQUALIZATION GUARANTEE	\$2,273,588.9	\$2,341,300.8	\$2,351,152.1	18
Dollar Increase/Decrease Over Prior Year Appropriation	\$48,097.5	\$67,711.9	\$77,563.2	19
Percentage Increase	2.2%	3.0%	3.4%	20
CATEGORICAL PUBLIC SCHOOL SUPPORT				21
TRANSPORTATION				22
Operational	\$83,874.2			23
Maintenance and Operations		\$73,759.7	\$73,759.7	24
Fuel		\$13,546.4	\$13,546.4	25
Laws 2011, Chapter 178 Retirement Adjustments	\$1,101.6			26
1.5 Percent ERB Retirement Swap Reversal		\$587.6	\$576.0	27
0.75 percent ERB Retirement Contribution Increase		\$293.8	\$293.8	28
Rental Fees (Contractor-owned Buses)	\$11,700.2	\$11,700.2	\$11,700.2	29
TOTAL TRANSPORTATION	\$96,676.0	\$99,887.7	\$99,876.1	30
SUPPLEMENTAL DISTRIBUTIONS				31
Out-of-state Tuition	\$346.0	\$346.0	\$346.0	32
Emergency Supplemental	\$2,500.0	\$2,500.0	\$2,500.0	33
INSTRUCTIONAL MATERIAL FUND	\$26,975.8	\$26,975.8	\$26,975.8	34
Dual Credit Instructional Materials	\$857.0	\$1,000.0	\$857.0	35
INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6	36
TOTAL CATEGORICAL	\$129,179.4	\$132,534.1	\$132,379.5	37
TOTAL PUBLIC SCHOOL SUPPORT	\$2,402,768.3	\$2,473,834.9	\$2,483,531.6	38
Dollar Increase/Decrease Over Prior Year Appropriation	\$64,346.3	\$71,066.6	\$80,763.3	39
Percentage Increase	2.8%	3.0%	3.4%	40
RELATED REQUESTS: RECURRING				41
Public Education Department	\$11,711.9	\$12,240.2	\$11,711.9	42
Regional Education Cooperatives Operations	\$938.2	\$938.2	\$938.2	43
Kindergarten-Three-Plus - Including D and F Schools	\$11,000.0	\$11,500.0	\$16,450.0	44
Prekindergarten Program	\$10,000.0	\$11,000.0	\$15,450.0	45
New Mexico Reads to Lead	\$8,500.0	\$13,500.0	\$8,500.0	46
Breakfast for Elementary Students	\$1,924.6	\$1,924.6	\$1,924.6	47
Teaching Support in Schools with a High Proportion of Low-Income Students	\$500.0	\$1,000.0	\$500.0	48
Interventions for Low-Performing Schools - D and F Schools	\$3,500.0	\$4,740.0	\$2,500.0	49
Rewarding Highly Effective Teachers and Principals		\$11,312.5		50
Rewards for High Performing Schools (A Schools and Most Improved)		\$3,125.0		51
New Mexico Cyber Academy (IDEAL-NM)	\$890.0	\$1,500.0	\$890.0	52
OBMS/STARS Hosting and Operational Costs	\$750.0			53
Advanced Placement	\$541.8		\$541.8	54
Apprenticeship Assistance	\$192.4		\$192.4	55
College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	\$309.4		\$309.4	56
New Mexico Graduates Now! (Early College High Schools, College and Workforce Readiness Programs)		\$4,750.0		57
Statewide Formative Assessments (Short-Cycle Grades 4-10)	\$2,500.0	\$2,500.0	\$2,500.0	58
Statewide Formative Assessments (Math Short-Cycle Grades K-3)		\$2,000.0		59
Mock Trial	\$87.1	\$87.1	\$87.1	60
GRADS - Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0	61
TOTAL RELATED APPROPRIATIONS: RECURRING	\$53,545.4	\$82,317.6	\$62,695.4	62
GRAND TOTAL	\$2,455,313.7	\$2,556,152.5	\$2,546,227.0	63
Dollar Increase/Decrease Over Prior Year Appropriation	\$89,329.4	\$100,811.1	\$90,885.6	64
Percentage Increase	3.8%	4.1%	3.7%	65

***Highlighted department requests were submitted to the LFC on the day of the LFC public school support budget hearing.

¹Language allows the PED to request a transfer from the Board of Finance from the appropriation contingency fund in the amount of \$4 million if credits received are less than \$69 million after exhausting balances in the state support reserve fund.

²The Indian education fund appropriation includes \$400 thousand for a nonprofit organization that provides teaching support in schools with a high proportion of Native American students and \$300 thousand for a rural literacy initiative contingent on \$300 thousand in matching funds from sources other than state funds.

³The appropriation for the early literacy initiative includes \$2 million to be transferred to the teacher professional development fund to support training on effecting reading instruction and data driven decision making and to support reading and instructional coaches at the district level to support schools with the implementation of formative assessment tools and interventions.

⁴The appropriation for the Operating Budget Management System (OBMS) and Student Teacher Accountability Reporting System (STARS) is included in the Public Education Department budget at \$750 thousand. The appropriation to the agency includes \$750 thousand contingent on the department giving access to OBMS and STARS to the LFC and LESC.

⁵The appropriation to fund the 0.75 percent increase in Educational Retirement Board (ERB) contributions is contingent on enactment of legislation amending Section 22-11-21 NMSA 1978 passed during the first session of the fifty-first Legislature to improve actuarial solvency of the educational retirement fund.

⁶The Indian education fund appropriation includes \$400 thousand for a nonprofit organization that provides teaching support in schools with a high proportion of Native American students.

⁷The appropriation for the early literacy initiative includes \$3.6 million to be transferred to the teacher professional development fund to support training on effective reading instruction and data-driven decision-making and for regional and district level reading coaches and intervention support at the district level to support teachers with the implementation of a common formative assessment tool and reading interventions.

STATUTORY AUTHORITY:

Article XII, Section 1, of the New Mexico Constitution provides that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. Statutory provisions related to public school education can be found in the Public School Code, Chapter 22 NMSA 1978. Constitutional amendments passed in 2003 restructured state education administration from one directed by an elected board to an executive agency under the governor and increased the amount of funding distributed to public schools and all beneficiaries of income from state trust land.

BUDGET ISSUES:

The Public Education Department (PED) uses the state equalization guarantee (SEG), also known as the "funding formula," to distribute money to public schools. About 90 percent of a school district's operational revenue is derived through the formula. The formula, designed to guarantee each public school student equal access to programs and services appropriate to educational need despite geographic location or local economic conditions, is enrollment-driven with weighted factors for school and district size, teacher qualifications, students' special needs, and other circumstances. Membership weighted for such factors generates a program unit. The number of units generated by all students statewide is divided into the annual program cost to determine the unit value. As part of determining a district's SEG, the state takes credit for 75 percent of three revenue sources: a 0.5 local mill levy, federal forest funds, and the operational portion of federal impact aid funds, all of which remain at the district. School districts may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

Pursuant to Section 22-8-12.1 NMSA 1978, the PED is required to submit recommendations for appropriations for public education to the Department of Finance and Administration and the LFC no later than November 30. Despite this requirement, the PED did not submit a request for related recurring appropriations on November 30, 2012. The department submitted a revised request to the LFC for related recurring appropriations on December 6, 2012, at the LFC public school support hearing.

The PED request for program cost was \$2.4 billion, an increase of \$62.9 million, or 2.7 percent, over the FY13 appropriation. This included \$32.6 million to increase employer Educational Retirement Board (ERB) contributions by 2.25 percent (a 0.75 percent statutory increase and an increase of 1.5 percent to return to the employer costs "swapped" to employees during the recession), \$6.9 million for enrollment growth, \$17.6 million for increased insurance costs, \$3.8 million for increased fixed costs, \$1.7 million for administration of the 11th grade standards-based assessment to 10th graders, and \$246 thousand to pay for students to retake the science portion of the standards-based assessment to meet graduation requirements. The committee recommendation for program cost is \$2.4 billion, an increase of \$73.2 million, or 3.1 percent, over FY13. The LFC recommendation includes \$31.6 million to fund the 2.25 percent ERB contribution increases, \$11.6 million for increased insurance costs, \$6.9 million for enrollment growth, and \$23 million to increase funding for at-risk students and to begin aligning the training and experience index in the public education funding formula with the three-tiered licensure system. The LFC recommendation for the 0.75 percent ERB increase is contingent on enactment of legislation to improve actuarial solvency of the educational retirement fund.

The LFC recommendation assumes a total of \$64 million in credits, including \$46.4 million from federal impact aid, \$13.9 million from the local 0.5 mill levy, and \$3.7 million from federal forest funds. The recommendation for federal credits is conservative, accounting for possible reductions in federal spending levels, and the loss of prior-year impact aid payments in FY14. If the federal government fails to take budget action, impact aid will be reduced in the current fiscal year and FY14, while forest reserve funds will be reduced for FY14. Reductions are currently estimated to be between 7 percent and 10 percent. The Legislature should reconsider credit amounts during the 2013 legislative session when more current information is available.

An additional credit of \$1.5 million from drivers' license fees is also assumed in FY14. The department receives \$3 from each driver's license issued to distribute to public schools through the SEG to provide defensive driving instruction to students. The department received approximately \$1.5 million in credits annually over the past several years, resulting in an accrual of a significant fund balance and fewer funds reverting to the general fund annually. Adjusted for credits, the SEG general fund recommendation is \$2.3 billion, an increase of \$77.6 million, or 3.4 percent over the FY13 appropriation.

Specific recommendations are as follows:

Funding for FY14 is generally based on the average of 80th and 120th day enrollment for FY13 except for those districts and charter schools with membership (MEM) growth greater than 1 percent. These districts and charter schools receive 0.5 units per MEM for all enrollment growth, provided the 1 percent threshold has been met, and an additional 1.5 units per MEM for growth over 1 percent. The PED requested, and the committee recommendation includes, \$6.9 million for enrollment growth. Charter schools generated 69 percent of growth funding in FY12 for what was generally planned growth. Enrollment growth costs should be reevaluated during the 2013 legislative session when more current enrollment data for FY13 is available. The Legislature should consider excluding planned growth from claimed growth units and only allow top performing charter schools to grow and claim funding for growth.

The Public School Insurance Authority (PSIA) provides insurance coverage for 88 school districts and all charter schools; Albuquerque Public Schools (APS) is self-insured. Insurance requests totaled \$28 million for FY14. The PSIA request totaled \$19.2 million - \$12.2 million to cover a 10 percent increase in healthcare premiums and a 6 percent increase in dental insurance premiums and \$7 million to cover a 15 percent increase in risk premiums. The APS request totaled \$8.8 million to cover healthcare premium increases, including a 2 percent increase in medical insurance premiums. The committee recommendation includes \$11.6 million to cover a portion of the increases in the employer's share of insurance premiums for PSIA members in FY13, consistent with the LFC budget recommendation for the agency.

The PSIA made plan modifications most years that increased member costs. Benefit changes in plan year 2013 include expanding eligibility to children up to age 26 and modestly reducing the specialty copay. For FY14, the PSIA proposes plan changes, including increasing deductibles, out-of-pocket limits, and prescription co-pays. The PSIA is not planning on using fund balance in FY13 for the medical insurance program. The PSIA will use \$9.2 million in fund balance for the risk program in FY13. For plan year 2013, APS modestly increased select copays, raised the low-plan deductible, and equalized employee contributions on both plans. APS will use approximately \$4.9 million in fund balance during FY13 to offset costs for the current plan year. APS has not contained costs, implemented significant modifications, or increased member out-of-pocket costs in a number of years and does not appear prepared to do so in FY14. There is a large disparity between medical plans offered by APS and PSIA. Employees at APS have a richer benefit package than employees who are covered by PSIA and other state medical plans. APS is encouraged to make plan design changes that decrease costs to the state and bring the plan in line with the PSIA plan and other state-funded plans. The committee does not recommend funding the APS request; however, because insurance funding is distributed through the SEG, APS will receive a portion of the increased funding.

The committee recommendation includes \$23 million to increase the funding factor for at-risk students and begin aligning the training and experience (T&E) index with the three-tiered licensure system, contingent on enactment of legislation. The current funding formula places little weight, as compared with other components and other states' formulas, on the additional incremental costs associated with educating at-risk students. For example, Deming, Gadsden, Gallup, and Hatch generate some of the lowest per-student funding from the state's funding formula but serve some of New Mexico's most disadvantaged students. Studies estimating the additional cost necessary to serve at-risk students vary and range up to 48 percent per at-risk student. Previous LFC evaluations have identified the state's largest achievement gap is highly influenced by poverty and language status, regardless of ethnicity or race. The T&E index amplifies disparities in students' access to potentially higher quality teachers and duplicates funding. Since the inception of the index, concerns have focused on the effect of giving public schools with more educated and experienced teachers additional funding while many high-poverty schools struggle to attract these types of teachers. The T&E index acts as a multiplier on units that not all districts can claim (bilingual, physical education, fine arts, etc.), or that may vary widely unrelated to teacher experience (special education). It also double counts the costs of certain employees (ancillary staff). The T&E index also is not aligned to the current three-tiered salary minimums and public schools raise concerns it does not adequately adjust for educators' movement up the career ladder. The LFC recommendation assumes phasing-in these changes over a multi-year period and includes hold-harmless funding contingent on enactment of legislation making these changes.

Concerns persist about the SEG distribution model used to allocate almost half of annual general fund revenues and the lack of accountability for how half of the state budget is spent. Recent budget challenges, analysis, and studies by various groups highlighted acute problems with the public education funding formula. Three recent independent studies made a series of recommendations to either implement a new formula or adjust the existing formula. While the LFC recommendation does not include comprehensive funding formula reform, as recommended by all three studies, it partially addresses the state's achievement gap and improved student outcomes. The Legislature should consider updating other key components of the funding formula to promote better equity while still recognizing the impact of school and district size, simplify the formula and minimize administrative burden, and align the formula to modern education policy. The Legislature may also wish to implement performance-based budgeting for all public schools to increase transparency of public education spending and school performance.

Categorical Public School Support.

The PED requested \$132.5 million for categorical expenditures, an increase of \$3.4 million. The committee recommendation includes \$132.4 million for categorical expenditures, a \$3.2 million increase from the FY13 appropriation. The largest categorical appropriation, the transportation distribution, is used to make payments to school districts and state-chartered charter schools for the to-and-from transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. The PED requested, and the committee recommends, \$99.9 million in funding to cover operational costs and rental and lease fees for buses. Wholesale diesel fuel prices are assumed at \$3.52 per gallon, resulting in an increase over FY12 expenditures for fuel. Sufficient funding is included to reverse the 1.5 percent retirement swap and implement the 0.75 percent incremental increase in employer ERB contributions. The PED's Student Transportation Bureau has addressed many of the findings of a 2011 LFC evaluation noting a problematic transportation funding formula, inadequate oversight of districts, and administrative inefficiencies at the PED. The Legislative Education Study Committee appointed a subcommittee to further study transportation funding issues, including the funding formula.

The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas. Math and the arts are scheduled for FY14. Funds for instructional materials are generated through provisions of the federal Mineral Leasing Act and are provided directly to public schools on a per-pupil basis. The PED funds materials for public, charter, state-supported, and accredited private schools, as well as adult basic education centers. The department reverted \$93.6 thousand from FY12, or a little more than 11 percent of the FY12 dual credit instructional materials appropriation. The department requested \$28 million for instructional materials, including materials for dual credit courses. The committee recommendation supports the instructional materials request but holds the dual credit instructional materials recommendation flat. The committee also recommends the department ensure adopted math instructional materials are aligned to the new common core state standards. School districts and charter schools are encouraged to consider alternative delivery methods that may be more economical, including electronic curricula delivery.

The PED continues to experience difficulty spending balances in the Indian education fund, resulting in high balances. The fund balance at the end of FY12 was \$2 million, and the department lacks a plan for using fund balance in FY13. Since FY04, the state has appropriated \$22.3 million to the Indian education fund with the expectation of improved student outcomes for Native American students; however, performance continues to be mixed and is well below statewide averages. The department requested and the committee recommends flat funding for FY14. The LFC recommendation includes \$400 thousand for teaching support in schools with a high proportion of Native American students. Approximately one-third of the appropriation is used annually for language and culture-based programs with limited student performance data collected by the department for students served. The PED should establish and monitor performance measures for all grants made from the Indian education fund and report progress to the Legislature.

Recognizing the ongoing need for emergency supplemental funding, the recommendation includes \$2.5 million for FY13. A nonrecurring special appropriation recommendation of \$5 million for emergency supplemental funding increases this amount to \$7.5 million. Emergency supplemental funding is generally distributed to small, isolated, rural school districts. However, in recent years a number of larger, urban school districts have requested and received funding. For example, for FY13, both Las Vegas City Schools and West Las Vegas Public Schools budgeted emergency supplemental funding, despite being located in the same city and resulting in duplicate administrative functions and costs. Alternatively, districts may, like Quemado and Reserve, consolidate administrative functions for savings. The PED has engaged in a more robust evaluation of school district budget development over the past several years, though it is still unclear how the department evaluates a district's cash position when considering emergency requests and what criteria is used to determine whether allocating emergency supplemental funding is warranted. The department continues to allow school districts to budget emergency supplemental requests during budget development. Because of this practice, emergency supplemental funding is effectively supplemental funding to many school districts. Recent policy discussion have suggested the creation of a micro-district size adjustment to allocate increased SEG funding to schools relying on emergency supplemental funding annually. The Legislature should require districts to be in compliance with the Audit Act to qualify for emergency supplemental funds and only allow emergency supplemental funding to districts having cash and invested reserves equal to less than 5 percent of their operating budgets.

Related Appropriations.

Related recurring or earmarked appropriations are problematic in that they tend to dis-equalize school funding and divert resources away from core educational needs, as well as dilute funding that could be directed to the SEG. However, related recurring appropriations ensure that funding priorities are retained over time rather than diluted or ignored when funds are allocated through the SEG. For example, the Legislature appropriated \$14 million to the SEG to fund an additional instructional day in FY09; however, not all school districts or charter schools added an additional instructional day – the requirement was repealed in 2011.

The department's revised request for related recurring appropriations totaled \$82.3 million, an increase of \$28.8 million, or 54 percent. The department's request included funding for all existing initiatives, some at increased funding levels, and the following four new initiatives: \$11.3 million to reward highly effective teachers and school leaders; \$3.1 million to reward high-performing schools; \$4.8 million aimed at ensuring high school students are college- and career-ready, which includes dropout prevention programs, career and technical education programs, startup funds for early college high schools, and bonus funding for schools to increase advanced placement course participation and for teachers to increase student success; and \$2 million for short-cycle assessments in math for kindergarten through third grade students. With the exception of the request for early college high schools, the LFC recommendation generally does not consider the new department initiatives or requests for increased funding for existing initiatives because of the timing of submission. These requests should be evaluated before the 2013 legislative session.

For FY13, the Legislature appropriated almost \$42 million in categorical related appropriations to the department. Funding was distributed by the PED, in some instances, inconsistent with the plan outlined to the Legislature with the department's request for funding, contrary to language in the General Appropriation Act (GAA), and lacking strategic targeting of the state's most vulnerable, at-risk students to close the achievement gap. For example, the PED allocated funding limited by the GAA to support D and F schools to seven schools that received grades of A, B or C for the 2011-2012 school year. The original plan outlined by the department indicated funds would be used to support instructional coaches in the 40 lowest performing schools; however, the department has not used any of the funds for instructional coaches. Additionally, the department's request for early reading funding indicated a targeted approach to serve students who need additional reading support and placement of reading coaches statewide; however, the department allocated funds through a competitive grant process that did not weight non-proficient students and provided access to funding to only a limited number of school districts, charter schools, and regional education cooperatives. The committee recommendation for related recurring appropriations includes legislative language to ensure funding is targeted to the most at-risk and underperforming students and increase transparency and accountability at the department for allocation and administration of categorical appropriations.

The committee recommends \$50 million, an increase of \$9.2 million for related recurring initiatives that are limited to existing statewide programs and programs with a history of success aimed at closing the achievement gap and targeting at-risk students. The committee recommends continued funding of a number of initiatives at FY13 funding levels, including New Mexico Reads to Lead (the early reading initiative); teaching support in schools with a high proportion of low-income students; elementary breakfast; advanced placement; apprenticeship; mock trial; the graduation, reality and dual role skills (GRADS) program; college- and career- readiness assessments; short-cycle assessments for fourth through 10th grade students; and the online learning system called Innovative Digital Education and Learning (IDEAL-NM). The recommendation does not include funding for the student teacher accountability reporting system (STARS) and the operating budget management system (OBMS) – funding for these systems is included in the PED budget.

The committee continues to recognize the importance of early childhood care and education and increases funding for these initiatives. High-quality early learning experiences have been proven to prepare children for success in school and later in life. The cost-benefit research demonstrates a high return on investment for money spent on early childhood care and education for at-risk students. During the economic downturn, the Legislature maintained significant investments in early childhood services. The committee recommends continuation of these investments at an increased funding level for FY14.

The Kindergarten-Three-Plus (K-3 Plus) program, made a permanent program by the 2012 Legislature, continues to demonstrate success in addressing the achievement gap. Preliminary results from the first year of a five-year study of the effectiveness of the program by Utah State University indicate significant positive effects on student achievement. K-3 Plus can save the state money by avoiding the need for more costly remediation programs and retention in third grade. The Legislature appropriated \$11 million for K-3 Plus in FY13. Despite the large increase in funding, limited leadership at both the district level and at the PED led to far fewer students participating in the program than the number of funded slots. Districts were given only one week's notice to deliver applications for funding to the department – the department would not accept applications submitted by email. Recruitment of both students and teachers willing to devote summer weeks to school continues to be a barrier to growing the program. Additionally, districts are still concerned about the fixed costs of providing a program in light of attendance requirements for reimbursement. Despite these hurdles, the committee recommends funding of almost \$16.5 million, an increase of almost \$5.5 million over FY13 to serve an estimated 5,000 additional students. Approximately 33 thousand eligible students statewide attend high-poverty schools, schools in which 85 percent or more of the students are eligible for free or reduced-fee lunch. The committee recommends authorizing K-3 Plus awards for D and F schools in addition to high-poverty schools, increasing the number of eligible student by 15.7 thousand students.

Students enrolled in prekindergarten demonstrate improved kindergarten readiness, and the program is producing meaningful impacts on early language, literacy, and math development. Additionally, students who participate in both K-3 Plus and prekindergarten demonstrate student achievement greater than students participating in only one program. The committee recommends funding of almost \$15.5 million for FY14, an increase of almost \$5.5 million over FY13 to enroll almost 1,900 more students statewide. Approximately 23 thousand eligible students statewide attend Title I schools. Statute requires prekindergarten appropriations to be equally divided between the Children, Youth and Families Department and the PED. For FY13, the CYFD struggled to allocate prekindergarten funding appropriated to the department, likely resulting in a large fund balance at the end of the year. School districts continue to indicate they have the capacity to serve more students and that student interest exists. Therefore, the LFC recommendation includes language to allow a larger appropriation to the PED for prekindergarten programs at public schools than the appropriation for CYFD funded prekindergarten programs.

The committee recommends flat funding for the New Mexico Reads to Lead program. The first year of funding, FY13, provides limited data for analysis to show the effectiveness of the initiative. Though the committee recommends continued funding, concerns persist about the PED's administrative capacity to effectively administer and strategically implement the initiative. Concerns exist about how PED selected schools to receive funding, the apparent lack of strategy to target funds to at-risk students and the state's most struggling readers, how reading coaches were selected and where they came from, qualifications of reading coaches, and the disruption that has occurred in some schools.

The committee recommends \$2.5 million, a decrease of \$1 million, for interventions for D and F schools. For FY13, the department allocated \$150 thousand for ongoing professional development for teachers, coaches, and administrators; \$2.6 million to send several cohorts of district, school and state teams to participate in the University of Virginia (UVA) school-turnaround specialist program at \$75 thousand per team; \$300 thousand to complete a comprehensive review of D and F school budgets to identify efficiencies and cost-savings; and \$500 thousand to establish a competitive grant program for schools to implement innovative approaches to closing the achievement gap. The UVA program appears to be a high-quality school-turnaround program, though their annual report shows the program has mixed results, and the program is costly to provide targeted professional development to a select few annually. The committee remains concerned with PED's selection of the UVA program based on its mixed results, the cost, and the process for selecting participating schools. Seven of the nine schools the PED selected to participate in the first cohort received a 2011-2012 school grade of A, B or C. The appropriation should be limited to schools that received a D or F grade. Schools wanting to participate should be required to match a portion of the cost of the program. Additional concerns exist about the sustainability of the department's plan to send cohorts to the UVA program annually. New Mexico has the capacity to implement a school-turnaround program that could better support New Mexico schools. The department, institutions of higher education, the New Mexico School Leadership Institute, and other stakeholders should work together to create a sustainable New Mexico school-turnaround program to support local public schools.

RECOMMENDED LANGUAGE:

The rate of distribution of the state equalization guarantee distribution shall be based on a program unit value determined by the secretary of public education. The secretary of public education shall establish a preliminary unit value to establish budgets for the 2013-2014 school year and then, on verification of the number of units statewide for fiscal year 2014 but no later than January 31, 2014, the secretary of public education may adjust the program unit value.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units.

For the 2013-2014 school year, the state equalization guarantee distribution includes sufficient funding for school districts and charter schools to implement a new formula-based program. Those districts and charter schools shall use current year membership in the calculation of program units for the new formula-based program.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et. seq., and formerly known as "PL874 funds".

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from the federal Mineral Leasing Act receipts otherwise unappropriated.

The secretary shall verify and audit student membership and program units claimed by school districts and charter schools and shall work with and assist superintendents and school boards and head administrators and governing bodies of charter schools to ensure efficient spending practices, membership and program units are calculated correctly, and school district and charter school operating budgets are implemented in a manner that will minimize adverse impacts to instructional programs and student achievement. The secretary shall ensure the number of instructional days budgeted by a school district or charter school for the 2013-2014 school year are not reduced from the 2012-2013 school year.

The general fund appropriation to the state equalization guarantee distribution shall not be used by any school district or charter school to pay for expenses associated with student outreach, recruitment and school promotional activities including advertising and marketing efforts through mailers, telephone, television, newspaper or other print, radio, or the internet. A school district or charter school found by the public education department to have spent state equalization guarantee distribution funds in this manner shall have their state equalization guarantee distribution decreased by the public education department accordingly.

The general fund appropriation to the state equalization guarantee distribution includes eleven million one hundred sixty-six thousand four hundred dollars (\$11,166,400) contingent on enactment of legislation amending Section 22-11-21 NMSA 1978 passed during the first session of the fifty-first Legislature to improve actuarial solvency of the educational retirement fund.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2014 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions:

The general fund appropriation to the transportation distribution includes two hundred ninety-three thousand eight hundred dollars (\$293,800) contingent on enactment of legislation amending Section 22-11-21 NMSA 1978 passed during the first session of the fifty-first Legislature to improve actuarial solvency of the educational retirement fund.

Prior to the distribution of emergency supplemental funds to any public school district or charter school, the secretary of public education shall verify with the New Mexico state auditor the school district or charter school is in compliance with all provisions of Section 12-6-12 NMSA 1978. No emergency supplemental distributions shall be made to any school district or charter school not current with its audits.

Emergency supplemental funds shall not be distributed to any school district or charter school having cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget.

Any unexpended balances in the supplemental distribution of the public education department remaining at the end of fiscal year 2014 from appropriations made from the general fund shall revert to the general fund.

The appropriation to the instructional material fund is made from the federal Mineral Leasing Act (30 U.S.C. 181, et. seq.) receipts.

The general fund appropriation to the public education department for dual credit instructional materials shall be used by the department to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual credit program to the extent of the available funds.

The general fund appropriation to the public education department for the Indian Education Act includes four hundred thousand (\$400,000) for a nonprofit organization that provides teaching support in schools with a high proportion of Native American students.

Public Education Special Appropriations:

A regional education cooperative may submit an application to the public education department for an allocation from the nine hundred thirty-eight thousand two hundred dollar (\$938,200) appropriation. The public education department may allocate amounts to a regional education cooperative provided the regional education cooperative's application adequately justified a need for the allocation and the department finds the regional education cooperative submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirement pursuant to the Audit Act, and is otherwise financially stable. An allocation made to a regional education cooperative may only be used for current year operating expenses.

Notwithstanding the provisions of Section 32A-23-9 NMSA 1978 or other substantive law, the general fund appropriations of fifteen million four hundred fifty thousand dollars (\$15,450,000) to the public education department for the prekindergarten program includes no less than thirteen million nine hundred five thousand dollars (\$13,905,000) to fund direct student participation and no more than one million five hundred forty-five thousand dollars (\$1,545,000) for administrative and program support.

Notwithstanding Section 22-13-28 NMSA 1978, for the 2013 kindergarten-three-plus program, elementary schools that receive a D or F school grade for the 2012-2013 school year pursuant to the A-B-C-D-F Schools Rating Act shall be eligible to apply for kindergarten-three-plus funds. The public education department shall ensure applicant schools that meet the high poverty standard defined in Section 22-13-28 NMSA 1978 are prioritized and remaining funds are made available to applicant schools that do not meet the high poverty standard but receive a D or F school grade for the 2012-2013 school year.

The general fund appropriation to the public education department for the early reading initiative includes three million six hundred thousand dollars (\$3,600,000) to be transferred to the teacher professional development fund to support training on effective reading instruction and data-driven decision-making and for regional and district reading coaches and intervention support in the district to support teachers with the implementation of a common formative assessment tool and reading interventions.

Prior to the distribution of early reading initiative funding to a school district or regional education cooperative, the public education department shall develop a distribution plan that targets funds for direct services to students at schools with high proportions of students not proficient in reading and high proportions of at-risk students. The public education department shall not approve a school district budget that does not demonstrate that its early reading initiative allocation will be used to fund proven instructional strategies and professional development strategies such as extended school day and extended school year programs, reading coaches and reading specialists and prekindergarten programs.

The general fund appropriation to the public education department for teaching assistance for low-income students includes five hundred thousand dollars (\$500,000) for a nonprofit organization that provides teaching support in schools with at least sixty percent of the enrolled students eligible for free or reduced-fee lunch, with a priority for schools with eighty-five percent or more of the students enrolled in the school eligible for free or reduced-fee lunch.

The general fund appropriation to the public education department for interventions in D and F schools is contingent on the department allocating the funds to schools rated D or F for both the 2011-2012 school year and the 2012-2013 school year pursuant to the A-B-C-D-F Schools Rating Act.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2014 from appropriations made from the general fund shall revert to the general fund.

PUBLIC SCHOOL SUPPORT

The purpose of public school support is to carry out the mandate to establish and maintain a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state.

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	46.5%	49.8%	50%	50%	52%
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	44.4%	44.0%	50%	50%	50%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	53.3%	54.3%	60%	60%	60%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	40.8%	41.7%	50%	50%	50%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading			50%	50%	58%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessments in mathematics			50%	50%	50%
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading			60%	60%	67%
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics			50%	63%	51%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading			55%	60%	60%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in reading			62%	65%	65%

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget</u>	<u>FY14 Request</u>	<u>FY14 Recomm</u>
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics			54%	60%	60%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in mathematics			54%	60%	65%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading			New	43%	45%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics			New	38%	38%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading			New	48%	48%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics			New	35%	35%
* Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	46.2%	TBD	40%	<45%	40%
Outcome	Percent of high school students habitually truant		20.18%	<12%	<12%	<12%
Outcome	Percent of middle school students habitually truant		13.34%	<10%	<10%	<10%
Outcome	Percent of elementary public school students habitually truant			<5%	<5%	<5%
Outcome	Percent of students in kindergarten-three-plus meeting benchmark for phonological awareness			84%	85%	85%
Outcome	Change in percent of students on benchmark at the beginning of year to end of year in kindergarten through third grade			New	15%	15%
Outcome	Percent change in proficiency rates from prior year on the standards-based assessment in mathematics for fourth, eighth and eleventh grades at schools receiving state grant funding for interventions in D and F schools			New	5%	5%
Outcome	Percent change in the percent of dollars budgeted by districts with less than 750 MEM for instructional support, budget categories 1000, 2100 and 2200			1.5%	1%	1%
Outcome	Percent change in the percent of dollars budgeted by districts with 750 MEM or greater for instructional support, budget categories 1000, 2100 and 2200			1.5%	1%	1%
Outcome	Percent change in the percent of dollars budgeted by charter schools for instructional support, budget categories 1000, 2100 and 2200			2%	1%	1%
Outcome	Percent of general fund nonstate equalization guarantee distributions appropriations reverting at the end of the fiscal year			<1%	<1%	<1%
Quality	Annual percent of core academic subjects taught by highly qualified teachers, kindergarten through twelfth grade	97.1%	99.4%	100%	100%	100%
Quality	Annual percent of core academic subjects taught by highly effective teachers, kindergarten through twelfth grade			New	100%	100%
Quality	Annual percent of core academic subjects taught by highly qualified teachers in high-poverty schools, kindergarten through twelfth grade	98.3%	100%	100%	100%	100%

PERFORMANCE MEASURES

		<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Budget New</u>	<u>FY14 Request 100%</u>	<u>FY14 Recomm 100%</u>
Quality	Annual percent of core academic subjects taught by highly effective teachers in high-poverty schools, kindergarten through twelfth grade					
Quality	Current year's cohort graduation rate using four-year cumulative method	67.3%	63.0%	75%	75%	75%
Quality	Current year's cohort graduation rate using five-year cumulative method	67.3%	63.0%	75%	75%	85%
Output	Number of innovative digital education and learning New Mexico courses completed by New Mexico school-age students	2,139	1,859	2,200	1,500	2,200
Explanatory	Number of students in dual credit programs within New Mexico public high schools and postsecondary institutions	9,087	11,164	10,000	10,000	TBD
Explanatory	Number of dual credit courses students enroll in within New Mexico public high schools and postsecondary institutions			250	39	TBD
Quality	Current five-year cohort graduation rate using shared accountability			New	73.7%	75%
Explanatory	Number of American Indian language teachers certified to teach Native languages in the public schools	232	118	500	500	TBD
Explanatory	Percent of American Indian students participating in Native language classes taught in public schools			New	95%	TBD
Outcome	Percent of public schools rated A and B			25%	30%	40%
Outcome	Percent of charter schools rated A and B			30%	40%	45%
Outcome	Percent of schools increasing their letter rating by one letter grade			10%	10%	30%
Outcome	Percent of charter schools increasing their letter rating by one letter grade			10%	10%	30%
Outcome	Percent of schools decreasing their letter rating by one letter grade			5%	5%	5%
Outcome	Percent of charter schools decreasing their letter rating by one letter grade			5%	5%	5%
Outcome	Number of schools identified as reward schools pursuant to the Elementary and Secondary Education Act			New	31	50
Outcome	Number of schools identified as priority or focus schools pursuant to the Elementary and Secondary Education Act			New	94	80
Explanatory	Number of American Indian culture and history classes being taught in the public schools			New	30	TBD
Output	Percent of students in grades four through ten participating in short-cycle assessments in reading or math			New	90%	90%

NEW MEXICO FINANCE AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Finance Authority Act, Chapter 6, Article 21, NMSA 1978, created the New Mexico Finance Authority (NMFA) in 1992 as a governmental instrumentality for the purpose of coordinating and facilitating the planning and affordable financing of state and local capital projects for qualified entities in New Mexico. As a nongovernmental entity, the NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The financial and program activities of the NMFA are governed by an 11-member board, nine of whom are appointed by the governor. The authority administers 15 programs managed through rules and policies and public and private partnerships. The authority develops its own budget approved by its board of directors and does not require legislative approval. However, the New Mexico Finance Authority Legislative Oversight Committee is empowered to monitor and oversee the operations of the authority.

MISSION:

The principle mission of the NMFA is to assist qualified entities in financing capital equipment and infrastructure, including through loans for transportation, water, economic development, private lending, and social service providers. The authority meets its statutory mandate for financing state and local projects, including meeting its obligation to both the executive and legislative bodies.

TOTAL ASSETS:

The NMFA oversees more than \$2.6 billion in total assets consisting of invested cash and loans receivable. Total assets include NMFA assets (approximately \$2 billion) and assets of the Governor Richardson's Investment Partnership program or GRIP I (approximately \$658.5 million), which the authority manages for the New Mexico Department of Transportation. Gross assets increased by \$75.7 million between FY11 and FY12. Sources of funds for invested cash include bond proceeds, pledged revenues for servicing long-term debt, administrative fees, federal grant revenues, and investment interest income. The revenue forecast for FY13 is approximately \$131 million. Nonoperational expenditures (bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service) total \$132.6 million.

BUDGET ISSUES:

The authority does not receive appropriations from the state's general fund for operations. The authority's general operating budget for FY13 totals \$8.5 million, a 5.9 percent increase compared with FY12 actual expenditures. The authority is contemplating budget adjustments mid-way through the fiscal year due to contractual expenses incurred for the special forensic audit for FY11 and regular audits for FY 11 and FY12. The FY14 projected operating budget is \$8.6 million, a 0.5 percent increase over FY13. The authority has 44 authorized positions, eight of which are currently vacant. The authority pays 95 percent for employee medical premiums and 100 percent for other benefits (dental, vision, life policy, and employee assistance programs). A mandatory money purchase retirement plan (401A) is provided with 3 percent paid by the employee and a 15 percent match paid by the authority. Approximately 60 percent of the authority's operational costs are related to the public project revolving loan fund (PPRF).

As an instrumentality of the state, the NMFA is subject to the State Audit Act. Following the disclosure of a falsified audit submitted to the Office of the State Auditor (OSA), the authority was required to pay more than \$1.6 million for multiple audits to get its finances in compliance with state regulations. The authority and the OSA entered into a contract with PricewaterhouseCoopers (PwC) for forensic consulting services for FY11, and a contract with REDW, LLC to complete FY11 and FY12 regular audits. The results of the forensic audit will be submitted to the OSA and were to be released to the authority in December. As of October 15, 2012, Standard and Poor's Rating Agency affirmed the PPRF 'AAA' rating and removed the rating from "credit watch." As of October 10, 2012, Moody's Rating Agency extended the "watch list" for potential downgrade on the authority's PPRF 'Aa1' senior lien and 'Aa2' subordinate lien ratings affecting \$1.17 billion in outstanding total debt.

PROGRAMS:

The authority currently administers 15 finance programs, but the most significant infrastructure loan program is the PPRF. The PPRF is capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT). The authority leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds. The PPRF has evolved into a broader financier of state and local government credits for providing financial assistance to a greater diversity of entities and credits, thus helping the PPRF attain higher bond ratings and lower costs of issuance and, thereby, allowing the authority to offer a variety of program enhancements to its borrowers. If the rate of the first three months of "net" GGRT allocated to date holds steady, approximately \$29 million will be deposited in the PPRF for loans in FY13. The funds accrued from GGRT collections and loan repayments to the PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts - \$20.1 million in a contingent liquidity account fund and \$30.2 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio. The cash balance for loans from the PPRF as of October 1, 2012, was \$18.4 million.

NEW MEXICO FINANCE AUTHORITY

Consolidated Operating Budget - Sources & Uses Actual FY 2012, Budgeted FY 2013, Projected FY 2014

	FY2012 <u>Actual</u>	FY2013 <u>Budget</u>	Projected <u>FY2014</u>
<u>Sources - Operating Revenues</u>			
Administrative Fees:			
*PPRF Administrative and Processing Fees	\$ 3,157,832	\$ 2,012,000	\$ 3,401,000
GRIP Administrative Fee	1,638,639	675,000	750,000
New Markets Tax Credit	495,788	1,750,000	1,350,000
Other Administrative Fees	841,483	3,379,000	1,915,000
Interest on Loans	125,485	181,000	238,900
Interest on Investments	436,383	917,000	1,000,000
Total Operating Revenues	\$ 6,695,610	\$ 8,914,000	\$ 8,654,900
<u>Operational Expenses</u>			
Personnel services	\$ 2,889,703	\$ 3,422,172	\$ 3,593,000
Employee benefits	1,106,156	1,467,041	1,540,000
In-state travel	82,349	134,056	120,000
Maintenance/Repairs	30,500	26,400	34,000
Office supplies	30,750	34,350	29,000
Contractual services	2,907,287	2,435,013	2,225,000
Operating costs	940,789	974,213	972,000
Out-of state travel	21,357	75,200	100,000
Subtotal - Operational Expenses	\$ 8,008,891	\$ 8,568,445	\$ 8,613,000
*25 basis points			

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975 the New Mexico Mortgage Finance Authority was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

The MFA is governed by a seven-member board that includes the lieutenant governor, state treasurer, and state attorney general. The MFA Legislative Oversight Committee approves rules and regulations formulated by the MFA. The Land Title Trust Fund Advisory Committee (Section 15-28-8 NMSA 1978) advises MFA on the use of monies generated by the land title trust fund to address affordable housing. The New Mexico Housing Trust Fund Advisory Committee advises MFA on the use of state-appropriated housing trust fund monies. Other advisory committees that advise the MFA in carrying out its mission and vision include the New Mexico Housing Advisory Committee and the Housing Credit Allocation Review Committee.

MISSION:

The MFA provides innovative policies, products, education, and services in collaboration with strategic partners to ensure all New Mexicans have access to affordable housing. The authority engages in self-sustaining practices to strengthen the social and economic development of New Mexico's communities and families by financing, developing, and preserving homes.

MANAGED GROSS ASSETS:

The MFA manages approximately \$2.8 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, loans receivable, low-income housing tax credits (LIHTC), private activity bond cap used to issue single and multi-family mortgage revenue bonds, and Housing and Urban Development (HUD) Section 8 properties.

BUDGET ISSUES:

The MFA's fiscal year runs October 1, 2012, to September 30, 2013. The authority's general operating budget for FY13 totals \$9.2 million, an increase of 2.5 percent from FY12 actual spending. The FY12 operating budget performance was strong with the MFA ending the 12 month period (September 30, 2012) with expenditures under budget by 4 percent due to vacancy savings and unspent nonoperating funds. Operating revenues exceeded budget by 12 percent due to increased housing program income related to the Low-Income Housing Tax Credit (LIHTC) and Section 8 contract administration fees, an unbudgeted gain on the sale of American Recovery and Reinvestment Act weatherization equipment, as well as unbudgeted fair market value gains on the State Investment Council investment portfolio the MFA maintains. The MFA is not a state agency and, therefore, does not receive an annual appropriation for operations. Rather, the state mandates the authority to generate its own funding to maintain operations and to carry out its affordable housing mission. The primary program funding sources available to the MFA to carry out its statewide housing mission are mortgage revenue bond proceeds, and federal housing programs, including LIHTC, the HOME Investment Partnership Program, Section 8 contract administration, and the Weatherization Assistance Program. The MFA also provides loan funding through the housing opportunity fund, an internal revolving loan fund. About 4 percent of the authority's program resources are funded by state appropriations and state tax credits. Although the MFA is experiencing a slight decline of its operating revenue for FY13 attributed to reduced federal program administrative fees, loan and investment yields have stabilized over the last few years. As an instrumentality of the state, the MFA is subject to the State Audit Act.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

BUDGET SUMMARY (dollars in thousands)

	FY12 2011-2012 Operating Budget <u>Actuals</u>	FY13 2012-2013 Operating Budget	FY14 2013-2014 Projected Operating Budget
SOURCES			
Interest on Loans	\$3,605	\$3,918	\$4,870
Housing Program Income & Admin. Fees	4,011	3,129	3,180
Bond Administrative Fees	2,297	2,147	2,114
Interest on Cash/Investments	1,279	1,448	1,594
Servicing Rights Fees	315	309	350
Servicing Fees	356	352	352
Gain/Loss on Sale of Assets	1,506	0	0
Other Income	190	402	204
SOURCES TOTAL	\$13,559	\$11,705	\$12,664
USES			
Compensation (Salaries & Benefits)	\$5,106	\$5,562	\$5,729
Travel & Public Information	236	369	380
Office Expenses	533	569	586
Other Operating Expenses	1,442	1,001	1,031
Non-Operating Expenses (Training and Technical Assistance, Program Development and Capacity Building)	585	744	766
Capital Outlay & Servicing	79	60	62
Other (non-cash)	1,030	932	883
TOTAL USES	\$9,011	\$9,237	\$9,437
TOTAL FTE POSITIONS	66.75	66.75	66.75

PERFORMANCE MEASURES (dollars in millions)

	FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Budget</u>
Average financial assets	\$1,556	\$1,302	\$1,382
Average assets under management	\$2,910	\$2,770	\$2,518
Funds disbursed through:			
Federal and state programs	\$82	\$58	\$41
MFA programs	\$5	\$6	\$8
General fund non-operating (capacity building)	\$1	\$1	\$1
Single-family first mortgage loans:			
Number of units purchased	999	896	1,050
Dollar of loans purchased	\$123	\$107	\$127
Multi-family loans and bonds closed and tax credits allocated:			
Number of units	932	1,351	583
Dollar of loans and subsidies	\$45	\$55	\$61
Housing programs:			
Homeless nights served	16,871	15,004	19,500
Single family homeowner rehab	2,817	2,707	806
Under compliance:			
Household units (avg)	21,012	17,333	22,729
Contracts/properties	477	424	423
Loans serviced:			
Number of loans (avg)	5,951	6,226	7,087
Dollar of loans (avg)	\$307	\$315	\$337

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority Act, Section 62-16A-1 through 62-16A-15 NMSA 1978, created the Renewable Energy Transmission Authority (RETA) to create a government instrumentality to finance or plan the acquisition, maintenance, and operation of certain electric transmission facilities and storage facilities within New Mexico.

The RETA, a quasi-governmental agency, is governed by an eight-member board and has oversight from the New Mexico Finance Authority Oversight Committee. The RETA is composed of a board vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources. Under the act, three members of the board are appointed by the governor with the advice and consent of the Senate, one member is appointed by the Speaker of the House of Representatives, and one member is appointed by the president pro tem of the Senate. Statutorily, the other members are the State Investment Officer or designee, the State Treasurer or designee, and the cabinet secretary for the Department of Energy, Minerals and Natural Resources, a nonvoting member.

MISSION:

The RETA's primary focus is on developing renewable energy-related transmission infrastructure. Through the RETA, New Mexico is taking action to create a complementary industry to its oil and gas markets by addressing the transmission impediment to large-scale renewable energy development through the construction of transmission infrastructure, assisting the development of energy sources that will reduce greenhouse gas emissions and lessen dependency on foreign sources of fuel, and increasing economic development opportunities for businesses and landowners.

BUDGET ISSUES:

The budget for the RETA was composed of prior-year general fund appropriations to the Energy, Minerals and Natural Resources Department (EMNRD) transferred to the agency's nonreverting renewable energy transmission authority operating fund. A total of \$1.5 million was appropriated from the general fund through the EMNRD for FY08 and FY09 that essentially constituted start-up funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10, for a total of \$2 million since FY08.

The FY12 actual operating expenses for the RETA were \$485 thousand. In FY13, the agency budgeted \$493.3 thousand and 4 FTE, using fund balance and project fees of \$550 thousand earned from a bond issuance for the High Lonesome Mesa wind turbine project in Torrance County. Insufficient fund balance remains at the end of FY13 to support RETA operating costs in FY14. The agency requested a special appropriation of \$393.2 thousand from the general fund and \$50.8 thousand from fund balance to support 3 FTE and operational costs to maintain operations in FY14.

Generation of project fees remains an issue of concern. RETA does not expect project revenues to cover operations for the next five years. The Federal Energy Regulatory Commission denied a request by the RETA, Power Network New Mexico, LLC, and Public Service Company of New Mexico (PNM) to commence the Central New Mexico Collector System before other projects in PNM's transmission queue. The Central New Mexico Collector System, jointly developed by the RETA and a private investment entity, Goldman Sachs Global Infrastructure Partners II, is a \$400 million, 200-mile transmission project to carry up to 1,500 megawatts of renewable power developed in Torrance County to northwestern New Mexico.

Consideration should be given to paring back the staff, which currently includes a director, deputy director, financial analyst, and administrative assistant, and transferring the duties of the RETA to the New Mexico Finance Authority, with which its functions largely align and which has a sizeable dedicated revenue stream.

RENEWABLE ENERGY TRANSMISSION AUTHORITY

Operating Budgets FY12, FY13 & FY14

	<u>FY12 Actual</u>	<u>FY13 Operating Budget</u>	<u>FY14 Special Appropriation Request</u>
OPERATIONAL EXPENDITURES			
<u>Personnel Services</u>			
Salaries	\$ 350,443	\$ 364,750	\$ 312,750
Total Salaries	350,443	364,750	312,750
<u>Employee Benefits</u>			
Group Insurance	-	-	-
Retirement	-	-	-
FICA	18,537	31,150	22,500
Workers Comp	-	-	-
Unemployment Insurance	43	2,000	2,500
Total Employee Benefits	18,580	33,150	25,000
<u>Travel</u>			
Board Travel & Per Diem	496	500	700
Staff In-State Travel	1,933	3,500	3,000
Staff Out-of State Travel	3,131	1,500	3,000
Total All Travel	5,560	5,500	6,700
<u>Office Supplies</u>	5,746	8,850	8,850
<u>Contractual Services</u>			
Financial Advisor - Other	-	-	-
Legal Counsel	39,628	17,528	20,000
Accounting-Audit (External)	14,400	14,800	17,000
Trustee/Banking Fees	1,294	2,000	1,800
Contracted Services	1,081	-	-
IT Support	1,697	500	1,000
Professional Support Services	9,397	8,500	9,500
Total Contractual Services	67,497	43,328	49,300
<u>Operating Costs</u>			
Business Insurance	-	2,000	2,000
Advertising & Promotion	454	-	-
Reporting & Recording	1,467	400	600
Postage/Overnight	228	300	300
Office Rental	19,500	22,680	24,500
Telephone, Fax & Internet	9,777	12,000	10,000
Education & Training - Staff	-	-	-
Dues and Subscriptions	264	300	-
Hardware & Software, Furnishings	5,569	-	4,000
Total Operating Costs	37,259	37,680	41,400
TOTAL OPERATIONAL EXPENDITURES	\$ 485,085	\$ 493,258	\$ 444,000

AGENCY FUNDING SOURCES (Since Inception)

2007 – HB2, Section 5 (53): \$500.0 thousand, and SB710, Section 18: \$500.0 thousand

2008 – HB2, Section 5 (64): \$250.0 thousand, and SB165, Section 17(8): \$250.0 thousand

2009 – HB2, Section 4 (Program Support): \$250.0 thousand, and Section 5 (36): \$250.0 thousand

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-22 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico post-secondary institutions. The authority is governed by a seven-member board, appointed by the governor with the advice and consent of the Senate. The act requires the board to appoint a chief executive officer to manage and direct the operation of the lottery and all administrative and technical activities of the authority, among other duties.

The New Mexico Lottery Act requires the NMLA to present its budget to DFA and LFC by December 1. The lottery is not a state agency, and the act provides that the LFC has oversight over the operations of the NMLA. The act also requires the LFC to periodically review and evaluate the success with which the NMLA is accomplishing its duties and operating the lottery. The LFC is authorized to conduct an independent audit or investigation of the lottery or the NMLA.

MISSION:

The mission of the New Mexico Lottery Authority is to maximize revenues for tuition assistance for New Mexico undergraduates by conducting a fair and honest lottery for the entertainment of the public.

BUDGET ISSUES:

The New Mexico Lottery Act requires the NMLA to transmit monthly at least 30 percent of the gross revenue of the previous month to the State Treasury to be deposited in the lottery tuition fund. A 2007 amendment to the act increased this share from 27 percent starting January 1, 2009. The NMLA reports this requirement strained its ability to operate effectively and meet its statutory requirements. The NMLA eliminated retailer and employee sales incentives, reduced staffing from 68 to 56 FTE, reduced its advertising budget by \$1 million (33 percent), and reduced the prize payout percentage. The FY07 prize payout for instant games was 63 percent; and by FY12 it was 58 percent. The NMLA adds that, since decreasing the payout percentage, instant game sales have decreased from \$91.4 million in FY07 to \$68.7 million in FY12. The Legislature may need to reconsider the requirement that 30 percent of gross revenue be transferred to the lottery tuition fund, and whether the requirement has resulted in fewer sales and reduced revenues for education.

Reconsidering revenue allocations for prizes and education would be timely because the lottery scholarship, as currently structured, is successful but not sustainable. The Higher Education Department estimates the balance in the lottery tuition fund will be depleted by the end of FY14. Tuition assistance expenses have risen rapidly due to rising tuition costs and an increasing number of recipients. During the last five years, expenditures from the lottery tuition fund have increased by 47.5 percent, or \$18.7 million, with more than \$15 million of this growth at the research institutions. During this period, the number of students receiving the lottery scholarship increased by 21 percent, with the two-year institutions experiencing the largest growth in recipients.

To better illustrate the NMLA's management of the state lottery, the authority should provide benchmark data comparing its lottery operations with other states. Examples of informative and meaningful performance data include interstate comparisons of expenditures for operations and prizes, as well as per-capita lottery consumption.

NEW MEXICO LOTTERY AUTHORITY

Operating Budgets FY12, FY13, and FY14 (projected)

	FY12 Unaudited Actuals	FY13 Consolidated Original Annual Budget (Board Approved May 2012)	FY14 Annual Budget Forecast (September 2012)
SOURCES			
Instant ticket sales	\$71,632,710	\$71,100,000	\$69,100,000
Powerball sales	\$33,795,664	\$36,000,000	\$36,000,000
Mega Millions sales	\$14,330,230	\$12,000,000	\$12,000,000
Roadrunner Cash sales	\$7,520,021	\$8,000,000	\$8,000,000
Hot Lotto sales	\$5,438,475	\$5,000,000	\$5,000,000
Pick 3 sales	\$3,638,558	\$3,700,000	\$3,700,000
Quickster sales	\$453,448	\$2,500,000	\$2,500,000
Prize tickets	-\$2,890,810	-\$3,000,000	-\$2,900,000
Spoiled, stolen, and promotional tickets	-\$130,944	-\$287,000	-\$287,000
Retailer fees	\$16,250	\$11,000	\$11,000
Bad debts	-\$12,000	-\$24,000	-\$24,000
TOTAL OPERATING REVENUES	\$133,791,602	\$135,000,000	\$133,100,000
NON-OPERATING REVENUES	\$63,933	\$18,000	\$18,000
GROSS REVENUES	\$133,855,535	\$135,018,000	\$133,118,000
USES			
Prize expense	\$72,027,308	\$72,791,000	\$71,884,000
Retailer commissions	\$8,696,851	\$9,025,000	\$8,892,000
On-line vendor fees	\$2,139,754	\$2,170,000	\$2,130,000
Advertising	\$2,277,892	\$2,300,000	\$2,300,000
Ticket vendor fees	\$1,177,707	\$1,303,000	\$1,200,000
Promotions	\$381,179	\$441,000	\$400,000
Shipping and postage	\$410,422	\$420,000	\$420,000
Responsible gaming	\$87,400	\$119,000	\$123,000
Game membership	\$65,502	\$88,000	\$88,000
Drawing game	\$116,532	\$85,000	\$75,000
GAME EXPENSES	\$87,380,548	\$88,742,000	\$87,512,000
Salaries, wages and benefits	\$3,583,778	\$4,046,000	\$4,136,000
Leases and insurance	\$585,629	\$505,000	\$429,000
Utilities and maintenance	\$431,189	\$451,000	\$441,000
Depreciation and amortization	\$115,933	\$244,000	\$200,000
Professional fees	\$150,652	\$195,000	\$150,000
Materials and supplies	\$153,867	\$89,000	\$89,000
Travel	\$69,470	\$125,000	\$125,000
Other	\$55,727	\$108,000	\$100,000
TOTAL OPERATING EXPENSES	\$5,146,244	\$5,763,000	\$5,670,000
NET INCOME	\$41,328,743	\$40,513,000	\$39,936,000
GROSS REVENUE PERCENTAGE RETURN	30.88%	30.01%	30.00%



NEW MEXICO STATE
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