



LEGISLATIVE FINANCE COMMITTEE

**FISCAL REVIEW
1994 LEGISLATIVE SESSION**

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NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

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INTRODUCTION
LFC FISCAL REVIEW
1994 LEGISLATIVE SESSION

For the Legislative Finance Committee, the 1994 legislature represents a culmination of the committee's efforts over the previous interim but also marks the commencement of important new mandates which include assisting the Horizons Task Force and conducting a performance budgeting pilot project.

The 1994 legislative session saw the funding of many meaningful legislative initiatives. Although enactment of appropriations is significant, the money must be spent in an effective and *timely* manner before the legislature's accomplishments are truly fulfilled. It is anticipated that monitoring the progress of authorized spending initiatives will be a legislative priority for the foreseeable future.

Although the LFC's primary mission is the preparation of comprehensive budget recommendations for state government, higher education and public schools, the committee is also concerned with effective management. In this regard, the LFC proposed a number of measures to the 1994 legislature aimed at improving government efficiency, the most significant of which are described in this document.

In this regard, the LFC also recommended legislation to change the official fiscal year designation for the State of New Mexico. Heretofore, fiscal years were numbered according to the years elapsed since statehood in 1912. However from now on the state's fiscal year will be cited as the calendar year in which the fiscal year *ends*. For example, the 1994-95 fiscal year, previously designated as "the eighty-third fiscal year" will now be cited as "fiscal year 1995" or "FY95."

Although the fiscal year designation may seem unimportant, it has been an endless source of confusion, especially for the general public. We are pleased to offer this account of the 1994 legislative session with the more understandable fiscal year notation. As always, the Legislative Finance Committee welcomes suggestions of ways in which this report may be made more useful to its readers.

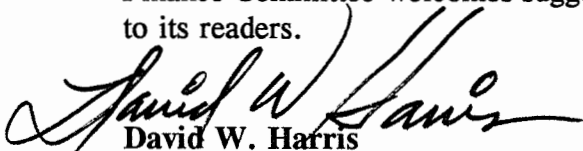

David W. Harris
Director

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GENERAL FUND: FY1994-95

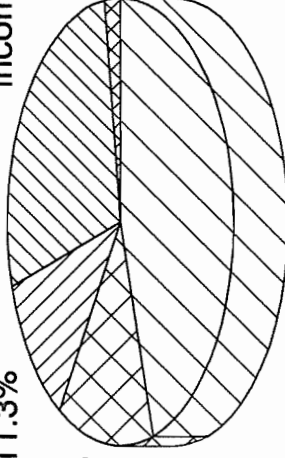
Revenues & Appropriations

Severance & Royalties \$297 11.3%

Interest Income \$361 13.7%

Income Taxes \$722 27.5%

All Other \$57 2.2%



Gross Receipts & Sales Taxes

\$1,193 45.4%

Recurring Revenues: \$2,630,000,000

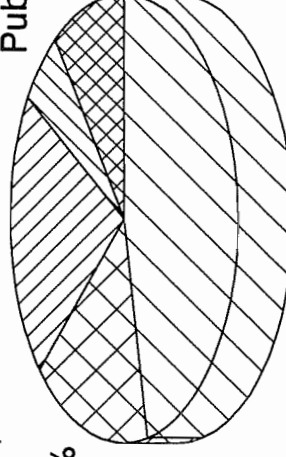
Health & Human Services \$541 20.8%

Higher Education \$431 16.6%

Public Safety \$149 5.7%

General Government

\$270 10.3%



Public Schools \$1,215 46.7%

Recurring Appropriations: \$2,605,300,000

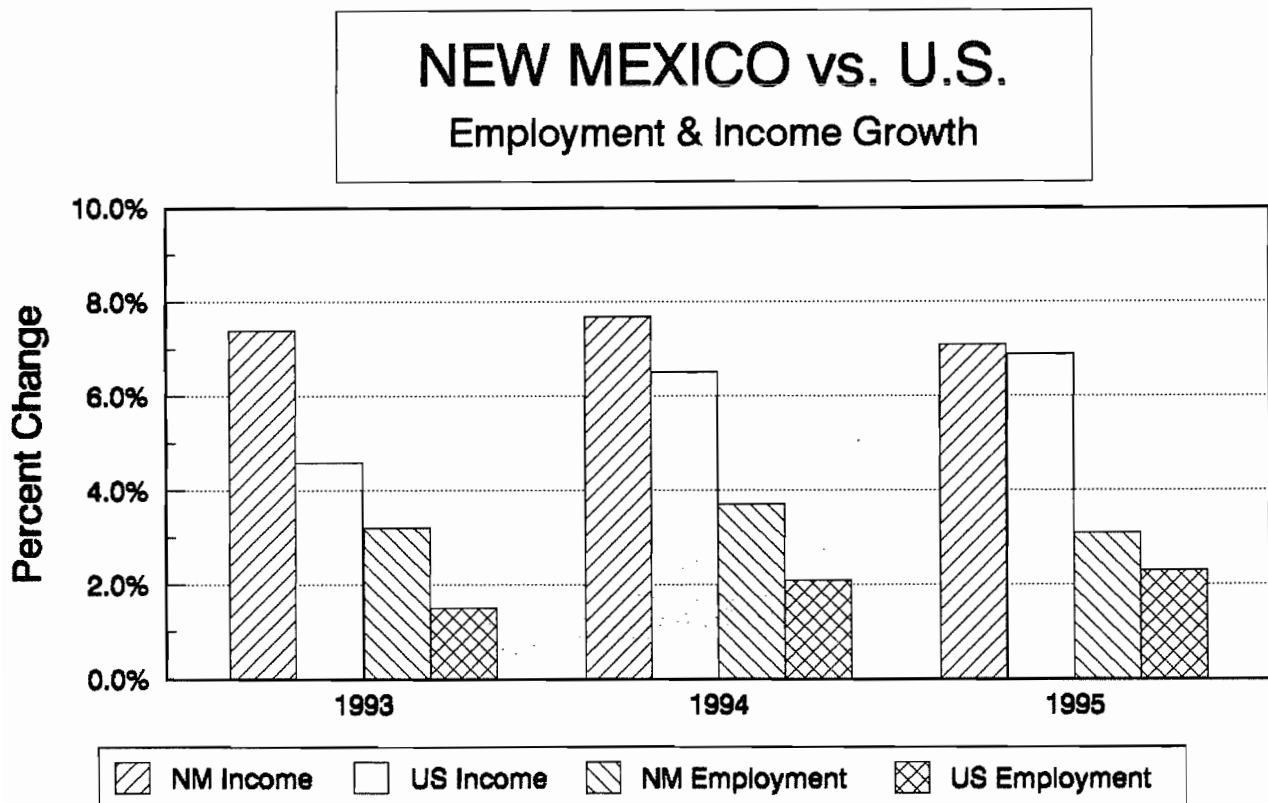
GENERAL FUND OVERVIEW

Economic Summary

National and State Economic Forecasts. The national and state economic forecasts used to prepare the revenue estimates were growth scenarios based on low interest rates and strong consumer spending. For the nation, moderate growth in real gross domestic product (GDP) and low inflation reflected conflicting trends. Defense cuts, federal tax increases and continued weakness in Japan and Europe were expected to act as impediments to growth in the U.S. economy while consumer spending, housing and business investment were strengths. Real GDP was projected to increase by three percent in both 1994 and 1995 after growing by 2.8 percent in 1993.

The state economy was projected to continue to outperform the nation in terms of employment and income growth. Low interest rates, in-migration, consumer spending and an improvement in manufacturing were fueling a broad-based recovery with all sectors doing well. The strongest employment sectors were expected to be construction and mining but virtually all sectors were expected to experience growth.

The table below illustrates the projected strength in the New Mexico economy as compared to the United States:



November 1993 WEFA & FOR-UNM forecasts.

FY94 General Fund Revenues. The general fund revenue outlook was determined by the strength in the state economy. This underlying strength which was not captured in the estimate of FY94 revenues until after the 1993 legislative session resulted in large revisions to the estimates. The February 1994 estimate of FY94 revenue was \$160 million higher than the estimate prepared in February 1993. When combined with the \$86 million underestimate of FY93 revenue, the result was a windfall of approximately \$214 million available for additional FY94 appropriations, tax rebates or to boost reserves.

FY95 General Fund Revenue. The FY95 revenue estimate prepared in December 1993 was revised by \$25 million during the legislative session. The revised estimate of \$2.689 billion was six percent, or \$154 million higher than the FY94 estimate. Yet the revenues available for appropriation were substantially higher than \$154 million because the calculation of dollars available for appropriation is based on a comparison of revenue to the prior year's appropriation base. When the FY95 revenue estimate was compared to FY94 appropriations, the difference was \$326 million. This calculation is illustrated below:

**FY95 General Fund Revenue (in millions) for Appropriation
Based on February 1994 Estimate**

FY95 Revenue Estimate	\$ 2,689
FY94 Recurring Appropriations	2,363
Difference Equals Maximum Budget Growth	326

This incremental revenue total (\$326 million) was allocated by the legislature into three shares for tax relief, recurring budget growth and nonrecurring appropriations with the intention of setting recurring appropriations at a sustainable level.

Revenue Measures

The focus of the legislature's discussion of tax measures was placed on adopting a tax reduction package that could be sustained for several years. Accordingly, the legislature adopted a series of measures designed to ensure that tax relief reached New Mexico taxpayers and to address the public's disenchantment with the gasoline tax increase enacted in 1993. The legislature will return a combined total of approximately \$190 million over the 36-month period of July 1, 1994 to June 30, 1997.

The table below summarizes the revenue measures passed by the 1994 legislature. For the 1993-94 and 1994-95 fiscal years, tax cuts of \$65 million were adopted. One measure, Chapter 11 (House Bill 83) which was a Legislative Finance Committee bill increased reversions to the general fund by essentially directing state agencies to spend their general fund appropriations after other funds are expended. Two bills reduced general fund revenue for the 1993-94 fiscal year; Chapter 10 (House Bill 66) repeals an 18 percent corporate income tax surcharge for certain filers (\$3 million); Chapter 98 (House Bill 203) repeals a fee applied to nontaxable transaction certificates (\$125.0).

The legislature's tax relief package, Chapter 5 (CS/House Bill 6, et al), reduced gasoline taxes by two cents per gallon for three years; restructured the personal income tax to reduce the marriage tax penalty and move out the highest tax rate; expanded the low income comprehensive tax credit; and adopted a three percent prescription drug credit to be applied against personal income taxes. The package reduces taxes by \$46.7 million for 1994-95 but includes additional personal income tax relief of \$11 million for 1995-96 and \$12 million for 1996-97.

The other measure with a significant general fund impact of (\$11.9 million in FY95) was Chapter 145 (Senate Bill 509) which transferred the governmental gross receipts tax proceeds from the general fund to the New Mexico Finance Authority (80 percent) and the Energy, Minerals and Natural Resources Department for state park improvements (10 percent) and for the Youth Conservation Corps (10 percent).

Other revenue reduction measures included the elimination of the motor vehicle excise tax for certain leased vehicles (\$1.2 million); repeal of the fee for nontaxable transaction certificates (\$500.0); extension of the insurance premium tax credit for the Comprehensive Health Insurance Pool – CHIP (\$600.0); provision of a premium tax credit for insurers in the small business health insurance pool (\$450.0); extension of the liquor excise reduction afforded small wineries (\$200.0); adoption of a limited gross receipts tax deduction for all 501(c) organizations except for 501(c)(3) entities (\$185.0); and enactment of a gross receipts tax deduction for certain warehouse centers (\$100.0).

1994 GENERAL FUND REVENUE LEGISLATION

		FY82 (1993-94)		FY83 (1994-95)		Op. Reserve FY83
		Recurring	Non-Rec	Recurring	Non-Rec	
Ch 5	Tax Package:					
	Gasoline Tax Cut			(16,024.0)		
	Gas Tax to Local Gov't Road Fund					
	Motor Vehicle Excise to GF					
	Restructure PIT			(12,100.0)		
	Expand Low Income Tax Credit			(12,700.0)		
	Prescription Drug PIT Credit			(5,900.0)		
	SUB TOTAL	0.0	0.0	(46,724.0)	0.0	0.0
Ch 139	Tax Exemption – Leased Vehicles			(1,200.0)		
Ch 10	Repeal CIT Surcharge (Kraft)		(3,000.0)			
Ch 11	Agency Reversions	2,000.0		2,000.0		
Ch 145	Local Infrastructure: GGRT to NMFA			(11,900.0)		
Ch 112	Warehouse Centers Deduction GRT			(100.0)		
Ch 98	NTTC Application Fee Repeal	(125.0)		(500.0)		
Ch 52	Liquor Excise Tax Small Wineries			(200.0)		
Ch 43	Nonprofit Organization Deduction			(185.0)		
Ch 78	Increase SBA Loan Rates			125.0		
Ch 75	Health Insurance Alliance Act			(450.0)		
Ch 58	Health Insurance Pool			(600.0)		
Ch 100	GSD Computer Loan Payoff					(850.0)
TOTAL REVENUE MEASURES		1,875.0	(3,000.0)	(59,734.0)	0.0	(850.0)

GENERAL FUND FINANCIAL SUMMARY

Appropriations. As a result of underestimated revenues in FY93 and revisions to the FY94 estimate, substantial General Fund revenues were available for additions to FY94 recurring and nonrecurring appropriations. To the FY94 appropriation base, established in the 1993 legislative session, the legislature added \$35.6 million in recurring appropriations and \$170 million in nonrecurring appropriations. Additionally, \$5 million was appropriated from the General Fund operating reserve account for expenditure in FY94.

For FY95, the legislature added \$242 million in recurring appropriations to the FY94 pre-session total of recurring appropriations which represents growth of 10.2 percent. Nonrecurring appropriations for FY95 total \$27.8 million. For FY95, \$2.5 million was appropriated from the operating reserve. The calculation of appropriations growth is presented below:

Recurring Appropriations Growth

		FY95 Increase	
FY94 Base	FY95 Total	Dollars	Percent
\$2,363.3	\$2,605.3	\$242.0	10.2%
1994 Additions			
35.6			
		FY95 Adjusted Increase	
FY94 Total	FY95 Total	Dollars	Percent
\$2,398.9	\$2,605.3	\$206.4	8.6%

The FY95 adjusted increase is calculated against the FY94 base plus appropriations added to the base by the 1994 legislature.

Revenues. During the 1994 legislative session, the December 1993 revenue estimate was revised up by \$35 million for FY94 and by \$25 million for FY95. By legislative action, an additional \$1.9 million was added to the FY94 estimate. The tax reduction measures reduced FY95 revenues by \$59.7 million. After accounting for 1994 legislation, revenue growth for FY94 and for FY95 will be 12 percent and 3.6 percent respectively.

Reserve Funds. The three General Fund reserve accounts, the operating reserve, the state support reserve and the appropriation contingency fund, are now projected to total \$125 million for FY94 and \$120 by the end of FY95. The individual reserve account details are presented in the General Fund financial summary table.

GENERAL FUND FINANCIAL SUMMARY:
FY1993-94 & FY1994-95

	Projected FY82 1993-94	Projected FY83 1994-95
	-----	-----
A. GENERAL FUND		
Recurring Revenues	2,500.7	2,664.4
February 1994 Revision	35.0	25.0
1994 Revenue Actions	1.9	(59.7)
Subtotal Recurring Revenues	2,537.6	2,630.0
Nonrecurring Revenues	(3.0)	0.0
TOTAL REVENUES	2,534.6	2,630.0
Recurring Appropriations	2,398.9	2,605.3
Subtotal Recurring Appropriations	2,398.9	2,605.3
1994 Nonrecurring Appropriations	170.7	27.8
1993 Nonrecurring Appropriations	15.7	
TOTAL APPROPRIATIONS	2,585.2	2,633.1
TRANSFER TO RESERVES	(50.7)	(3.1)
=====		
B. OPERATING RESERVE		
Beginning Balance	199.3	114.2
Revenues	4.3	1.5
Appropriations		
1993 Appropriations	(33.7)	
1994 Appropriations	(5.0)	(2.5)
Transfers—from GF	(50.7)	(3.1)
To State Support		
Ending Balance	114.2	110.0
C. STATE SUPPORT RESERVE		
Beginning Balance	6.5	4.7
PL-874 & General Fund Transfers	(1.8)	
For Equalization Guarantee		
Transfer from Other Reserve Fund		
Ending Balance	4.7	4.7

GENERAL FUND FINANCIAL SUMMARY:
FY1993–94 & FY1994–95

	Projected FY82 1993–94 -----	Projected FY83 1994–95 -----
D. APPROPRIATION CONTINGENCY FUND		
Beginning Balance	8.9	6.9
Disaster Authorizations	(2.0)	(2.0)
Transfers & Appropriations:		
From General Fund		
Appropriations		
To State Support Reserve		
Ending Balance	6.9	4.9
E. TOTAL BALANCES		
Beginning of Period	214.7	125.8
End of Period	125.8	119.7
=====		

Notes:

1. Detail may not add to column total due to independent rounding.
2. FY1994–95 revenue total rounded to the nearest million.

Out-Year Forecast. The financial windfall facing the 1994 legislature was the product of revenue estimates that proved to be significantly low. The strength of the state's economy resulted in a surplus for the budget year of more than \$320 million. Once the budget implications of the revenue picture became clear, the legislature informally adopted a goal of extending the surplus several years in order to provide more stability and predictability in both revenues and appropriations. A five-year revenue forecast presented to the Legislative Finance Committee in December 1993, showed that revenues were likely to continue to grow at about six percent per year. The legislature used this scenario as a guide in forming a tax reduction strategy that returned unneeded revenues to taxpayers and which could be sustained for several years. In terms of appropriations, the legislature sought to hold spending to a level that could also be sustained. The chart below, based on the five-year revenue outlook, demonstrates the implications of the revenue and appropriation actions of the 1994 legislature.

Out-Year Revenue and Appropriation Forecast
Dollars in Millions

	FY95		FY96		FY97		FY98	
	1994-94	Percent	1995-96	Percent	1996-97	Percent	1997-98	Percent
Revenue								
A. Recurring	2,630	3.6	2,793	6.2	2,955	5.8	3,129	5.9
Appropriations								
B. Recurring	2,605	8.6	2,766	6.2	2,927	5.8	3,100	5.9
C. Revenue to Revenue Increase			163		162		174	
D. Revenue to Appropriation Increase			187		188		202	
E. Cushion: Line D minus Line C			24		26		27	

Source: GENERAL FUND REVENUE OUTLOOK THROUGH FY98, December 13, 1993.

For FY96, FY97, and FY98 revenues are projected to grow at about six percent per year. If the increase in recurring appropriations is limited to the increase in recurring revenues, the legislature will have approximately \$160 million available for appropriation in FY96 and FY97, increasing to \$174 million in FY98. (See line C.) If appropriations are held to the revenue increase for FY96, a residual amount of \$24 million would be available for nonrecurring appropriation or further tax reductions.

In summary then, it can be reasonably concluded that the 1994 session of the Legislature set a prudent course for the future by increasing reserves to \$125 million, providing significant tax relief and assuring a comfortable revenue stream for the future.

PUBLIC SAFETY

Corrections Department

Duran Consent Decree

During the Forty-First legislature, Second Session, the legislature was once again called on to address the issues arising from the Duran Consent Decree. Major problems relative to achieving substantial compliance with this venerable federal mandate persist at the Penitentiary of New Mexico. The highest priority among these problems is the issue of inmate idleness. Recent scrutiny by the special master has emphasized the need to increase the level of inmate activity at the penitentiary and the Corrections Department requested 89 positions at a cost in excess of \$2.4 million for this purpose in its FY95 budget request.

The federal mandate and the settlement agreement entered into by the state and the Corrections Department in 1991 establishes methods by which the department's institutions may come into substantial compliance and may be vacated from the decree. An aspect of the settlement agreement is elucidated as follows: "The defendants shall prepare a plan to, periodically eliminate the use of day rooms"

In the six-month period from July through December 1993, the average number of inmates occupying day rooms has been 123. In its FY95 budget request the Corrections Department asked for \$4,654.4 to provide lease payments to a correctional facility currently under construction in Cibola County. The department proposed to house up to 238 inmates at this facility as a method of both finding new space for its growing inmate population and in attempting to meet the aforementioned edict relative to periodic reduction in the use of day bunks to house inmates.

During the 1994 legislative session, significant steps were taken to address consent decree and population management issues. The legislature reauthorized \$7,081.2 to enable the Corrections Department to construct a 264-bed minimum restrict unit at the Southern New Mexico Correctional Facility in Las Cruces. Additionally, within the Senate Finance Committee substitute for Senate Bill 372 (Chapter 147), one million dollars from the general fund and five million dollars from the general fund operating reserve were appropriated to the Department of Finance and Administration for distribution to the Corrections Department to resolve the outstanding issues of the consent decree. It is the intent of this appropriation that the Corrections Department work with the Department of Finance and Administration and the Legislative Finance Committee in its efforts toward substantial compliance with this federal mandate. The committee believes strongly that the department must first develop a multi-faceted plan before it begins to move forward with its final steps to vacate the decree, and the committee intends to subject this issue to intense scrutiny during the interim.

Capital Projects

Two approved capital projects should also have a positive impact on the state's ability to vacate the consent decree. The first involves construction of classroom space and recreational areas at the north and south units at the Penitentiary of New Mexico. Additionally, the visitation facility

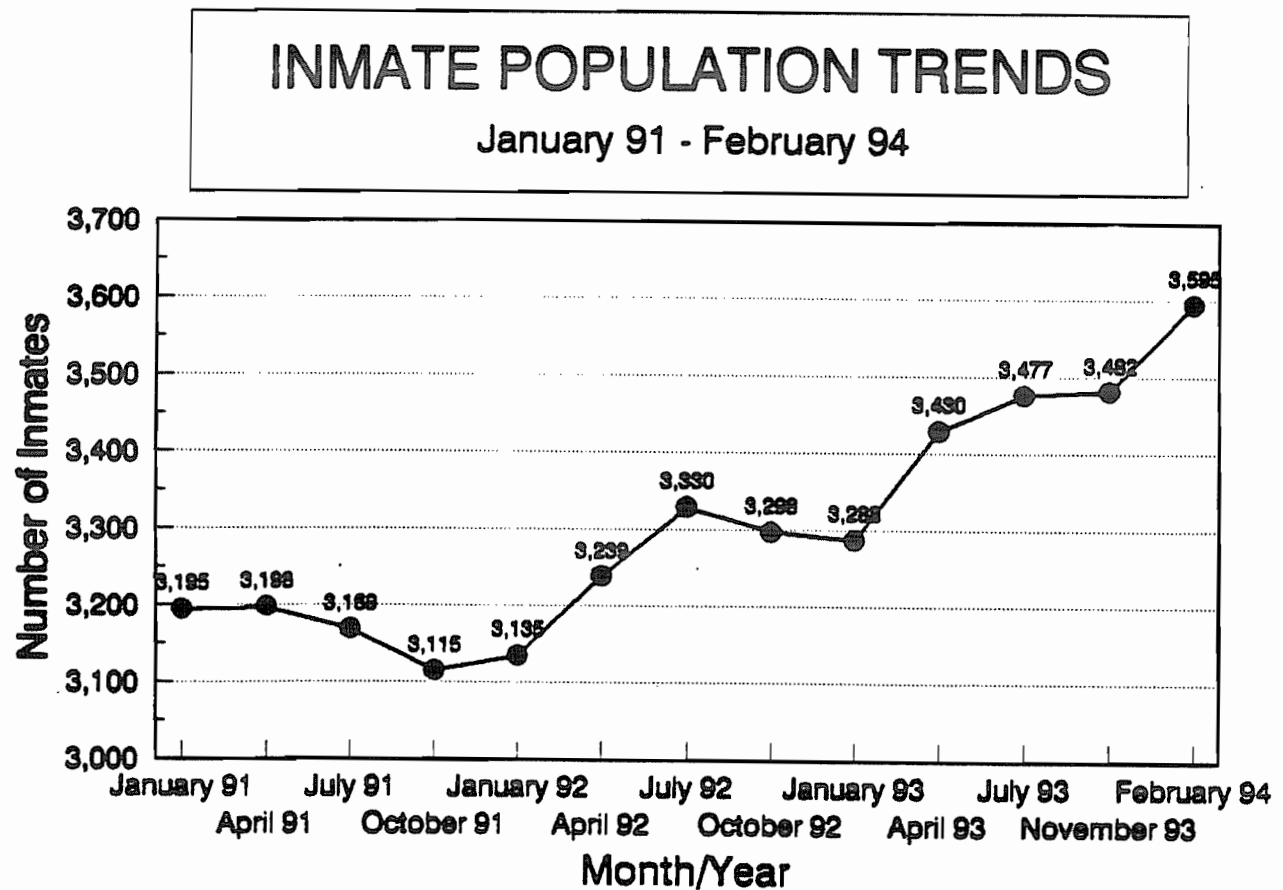
at the north unit will be expanded. The legislature has reauthorized \$3,100.0 from severance tax bonding sources for this purpose. Another project funded through a reauthorization (\$900.0) is renovation, repair and new construction of the infirmary at the Central New Mexico Correctional Facility in Los Lunas.

During the Forty-First Legislature, Second Session, many deliberations were held concerning the physical status of the main facility of the penitentiary. Capital projects were proposed for both renovation of this facility and construction of a new replacement facility. The proposed funding levels for these projects range from \$10 million to \$40 million. An issue that arose during consideration of these projects was the location of a new facility. The legislature has decided to postpone funding of this project and through enactment of Senate Memorial 132 has requested the Corrections Department "to issue a request for proposals to design, construct and finance a four hundred forty-bed adult correctional facility in or near the municipality of Santa Rosa on land made available by the municipality of Santa Rosa or the county of Guadalupe. . . ."

Inmate Population Trends

In the course of the last three years, inmate population growth has shown an upward trend. Although occasional slowing and even reductions to the inmate population have occurred since January 1991, the basic trend has been the incarceration of an ever-increasing number of inmates in the facilities operated by the Corrections Department. This has never been more evident than in the last year (January 1993 through February 1994) as the total inmate population has escalated by 9.3 percent to an all-time high of 3,595. For comparison purposes, it is noted that the inmate population growth for the previous two years averaged 1.5 percent per year. The total number of inmates is comprised of 3,381 male inmates at the state's seven male institutions and 214 female inmates at the women's facility in Grants.

The number of inmates now housed in the state's facilities is beginning to stretch the system beyond its design capacity of 3,575. This highlights the importance of both further research and use of alternatives to incarceration (the legislature provided an additional \$396.0 in funding for community corrections) and legislatively approved construction projects such as the 264-bed minimum restrict unit which will be located at the Southern New Mexico Correctional Facility. The chart below graphically depicts population changes since 1991.



DWI Programs

During the 1993 legislative session a landmark driving while intoxicated (DWI) package containing stiffer penalties and increasing liquor excise taxes was enacted into law. Two major components of the package were establishment of the DWI program fund and the Local DWI Grant Program Act which also included establishment of a fund. These two vehicles were created to provide funding for various state agencies (the DWI program fund) and communities (the local DWI grant program fund) throughout New Mexico for increased support in areas such as enforcement, prevention, education, screening and treatment as they pertain to DWI and alcohol abuse. Financial support for the DWI program fund was appropriated during the 1994 legislative session, while the local DWI grant program fund was disbursed by the Department of Finance and Administration, Local Government Division in mid-January 1994. Together, these two funds provided \$10.6 million to help combat the DWI problem in New Mexico.

DWI Program Fund

The DWI program fund was established to assist the various state agencies which would be significantly impacted by the DWI problem, such as the Department of Health, the Taxation and Revenue Department, the 14 district attorneys, the Public Defender Department and the Children, Youth and Families Department. The fund's balance of \$5.1 million, to be expended over FY94 and FY95, was appropriated by the 1994 legislature. Agencies submitted requests for funding based on what they projected the impact of the DWI laws to be. Interestingly, not all eligible agencies submitted funding requests. Agency requests from the fund totalled \$15.8 million and included 169.2 positions. The Legislative Finance Committee staff analyzed all requests and made recommendations to the legislature regarding disbursements.

The majority of the fund was allocated to the judiciary -- \$3,154,000 (61.8 percent). The judiciary includes the district attorneys, the Public Defender Department, district courts, magistrate courts and the Bernalillo County Metropolitan Court. This funding will provide 65 permanent full-time equivalent positions to assist the agencies with the anticipated increase in workload as a result of the additional prosecution and defense cases of those arrested on charges of DWI.

The remaining \$1,946,000 was distributed among the following agencies: Taxation and Revenue Department; the Regulation and Licensing Department; Department of Health; Children, Youth and Families Department; Department of Public Safety; State Highway and Transportation Department, Traffic Safety Bureau; and the University of New Mexico School of Medicine. This funding will provide a total of 19 positions for various programs.

Following is a list of the impacted agencies and a brief description of each program:

AGENCY	PROGRAM
Administrative Office of the Courts Magistrate Division	Court clerks and related costs
Second Judicial District Court	DWI support staff
Eighth Judicial District Court	DWI alternative sentencing program
Eleventh Judicial District Court	Court clerks
Thirteenth Judicial District Court	Court clerks
Bernalillo County Metropolitan Court	Court clerks and pretrial services
Second Judicial District Attorney	DWI prosecution staff
Third Judicial District Attorney	DWI prosecution staff
Fourth Judicial District Attorney	DWI prosecution staff
Seventh Judicial District Attorney	DWI prosecution staff
Eighth Judicial District Attorney	DWI prosecution staff
Ninth Judicial District Attorney	DWI prosecution staff
Eleventh Judicial District Atty, Farmington	DWI prosecution staff
Eleventh Judicial District Attorney, Gallup	DWI prosecution staff
Twelfth Judicial District Attorney	DWI prosecution staff
Thirteenth Judicial District Attorney	DWI prosecution staff
Public Defender Department	DWI indigent defense
Taxation and Revenue Department	Hearing officer for DWI cases
Regulation and Licensing Department Alcohol and Gaming Division	Alcohol servers training program and Liquor Control Act enforcement
Department of Health	DWI prevention program
Children, Youth and Families Department	Regional center co-op programs
Department of Public Safety Special Investigations Division	Liquor Control Act enforcement
State Highway and Transportation Department Traffic Safety Bureau	DWI public information and driver education
UNM School of Medicine	Ethnicity and fetal alcohol syndrome study

Funding from the DWI program fund will be permanently established within each agency's future budget. In other words, the \$5.1 million appropriation was made to the fund on a one-time basis

and because the 1994 legislature appropriated the full amount, the fund no longer exists. However, the money appropriated to each agency will be rolled into each of the agencies' budgets in future years.

DWI Grant Fund

As mentioned previously, the Local DWI Grant Program Act was established by the 1993 legislature. The act established the DWI Grant Council and created the local DWI grant program fund, and also included an appropriation of \$5.1 million to the fund. The primary purpose of the act is to disburse money via the council to local communities which may have new, innovative or model programs, services or activities of any kind designed to prevent or reduce the incidence of DWI, alcoholism or alcohol abuse. The appropriation may also be used to fund existing community-based programs, services or activities to attain the same goal. The DWI Grant Council, which consists of seven members, is responsible for considering grant applications and awarding DWI grants pursuant to the Local DWI Grant Program Act.

Out of 33 counties in New Mexico, the council awarded 24 counties a total of \$4.1 million in grants. The remaining balance (\$900,000) will be used to further enhance those awards that may have required further clarification of individual proposals. The services and activities that will be provided by the counties fall into eight categories:

- | | |
|---|--------------------------|
| ● Prevention | ● Enforcement |
| ● Screening and assessment | ● Teen court |
| ● Outpatient treatment | ● Intensive probation |
| ● Coordination, planning and evaluation | ● Alternative sentencing |

The following table lists the counties, award amount and a brief description of the majority of services or activities to be provided.

COUNTY	AWARD	PROGRAM
Bernalillo	625,000	Screening and assessment; outpatient treatment
Chaves	55,000	Prevention; intensive probation
Cibola	89,000	Prevention; outpatient treatment; teen court
Curry	128,000	Enforcement; intensive probation
DeBaca	14,000	Prevention; enforcement
Dona Ana	476,670	Prevention; outpatient treatment
Eddy	155,000	Prevention; outpatient treatment
Grant	30,000	Coordination, planning and evaluation
Guadalupe	30,000	Prevention; screening and assessment
Hidalgo	48,000	Prevention; screening and assessment
Los Alamos	65,000	Prevention; intensive probation
McKinley	118,000	Outpatient treatment; coordination, planning and evaluation
Otero	60,470	Screening and assessment; intensive probation
Quay	169,500	Prevention; enforcement; intensive probation
Rio Arriba	240,000	Prevention; outpatient treatment
Sandoval	218,000	Prevention; outpatient treatment
San Juan	700,000	Intensive probation; alternative sentencing
San Miguel	30,000	Prevention
Santa Fe	275,000	Prevention; outpatient treatment
Sierra	97,000	Prevention; coordination, planning and evaluation
Socorro	120,000	Prevention; outpatient treatment
Taos	170,000	Prevention; outpatient treatment
Torrance	114,529	Screening and assessment; coordination, planning and evaluation
Valencia	88,800	Prevention; screening and assessment

During the 1994 legislative session, \$5 million was appropriated to the Local DWI grant program fund to continue county and municipal governments' efforts to halt DWI. The counties receiving awards will be able to continue their programs with this funding, if appropriate. Further, the nine counties which either did not apply or did not complete the application process will be eligible to use this additional funding source after following the required procedure.

Crime Victims Reparation Commission

The legislature provided an appropriation to the commission in the amount of \$2,814.9 (26.6 percent) over the current operating level. The commission testified before the Legislative Finance Committee in June 1993 that for the past three fiscal years the number of original victim claims had increased an average of 31 percent and the amount of payout for the past three fiscal years had increased an average of 28.8 percent. The legislature therefore supported the LFC recommendation for an increase of two FTE and \$430.0 in care and support in an attempt to deal with the historical trend of increasing claims.

Department of Public Safety Initiatives

In Senate Finance Committee Substitute for Senate Bill 372, the legislature provided \$1,195.4 for approximately 82 fleet vehicles; \$90.9 for the crime lab for DNA crime kits and associated supplies and training; \$423.7 to fully equip, train and hire 10 additional state police officers; and \$325.2 to enhance enforcement of the Liquor Control Act with funding for investigation and five term employees for enforcement.

Within House Bill 2 the legislature provided an increase of \$2.5 million dollars (6.5 percent) which funded the newly created state police pay plan; 80-hour expansion of the basic law enforcement academy training; conversion from term to permanent status of a secretary position previously funded with controlled substance forfeiture funds; an increase in operating costs for the creation of a new subdistrict office in Anthony, New Mexico; \$67.2 for the general fund match amount for four previously fully funded federal programs; and \$61.5 to replace auditorium chairs at the training academy.

PUBLIC SCHOOLS

Funding Summary

Public education is funded primarily through the state equalization guarantee distribution (funding formula). The FY95 appropriation for the state equalization guarantee distribution was \$1,087,650.0, or \$87,641.7 over the previous fiscal year (Table 1). The additional amount in the funding formula provided for increases in: enrollment growth; fixed costs; salaries; benefits; library resources; class size reductions; bilingual education; and gifted education. An amount of \$1,100.0 from other state funds was included in the funding formula for school districts to provide drivers' education programs. Other distributions for public schools were provided through 10 categorical appropriations. These categorical appropriations totalled \$113,122.2 and are intended to be used for school transportation; out-of-state tuition; emergency supplemental; emergency capital outlay; three-year-old developmentally delayed children; training and experience; six-dollar-per-hour minimum wage for noncertified personnel; staff development programs; and instructional materials. The total public school support appropriation of \$1,200,772.2 is an 8.6 percent increase over the FY94 appropriation.

Public education is administered by the State Department of Public Education which received a general fund appropriation of \$8,071.6, a 22.1 percent increase over the FY94 appropriation. Special projects, pilot programs and other studies received \$5,899.1 which included some nonrecurring funds. Adult Basic Education was appropriated \$1,843.9, a 9.7 percent increase over FY94. Supplemental funds (FY94) of \$700.0 were appropriated for the school bus inspection program and public schools supplemental distributions.

The FY95 appropriation for public education was \$1,216,586.6, an 8.9 percent increase. Some of the highlights of this funding increase include:

- A percent average statewide salary increase for teachers and a 5.8 percent salary increase for all other school personnel;
- A minimum salary of \$22.0 for all classroom teachers;
- A minimum wage rate of six dollars per hour for all noncertified school personnel;
- Adequate funds for fixed costs, employee benefits, student enrollment growth and the new district factor;
- A requirement for the State Board of Education to develop regulations and standards pertaining to the determination of gifted students;
- Class size reductions in grades four through six at an average of 24 students;
- An adjustment to the bilingual education cost factor based on the 1989-90 cost expenditure study;

- A 57 percent increase in library resources for school districts that submit a written library collection development plan which adequately addresses acquisition criteria, curriculum coordination and coordination with other public library facilities;
- Emergency funds for mid-year increases for the three-year-old developmentally disabled children program resulting from increases in student membership that occur after the September 1 court date;
- Staff development programs;
- Increases in instructional materials of 11.3 percent and school transportation of 6.5 percent;
- A technology bureau in the State Department of Public Education; and
- Funds for a revised school bus inspection program within the Motor Transportation Division of the Taxation and Revenue Department.

Significant Legislation

The 1994 legislative session addressed various aspects of the public school funding formula, salary issues and capital outlay. Seven major bills of note are described below:

1. House Bill 36 (Chapter 25) authorizes the State Board of Education to develop regulations and standards pertaining to the determination of gifted students and stresses a team evaluation process;

2. House Bill 195 (Chapter 195) prohibits the possession of deadly weapons at any public school related and sanctioned activity on any public property on or off school grounds;

3. House Bill 473 (Chapter 110) extends discharge and termination appeal rights to noncertified school employees;

4. House Bill 854 (Chapter 109) repeals the noninstructional duties portion of the 1986 Public School Reform Act relating to the release of teachers from noninstructional duties outside of the noon hour. Coupled with the implementation of class size reductions in grades four through six, the 1986 PSRA, as amended, is fully funded;

5. Senate Bill 185 (Chapter 96) enacts the Technology for Education Act, establishes a bureau in SDE, creates a council on technology and sets up a mechanism to distribute funds to public schools on a final funded membership basis for technological purposes. School districts will qualify for a distribution of technology funds based upon a school district's approved educational technology plan. Educational technology is defined as tools used in the educational process that constitute learning resources, technology in classrooms and library and media centers;

6. Senate Bill 793 (Chapter 88) amends the Public School Capital Outlay Act to add the director (or designee) of the LFC and the director (or designee) of the Legislative Council Service to the membership of the Public School Capital Outlay Council; requires school districts to be

indebted to at least seventy-five percent of the total debt authorized by law; requires school districts to submit a facilities plan; and allows the council to determine the best use of capital funds for schools to adequately address their educational programs; and

7. Senate Bill 945 (Chapter 95) requires local school districts to pay a minimum wage of six dollars per hour to all noncertified personnel. An appropriation of \$2,300.0 was included in the General Appropriation Act of 1994 (Chapter 6) to carry out the provisions of this legislation.

Capital Outlay

The State Department of Public Education will be responsible for the majority of the \$67,387.2 in capital outlay appropriations for public education. The Local Government Division of the Department of Finance and Administration will administer several of the community projects and the Office of Indian Affairs will administer the majority of the headstart appropriations. The capital appropriations include \$43,519.9 from the general fund, \$10,700.0 from general obligation bonds and \$13,167.3 from severance tax bonds. The following table depicts the distribution of \$38,600.0 in statewide capital projects, \$27,308.9 in individual capital projects and \$1,478.3 in headstart projects.

STATEWIDE CAPITAL PROJECTS	AMOUNT
Educational technology fund	3,000.0
Language arts literacy programs	3,000.0
Library resources	2,500.0
Public school capital improvements	9,600.0
Public school capital outlay	8,200.0
Public school capital outlay	10,000.0
School bus replacements	1,500.0
Special education buses and equipment	800.0
SUBTOTAL -- STATEWIDE CAPITAL PROJECTS	38,600.0
INDIVIDUAL CAPITAL PROJECTS	
Buildings, facilities and land	5,716.9
Capital improvements	6,794.0
Classrooms and portables	1,410.0
Community projects	1,825.0
Technology and library resources	2,100.0
Defeasance of debt	4,800.0
Equipment and maintenance	1,783.0
Playgrounds, tracks and fields	2,880.0
SUBTOTAL -- INDIVIDUAL CAPITAL PROJECTS	27,308.9
Headstart	1,478.3
GRAND TOTAL	67,387.2

HIGHER EDUCATION

Funding Summary

The general fund increase in the General Appropriation Act of 1994 for higher education (including the operating budget of the Commission on Higher Education and New Mexico School for the Deaf) represents a 9.62 percent increase. Within higher education funding, four-year institutions and their branch campuses will realize an average 10.7 percent general fund increase, while the independent and vocational-technical two-year institutions will average 17.6 percent increases. These percentages represent full funding of workload driven formula factors, \$1.9 million to partially institute a revised academic support formula component, and a 10 percent increase for inflation related to the purchase of library materials.

Funding for new or reinstated research and public service project operations or capital needs provided by the 1994 legislature are as follows:

University of New Mexico -- Advanced materials research, \$75,000; Manufacturing engineering program, \$200,000; Hispanic student center, \$225,000; Office of international technical cooperation, \$50,000.

New Mexico State University -- Waste education research consortium, \$500,000.

New Mexico Highlands University -- Latin American institute, \$150,000.

Eastern New Mexico University -- Student assessment program, \$147,500.

New Mexico Institute of Mining and Technology -- Petroleum regional resource center, \$400,000.

Santa Fe Community College -- Community leadership project, \$50,000.

Albuquerque T-VI -- Minority and women owned business assistance, \$300,000.

Finally, each four-year institution will receive \$300,000 and each two-year institution \$100,000 of discretionary funding which may be used to address gender equity issues.

In addition to the increases cited above, Senate Finance Committee Substitute for Senate Bill 372 appropriates an additional \$37.8 million to higher education. Of this amount, \$5.2 million is appropriated to existing and new programs. The remaining \$32.6 million are one-time appropriations for capital outlay and scholarship endowments. The combined increases of the general appropriation act and program funding included in the Senate Finance Committee Substitute for Senate Bill 372 result in a total program related increase of \$43.1 million (11.3 percent).

Capital Outlay

The 1994 legislature appropriated \$93.2 million in capital outlay projects. Revenue sources for capital outlay are as follows: \$29 million from the general fund, \$14.7 million from severance tax bonds and the remaining \$49.5 million from general obligation bonds. The largest projects funded from the general fund include: replacement of the Workman Center and construction of the Energetic Materials Research and Testing Center at the New Mexico Institute of Mining and Technology, \$8,250,000; addition to and renovation of the library at Western New Mexico University, \$6,200,000; and renovation of the Teacher Education Center at New Mexico Highlands University, \$3,000,000.

Each year the New Mexico Commission on Higher Education submits a capital outlay request list for legislative and executive consideration. This list is divided into categories of need beginning with significant need using a ranking system within each category. Of the significant need projects requested by the commission totaling \$126.2 million, \$78.2 million are supported by legislative action including \$3 million for Phase I of meeting the health and safety requirements associated with the Americans With Disabilities Act.

Tuition and Financial Aid

In constructing an appropriation for higher education the legislature assumed tuition increases as follows: four-year general, 3.3 percent; medical school, 10 percent; and two-year, 3.16 percent. Revenue generated by these anticipated tuition increases is budgeted for institutional use in the instruction and general budgets.

To offset the added tuition burden associated with assuming a tuition credit and to increase access for low income and medical students, financial aid appropriations included in the general appropriation act and Senate Finance Committee Substitute for Senate Bill 372 reflect an overall 21.7 percent increase. Most notable among the increases for financial aid are the medical student loan program (84.5 percent), state work-study (12.5 percent), Student Choice Act (65.1 percent), and student child care program (50.5 percent). Other financial aid programs are increased to keep pace with growing participation and inflation.

Two additional financial aid programs initiated to address the need to prepare health care specialists as a component of the state's health care reform efforts are the allied health student loan fund (\$200,000) and national health services corps loan repayment fund (\$369,000).

OFFICE OF CULTURAL AFFAIRS

Hispanic Cultural Center

The New Mexico Hispanic Cultural Center Act was created by Laws 1993, Chapter 42 (Section 18-12-1 NMSA 1978). The center is responsible for development of exhibits and programs displaying Hispanic culture, arts, and humanities for the benefit of the public and with particular concern for the interests of the schools of the state.

Laws 1994, Chapter 147 appropriated \$8,000.0 for planning, designing and constructing an Hispanic cultural center in the southwest sector of Albuquerque in Bernalillo county. An additional \$4,000.0 in severance tax bonding was authorized in House Bill 19.

Farm and Ranch Heritage Museum

The museum was created by Laws 1991, Chapter 48, and is responsible for preservation, collection and display of related artifacts, records, and oral history of historical farm and ranch properties and families who made significant contributions. The legislature authorized \$7,000.0 in severance tax bonds to plan, design and construct a farm and ranch heritage museum near Las Cruces in Doña Ana county.

State Library and Archives/State Records Center

Laws 1993, Chapter 142 created the State Records and Archives Building Study Committee to study and develop a plan for constructing and equipping a facility to house records and archives in conjunction with construction of a new state library facility. The committee's recommendations were:

- To build one facility which combines two organizations both functionally and organizationally into one state agency. The facility should have a minimum 100-year lifetime and must be designed with maximum flexibility;
- The design should include underground storage for archival materials (about 20 percent) provided it is environmentally and geologically feasible;
- The facility is to be located on a 10-acre site at the National Guard complex on Cerrillos Road;
- The State Records Center should be housed in a separate, less costly facility, constructed both above and below ground which uses a state of the art computerized bar code system for tracking and retrieval of records; and
- The new facility is to be named the *New Mexico State Library and Archives*; the State Records Center is to be named *The Joseph E. Halpin Records Center*; and rooms in the new facility will be named for distinguished New Mexicans. The new building will be built "user friendly" and accessible.

The estimated cost of the total project ranges from \$16 to \$20 million. The following appropriations have been made for the State Library, Archives and the State Records Center:

Laws 1993, Chapter 366 appropriated \$750.0 to cover the costs of planning for the facility and work of the building study committee, and \$4,000.0 to begin construction of the new facility.

House Joint Resolution 11 (1994) proposes the sale of property originally intended for the State Library and Archives and State Records Center and that the proceeds from the sale (approximately \$1.2 to \$2.2 million) would be available for appropriation for the construction and equipping of the new State Library and Archives and State Records Center to be located in Santa Fe County.

House Bill 19 (Chapter 148) appropriated \$9,000.0 to continue Phase II of the construction of the State Library and Archives and State Records Center located in Santa Fe county.

In total a minimum of roughly \$15 million is available for this project.

Other

Historic Properties

The legislature appropriated \$247.5 to the Historic Preservation Division of the Office of Cultural Affairs for emergency stabilization and restoration of historic properties to implement the provisions of the Historic Sites Preservation Act. Laws 1994, Chapter 147 includes \$125.0 for the cultural properties restoration fund to carry out the provisions of the Cultural Properties Protection Act. In addition, \$148.5 is appropriated in Laws 1994, Chapter 6 for the endowment for the humanities.

Camino Lejo Complex Plans

An appropriation from the general fund of \$1,100.0 to the Office of Cultural Affairs is available to improve the access road and parking lot and to expand the museum facilities at the Camino Lejo museum site and includes the acquisition of land, construction and equipping buildings.

Arts Program Expansion

Laws 1994, Chapter 147 appropriates \$500.0 for local arts council grants and support of local arts organizations and art education programs at educational institutions.

Symphony Education

An appropriation of \$500.0 from the general fund is included in Laws 1994, Chapter 147 for contracting statewide for music education and symphonic services.

SOCIAL PROGRAMS

Human Services

Medicaid

The legislature authorized two significant expansions for the medicaid program. Women of child-bearing age who live in households with incomes at or below 185 percent of the federal poverty guidelines will be eligible for family planning services through the medicaid program beginning July 1, 1994. An appropriation of \$4,135.0 (general fund of \$413.5) supports this expansion. Family planning services receive a 90 percent federal matching rate.

Beginning in April 1995, children under age 18 living in households with incomes at or below 185 percent of poverty will be eligible for all medicaid services. The funding includes 66 new FTE requiring approximately \$230.6 of the general fund appropriation and will be matched with \$230.6 in federal funds. The program appropriation for this expansion totals \$7,990.6, of which \$2,124.7 is from the general fund and \$5,865.9 from federal matching funds. Since this item becomes effective during the last quarter of FY95, full FY96 costs are anticipated to require at least \$7,065.9 more from the general fund.

Aid to Families with Dependent Children and General Assistance

The aid to families with dependent children (AFDC) program and the state supported general assistance (GA) program provide payments to families for rent, utilities, clothing and home maintenance. The level of payment made to each family is based on the legislatively authorized "standard of need." The standard of need was increased to 36 percent of the 1993 federal poverty guidelines for FY94 and further increased to 37.11 percent of the 1994 federal poverty guidelines for FY95. The following chart outlines the anticipated impact from this change:

**INCREASE OF FEDERAL POVERTY GUIDELINES COMPARED TO NEW MEXICO AFDC/GA
PAYMENTS
FEDERAL POVERTY GUIDELINES AT 100 PERCENT OF POVERTY**

Family Size	1986	1992	1993	1992 to 1993 Percent Increase	1994	1993 to 1994 Percent Increase
1	438.0	568.0	581.0	2.26 %	613	5.60 %
2	588.0	766.0	786.0	2.59 %	820	4.35 %
3	739.0	964.0	991.0	2.78 %	1027	3.62 %
4	888.0	1,163.0	1,196.0	2.82 %	1233	3.14 %
5	1,038.0	1,361.0	1,401.0	2.93 %	1440	2.80 %
6	1,188.0	1,559.0	1,606.0	3.00 %	1647	2.54 %
7	1,338.0	1,758.0	1,811.0	3.01 %	1853	2.35 %
8	1,488.0	1,956.0	2,016.0	3.06 %	2060	2.19 %
9	1,638.0	2,154.0	2,221.0	3.10 %	2267	2.06 %
10	1,788.0	2,353.0	2,426.0	3.10 %	2473	1.96 %
11	1,938.0	2,551.0	2,631.0	3.13 %	2680	1.87 %

**AFDC STANDARD OF NEED
NEW MEXICO AFDC/GA PAYMENT**

Family Size	1986	1992	1993	FY93 to FY94 Percent Increase	FY95	FY94 to FY95 Percent Increase
1	145.0	192.0	209.0	8.91 %	227	8.56 %
2	210.0	258.0	283.0	9.65 %	304	7.57 %
3	258.0	324.0	357.0	10.09 %	381	6.81 %
4	313.0	389.0	431.0	10.67 %	458	6.32 %
5	359.0	455.0	504.0	10.84 %	534	5.97 %
6	391.0	520.0	578.0	11.17 %	611	5.70 %
7	438.0	586.0	652.0	11.25 %	688	5.50 %
8	486.0	652.0	726.0	11.30 %	764	5.34 %
9	531.0	717.0	800.0	11.51 %	841	5.21 %
10	575.0	783.0	873.0	11.53 %	918	5.10 %
11	619.0	849.0	947.0	11.55 %	995	5.01 %

**The amounts shown for FY94 are based on calculations of 36 % of the 1993 federal poverty guidelines.

***The amounts shown for FY95 are based on calculations of 37.11 % of the 1994 federal poverty guidelines.

Computer Systems

The Human Services Department relies upon four major computer systems to deliver its services. These systems include ISD-2 which processes AFDC and general assistance payments; the accounting system; COLTS/CHEERS that processes child support collections; and the medicaid fiscal agent system that processes medicaid claims. All of these systems are to be improved during the remainder of this fiscal year and through the next fiscal year. A total of \$16,132.5 (\$4,330.0 from the computer enhancement fund, the remainder from federal matching funds) will be available for these improvements.

Department of Health

Community Programs

The community program unit of the Department of Health contracts with community-based program providers to supply services in the areas of substance abuse, mental health and developmental disabilities. The legislature appropriated \$60,480.3 from the general fund for FY95. Included in the appropriation is funding for the continued implementation of the mental health in the 90s program, a study of mental health issues concerning Native Americans, additional substance abuse treatment beds and rate increases for community providers of services to persons with developmental disabilities.

Public Health Initiatives

The Public Health Division of the Department of Health received an expanded FY95 appropriation of \$5,568.8 to carry out the provisions of the Rural Primary Health Care Act. The funding would increase the capacity of existing primary care clinics by providing additional health care practitioners, retention incentives and operational support for primary care clinics. An additional \$2,970.0 from the general fund was appropriated to carry out the provisions of the Emergency Medical Services Act. The increase provides total FY95 operating general fund support of \$4,820.0.

The legislature appropriated \$1,162.3 to expand services and programs along the border area. This includes immunization services, a coordinated system of perinatal care under the county maternal and child health plan, and delivering preventive and primary care services to women and children in the New Mexico-Mexico border region.

The legislature also appropriated \$544.5 from the general fund to provide statewide service coordination and reimbursement for asthma education and comprehensive medical care to children with moderate to severe asthma.

Jackson -- Los Lunas and Fort Stanton Facilities

The Jackson lawsuit continues to be a major issue with the Department of Health. The department remains under a court order to place approximately 140 individuals residing at Los Lunas Hospital and Training School and Fort Stanton Hospital and Training School into the community. Because

of the reduction in developmental disabilities services at the hospitals, and the fact that the medicaid revenue will follow the client to the community-based program, the legislature appropriated \$3,366.0 from the general fund to replace medicaid dollars to continue operating these two facilities. Contingency language is included in the general appropriation act to restrict the use of these funds for replacement only of the loss of medicaid revenue. The department is in the process of converting the Fort Stanton Hospital to a long-term care facility to avoid closing. There is no definite plan to convert the Los Lunas facility at this time.

An appropriation for use in FY94 to the Los Lunas and Fort Stanton Hospitals of \$1,980.0 was included in Laws 1994, Chapter 6, related to the accelerated movement of clients to community-based programs and an anticipated medicaid reimbursement rate reduction.

Sequoyah Adolescent Residential Treatment Center

The center received an appropriation for nine additional beds to allow the center to comply with the legislative mandate to operate the facility as an adolescent psychiatric hospital and fully open the facility. One lodge (nine beds) will be state licensed and become medicaid certified as a free-standing adolescent psychiatric hospital and the remaining 27 beds will operate as a residential treatment center.

The legislature authorized \$1,017.0 in severance tax bonds to construct, furnish or equip a multipurpose recreational center at Sequoyah.

Health Policy Commission

The Health Policy Commission is responsible for developing a plan and monitoring implementation of the state's health policy. The commission will obtain and evaluate information as to the availability and accessibility of health services and identify the state's needs for health care personnel.

The commission has established four task forces: health information system; health promotion and education; financial access; and geographic access. These task forces and the New Mexico health care initiative are working to identify proposals on health care reform.

Laws 1994, Chapter 6 appropriated \$668.3 for the following purposes: expand databases to include demographic data; contract for development of various health information system models; and contract for technical design assistance on the health information network.

In Laws 1994, Chapter 62 the Health Policy Commission became administratively attached to the Department of Finance and Administration rather than the Department of Health.

Primary Care Capital Funding Act

Laws 1994, Chapter 62 is entitled the Primary Care Capital Funding Act, the purpose of which is to provide funding for capital projects to eligible entities in order to increase health care services

in rural and other underserved areas in the state. The legislature appropriated \$5,000.0 from the general fund to implement the act in Laws 1994, Chapter 147.

Health Service Corps Act

Laws 1994, Chapter 63 creates the Health Service Corps Act, the purpose of which is to recruit and place health professionals in rural and other medically underserved areas. The legislature appropriated \$495.0 and two FTE in Laws 1994, Chapter 6 to carry out the provisions of the act.

Children, Youth and Families Department

Family Tracking System

CYFD has begun development of a new departmentwide information and computer system called FACTS (family automated client tracking system) to offer better coordinated and more efficient services to clients and to provide the integrated information the department requires to measure outcomes from agency programs. A project team began work on this effort at the beginning of FY94 and the systems requirements have been formulated. An appropriation of \$1,500.0 from the computer systems enhancement fund with anticipated federal matching funds of \$1,066.7 produces total available funding of \$2,566.7 for both FY94 and FY95. The agency reports that a pilot will be conducted on this system during the first quarter of FY95 (July-August 1994).

New Mexico Boys' School

The New Mexico Boys' School received an appropriation in the current year of \$1,616.4 from the general fund for 47 additional FTE. These FTE are also funded for FY95. Both the increase in the number of commitments and the number of recent escapes from this facility were factors related to this appropriation.

Youth Diagnostic and Development Center

The Youth Diagnostic and Development Center received an FY94 general fund appropriation of \$1,250.0 for 37 additional FTE and for installing and furnishing a portable building due to increases in the number of commitments to this facility. The FTE are also funded for FY95. Provisions in the revised Children's Code provide for a sentence of up to six months compared to the previous 90-day limit for diagnostic commitments. The longer sentence and increases in the number of youth being committed were factors related to this appropriation.

Foster Parents

Payments to foster parents will increase by approximately 9.1 percent on July 1. A general fund appropriation of \$496.5 supports this increase. Foster parents currently receive \$258 per month for each child aged zero to five; \$270 per month for each child aged six to 12, and \$281 per month for each child aged 13 and above. The increase should provide \$282 per month for each child aged zero to five; \$295 per month for each child aged six to 12; and \$307 per month for each child aged 13 and above.

Gang and Youth Violence Prevention

Gang and youth violence prevention programs received an increase of \$495.0 to produce total program funding of \$1,848.6 within the Children, Youth and Families Department. In addition to these appropriations, the public schools received \$75.0 from the general fund for gang intervention programs for the Gadsden schools and the Department of Education received \$58.8 from the general fund for gang mediation programs at Las Cruces Mayfield High School.

Juvenile Detention

A general fund appropriation of \$20.0 was made to study jail and detention issues related to changes in the Children's Code which provide that juveniles aged 15 and older may be tried as adults if they are charged with violent crimes. A general fund appropriation of \$200.0 was provided for a feasibility study and program design for youthful offenders, defined in the Children's Code as a delinquent child subject to adult or juvenile sanctions who is between 15 and 18 years of age and is either adjudicated for second-degree murder, assault with intent to commit a violent felony, kidnapping, aggravated battery, dangerous use of explosives, criminal sexual penetration, aggravated battery, aggravated arson, or who has had three prior, separate felony adjudications within a two-year time period or is aged 15 and is adjudicated for first-degree murder, or commits the act of shooting at a dwelling, occupied building, or shooting at or from a motor vehicle which results in great bodily harm to another person. An appropriation of \$500.0 from the general fund was provided as matching funds for the operation of nonsecure alternatives to detention for juveniles on a statewide basis. The department also received an appropriation of \$50.0 from the general fund to defray FY95 operational costs of the Taos Detention Center.

Child Care

The Child Care Bureau of the Children, Youth and Families Department received \$900.0 from the general fund in new money for FY94 administrative costs. Program funding for income eligible day care was increased by \$2,517.5 for FY95 allowing for approximately 1,007 to 1,325 additional children to be provided income eligible day care per year. In addition to these appropriations, the Commission on Higher Education was provided \$495.0 from the general fund for student child care.

Independent Living

Provisions in the revised Children's Code require the Children, Youth and Families Department to develop a plan for each child 16 years or older who is removed from the home due to abuse or neglect. Such plan must include a description of the specific skills the child requires for successful transition into independent living as an adult, identify the programs that are necessary to develop the skills, the reasons that the programs are likely to be useful, the availability of these proposed programs and the department's overall plan for ensuring that the child will be adequately prepared for adulthood. When a child reaches 18 years of age, all neglect and abuse orders affecting the child then in force automatically terminate; however, the termination of the order shall not disqualify a child from eligibility for transitional services. An FY95 appropriation of

\$222.8 from the general fund has been provided to the department to implement these requirements.

Adoptions

An appropriation of \$500.0 from the general fund is for a concentrated effort during the remainder of FY94 and throughout FY95 to find permanent homes for children who have been in foster care in excess of 18 months. This appropriation is for up to 21 additional FTE for this endeavor.

Adult Services

The Social Services Division received \$450.5 from the general fund to expand programs for elderly and handicapped individuals in FY95 including \$74.3 for adult abuse prevention, \$148.5 for adult day care, \$99.0 for housekeeping and \$128.7 for domestic violence programs. In addition, the division received authorization for nine additional adult protective service workers.

New Program

The Children, Youth and Families Department will now administer the \$50.0 Cultural Education Festival contract. This program was previously administered by the State Department of Public Education and encourages skills and interests in the arts, culture, humanities and sciences. There are approximately 400 youth aged 10 to 18 participating in the program. The state appropriation provides for part of the costs of the statewide youth festival at the conclusion of the program.

State Agency on Aging

Community Programs

Community programs of the State Agency on Aging provide meals, transportation and socialization opportunities. These programs received new funding of \$2,102.6 from the general fund. Contained within this appropriation is \$49.5 for the Barelaz Center in Bernalillo County, \$29.7 for the Navajo program and \$65.9 for employee benefits for community program employees working in the northwestern New Mexico program area. In addition, the State Agency on Aging was provided \$24.8 to administer the Alamogordo inter-generational group home, \$50.0 for respite care, \$30.0 to repair the Pecos Senior Center, \$25.0 to complete construction on the Naschitti senior center, \$50.0 for programs for frail elderly and \$50.0 for programs for seniors with Alzheimer's disease.

Mental Health Peer Counseling

The State Agency on Aging received \$53.5 from the general fund to begin a new mental health peer counseling program July 1, 1994. This program is to provide practical feedback to senior citizens on aspects of daily living.

EFFICIENCY INITIATIVES

Transportation Pool Act

Senate Bill 86 (one of several measures approved by the Legislative Finance Committee for introduction in 1993 on the committee's behalf) elevates the State Transportation Pool to division status within the General Services Department (GSD) to provide centralized purchasing and control of state vehicles. Currently, the Transportation Pool is a program managed within the overall structure of the Building Services Division of GSD. Additionally, Senate Bill 86 enacts into law most of the provisions of Executive Order 92-04 which established a state centralized fleet authority in 1992. To wit, the Transportation Pool is mandated to control, regulate, register, purchase, maintain, schedule and assign all state vehicles (excepting certain law enforcement vehicles, emergency vehicles, special use vehicles, State Highway and Transportation Department vehicles and equipment and certain vehicles placed outside of Santa Fe). The division is required to maintain records of state vehicle drivers and tickets, accident reports, insurance claims, vehicle history and to carry out all provisions of the Alternative Fuel Conversion Act.

Aircraft Consolidation Act

House Bill 985 (one of several measures approved by the Legislative Finance Committee for introduction in 1993 on the committee's behalf) establishes the State Aircraft Act which, on July 1, 1994, requires the transfer of transportation aircraft (five planes), personnel (seven FTE--three pilots, one mechanic and one administrative secretary), appropriations, furniture, supplies and other property and contractual obligations from the State Corporation Commission, the Energy, Minerals and Natural Resources Department and the State Highway and Transportation Department to the General Services Department. The expectation is that the consolidation of these five aircraft into a centralized transportation fleet will result in more efficient and fiscally prudent use of such aircraft, particularly since the act appears to provide sufficient authority to the oversight agency. It is also anticipated that pooling of the aircraft under the control of a single agency will contribute to a savings in operating costs. An FY95 special general fund appropriation of \$535,000 to GSD is included in Laws 1994, Chapter 134 for the initial year of implementation. For FY96, a general fund appropriation for aircraft operating costs will need to be included in the operating budget of the General Services Department.

Commission on Information and Communication Management

At the request of the LFC and pursuant to the 1993 legislative session, the Information and Communication Management Act (Laws 1993, Chapter 197) created and funded the Commission on Information and Communication Management (CICM). The goal of CICM is to coordinate central and individual state agency information and communications services, resources and systems to ensure that the most cost-effective and efficient information and communications management tools are being used by executive agencies. CICM is administratively attached to the General Services Department with the secretary of general services serving as the nonvoting chair.

Two important pieces of legislation related to CICM were enacted during the 1994 legislature: the DWI Process and Data Standards Committee (House Bill 847) and the National Information Network Study and Plan (House Bill 308).

House Bill 847 creates the DWI Process and Data Standards Committee, an outgrowth of a project initiated in 1993 by legislative leadership. In January 1993, legislative leadership requested that Los Alamos National Laboratory (LANL) assist the state with identifying records management and automated systems issues associated with the New Mexico DWI problem. LANL brought together a task force of middle managers and workers from state and local organizations to analyze current problems and recommend solutions. In September 1993, LANL's task force released its report *DWI Information Flow: Problems, Solutions, and Strategies*. In this report, the task force recommended that the creation of a DWI process owner would be critical to the successful implementation of its most important recommendations, namely, that a statewide DWI information system be created and maintained to support coordination among state and local agencies in the areas of prevention, prosecution and rehabilitation. House Bill 847 directs CICM to hire staff to assist the newly created DWI Process and Data Standards Committee in working toward this goal. An FY94/FY95 general fund appropriation of \$350,000 to CICM is included in Laws 1994, Chapter 134 for this purpose.

House Bill 308 requires that CICM conduct a study and develop a comprehensive plan for state government participation in the national information infrastructure. CICM is directed to assess the state's current computer, technology and network capabilities and needs, particularly in the area of health care, education, environmental industries, manufacturing and business and industry and to develop a comprehensive plan emphasizing universal service and access for all New Mexicans. The legislation creates a task force to be appointed by the governor to direct the development of the plan. A corresponding FY94/FY95 general fund appropriation of \$350,000 to CICM is included in Laws 1994, Chapter 134 for this purpose.

Statewide Court Automation

The Supreme Court has been working toward automation of all courts in New Mexico. During the 1993 legislative session, \$4.5 million was appropriated for this purpose and during the 1994 session, \$2.05 million was appropriated for its continuation. The statewide court automation effort has been structured such that the Supreme Court oversees the project and manages the money allocated to the project. Toward this end, the Judicial Information System Council (JISC) was formed in March 1993, a team of members from the judicial community and professionals involved with computer automation. The council's duties include making recommendations to the Supreme Court about statewide court automation, specifically: expenditures, implementation, management and applications. Given the sensitivity of setting priorities for how and when judicial districts are automated, JISC will play an important role in resolving these questions. All decisions related to court automation will be reviewed by JISC and must ultimately be approved by the Supreme Court. In addition to oversight of court automation, JISC will also be instrumental in coordination of data compatibility between the courts, district attorneys and the Public Defender Department, again with an emphasis on addressing DWI issues.

The Supreme Court has made further advancements toward accomplishment of statewide court automation. It has selected a temporary manager of information systems, concluded the request for proposals (RFP) process by signing a contract for professional services, and developed an implementation, training and maintenance plan for some personal computer hardware dedicated to courts which have received little or no equipment to date.

The organization selected via the RFP process to design and implement the statewide system is National Systems and Research (NSR). With the assistance of the National Center for State Courts as a subcontractor, NSR will perform duties defined in a revised scope of work. The revised scope of work accelerates development of the application and initial implementation of courts.

District Attorney and Public Defender Automation

The Administrative Office of the District Attorneys and the Public Defender Department received funding for their automation plans (\$700,000 and \$150,000, respectively) as a result of legislative action taken during the 1994 session. In addition to the general fund appropriation made to the Public Defender Department, the agency also collects a \$10 per defendant application fee to enhance its automation efforts. Both agencies have been working toward finalization of automation efforts. It is expected that major inroads toward completion will be made during FY95. As mentioned previously, the coordination between these two agencies and all judicial agencies as to how automation is achieved will be paramount to the success of combatting DWI in New Mexico.

New Mexico State Fair

An audit report by the Legislative Finance Committee's performance audit staff dated November 16, 1994, revealed specific financial shortcomings at the New Mexico State Fair. Senate Bill 468 addressed these concerns by:

- Providing better accountability of public funds to ensure that documentation of all expenditures is reviewed and available through the Department of Finance and Administration;
- Providing for the procurement of all goods and services in excess of \$5,000 through the State Purchasing Agent;
- Ensuring consistent and fair treatment of revenue generating contracts of the State Fair in the amount of \$10,000 as more through the formal procurement process; and
- Requiring Senate confirmation of the appointment of fair commissioners.

Strategic Planning and Performance Budgeting

New Mexico has employed an incremental budgeting system based on expenditure classifications or "line items" for decades. This type of system is focused almost entirely on inputs such as

employees, equipment and operating expenses. The analysis of past expenditure trends is used to predict future needs. Although this system has performed adequately in some respects, it provides little if any incentive toward greater efficiency, innovation or high levels of performance. The unanimous passage of Senate Memorial 39 and House Memorial 36, both of which request the LFC to conduct performance budgeting pilot studies, indicate the legislature's strong interest in improving the effectiveness of the state's budget system.

Ideally, performance budgeting functions hand-in-hand with strategic planning which also appeared to be a high priority during the 1994 legislative session. House Bill 900, which created the New Mexico Horizons Task Force, enjoyed overwhelming support and was signed into law by the governor on March 9, 1994. A \$300.0 appropriation to fund the task force was also approved in separate legislation. The Horizons Task Force is intended to develop and recommend a strategic planning process to the legislature and the governor. The legislation specifically charges the LFC with coordinating a review and assessment of performance based budgeting.

The development of a viable strategic planning process along with establishment of an effective performance based budgeting system will require several years and a substantial effort to fully achieve based on the experience of other states. Most states became involved in innovative planning and budgeting programs in an attempt to deal with fiscal crises. New Mexico is fortunate that for the time being, it is not driven by crushing budget deficits and enjoys the time and resources to establish truly effective planning and budgeting systems.

COMPENSATION

Public Schools

The 1994 legislature provided various improvements in minimum salaries and salary increases for all public school personnel. An additional amount of \$55.5 million from the general fund was appropriated for public school personnel salaries with associated benefits.

The minimum teacher salary of \$22.0 for classroom teachers implemented during the 1993 legislative session required an additional \$1,069.8 to move approximately half of the appropriation into the state equalization guarantee distribution. A categorical appropriation was provided for those school districts that the superintendent of public instruction determines will require additional funding to maintain a minimum annual salary level of \$22,000 for classroom teachers. The legislature appropriated \$2,300.0 to provide a minimum wage rate of six dollars per hour to all noncertified school personnel.

The estimated average teacher salary in the region is \$30,378 which consists of Arizona, Colorado, New Mexico, Oklahoma, Texas and Utah. In FY94, New Mexico's average returning salary was \$27,922. The State Department of Public Education estimates a three-year plan of raising teacher salaries at a rate of 5.86 percent per year would move New Mexico to the regional average in FY97. Included in the General Appropriation Act of 1994 (Chapter 6) were sufficient funds for an average six percent salary increase for public school teachers and a 5.8 percent salary increase for other certified employees, noncertified employees and school transportation employees.

Higher Education

For FY83 each one percent increase in compensation for higher education staff and faculty requires slightly more than \$3.6 million. The 1994 legislature appropriated nearly \$16.3 million in general fund support for this purpose; an amount sufficient to provide an average 4.5 percent compensation increase. Institution governing boards decide actual pay raises.

State Government

General fund appropriations of \$20.4 million will provide salary increases to state employees in FY95. Executive branch employees (except state police commissioned officers) will receive salary increases averaging 4.5 percent. For classified employees, raises are to be in accordance with the State Personnel Board compensation plan. Based on this plan, the salary structure will be adjusted by three percent the first full pay period after July 1, 1994, and employees with satisfactory or better performance will receive three percent of midpoint increases on their anniversary dates. Increases for executive branch exempt employees (other than commissioned state police) will also average 4.5 percent with individual increases in accordance with the Governor's exempt pay plan. It is noted that the six percent increase assumes an anniversary date mix centered on January 1, thus yielding the 4.5 percent average.

District attorney employees will also receive three percent salary adjustments the first full pay period after July 1, 1994, and three percent of midpoint increases on anniversary dates. Parity packages will provide additional salary increases for employees of district attorneys and the Public Defender Department.

For the judicial branch, employees will receive a three percent salary structure adjustment increase effective the first full pay period in July 1994, and hire date increases of up to three percent in accordance with the judicial pay plan. Justices, judges and magistrates in the state court system will receive three percent salary and benefit increases, in accordance with Section 34-1-9 NMSA 1978. (Effective January 1, 1994, this statutory provision permits justice, judge and magistrate salaries to be established in an appropriation act.)

State Police

An appropriation of \$917.7 is provided for the newly created state police pay plan to be implemented on July 1, 1994. The average increase per officer will be approximately 7.2 percent for FY95. This pay plan addresses many of the issues and concerns raised by the Department of Public Safety such as equity in regional market compensation and other law enforcement agencies; fairness in pay respective of rank, duties and responsibilities; and provides for officer longevity.

District Attorneys and Public Defender

The district attorneys and the Public Defender Department (PDD) requested funding for a salary package to bring their employees up to parity with the Attorney General's office. The 1994 legislature appropriated a total of \$900,000 (after a one percent sand) for this purpose. The funds are divided such that the district attorney offices will receive \$600,300 and the PDD will receive \$299,700. An implementation strategy for the parity package is yet to be determined.

