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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY16	FY17 Adj.	FY18		
	2015-2016 Actuals	Operating Budget	Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY17
111 Legislative Council Service	5,409.9	5,660.0	5,660.0	5,660.0	0.0%
112 Legislative Finance Committee	4,220.3	4,100.3	4,100.3	4,100.3	0.0%
114 Senate Chief Clerk	827.1	1,130.3	1,130.3	1,130.3	0.0%
115 House Chief Clerk	810.5	1,097.7	1,097.7	1,097.7	0.0%
117 Legislative Education Study Committee	1,176.6	1,233.4	1,233.4	1,233.4	0.0%
119 Legislative Building Services (GAA)	3,955.8	4,054.9	4,158.9	4,054.9	0.0%
131 Legislative Information Systems	731.9	850.8	850.8	850.8	0.0%
131 Interim Committee Expenses	845.7	884.6	884.6	884.6	0.0%
131 Pre-Session Expenses	380.5	397.3	397.3	397.3	0.0%
131 Legislative Internship Program	47.7	46.6	46.6	46.6	0.0%
131 Senate Rules Interim Committee	9.8	19.1	19.1	19.1	0.0%
Energy Council Dues (GAA)	38.4	38.4	38.4	38.4	0.0%
TOTAL	\$18,454.2	\$19,513.4	\$19,617.4	\$19,513.4	0.0%
NON-RECURRING					
2017 Legislature		*\$10,300.0			
2016 Legislature		5,901.8			
2015 Legislature		9,503.7			
2014 Legislature		5,517.0			
2013 Legislature		9,212.3			
2012 Legislature		5,015.4			

*Appropriation for the 2017 60-day legislative session will be made by the Legislature in January 2017. The budgeted amount of \$10,300.0 was provided by the Legislative Council Service.

Appropriation for the 2018 30-day legislative session will be made by the Legislature in January 2018.

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 doing so fulfill the constitutional requirement of providing equal access to justice.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 – 2017-2018</u>					Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,558.7	1,507.6	1,554.2	1,508.0		0.0
Other Revenues	1.8	2.2	2.2	2.2		0.0
SOURCES TOTAL	1,560.5	1,509.8	1,556.4	1,510.2		0.0
USES						
Operations	1,558.2	1,509.8	1,556.4	1,510.2		0.0
TOTAL USES	1,558.2	1,509.8	1,556.4	1,510.2		0.0
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

AT A GLANCE:

The Supreme Court Law Library requested an overall flat budget for FY18. The request fully funds all FTE, including a financial specialist position recently reclassified from a library technician and not funded by the Legislature last year. Though all approved positions are currently filled, the library is now short a technician as a result of the reclassification and plans to request a new position in future fiscal years. The drastic increase in the other category and decrease in the contractual services category is due to the movement of payments to Westlaw and LexisNexis from contracts to other.

The committee recommendation remains flat with the adjusted FY17 operating level by reducing funding for updates to certain serials and books, and by decreasing travel and professional memberships.

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

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Output	Percent of updated titles	76%	79.5%	70%	70%	75%
Output	Number of website hits	UNKNOWN	34,186	98,500	35,000	35,000
* Output	Number of research requests	14,229	15,258	10,000	10,000	12,000

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 Manuals. 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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	400.0	400.0	400.0	400.0	0.0
Other Revenues	1,265.4	1,239.4	1,239.4	1,239.4	0.0
Fund Balance	24.7	214.1	217.7	214.1	0.0
SOURCES TOTAL	1,690.1	1,853.5	1,857.1	1,853.5	0.0
USES					
Operations	1,690.1	1,853.5	1,857.1	1,853.5	0.0
TOTAL USES	1,690.1	1,853.5	1,857.1	1,853.5	0.0
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

AT A GLANCE:

The New Mexico Compilation Commission requested a 0.2 percent increase to fill a vacant administrative assistant position. The agency successfully collected 101 percent of its goal for product sales in FY16 despite cancelations for print statute orders. While the commission remains able to operate without general fund appropriations, reductions in budgets statewide affect revenue generating subscriptions for print and electronic materials from the commission and will likely result in less enterprise revenue.

The committee recommendation holds the Compilation Commission flat with the FY17 operating budget and does not fund the requested administrative position in the personal services and employee benefits category at this time.

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				
Output	Amount of revenue collected, in thousands	<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
				\$1,206.3	\$1,265.7	\$1,250

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 13 members: seven lay people appointed by the governor, two attorneys elected by the Board of Bar Commissioners, and four members appointed by the Supreme Court. The latter four positions are filled by a Supreme Court justice, a Court of Appeals judge, a district judge, and a magistrate judge. The seven 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 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 in the judiciary and the public, and to provide for the expeditious disposition of complaints of judicial misconduct. The commission also has the duty to the judiciary to maintain strict confidentiality of all matters until the matters are filed in the New Mexico Supreme Court.

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	852.2	818.3	861.9	818.3	0.0	
SOURCES TOTAL	852.2	818.3	861.9	818.3	0.0	
USES						
Operations	847.3	818.3	861.9	818.3	0.0	
TOTAL USES	847.3	818.3	861.9	818.3	0.0	
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	

AT A GLANCE:

The Judicial Standards Commission addressed all 139 complaints from the public in FY16 and was again ranked among the top judicial disciplinary agencies in the nation. To maintain this level of excellence, the Judicial Standards Commission requested a 2.2 percent increase for professional education for commissioners. The commission has not been able to fill its investigator position for some time and has had to spread investigative duties amongst other employees, but understanding budget constraints, the agency did not request funding for the position for FY18.

The committee recommendation is flat with the adjusted FY17 operating budget reduction by reducing personal services and employee benefits by \$25.3 thousand, \$23 thousand of which comes from vacancy savings from the unfilled investigator position. The remaining portion of the cut will result in employee furloughs.

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.

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	1	2	2	4	3
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	6	0	2	2	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 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,898.6	5,661.9	5,989.2	5,718.5	1.0
Other Revenues	0.6	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,899.2	5,662.9	5,990.2	5,719.5	1.0
USES					
Operations	5,885.9	5,662.9	5,990.2	5,719.5	1.0
TOTAL USES	5,885.9	5,662.9	5,990.2	5,719.5	1.0
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

AT A GLANCE:

In FY16, the New Mexico Court of Appeals had a disposition rate of 87 percent, the lowest in recent history, and the highest backlog of cases since 2013 due to vacancies resulting from budget constraints. The Court of Appeals' request for FY18 included \$116.8 thousand to fill two vacant attorney positions and \$23.7 thousand to move the court clerks to the appropriate pay range, a priority of the judicial unified budget.

LFC, in agreement with DFA, recommends authorizing expenditures in one line item - operations - to judicial entities under \$8 million, instead of the existing four-category layout, as a pilot for eventual implementation throughout the judiciary. This will allow the judiciary to have more control and flexibility over budgets in exchange for more robust quarterly reporting. The committee recommendation is 1 percent, or \$53.8 thousand, above the adjusted FY17 operating budget. The Court of Appeals reported it will face furloughs under a 3 percent cut, and based on judicial and LFC analysis, \$53.8 thousand will be sufficient to avoid furloughs in FY18. The recommendation reduces operational expenses in the other category, including equipment leases, building maintenance, and subscriptions and dues.

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Cases disposed as a percent of cases filed	96%	87%	100%	100%	100%
Outcome	Number of legal opinions written	NEW	NEW	NEW	TBD	TBD

STATUTORY AUTHORITY:

Article VI of the New Mexico Constitution 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)				
				<u>FY18 – 2017-2018</u>		
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	General Fund Transfers	3,332.9	3,229.3	3,424.2	3,230.8	0.0
	SOURCES TOTAL	3,332.9	3,229.3	3,424.2	3,230.8	0.0
USES						
	Operations	3,317.0	3,229.3	3,424.2	3,230.8	0.0
	TOTAL USES	3,317.0	3,229.3	3,424.2	3,230.8	0.0
FTE						
	Permanent	35.0	35.0	35.0	35.0	0.0
	TOTAL FTE POSITIONS	35.0	35.0	35.0	35.0	0.0

AT A GLANCE:

The New Mexico Supreme Court set three statewide priorities for its FY18 judicial unified budget: adequate base budget increases, implementation of a court clerk job re-classification, and maintenance and updates of the judiciary's information technology statewide. For its own budget, the Supreme Court requested an increase of 2.9 percent, which included \$6.7 thousand for the court clerk job re-classification. The court requested a flat contractual services category and a decreased other costs category to fully fund its personal services and employee benefits category.

LFC, in agreement with DFA, recommends appropriating expenditures in one line item - operations - to judicial entities under \$8 million, instead of the existing four-category layout, as a pilot for eventual implementation throughout the judiciary. This will allow the judiciary to have more control and flexibility over budgets in exchange for more robust quarterly reporting. The committee recommendation remains flat with the adjusted FY17 operating budget by eliminating an IT contract and reducing expenses, such as travel, supplies, bar dues, and staff training.

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.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
*	Outcome	Cases disposed as a percent of cases filed	97%	94%	98%	98%
	Outcome	Number of opinions, decisions and dispositional orders written	NEW	NEW	NEW	TBD

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)						
				<u>FY18 – 2017-2018</u>		
		<u>FY16</u>	<u>FY17</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2015-2016</u>	<u>2016-2017</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	971.1	930.7	1,011.4	931.0	0.0
	SOURCES TOTAL	971.1	930.7	1,011.4	931.0	0.0
USES						
	Operations	961.4	930.7	1,011.4	931.0	0.0
	TOTAL USES	961.4	930.7	1,011.4	931.0	0.0
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

AT A GLANCE:

Despite operating budgets being lower than requested in recent fiscal years, the Supreme Court Building Commission has managed to enhance security and complete some needed upgrades at the Supreme Court building, including a stucco project involving asbestos removal that cost nearly \$750 thousand in capital appropriations from both the consumer settlement fund and severance tax bonds. The Supreme Court building houses the Supreme Court, Court of Appeals, law library, and some divisions of the Administrative Office of the Courts. For FY18, the commission requested an increase to the personal services and employee benefits category to fully fund all positions and requested flat budgets in the contractual services and other categories.

The committee recommendation remains flat with reduced FY17 operating budget by adjusting expenses in the other category, including vehicle maintenance and supplies to maintain the building and grounds of the Supreme Court.

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

		<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Quality	Percent accuracy of fixed-assets inventory records	95%	100%	100%	100%	100%
Quality	Facilities condition index of the supreme court building	NEW	NEW	NEW	TBD	TBD

STATUTORY AUTHORITY:

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

MISSION:

The Administrative Office of the Courts administers the Magistrate Court program and the statewide automation program. It also provides guidance and technical assistance to all judicial agencies. AOC provides funding and oversight for the special court services.

BUDGET SUMMARY (dollars in thousands)					
	<u>FY18 – 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	49,126.4	48,564.8	54,578.4	49,526.3	2.0
Other Transfers	2,761.5	2,532.8	2,532.8	2,832.8	11.8
Federal Revenues	532.5	837.9	837.9	837.9	0.0
Other Revenues	10,054.4	10,399.1	10,290.0	10,290.0	-1.0
Fund Balance	1,185.9	967.0	835.6	835.6	-13.6
SOURCES TOTAL	63,660.7	63,301.6	69,074.7	64,322.6	1.6
USES					
Personal Services and Employee Benefits	31,332.2	31,279.0	33,004.6	31,952.0	2.2
Contractual Services	11,389.8	12,257.4	13,015.3	12,208.7	-0.4
Other	20,258.8	18,181.1	21,359.7	18,577.8	2.2
Other Financing Uses	1,992.1	1,584.1	1,695.1	1,584.1	0.0
TOTAL USES	64,972.9	63,301.6	69,074.7	64,322.6	1.6
FTE					
Permanent	377.3	379.3	391.8	380.3	0.3
Term	74.5	73.5	67.5	72.5	-1.4
TOTAL FTE POSITIONS	451.8	452.8	459.3	452.8	0.0

AT A GLANCE:

The Administrative Office of the Courts (AOC) requested an overall general fund increase of 10.7 percent over the FY17 operating budget adjusted for special session cuts. The largest requested increase was in the Statewide Judicial Automation Program, which included an expansion request for 5 new FTE. The second largest requested increase was in the Administrative Support Program, which handles the jury and witness fund. The fund has experienced shortfalls since FY11. In the Magistrate Court Program, the agency requested additional funding for lease payments and salary increases for court clerks, a priority for the judiciary. In the Special Court Services Program, the largest increases were requested for court-appointed attorneys and court-appointed special advocates.

The committee recommendation increases general fund revenue by \$961.5 thousand, or 2 percent, over the adjusted base and includes \$1.6 million from local DWI funds to offset the general fund decreases in drug courts in the Special Court Services Program.

BUDGET ISSUES:

A 2014 compensation study resulted in a court clerk job re-measurement plan that must be completed by July 1, 2017. More than 600 FTE across the state fall into the court clerk job series and all were found to be a pay grade below what they should be. The majority of those in the job series are court clerk 2s, who would effectively get a raise of \$1.50 per hour by being moved to the next pay range. In calendar year 2015, 121 clerks were hired statewide and 135 left; in magistrate courts statewide, 54 percent of all court clerks did not complete probation. This high turnover results in time and additional resources to train and re-train employees.

The Administrative Support Program requested a 14.5 percent general fund increase over the adjusted FY17 operating budget. Of the requested increase, \$71.9 thousand was for increased General Services Department (GSD) rates for health insurance premiums and the remaining \$945.6 thousand was for the jury and witness fund. AOC reports it will need \$994.5 thousand in deficiency appropriations for prior-year juror and interpreter payments and \$609 thousand in supplemental appropriations for the current year. The program also requested to convert 6.5 currently filled term FTE to permanent FTE.

The Statewide Judicial Automation Program, also known as Judicial Automation Division (JID), requested a general fund increase of \$1.2 million, or 32.9 percent, over the adjusted FY17 operating budget. The majority of the increase was in the other category for telecommunications maintenance costs and specialized staff training. The increase is in part replacement of Supreme Court automation fee (SCAF) revenue which fluctuates.

The Magistrate Court Program requested a \$1.9 million, or 7.3 percent, general fund increase over the adjusted FY17 operating budget. The majority of the increase was for personnel costs to reduce the 14 percent unfunded vacancy rate and increase court clerk salaries, the second highest priority of the judicial branch for FY18. At the time of the budget submission, the program had 51 vacancies, 50 of which were court clerks; \$687.7 thousand of the \$1.3 million increase in personnel costs was to move all court clerks up to the next pay range to attract better qualified clerks and retain current staff. In the other category, the agency requested \$570.8 thousand for lease costs. Despite the statewide trend of decreasing case filings, criminal case filings in the Magistrate Courts went up by 2.7 percent from FY15 to FY16 and civil filings increased slightly. The disposition rate was also up 2.8 percent, indicating increased productivity and workload with fewer resources.

The Special Court Services Program requested an 8.3 percent general fund increase, including \$250 thousand for court-appointed attorneys, \$118.3 thousand for court-appointed special advocates, \$50 thousand for alternative dispute resolution, \$50 thousand for children's mediation, and \$35 thousand for supervised visitation.

In the 2016 special legislative session, the FY17 general fund in AOC was reduced 3 percent. To implement the reduction, AOC reduced mileage paid to all employees, jurors, and interpreters, saving \$532.4 thousand. It also reduced drug-court spending by 20 percent and placed limitations on employee travel.

BASE EXPANSION:

AOC requested \$433.8 thousand for 5 new FTE in the Statewide Judicial Automation.

The expansion request included 2 FTE for helpdesk operations, a job currently done by database administrators and programmers. It also includes a statistical analyst, a jury management system maintenance position, and a webmaster. The committee does not recommend any expansions at this time.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts includes one million six hundred thousand dollars (\$1,600,000) 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 2017 shall revert to the local DWI grant fund.

**BASE EXPANSION LISTING
FY18 - 2017-2018**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Helpdesk operations – 2 FTE	(P560)	137.4	0.0
2	Webmaster – 1 FTE	(P560)	98.8	0.0
3	Jury system administrator – 1 FTE	(P560)	98.8	0.0
4	<u>Statistical analyst – 1 FTE</u>	<u>(P560)</u>	<u>98.8</u>	<u>0.0</u>
TOTAL			433.8	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)						
	FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)	
	<u>Actuals</u>	<u>Adj. Budgeted</u>				
SOURCES						
General Fund Transfers	8,718.3	8,949.7	10,244.0	9,791.4	6.1	
Other Transfers	741.5	310.9	310.9	310.9	0.0	
Federal Revenues	532.5	837.9	837.9	837.9	0.0	
Other Revenues	2,066.4	2,025.0	2,025.0	2,025.0	0.0	
Fund Balance	0.0	0.0	100.0	100.0		
SOURCES TOTAL	12,058.7	12,123.5	13,517.8	13,065.2	5.4	
USES						
Personal Services and Employee Benefits	4,293.0	4,159.7	4,540.7	4,512.9	8.5	
Contractual Services	902.3	1,296.1	1,420.1	1,399.0	7.9	
Other	7,601.5	6,667.7	7,557.0	7,153.3	3.0	
Other Financing Uses	31.0	0.0	0.0	0.0		
TOTAL USES	12,827.8	12,123.5	13,517.8	13,065.2	5.4	
FTE						
Permanent	40.3	40.3	46.8	40.3	0.0	
Term	9.0	9.0	3.0	9.0	0.0	
TOTAL FTE POSITIONS	49.3	49.3	49.8	49.3	0.0	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Average cost per juror	\$59.85	\$67.44	\$55	\$55	\$55
Explanatory	Number of jury trials	NEW	NEW			
Quality	Average interpreter cost per session	NEW	NEW	NEW	TBD	TBD

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)						
	FY16 2015-2016	FY17 2016-2017	FY18 - 2017-2018		Percent Incr (Decr)	
	<u>Actuals</u>	<u>Adj. Budgeted</u>	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	3,463.6	3,520.6	4,679.3	3,520.6	-3.0	
Other Revenues	4,604.8	4,945.4	4,895.4	4,895.4	-1.0	
Fund Balance	301.5	601.0	312.1	312.1	-48.1	
SOURCES TOTAL	8,369.9	9,067.0	9,886.8	8,728.1	-4.9	
USES						
Personal Services and Employee Benefits	5,117.7	5,311.4	5,356.3	5,411.4	1.9	
Contractual Services	445.0	1,030.0	980.0	680.0	-34.0	
Other	2,807.2	2,725.6	3,550.5	2,636.7	-7.0	
TOTAL USES	8,369.9	9,067.0	9,886.8	8,728.1	-4.9	
FTE						
Permanent	44.5	44.5	49.5	44.5	0.0	
Term	9.0	9.0	9.0	9.0	0.0	
TOTAL FTE POSITIONS	53.5	53.5	58.5	53.5	0.0	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Quality	Average time to resolve automation calls for assistance, in hours	3.9	16.2	5	5	5

MAGISTRATE COURT

The purpose of the magistrate 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 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>FY16 2015-2016 Actuals</u>	<u>FY17 2016-2017 Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	26,813.8	26,450.3	29,209.3	26,614.3	-2.4
Other Transfers	300.0	300.0	300.0	300.0	0.0
Other Revenues	3,383.2	3,428.7	3,369.6	3,369.6	-1.7
Fund Balance	588.2	49.0	106.5	106.5	117.3
SOURCES TOTAL	31,085.2	30,228.0	32,985.4	30,390.4	-2.1
USES					
Personal Services and Employee Benefits	21,184.5	21,046.2	22,382.2	21,310.2	1.3
Contractual Services	355.6	534.3	566.9	432.7	-19.0
Other	9,644.0	8,647.5	10,036.3	8,647.5	-8.6
Other Financing Uses	100.0	0.0	0.0	0.0	
TOTAL USES	31,284.1	30,228.0	32,985.4	30,390.4	-2.1
FTE					
Permanent	288.0	289.0	289.0	289.0	0.0
Term	55.5	54.5	55.5	54.5	0.0
TOTAL FTE POSITIONS	343.5	343.5	344.5	343.5	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.3	\$3.25	\$3.3	\$3.3	\$3.3
* Explanatory	Cases disposed as a percent of cases filed	102%	102.4%	100%		
Explanatory	Amount of case fines and fees collected, in millions	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

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.

**AOC - SPECIAL COURT SERVICES APPROPRIATIONS
BUDGET SUMMARY
(dollars in thousands)
FY 2017 - 2018**

	<u>FY16 2015- 2016 Actuals</u>	<u>FY17 2016-2017 Budgeted (rev)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General fund transfers	10,130.7	9,644.2	10,445.8	9,600.0	-0.5%
Other transfers	1,720.0	1,921.9	1,921.9	2,221.9	15.6%
Fund balance	296.2	317.0	317.0	317.0	0.0%
TOTAL REVENUE	\$12,146.9	\$11,883.1	\$12,684.7	\$12,138.9	2.2%
USES					
(a) Court-appointed Special Advocates	1,410.7	1,396.70	1,515.0	1,356.7	-2.9%
(b) Supervised Visitation	898.7	881.1	916.1	881.1	0.0%
(c) Water Rights	1,016.2	938.9	938.9	938.9	0.0%
(d) Court-appointed Attorneys	5,768.9	5,537.10	5,787.1	5,537.1	0.0%
(e) Children's Mediation	230.5	226.4	276.4	226.4	0.0%
(f) Judge Pro Temp	6.5	30.3	30.3	30.3	0.0%
(g) Access to Justice	120.5	124.7	124.7	120.5	-3.4%
(h) Statewide Alternative Dispute Resolution	0.0	3.3	53.3	3.3	0.0%
(i) Drug Court	3,041.3	2,744.60	3,042.9	3,044.6	10.9%
TOTAL EXPENDITURES	\$12,493.3	11,883.10	\$12,684.7	\$12,138.9	2.2%

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of monthly supervised child visitations and exchanges conducted	1,396	1,399	1,100	1,100	1,400
* Quality	Recidivism rate for drug-court participants statewide	NEW	NEW	NEW	TBD	TBD
Output	Number of children to whom court-appointed special advocate volunteers are assigned	1,855	1,733	1,500	1,500	1,800
Outcome	Three year intent-to-treat recidivism rate of drug-court program participants statewide	NEW	NEW	NEW	TBD	TBD
Outcome	Employment rate of adult drug-court program graduates for current fiscal year statewide	NEW	NEW	NEW	TBD	TBD
Outcome	Education rate of juvenile drug-court program graduates for current fiscal year statewide	NEW	NEW	NEW	TBD	TBD
* Quality	Recidivism rate for driving-while-intoxicated court participants statewide	NEW	NEW	NEW	TBD	TBD
Explanatory	Graduation rate for drug-court participants statewide	NEW	NEW			
Explanatory	Graduation rate for driving-while-intoxicated court participants statewide	NEW	NEW			
Explanatory	Cost per client per day for all drug-court participants	NEW	NEW			
Outcome	Time to permanency in court-appointed attorney cases	NEW	NEW	NEW	TBD	TBD

STATUTORY AUTHORITY:

The New Mexico district courts are statutorily created in Sections 34-6-1 through 34-6-26 NMSA 1978. New Mexico has 13 judicial districts over which 96 district judges preside. Distribution and number of judgeships is determined in New Mexico statute. In the last eight years, 21 district judgeships have been created.

The district courts have jurisdiction over all matters not specifically laid out in 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	76,054.8	73,935.2	77,824.8	73,781.9	0.5
Other Transfers	6,818.8	7,116.9	6,923.2	6,547.1	-8.0
Federal Revenues	58.9	116.0	154.4	154.4	33.1
Other Revenues	3,594.3	3,965.9	3,877.4	3,877.4	-2.2
Fund Balance	1,017.7	911.8	953.8	943.8	3.5
SOURCES TOTAL	87,544.5	85,505.8	89,733.6	85,304.6	-0.2
USES					
Personal Services and Employee Benefits	73,646.2	74,195.6	77,314.1	74,615.5	0.6
Contractual Services	6,921.5	6,553.8	7,429.5	6,190.1	-5.5
Other	5,997.7	4,756.4	4,990.0	4,499.0	-5.4
TOTAL USES	86,565.4	85,505.8	89,733.6	85,304.6	-0.2
FTE					
Permanent	985.8	986.8	987.8	986.8	0.0
Term	98.6	98.6	96.1	96.1	-2.6
TOTAL FTE POSITIONS	1,084.3	1,085.4	1,083.8	1,082.8	-0.2

AT A GLANCE:

The judicial unified budget priorities for FY18 were (1) adequate base budgets, (2) adequate pay for court clerks in the form of job re-measurement, and (3) information technology infrastructure. On average, the district courts requested a 6 percent increase over the adjusted FY17 operating budget. The total district court request for the court clerk job re-measurement was \$1.2 million, with the highest costs in the 2nd Judicial District (\$442 thousand) and the 5th Judicial District (\$125.1 thousand). The remaining \$1.6 million in the request was for operations and General Services Department (GSD) health insurance rate increases.

In response to legislative and judicial concern over a lack of recognition or use of the judiciary's unified budget in the recommendations of the executive and LFC and lack of judicial budget independence, the LFC is piloting a restructured budget that will appropriate expenditures in one item called "operations," as opposed to four, to each judicial entity with a budget under \$8 million in order to allow more internal control and oversight of its finances. This excludes only the 2nd Judicial District.

This pilot highlights the fact that the judiciary does not need to remain bound to the traditional budget organization. On average, more than 80 percent of each district court budget is for personnel costs, and the contracts category is typically only used for the audit. Additionally, because the Supreme Court has superintending control over all lower courts, Article VI, Section 3, Annotation II, of the New Mexico Constitution, policy oversight and financial controls are already in place in the unified budget process.

BUDGET ISSUES:

A compensation study performed throughout the judiciary to improve recruitment and retention in 2014 found more than 600 FTE in the court clerk job series all a pay grade below what they should be. The majority of those in the job series are court clerk 2s, who would effectively get a raise of \$1.50 per hour, or 10 percent, if moved to the next pay range. In calendar year 2015, 121 clerks were hired statewide and 135 left. This results in the state spending time and resources to train employees who do not make it past their first year. The study resulted in a compensation plan, approved by the Administrative Office of the Courts (AOC) director in 2015 that must be completed in all judicial entities by July 1, 2017, under the judiciary's personnel rules.

The district courts have implemented cost-saving efforts recently, including reducing mileage reimbursements for staff, jurors, and interpreters. The implementation of the Odyssey case management system has also produced cost savings and efficiencies; however, the courts report those savings have been absorbed into the daily operation of the courts. Additional savings could be found by reducing the number of bailiffs. Currently more than half the district courts have as many bailiffs as judges, though the 6th and 12th district courts have reduced bailiffs to one per two judges to reduce costs. Employing court monitors instead of court reporters could also reduce expenses in the district courts. The average annual salary of a court monitor is \$35.1 thousand compared with that of a court reporter, which is \$58.3 thousand. The courts report FY16 case filings were down 1.5 percent from FY15 and dispositions were down about 1.8 percent, indicating reduced productivity that can be contributed to short-staffed courts.

In the 2016 special legislative session, district court FY17 operating budgets were reduced by \$3 million, or 3 percent. While the district courts have reported none will need to furlough employees, the reduction will impact services to the public in the coming fiscal years. For instance, the 7th and 11th district courts will need to cut contracts for filming and archiving services, and maintenance on machines and copiers. The 7th Judicial District will also have to cut a domestic violence special commissioner. Those formerly contracted tasks will be transferred to already overloaded staff, giving them less time to respond to the public. The 8th Judicial District Court reports the need to reduce its drug-court budget and the 13th reports it will leave its drug-court coordinator position vacant.

The committee recommends keeping most of the district courts flat with the FY17 operating budgets adjusted for special session cuts. LFC recommends a slight increase in the 1st and 11th district courts due to extremely high vacancy rates and recommends the use of general funds for the mortgage settlement programs in the 2nd and 13th district courts.

BASE EXPANSION:

The 8th judicial district court requested an expansion of \$40.7 thousand for a court security officer in the domestic violence/family matters program. The LFC does not recommended this expansion at this time.

BASE EXPANSION LISTING
FY18 - 2017-2018

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Court security officer - 1 FTE	40.7	0.0
TOTAL			

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	7,066.6		6,814.8		7,280.3	6,867.2	2.3
Other Transfers	748.8		755.4		676.0	676.0	-10.5
Other Revenues	330.7		464.4		464.4	464.4	0.0
SOURCES TOTAL	8,146.1		8,034.6		8,420.7	8,007.6	-2.9
USES							
Operations	8,110.7		8,034.6		8,420.7	8,007.6	-2.9
TOTAL USES	8,110.7		8,034.6		8,420.7	8,007.6	-2.9
FTE							
Permanent	92.0		92.0		92.0	92.0	0.0
Term	7.8		7.8		7.8	7.8	0.0
TOTAL FTE POSITIONS	99.8		99.8		99.8	99.8	0.0

FIRST JUDICIAL DISTRICT COURT

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	107.1%	101.4%	95%		
Explanatory	Number of active cases	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	23,207.5		22,329.0		23,499.5	22,489.0	-2.3
Other Transfers	1,326.2		1,483.5		1,391.8	1,231.7	-17.0
Federal Revenues	0.0		0.0		88.4	88.4	
Other Revenues	2,349.6		2,631.1		2,445.8	2,445.8	-7.0
Fund Balance	584.9		584.9		625.9	625.9	7.0
SOURCES TOTAL	27,468.2		27,028.5		28,051.4	26,880.8	-3.0
USES							
Personal Services and Employee Benefits	24,433.8		24,813.2		25,748.6	24,973.2	-2.1
Contractual Services	776.3		576.9		700.9	505.7	-12.3
Other	1,599.4		1,638.4		1,601.9	1,401.9	-14.4
TOTAL USES	26,809.5		27,028.5		28,051.4	26,880.8	-3.0
FTE							
Permanent	328.5		328.5		328.5	328.5	0.0
Term	57.5		57.5		55.0	55.0	-4.3
TOTAL FTE POSITIONS	386.0		386.0		383.5	383.5	-0.6

SECOND JUDICIAL DISTRICT COURT

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	105%	105.6%	100%		
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	6,574.9	6,387.6	6,791.7	6,387.6	-3.0
Other Transfers	833.1	811.7	860.8	860.8	6.0
Other Revenues	169.2	171.2	171.7	171.7	0.3
Fund Balance	98.5	11.0	16.0	16.0	45.5
SOURCES TOTAL	7,675.7	7,381.5	7,840.2	7,436.1	-1.9
USES					
Operations	7,670.2	7,381.5	7,840.2	7,436.1	0.7
TOTAL USES	7,670.2	7,381.5	7,840.2	7,436.1	-1.9
FTE					
Permanent	86.3	86.3	86.3	86.3	0.0
Term	7.3	7.3	7.3	7.3	0.0
TOTAL FTE POSITIONS	93.5	93.6	93.5	93.5	0.0

THIRD JUDICIAL DISTRICT COURT

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Cases disposed as a percent of cases filed	97.7%%	99.2%	100%		
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	2,351.7	2,273.1	2,420.8	2,273.1	-3.0
Other Transfers	169.3	166.8	166.8	166.8	0.0
Other Revenues	16.1	15.0	23.0	23.0	53.3
Fund Balance	0.0	2.0	2.0	2.0	0.0
SOURCES TOTAL	2,537.1	2,456.9	2,612.6	2,464.9	-2.5
USES					
Operations	2,530.1	2,456.9	2,612.6	2,464.9	-2.5
TOTAL USES	2,530.1	2,456.9	2,612.6	2,464.9	-2.5
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 COURT

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Cases disposed as a percent of cases filed	105.4%	95.0%	97%		
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	6,661.7	6,442.8	6,839.2	6,442.8	-3.0
Other Transfers	512.0	509.1	509.1	509.1	0.0
Other Revenues	121.5	125.0	125.0	125.0	0.0
Fund Balance	0.0	0.0	10.0	0.0	
SOURCES TOTAL	7,295.2	7,076.9	7,483.3	7,076.9	-2.7
USES					
Operations	7,218.4	7,076.9	7,483.3	7,076.9	-2.7
TOTAL USES	7,218.4	7,076.9	7,483.3	7,076.9	-2.7
FTE					
Permanent	84.0	84.0	84.0	84.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	85.0	85.0	85.0	85.0	0.0

FIFTH JUDICIAL DISTRICT COURT

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Cases disposed as a percent of cases filed	100.7%	95.8%	100%		
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,305.9	3,187.8	3,382.1	3,187.8	-3.0	
Other Transfers	245.7	242.1	242.1	242.1	0.0	
Other Revenues	20.0	20.0	22.0	22.0	10.0	
Fund Balance	9.4	12.0	12.0	12.0	0.0	
SOURCES TOTAL	3,581.0	3,461.9	3,658.2	3,463.9	-2.7	
USES						
Operations	3,578.8	3,461.9	3,658.2	3,463.9	-2.7	
TOTAL USES	3,578.8	3,461.9	3,658.2	3,463.9	-2.7	
FTE						
Permanent	37.0	38.0	38.0	38.0	0.0	
TOTAL FTE POSITIONS	37.0	38.0	38.0	38.0	0.0	

SIXTH JUDICIAL DISTRICT COURT

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	94.8%	95.2%	100%		
Explanatory	Number of active cases	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	2,386.9	2,317.2	2,457.4	2,317.2	-3.0
Other Transfers	406.5	430.0	404.1	404.1	-6.0
Other Revenues	17.7	24.5	25.0	25.0	2.0
Fund Balance	0.0	5.0	5.0	5.0	0.0
SOURCES TOTAL	2,811.1	2,776.7	2,891.5	2,751.3	-3.4
USES					
Operations	2,763.0	2,776.7	2,891.5	2,751.3	-3.4
TOTAL USES	2,763.0	2,776.7	2,891.5	2,751.3	-3.4
FTE					
Permanent	30.0	30.0	30.0	30.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

SEVENTH JUDICIAL DISTRICT COURT

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	95.2%	94.3%	100%		
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	3,034.4		2,916.2		3,156.5	2,916.2	-3.0
Other Transfers	181.7		178.9		178.9	178.9	0.0
Other Revenues	42.3		81.0		106.0	106.0	30.9
SOURCES TOTAL	3,258.4		3,176.1		3,441.4	3,201.1	-2.0
USES							
Operations	3,243.2		3,176.1		3,441.4	3,201.1	-2.0
TOTAL USES	3,243.2		3,176.1		3,441.4	3,201.1	-2.0
FTE							
Permanent	33.0		33.0		34.0	33.0	0.0
TOTAL FTE POSITIONS	33.0		33.0		34.0	33.0	0.0

BASE EXPANSION LISTING
FY18 - 2017-2018

Agency <u>Rank</u>		<u>(Program)</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	<u>Court security officer – 1 FTE</u>	<u>(P238)</u>	<u>40.7</u>	<u>0.0</u>
TOTAL			40.7	0.0

EIGHTH JUDICIAL DISTRICT COURT

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	140.2%	95.9%	100%		
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	3,441.6	3,322.1	3,547.1	3,322.1	-3.0
Other Transfers	751.1	748.3	707.4	707.4	-5.5
Other Revenues	65.8	60.7	70.5	70.5	16.1
SOURCES TOTAL	4,258.5	4,131.1	4,325.0	4,100.0	-3.2
USES					
Operations	4,235.4	4,131.1	4,325.0	4,100.0	-3.2
TOTAL USES	4,235.4	4,131.1	4,325.0	4,100.0	-3.2
FTE					
Permanent	45.0	45.0	45.0	45.0	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	51.5	51.5	51.5	51.5	0.0

NINTH JUDICIAL DISTRICT COURT

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

	FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory Cases disposed as a percent of cases filed	105.8%	100.8%	100%		
Explanatory Number of active cases pending	NEW	NEW			
Explanatory Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	925.5	899.2	947.6	899.2	-3.0
Other Revenues	8.1	12.5	12.5	12.5	0.0
Fund Balance	25.7	27.8	30.3	30.3	9.0
SOURCES TOTAL	959.3	939.5	990.4	942.0	-2.6
USES					
Operations	929.5	939.5	990.4	942.0	-2.6
TOTAL USES	929.5	939.5	990.4	942.0	-2.6
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 COURT

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Cases disposed as a percent of cases filed	113.3%	89.9%	100%		
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	6,496.7	6,273.0	6,720.6	6,317.3	-2.3
Other Transfers	735.5	735.8	730.9	730.9	-0.7
Other Revenues	193.1	137.0	137.0	137.0	0.0
Fund Balance	0.0	12.0	12.0	12.0	0.0
SOURCES TOTAL	7,425.3	7,157.8	7,600.5	7,197.2	-2.1
USES					
Operations	7,365.3	7,157.8	7,600.5	7,197.2	-2.1
TOTAL USES	7,365.3	7,157.8	7,600.5	7,197.2	-2.1
FTE					
Permanent	82.5	82.5	82.5	82.5	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	89.0	89.0	89.0	89.0	0.0

ELEVENTH JUDICIAL DISTRICT COURT

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Cases disposed as a percent of cases filed	92%	94.4%	96%		
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	3,437.7		3,326.1		3,474.0	3,326.1	-3.0
Other Transfers	123.5		121.4		121.4	121.4	0.0
Other Revenues	44.2		47.5		48.5	48.5	2.1
Fund Balance	3.3		66.2		59.7	59.7	-9.8
SOURCES TOTAL	3,608.7		3,561.2		3,703.6	3,555.7	-3.0
USES							
Operations	3,598.3		3,561.2		3,703.6	3,555.7	-3.0
TOTAL USES	3,598.3		3,561.2		3,703.6	3,555.7	-3.0
FTE							
Permanent	45.5		45.5		45.5	45.5	0.0
TOTAL FTE POSITIONS	45.5		45.5		45.5	45.5	0.0

TWELFTH JUDICIAL DISTRICT COURT

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	94%	106.1%	90%		
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	7,163.7	6,906.3	7,308.0	7,036.3	-1.2	
Other Transfers	785.4	933.9	933.9	717.9	-23.1	
Federal Revenues	58.9	116.0	66.0	66.0	-43.1	
Other Revenues	216.0	176.0	226.0	226.0	28.4	
Fund Balance	295.9	190.9	180.9	180.9	-5.2	
SOURCES TOTAL	8,519.9	8,323.1	8,714.8	8,227.1	-3.6	
USES						
Operations	8,513.0	8,323.1	8,714.8	8,227.1	-3.6	
TOTAL USES	8,513.0	8,323.1	8,714.8	8,227.1	-3.6	
FTE						
Permanent	82.5	82.5	82.5	82.5	0.0	
Term	8.0	8.0	8.0	8.0	0.0	
TOTAL FTE POSITIONS	90.5	90.5	90.5	90.5	0.0	

THIRTEENTH JUDICIAL DISTRICT COURT

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	92.8%	114.7%	95%		
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

STATUTORY AUTHORITY:

Bernalillo County Metropolitan Court was created in Section 32-8A-14 NMSA 1978, which provides for a metropolitan court in a county with more than 200 thousand inhabitants. Bernalillo County Metropolitan Court has jurisdiction throughout Bernalillo County and is defined as a state magistrate court. It 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.

Bernalillo County Metropolitan 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 practices in the state for three years. Metropolitan County judges select and appoint a court administrator who supervises work under the direction of the presiding judge.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	23,699.7	22,855.2	24,276.9	22,955.2	0.4
Other Transfers	415.4	494.9	494.9	494.9	0.0
Federal Revenues	214.5	385.0	114.0	114.0	-70.4
Other Revenues	2,022.9	2,152.0	2,266.6	2,266.6	5.3
Fund Balance	117.5	224.5	110.4	110.4	-50.8
SOURCES TOTAL	26,470.0	26,111.6	27,262.8	25,941.1	-0.7
USES					
Personal Services and Employee Benefits	20,482.0	20,136.9	21,130.1	20,161.2	0.1
Contractual Services	2,767.2	2,934.9	2,957.0	2,770.1	-5.6
Other	3,197.3	3,029.8	3,170.7	3,004.8	-0.8
Other Financing Uses	0.0	10.0	5.0	5.0	-50.0
TOTAL USES	26,446.5	26,111.6	27,262.8	25,941.1	-0.7
FTE					
Permanent	299.0	298.0	299.0	298.0	0.0
Term	39.8	38.8	38.5	38.8	0.0
TOTAL FTE POSITIONS	338.8	336.8	337.5	336.8	0.0

AT A GLANCE:

Bernalillo County Metropolitan Court requested a 6.2 percent general fund increase over the adjusted FY17 operating budget. In line with judicial unified budget priorities, \$559 thousand of the request was for court clerk salary increases, the result of a 2015 compensation study and plan. The court also requested \$2.9 thousand for maintenance of the building and grounds in downtown Albuquerque consistent with prior years expenditures.

The LFC recommendation increases the general fund appropriation by \$100 thousand, or 0.4 percent, over the adjusted FY17 operating budget to accommodate the court's priorities.

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	104.4%	116.5%	100%		
Outcome	Number of active cases pending	NEW	NEW	NEW	TBD	TBD
Output	Amount of criminal case fees and fines collected in millions	NEW	NEW	NEW	TBD	TBD
Explanatory	Number of jury trials	NEW	NEW			

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)

			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	62,345.1	61,129.9	65,089.2	61,741.0	1.0
Other Transfers	967.9	934.8	840.3	958.5	2.5
Federal Revenues	1,300.6	1,295.8	1,017.5	1,067.5	-17.6
Other Revenues	851.4	918.0	882.8	882.8	-3.8
Fund Balance	1,034.6	244.2	315.6	572.4	134.4
SOURCES TOTAL	66,499.6	64,522.7	68,145.4	65,222.2	1.1
USES					
Personal Services and Employee Benefits	59,696.3	60,204.0	63,412.0	60,880.4	1.1
Contractual Services	679.4	541.1	603.4	524.3	-3.1
Other	5,630.5	3,777.6	4,130.1	3,817.5	1.1
TOTAL USES	66,006.2	64,522.7	68,145.5	65,222.2	1.1
FTE					
Permanent	888.0	897.0	898.0	616.0	-31.3
Term	54.5	53.5	56.0	45.0	-15.9
TOTAL FTE POSITIONS	942.5	950.5	954.0	661.0	-30.5

AT A GLANCE:

District attorney's offices across the state have felt the strain of limited resources for several fiscal years even though case filings are down. While total general fund revenue for all district attorneys increased by 0.5 percent from FY16 to FY17, it was reduced by 3 percent during the 2016 special legislative session and fund balances and federal grants have been dwindling in most offices. The New Mexico Sentencing Commission reported in its annual FTE needs study that, based on FY16 dispositions, the state needs 393 attorneys. Currently 302 attorney positions are filled, including elected district attorneys, leaving a need of 91 attorneys. Statewide, the district attorneys requested an average general fund increase of 7.7 percent; the highest request being the 10th Judicial District Attorney at 15.3 percent and the lowest being the 8th Judicial District Attorney at 3.6 percent. The committee recommendation increases the general fund appropriation for district attorneys and recommends use of fund balance.

BUDGET ISSUES:

Despite budget reductions, district attorney's offices have been working to reduce recidivism and increase safety in their communities while working to control costs. One successful program each district attorney operates is pre-prosecution diversion (PPD), which works to divert first-time offenders from the justice system. In the 2nd and 3rd Judicial District Attorney's offices, the PPD program is expanding to encompass veterans and mental health court participants, and the 8th Judicial District Attorney reports increased referrals to its PPD. Additionally, the 6th Judicial District Attorney has been working on restorative justice with youthful offenders to reduce the number of juveniles who become adult offenders. The 1st Judicial District Attorney has been partnering with law enforcement and other entities in the Law Enforcement Assisted Diversion Program (LEAD).

Statewide, the district attorneys requested an average increase of \$282.5 thousand, or 7.7 percent, from the FY17 operating budgets adjusted for special session cuts. The majority of the requests increased the personal services and employee benefits categories to hire more attorneys and support staff due to heavy workloads and high vacancies. Many districts have lost federal grants that formerly funded FTE or operational costs and requested replacement general fund appropriations.

In the 2016 special legislative session, the district attorney general fund revenues were reduced by 3 percent. District attorneys report the reduction will impact work, because vital positions will need to be left open to implement the reduction. Seven district attorneys reported the potential need to give employees leave without pay to reach the cuts, and two suggested the need for layoffs. Some offices also mentioned reducing general fund revenue for expert witness funding.

According to annual performance results, the 9th Judicial District Attorney's office maintained an annual average attorney caseload of 406 in FY16 and the 5th Judicial District Attorney reported 712. Though not all cases go to trial, every referral must be screened. According to AODA, in FY16 an average 13.5 percent of referred cases were screened out before trial, with a high of 30.6 percent in the 1st district and a low of 2.6 percent in the 10th district. From FY14 to FY16, case referrals increased in all offices except the 1st through 4th judicial districts. NMSC's annual needs study reports the 9th Judicial District Attorney's office needs 16 attorneys compared with the existing 12, and the 5th Judicial District Attorney's office needs 45.5 compared with the existing 24.

The committee recommendation increased the general fund appropriation to each district attorney's office by an average of \$43.7 thousand, or 1.2 percent, compared with the adjusted FY17 operating budget, based on average attorney caseload as reported by the district attorneys. The LFC recommendation also uses \$572.3 thousand of fund balance where appropriate to fill the funding gaps left by special session solvency reductions. The majority of the recommended increases are in the personal services and employee benefits category to fill vacancies and reduce caseloads as much as possible.

BASE EXPANSION:

The 1st Judicial District Attorney's office requested an expansion of \$71.8 thousand for a community outreach position. The committee does not fund this expansion at this time.

**BASE EXPANSION LISTING
FY18 - 2017-2018**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Community engagement coordinator - 1 FTE	(P251)	71.8	0.0
TOTAL			71.8	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	5,284.7	5,213.2	5,794.8	5,250.7	0.7	
Other Transfers	55.1	118.2	0.0	118.2	0.0	
Federal Revenues	120.0	120.1	0.0	50.0	-58.4	
SOURCES TOTAL	5,459.8	5,451.5	5,794.8	5,418.9	-0.6	
USES						
Personal Services and Employee Benefits	4,895.5	5,025.7	5,204.0	4,993.1	-0.6	
Contractual Services	19.2	22.8	19.7	22.8	0.0	
Other	496.7	403.0	571.1	403.0	0.0	
TOTAL USES	5,411.4	5,451.5	5,794.8	5,418.9	-0.6	
FTE						
Permanent	70.0	71.0	71.0	72.0	1.4	
Term	3.0	3.0	3.0	3.0	0.0	
TOTAL FTE POSITIONS	73.0	74.0	74.0	75.0	1.4	

BASE EXPANSION LISTING
FY18 - 2017-2018

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Community engagement coordinator – 1 FTE	71.8	0.0
TOTAL		71.8	0.0

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
* Efficiency	Average time from filing of petition to final disposition for adults, in months	7	6	6	10	10
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	96	114	200	125	125
Outcome	Cases prosecuted as a percent of those referred for screening	NEW	NEW	NEW	65	65
Outcome	Number of cases handled per attorney	NEW	NEW	NEW	185	185
* Outcome	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	1.75	1.75

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation	Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	18,411.8	17,830.8	18,480.2	17,975.4	18,480.2	17,975.4	0.8
Other Transfers	129.9	116.8	116.8	116.8	116.8	116.8	0.0
Federal Revenues	179.5	186.9	186.9	186.9	186.9	186.9	0.0
Other Revenues	432.6	483.1	459.1	459.1	459.1	459.1	-5.0
Fund Balance	350.0	74.0	0.1	34.5	0.1	34.5	-53.4
SOURCES TOTAL	19,503.8	18,691.6	19,243.1	18,772.7	19,243.1	18,772.7	0.4
USES							
Personal Services and Employee Benefits	17,603.1	17,465.8	18,017.3	17,546.9	18,017.3	17,546.9	0.5
Contractual Services	114.9	127.6	127.6	127.6	127.6	127.6	0.0
Other	1,664.4	1,098.2	1,098.2	1,098.2	1,098.2	1,098.2	0.0
TOTAL USES	19,382.4	18,691.6	19,243.1	18,772.7	19,243.1	18,772.7	0.4
FTE							
Permanent	283.0	283.0	283.0	283.0	283.0	283.0	0.0
Term	9.0	9.0	11.0	11.0	11.0	11.0	22.2
TOTAL FTE POSITIONS	292.0	292.0	294.0	294.0	294.0	294.0	22.2

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	41	7	9	TBD	8
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	180	66	180	150	150
Output	Cases prosecuted as a percent of those referred for screening	NEW	NEW	NEW	85	85
Output	Number of cases handled per attorney	NEW	NEW	NEW	175	175
* Efficiency	Average time from filing petition to final disposition for adults, in months	NEW	NEW	NEW	9	9

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals		2016-2017 Adj. Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	4,748.3		4,648.8		5,042.9	4,653.1	0.1
Other Transfers	144.0		99.9		99.9	99.9	0.0
Federal Revenues	429.9		417.6		417.6	417.6	0.0
Other Revenues	134.1		138.2		147.0	147.0	6.4
Fund Balance	32.7		95.2		64.0	95.2	0.0
SOURCES TOTAL	5,489.0		5,399.7		5,771.4	5,412.8	0.2
USES							
Personal Services and Employee Benefits	5,179.3		5,106.9		5,474.2	5,120.0	0.3
Contractual Services	19.2		19.0		19.0	19.0	0.0
Other	290.0		273.8		278.2	273.8	0.0
TOTAL USES	5,488.5		5,399.7		5,771.4	5,412.8	0.2
FTE							
Permanent	63.0		63.0		63.0	63.0	0.0
Term	12.0		12.0		11.0	11.0	-8.3
TOTAL FTE POSITIONS	75.0		75.0		74.0	74.0	-1.3

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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
* Efficiency	Average time from filing of petition to final disposition for adults, in months	6	6	6	6	6
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	114	150	140	140	140
Outcome	Cases prosecuted as a percent of those referred for screening	NEW	NEW	NEW	90	90
Outcome	Number of cases handled per attorney	NEW	NEW	NEW	TBD	TBD
* Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	3	3

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,151.7	3,032.0	3,345.1	3,058.5	0.9	
SOURCES TOTAL	3,151.7	3,032.0	3,345.1	3,058.5	0.9	
USES						
Personal Services and Employee Benefits	2,751.2	2,844.3	3,157.4	2,870.8	0.9	
Contractual Services	29.8	29.3	29.3	29.3	0.0	
Other	362.6	158.4	158.4	158.4	0.0	
TOTAL USES	3,143.6	3,032.0	3,345.1	3,058.5	0.9	
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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Efficiency	Average time from filing of petition to final disposition for adults, in months	5	5	5	6	6
Output	Number of cases in which defendant was referred into the pre-prosecution diversion program	36	26	36	36	36
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	77	77
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	6	6
Output	Cases handled per attorney	NEW	NEW	NEW	TBD	TBD

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,905.0	4,829.2	5,063.9	4,870.2		0.8
Other Transfers	128.3	128.3	128.3	128.3		0.0
Federal Revenues	98.0	98.0	98.0	98.0		0.0
Fund Balance	0.0	0.0	0.0	57.5		
SOURCES TOTAL	5,131.3	5,055.5	5,290.2	5,154.0		1.9
USES						
Personal Services and Employee Benefits	4,600.1	4,805.0	4,993.0	4,903.5		2.0
Contractual Services	28.8	23.0	25.0	23.0		0.0
Other	439.5	227.5	272.2	227.5		0.0
TOTAL USES	5,068.4	5,055.5	5,290.2	5,154.0		1.9
FTE						
Permanent	65.0	69.0	69.0	69.0		0.0
Term	1.0	1.0	3.0	3.0		200.0
TOTAL FTE POSITIONS	66.0	70.0	72.0	72.0		2.9

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Efficiency	Average time from filing of petition to final disposition for adults, in months	6	6	6	12	6
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	118	111	100	100	115
* Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	4	4
Outcome	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	6,000	TBD
Output	Number of cases handled per attorney	NEW	NEW	NEW	TBD	TBD

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	2,822.8	2,741.1	3,043.4	2,783.6	1.6	
Other Transfers	105.4	99.1	93.4	93.4	-5.8	
Federal Revenues	127.4	127.4	93.6	93.6	-26.5	
Fund Balance	0.0	0.0	0.0	53.5		
SOURCES TOTAL	3,055.6	2,967.6	3,230.4	3,024.1	1.9	
USES						
Personal Services and Employee Benefits	2,641.6	2,764.7	3,027.7	2,821.3	2.0	
Contractual Services	19.4	18.2	18.2	18.2	0.0	
Other	361.4	184.7	184.6	184.6	-0.1	
TOTAL USES	3,022.4	2,967.6	3,230.5	3,024.1	1.9	
FTE						
Permanent	35.0	35.0	35.0	35.0	0.0	
Term	3.0	3.0	5.0	5.0	66.7	
TOTAL FTE POSITIONS	38.0	38.0	40.0	40.0	5.3	

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Efficiency	Average time from filing of petition to final disposition for adults, in months	3	5	5	5	5
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	30	21	30	30	30
Outcome	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	<95	<95
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	<2	<2
Output	Cases handled per attorney	NEW	NEW	NEW	NEW	TBD

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 – 2017-2018</u>					Percent Incr (Decr)
	<u>FY16 2015-2016 Actuals</u>	<u>FY17 2016-2017 Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,506.4	2,410.2	2,497.1	2,436.1	1.1	
SOURCES TOTAL	2,506.4	2,410.2	2,497.1	2,436.1	1.1	
USES						
Personal Services and Employee Benefits	2,252.0	2,242.1	2,328.5	2,268.0	1.2	
Contractual Services	13.4	12.9	13.4	12.9	0.0	
Other	210.7	155.2	155.2	155.2	0.0	
TOTAL USES	2,476.1	2,410.2	2,497.1	2,436.1	1.1	
FTE						
Permanent	36.0	36.0	36.0	36.0	0.0	
TOTAL FTE POSITIONS	36.0	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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	40	34	35	35	35
Output	Number of cases handled per attorney	NEW	NEW	NEW	200	200
Output	Number of cases prosecuted as percent of cases referred for screening	NEW	NEW	NEW	80	80
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	6	6
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	7.5	7.5

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	2,676.4		2,593.2		2,685.4	2,628.9	1.4
Other Revenues	0.6		0.0		0.0	0.0	
SOURCES TOTAL	2,677.0		2,593.2		2,685.4	2,628.9	1.4
USES							
Personal Services and Employee Benefits	2,475.3		2,436.3		2,522.3	2,472.0	1.5
Contractual Services	52.6		16.8		20.0	16.8	0.0
Other	150.1		140.1		143.1	140.1	0.0
TOTAL USES	2,678.0		2,593.2		2,685.4	2,628.9	1.4
FTE							
Permanent	34.0		34.0		34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0		34.0		34.0	34.0	0.0

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	96	74	100	100	80
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	80	80
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	6	6
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	6 to 12	12
Output	Number of cases handled per attorney	NEW	NEW	NEW	200	200

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	2,881.6	2,824.5	3,035.2	2,877.6		1.9
Fund Balance	0.0	0.0	0.0	24.6		
SOURCES TOTAL	2,881.6	2,824.5	3,035.2	2,902.2		2.8
USES						
Personal Services and Employee Benefits	2,651.1	2,636.7	2,880.2	2,747.2		4.2
Contractual Services	21.8	32.5	21.7	21.7		-33.2
Other	196.0	155.3	133.3	133.3		-14.2
TOTAL USES	2,868.9	2,824.5	3,035.2	2,902.2		2.8
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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	125	118	100	100	115
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	<3	<3
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	<8	<8
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	82	82
Output	Number of cases handled per attorney	NEW	NEW	NEW	283	283

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,251.3	1,202.4	1,386.0	1,221.0		1.5
SOURCES TOTAL	1,251.3	1,202.4	1,386.0	1,221.0		1.5
USES						
Personal Services and Employee Benefits	1,114.9	1,094.9	1,209.1	1,113.5		1.7
Contractual Services	25.9	15.9	15.9	15.9		0.0
Other	109.7	91.6	161.0	91.6		0.0
TOTAL USES	1,250.5	1,202.4	1,386.0	1,221.0		1.5
FTE						
Permanent	14.0	15.0	14.0	14.0		-6.7
TOTAL FTE POSITIONS	14.0	15.0	14.0	14.0		-6.7

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	17	15	15	15	15
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	80	80
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	NEW	4	4
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	6-12	12
Output	Number of cases handled per attorney	NEW	NEW	NEW	350	350

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	3,607.7		3,878.7		4,006.6	3,888.7	0.3
Other Transfers	148.3		139.1		181.8	181.8	30.7
Federal Revenues	106.5		106.5		106.5	106.5	0.0
Other Revenues	5.0		0.0		0.0	0.0	
Fund Balance	351.9		75.0		251.5	251.5	235.3
SOURCES TOTAL	4,219.4		4,199.3		4,546.4	4,428.5	5.5
USES							
Personal Services and Employee Benefits	3,820.2		3,964.5		4,255.6	4,137.7	4.4
Contractual Services	65.2		69.2		63.2	63.2	-8.7
Other	320.5		165.6		227.6	227.6	37.4
TOTAL USES	4,205.9		4,199.3		4,546.4	4,428.5	5.5
FTE							
Permanent	55.0		55.0		57.0	57.0	3.6
Term	12.0		12.0		8.0	8.0	-33.3
TOTAL FTE POSITIONS	67.0		67.0		65.0	65.0	-3.0

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	142	134	140	125	135
Output	Number of cases handled per attorney	NEW	NEW	NEW	200	200
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	>80	80
* Efficiency	Average time from filing petition to final disposition for adults, in months	NEW	NEW	NEW	<8	8
* Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	<6	6

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	2,213.1	2,151.0	2,375.4	2,197.8	2.2
Other Revenues	128.5	149.0	129.0	129.0	-13.4
Fund Balance	0.0	0.0	0.0	20.0	
SOURCES TOTAL	2,341.6	2,300.0	2,504.4	2,346.8	2.0
USES					
Personal Services and Employee Benefits	2,114.3	2,143.8	2,342.4	2,190.6	2.2
Contractual Services	20.0	14.9	16.0	14.9	0.0
Other	193.5	141.3	146.0	141.3	0.0
TOTAL USES	2,327.8	2,300.0	2,504.4	2,346.8	2.0
FTE					
Permanent	33.0	34.0	34.0	34.0	0.0
Term	3.0	2.0	2.0	2.0	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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	2	9	20	20	10
* Efficiency	Average time from filing of petition to final disposition for juveniles, in months	5	4.48	5	5	5
Outcome	Cases prosecuted as a percent of those referred for screening	NEW	NEW	NEW	TBD	TBD
Output	Cases handled per attorney	NEW	NEW	NEW	TBD	TBD
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	TBD	TBD

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	2,819.6	2,900.9	3,115.1	2,963.2		2.1
Other Transfers	197.9	167.4	167.3	167.3		-0.1
Federal Revenues	239.3	239.3	114.9	114.9		-52.0
Fund Balance	0.0	0.0	0.0	35.6		
SOURCES TOTAL	3,256.8	3,307.6	3,397.3	3,281.0		-0.8
USES						
Personal Services and Employee Benefits	2,959.1	3,102.2	3,191.9	3,075.6		-0.9
Contractual Services	39.1	44.4	44.4	44.4		0.0
Other	254.1	161.0	161.0	161.0		0.0
TOTAL USES	3,252.3	3,307.6	3,397.3	3,281.0		-0.8
FTE						
Permanent	39.0	41.0	41.0	41.0		0.0
Term	8.5	8.5	10.0	10.0		17.6
TOTAL FTE POSITIONS	47.5	49.5	51.0	51.0		3.0

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	64	94	125	150	100
* Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	4	4
* Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	NEW	12	12
Output	Cases prosecuted as a percent of cases referred for screening	NEW	NEW	NEW	50	80
Output	Number of cases handled per attorney	NEW	NEW	NEW	150	150

BUDGET SUMMARY
(dollars in thousands)

	FY18 – 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	5,064.7	4,873.9	5,218.1	4,936.2	1.3
Other Transfers	59.0	66.0	52.8	52.8	-20.0
Other Revenues	150.6	147.7	147.7	147.7	0.0
Fund Balance	300.0	0.0	0.0	0.0	
SOURCES TOTAL	5,574.3	5,087.6	5,418.6	5,136.7	1.0
USES					
Personal Services and Employee Benefits	4,638.6	4,571.1	4,808.4	4,620.2	1.1
Contractual Services	210.1	94.6	170.0	94.6	0.0
Other	581.3	421.9	440.2	421.9	0.0
TOTAL USES	5,430.0	5,087.6	5,418.6	5,136.7	1.0
FTE					
Permanent	80.0	80.0	80.0	80.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	83.0	83.0	83.0	83.0	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

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	99	84	120	120	100
Output	Cases prosecuted as a percent of those referred for screening	NEW	NEW	NEW	85	85
* Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	NEW	3	3
* Efficiency	Average time from filing petition to final disposition for adults, in months	NEW	NEW	NEW	9	9
Output	Number of cases handled per attorney	NEW	NEW	NEW	175	175

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 maintains a consolidated information technology plan. AODA also administers state funding for the forensic evaluation program, which consists of eight children's safe houses throughout the state, and the New Mexico Children's Safe house Network Office.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY18 – 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	2,228.2	2,188.8	2,624.5	2,188.8	0.0
Other Transfers	9.8	12.0	0.0	12.0	0.0
Other Revenues	267.1	299.7	260.9	260.9	-12.9
Fund Balance	135.7	0.0	0.0	0.0	
SOURCES TOTAL	2,640.8	2,500.5	2,885.4	2,461.7	-1.6
USES					
Personal Services and Employee Benefits	1,373.1	1,315.8	1,416.3	1,307.5	-0.6
Contractual Services	271.7	328.2	297.7	297.7	-9.3
Other	832.3	856.5	1,171.4	856.5	0.0
TOTAL USES	2,477.1	2,500.5	2,885.4	2,461.7	-1.6
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	16.0	16.0	0.0

AT A GLANCE:

The Administrative Office of the District Attorneys (AODA) reported performance has been hindered by lack of resources, which has led to too few staff to tackle a large workload. However, AODA has begun adhering to best practices for human resources, fiscal administration, and IT management. AODA provides continuing legal education events throughout the year for, not only district attorneys and staff, but other lawyers in the state, providing savings statewide. Highlighting the success of AODA's training events, in FY16 attendees increased from 900 to 2,500.

AODA requested a general fund increase of 19.9 percent, or \$435.7 thousand, over the adjusted FY17 operating budget including funding for a deputy district attorney, a program specialist, and a network specialist. AODA also requested decreased funding from other transfers such as grants, court fines and fees, and forfeitures. The largest requested category increase was in the other category, 36.8 percent, or \$314.9 thousand, for information technology software such as network security and hardware such as copiers and scanners. AODA also pays data service fees for all District Attorney offices and requested an increase for telecommunications due to the reported need to triple bandwidth. The committee recommendation holds AODA flat with the FY17 adjusted budget. LFC also recommends \$12 thousand from Stop Violence Against Women Act grant funding.

ADMINISTRATIVE SUPPORT

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of victim notifications reported through New Mexico state automated victim information notification, monthly	7,080	106,006	7,000	80,000	80,000
Efficiency	Average time to resolve information technology calls for assistance, in hours	11	135	7	16	16
Output	Number of center of legal education hours of education provided by administrative office of the district attorneys at training events	4,086	5,165	5,500	5,500	5,100

STATUTORY AUTHORITY:

The Public Defender Commission (PDC) was established under Sections 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. The commission also sets standards for operation of the department and of indigence, which the courts use in determining when defendants are eligible for state-funded defense.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	47,850.1	47,389.9	53,741.2	47,863.8	1.0
Other Revenues	517.2	250.0	275.0	275.0	10.0
SOURCES TOTAL	48,367.3	47,639.9	54,016.2	48,138.8	1.0
USES					
Personal Services and Employee Benefits	29,691.6	29,737.7	32,627.2	30,236.6	1.7
Contractual Services	13,364.8	12,309.9	14,873.8	12,309.9	0.0
Other	5,299.5	5,592.3	6,515.2	5,592.3	0.0
TOTAL USES	48,355.9	47,639.9	54,016.2	48,138.8	1.0
FTE					
Permanent	439.0	439.0	471.0	439.0	0.0
TOTAL FTE POSITIONS	439.0	439.0	471.0	439.0	0.0

AT A GLANCE:

The Public Defender Department (PDD), encompassing both the policy making Public Defender Commission (PDC) and the Law Offices of the Public Defender (LOPD), responded to ongoing high caseloads by declining new clients in some areas of the state in FY17, arguing it could not fulfill its constitutional requirement to provide adequate representation. PDD requested funding to fill 25 vacant attorney positions to bring attorney caseloads down to the National Advisory Committee (NAC) maximums. The department also requested funding to open an alternative defense division, a way to reduce the costs of contracting with private attorneys and provide better performance oversight. Finally, PDD requested to modify language included in General Appropriation acts of 2015 and 2016 prohibiting the use of hourly rates to compensate contract counsel, to allow the use of hourly rates in very complex cases, such as life sentence cases. The LFC recommendation increases the general fund appropriation \$474 thousand, or 1 percent over the adjusted FY17 level. The recommendation prioritizes personnel funding to fill vacant attorney positions.

BUDGET ISSUES:

PDD faced chronic issues in the past fiscal year, such as high caseloads, claims of inadequate defense, expensive contracts, and the refusal of cases in the 5th judicial district, all of which related to limited agency staff. In most judicial districts, PDD is unable to provide council at first court appearances, and even in some grand juries, because there are too few attorneys. The agency reports it contracts around 24 thousand cases annually to private attorneys across the state at great cost, both to the budget and to the quality of defense. For instance, in Eddy and Lea counties, PDD issued a request for proposals (RFP) for contractors and only received one response because the rates offered were too low to attract bids. The New Mexico Sentencing Commission (NMSC) reported in its 2016 needs study that PDD needs 313 attorneys and 226 support staff; however, in July 2016, PDD reported it had 195 attorneys and 177 support staff.

To address these issues, PDD made changes within its current year budget. PDD is instituting time-keeping for all department staff, providing management with a tool to assess the resources needed to provide adequate defense and to root out inefficiencies. Additionally, the department has begun identifying magistrate courts where defense attorneys are not present at first appearances to begin assigning attorneys to those courts.

There has been concern that non-indigent clients receive representation from public defenders at no charge. PDC has appointed a working group to study standards of indigence and processes to determine indigence, which will hopefully result in a recommendation. In the meantime, the department has started assigning client-service agents to districts without an LOPD office to determine client indigence and collect the \$10 fee, a source of revenue for the department's operating budget.

In October 2016, PDD began refusing to take cases in Hobbs, in the 5th judicial district. The department's rationale for this refusal lay in the inability to provide adequate constitutional representation to clients due to a lack of attorneys. The department asserted that no financial solution was possible due to the limited resources and sought a reduction in caseload to mitigate what it calls a constitutional crisis. This triggered a suit filed by the 5th district attorney in district court.

PDD's budget request was \$6.4 million, or 13.4 percent, over the FY17 operating budget adjusted for special session cuts. The first of three initiatives in the budget request was funding to fill 25 vacant attorney positions and bring per attorney caseloads down to National Advisory Committee (NAC) maximums. The second was to create an alternate defense division within the agency to save contracting costs and ensure better quality representation. These first two initiatives resulted in a \$2.9 million increase in the personal services and employee benefits category, or 9.7 percent. PDD estimated an alternate defender division will save \$600 thousand in contracts. While LFC supports the initiative of the department, it does not recommend additional funding at this time for the new division.

The third initiative in the budget request was a \$1.5 million increase in the contractual services category for hourly rates paid to contract counsel in the most difficult capital cases. The hourly rates would be capped at \$30 thousand per case, and only the \$1.5 million specified in the request would be used for hourly compensation. PDD also requested a 3.5 percent increase in the other category, mostly for leases and other supplies associated with the new division. LFC recommends a flat budget in the other costs category.

The committee recommendation increased the general fund appropriation by \$474 thousand, or 1 percent, over the reduced FY17 base. Hiring for the alternate defender division has already begun within PDD, and LFC recommends the continuation of prioritizing funds for the division, though it does not provide additional funding at this time.

RECOMMENDED LANGUAGE:

Appropriations to the public defender department shall not be used to pay hourly rates to contract attorneys.

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>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	48.5%	34.4%	55%	70%	70%
Output	Number of alternative sentencing treatment placements in felony, misdemeanor and juvenile cases for clients of contract attorneys	NEW	NEW	1,000	2,400	2,400
Explanatory	Percent of total cases taken by contract attorneys	NEW	NEW	33%		
Output	Average cases assigned to attorneys yearly	NEW	NEW	NEW	TBD	TBD
Output	Average time to case disposition	NEW	NEW	NEW	TBD	TBD

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. 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 legal officer, legal counsel to state government, and consumer advocate.

MISSION:

The New Mexico 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. 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)

			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,809.7	8,978.5	18,902.8	10,050.4	11.9
Other Transfers	8,506.0	9,614.1	501.2	6,568.9	-31.7
Federal Revenues	2,980.6	3,675.2	3,631.6	3,284.4	-10.6
Fund Balance	503.5	0.0	500.0	0.0	
SOURCES TOTAL	21,799.8	22,267.8	23,535.6	19,903.7	-10.6
USES					
Personal Services and Employee Benefits	16,400.2	17,185.5	18,495.9	16,400.2	-4.6
Contractual Services	863.0	802.8	925.1	702.8	-12.5
Other	3,307.8	3,399.5	3,613.4	2,800.7	-17.6
Other Financing Uses	500.0	880.0	501.2	0.0	-100.0
TOTAL USES	21,071.0	22,267.8	23,535.6	19,903.7	-10.6
FTE					
Permanent	181.0	187.0	162.0	187.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	182.0	188.0	163.0	188.0	0.0

AT A GLANCE:

NMAG's budget request increased general fund revenue to offset a requested decrease in the use of consumer settlement fund revenue for the operating budget. In the Medicaid Fraud program, the request for a general fund increase would have brought in federal funds at a 25-to-75 match. The division has seen an increase in fraud referrals over the last three years, in part because of the opening of a new office in Las Cruces. There were 341 referrals in 2013, 476 in 2014, and 557 in 2015. In the Legal Services program, NMAG requested increases for rent, training, and vehicles. The agency has begun leasing its cars from Enterprise instead of the General Services Department (GSD) motor pool, reporting GSD cannot meet its fleet needs. The LFC recommendation does not include funding for the increased cost of commercial vehicle leases.

At the time of the original budget submission NMAG projected a year-end surplus in the consumer settlement fund for both the current and next fiscal years. However, on further review, NMAG resubmitted a projection reporting the fund will be in a deficit at the end of FY18 if appropriations remain at the same level as the current year. Due to this projection, the LFC recommendation increases the general fund appropriation above the adjusted FY17 operating budget to offset the fund depletion and eliminates transfers from the consumer settlement fund to New Mexico State University and to the district courts.

BUDGET ISSUES:

NMAG requested a total general fund increase of \$9.9 million, or 110.5 percent, over the adjusted FY17 operating budget to offset decreases in both the consumer settlement fund revenue and federal funds. From all sources, the requested increase was \$1.3 million over the FY17 operating budget adjusted for special session cuts. The majority of the increase was requested in the personal services and employee benefits category to reduce vacancy rates.

In the Legal Services program, NMAG requested a \$9.8 million, or 117.6 percent, increase from the general fund for both vacancy rate reductions and vehicle leases. NMAG requested \$500 thousand to transfer to New Mexico State University (NMSU) from the consumer settlement fund, which the committee did not recommend. In the Medicaid Fraud program, NMAG requested a general fund increase of \$115.8 thousand, or 18.1 percent, to receive a 75 percent federal match.

NMAG had the opportunity to sign on to a multi-state settlement with Volkswagen in 2016 that would have brought \$16 million to \$22 million of revenue into the consumer settlement fund. The Attorney General, however, did not sign on and is pursuing an independent suit that may not materialize for at least four years. NMAG projected the consumer settlement fund would end FY18 with an \$8 million deficit if the expenditures remained the same as in the current fiscal year. Because of this, nothing was swept from the fund in the special legislative session, and the LFC recommendation does not include transfers for NMSU or the district courts' mortgage mediation programs and also does not recommended appropriating anticipated special requests.

The LFC recommendation increases the general fund appropriation to NMAG by \$1.1 million, or 11.9 percent, to offset the reduction in consumer settlement fund availability. LFC also recommends eliminating all appropriations from the consumer settlement fund except \$6.6 million for NMAG's operating budget. NMAG will need to control spending in case consumer settlement fund revenues do not materialize throughout the remainder of FY17 and FY18.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the attorney general include six million five hundred sixty-eight thousand nine hundred dollars (\$6,568,900) from the consumer settlement fund of the attorney general's office. Any unexpended balances at the end of fiscal year 2018 from this appropriation shall revert to the consumer settlement fund of the attorney general's office.

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)		FY18 - 2017-2018		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	9,247.3	8,338.5	18,147.0	9,410.4	12.9
Other Transfers	8,506.0	9,610.3	500.0	6,568.9	-31.6
Federal Revenues	1,364.1	1,754.9	1,364.1	1,364.1	-22.3
Fund Balance	503.5	0.0	500.0	0.0	
SOURCES TOTAL	19,620.9	19,703.7	20,511.1	17,343.4	-12.0
USES					
Personal Services and Employee Benefits	14,624.9	15,219.0	16,168.9	14,433.7	-5.2
Contractual Services	863.0	793.8	916.0	693.8	-12.6
Other	2,927.8	2,814.7	2,926.2	2,215.9	-21.3
Other Financing Uses	500.0	876.2	500.0	0.0	-100.0
TOTAL USES	18,915.7	19,703.7	20,511.1	17,343.4	-12.0
FTE					
Permanent	160.0	162.0	162.0	162.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	161.0	163.0	163.0	163.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Number of outreach presentations conducted throughout the state	108	475	90	TBD	100
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act with complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Average time from filing to final disposition in criminal cases, in months	NEW	NEW	NEW	TBD	TBD
Outcome	Number of cases reviewed for prosecution	NEW	NEW	NEW	TBD	TBD
* Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	41%	71%	40%	TBD	70%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	562.4	640.0	755.8	640.0	0.0
Other Transfers	0.0	3.8	1.2	0.0	-100.0
Federal Revenues	1,616.5	1,920.3	2,267.5	1,920.3	0.0
SOURCES TOTAL	2,178.9	2,564.1	3,024.5	2,560.3	-0.1
USES					
Personal Services and Employee Benefits	1,775.3	1,966.5	2,327.0	1,966.5	0.0
Contractual Services	0.0	9.0	9.1	9.0	0.0
Other	380.0	584.8	687.2	584.8	0.0
Other Financing Uses	0.0	3.8	1.2	0.0	-100.0
TOTAL USES	2,155.3	2,564.1	3,024.5	2,560.3	-0.1
FTE					
Permanent	21.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	21.0	25.0	25.0	25.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$1,259	\$5,654			
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human services	5	5	5	5	5
Efficiency	Percent of referrals from human services department where medicaid fraud control unit responded within fifteen days	NEW	NEW	NEW	TBD	TBD
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt.	69%	56%	65%	TBD	60%

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.

	BUDGET SUMMARY (dollars in thousands)				
	FY16 2015-2016	FY17 2016-2017	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES					
General Fund Transfers	2,947.8	2,690.4	2,847.0	2,690.4	0.0
Other Revenues	432.3	812.7	430.0	450.0	-44.6
Fund Balance	114.4	0.0	305.0	305.0	
SOURCES TOTAL	3,494.5	3,503.1	3,582.0	3,445.4	-1.6
USES					
Personal Services and Employee Benefits	2,873.3	2,951.1	2,960.9	2,960.9	0.3
Contractual Services	87.6	43.5	74.1	46.8	7.6
Other	532.4	508.5	547.0	437.7	-13.9
TOTAL USES	3,493.3	3,503.1	3,582.0	3,445.4	-1.6
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	35.0	35.0	35.0	35.0	0.0

AT A GLANCE:

The overall FY18 request for the State Auditor (OSA) was an increase over the FY17 operating level, adjusted for special session reductions. OSA reduced its use of enterprise revenue and fund balance because fund balance is almost depleted. The agency struggles to generate sufficient revenue to fill three auditor vacancies which accounts for the 8.8 percent unfunded vacancy rate. Since January 2015, following a reorganization, the office has significantly decreased vacancy rates.

The LFC recommendation supports the agency's request for a slight increase in funding for personnel to maintain the current staffing level. The majority of FY17 solvency reductions are in contractual services and other categories, which will likely affect OSA's ability to provide technical assistance and conduct audits for municipalities and local public bodies on the at-risk-list.

BUDGET ISSUES:

Prior to FY14, the Office of the State Auditor (OSA) spent less than it generated in audit fees, which led to growth of fund balance over several years, until reaching a historical high of more than \$1.1 million at the beginning of FY15. Since then, appropriation levels have grown; however, with OSA filling longstanding vacancies, cash balances will soon be exhausted.

When OSA reorganized, it reduced the number of auditors by one, moving the position to the new Government Accountability Office, and created the Compliance and Regulation Program. Due to insufficient revenues, the office did not fill the three vacancies in the Financial Audit Program but did fill all vacancies in the special investigations unit.

With current staffing levels in the Financial Audit Program, the office conducted nine audits, generating \$432 thousand in audit fee revenue in FY16. LFC recommends adjusting staff within the agency to fulfill its statutory requirements to ensure public funds are expended properly by state and local entities.

Premium Tax Collections Special Audit. In 2014, the Legislature authorized an expenditure of \$100 thousand by the Office of the Superintendent of Insurance (OSI) to conduct an audit of premium tax collections. Legislative action in 2015 extended the time period for OSI to spend this money, through FY16, and required oversight by OSA. The audit of premium tax collections between FY10 and FY15, released in September, identified \$193 million in underpayments of premium taxes by this sample of companies representing 26 percent of total premium tax collected; the amount due to the state is likely to be far more than what was identified in the audit. The remaining 74 percent of files need to be audited from all companies to find additional uncollected revenue due to the state.

Findings Report. The Findings Report for FY15 provided New Mexico policymakers with a financial snapshot of how government is working and important indicators of the financial health of governmental entities. The report, a look at 463 FY15 audits, finds 93 percent received “unmodified” opinions, meaning the auditor concluded, based on the test work, that the financial statements fairly present the financial condition of the entity. Regarding findings, 137 entities, or 30 percent, had no findings at all, meaning the auditor found that the entity had a clean bill of health. This is an improvement from the 26 percent with no findings in FY14. The total number of findings decreased by about 11 percent in FY15, from 1,819 findings in FY15 to 2,033 findings in FY14. In FY15, 757 findings, or 42 percent, were repeated from previous year audits. The primary category of findings was a lack of policies, procedures, and internal controls, followed by expenses and expenditures.

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Amount of audit fees generated	\$423,719	\$432,310	\$450,000	\$430,000	\$450,000
* Explanatory	Percent of audits completed by regulatory due date	81%	87%	81%		
Output	Number of training sessions performed	19	38	17	17	17
Outcome	Percent of statutory reviews of audit reports completed within ten days	96%	88%	90%	88%	90%
Output	Number of working paper reviews of independent public accountants	45	46	45	40	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. 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. 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, 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)

			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	56,385.1	51,271.7	51,543.1	50,701.7	-1.1
Other Transfers	610.8	650.7	620.6	620.6	-4.6
Federal Revenues	1,668.3	1,506.8	1,506.8	1,506.8	0.0
Other Revenues	27,963.8	25,872.0	26,302.1	27,353.8	5.7
Fund Balance	1,265.6	1,265.6	0.0	94.5	-92.5
SOURCES TOTAL	87,893.6	80,566.8	79,972.6	80,277.4	-0.4
USES					
Personal Services and Employee Benefits	56,449.8	56,354.7	56,659.1	56,869.4	0.9
Contractual Services	8,664.1	8,473.8	8,446.9	8,446.9	-0.3
Other	16,341.1	14,472.7	14,866.6	14,866.6	2.7
Other Financing Uses	1,265.6	1,265.6	0.0	94.5	-92.5
TOTAL USES	82,720.6	80,566.8	79,972.6	80,277.4	-0.4
FTE					
Permanent	1,047.5	1,047.5	1,043.5	957.5	-8.6
Term	29.0	28.0	28.0	28.0	0.0
Temporary	19.5	19.5	11.3	11.3	-41.9
TOTAL FTE POSITIONS	1,096.0	1,095.0	1,082.8	996.8	-9.0

AT A GLANCE:

As the state faces lower than expected revenues resulting from low oil prices and weak economic conditions, collecting revenue effectively and efficiently to decrease the tax gap, the difference between what is owed to the state and what is collected, is increasingly important. TRD has demonstrated progress in closing the gap; in FY16, TRD's audit assessment collections were just above their targets and higher than in previous years.

The department's FY18 request included a general fund request of \$51.5 million, an increase of \$271.4 thousand, or 0.5 percent, above FY17 operating levels adjusted for special session reductions. The requested general fund increase would support the Revenue Processing Division (RPD) to cover increased postage costs and the purchase of a scanner and scanning system. The remaining amount would be used to cover costs associated with the upward reclassification of a law enforcement agent approved by the State Personnel Office (SPO) and replacing \$30.1 thousand of revenue transfers for the Oil and Natural Gas Administration and Revenue Database (ONGARD) from the State Land Office.

BUDGET ISSUES:

The committee recommendation includes a general fund appropriation of \$50.7 million, a 1.1 percent decrease from the FY17 adjusted operating budget. However, LFC recommends increasing the use of revenue generated by the gross receipts tax administrative fee by \$665.5 thousand to offset a general fund decrease. The overall budget recommendation is \$80.3 million, a decrease of \$289.4 thousand compared with the FY17 adjusted operating budget. The committee recommendation includes \$386.2 thousand of insurance premium revenue from the Office of the Superintendent of Insurance to begin collecting these premiums through a joint powers agreement. The agency is holding 217.2 vacancies and the LFC recommends reducing historically vacant FTE by 98.2, or 9 percent, of the 1,095 currently authorized FTE and funding 20 of the vacant positions.

The overall agency request was \$80 million, a \$594.2 thousand decrease relative to FY17 adjusted operating level. Despite the overall requested decrease, the Tax Administration Program requested additional funding for increased postage costs. With the rollout of REAL ID compliant licenses and driver authorization cards, the department plans to use the additional postage funding to send out mailers reminding drivers to renew driver's licenses and inform taxpayers about certain tax and refund information in the Tax Administration Program.

LFC continues to receive questionable data from TRD for use in tracking and projecting statewide revenues. For example, during the August 2016 LFC hearing and in the consensus revenue estimate report, it was noted the high-wage jobs tax credit was estimated to have a \$15 million annual impact to the general fund; however, the cost soared to \$58 million in FY16 and is projected to be \$36 million in FY17. The department should improve the reporting of tax revenue, especially for tax credits and refunds.

Motor Vehicle Division. Some New Mexico drivers are having their passports rejected as proof of United States citizenship for REAL ID compliance. Beyond that, many Motor Vehicle Division (MVD) goes are showing up with what are thought to be proper documents until they are turned away by division staff, causing public confusion about exactly which documents are required. Undocumented immigrants needing a license for the first time must provide fingerprints for a background check through the state Department of Public Safety to receive a driver authorization card. MVD rolled out the new drivers licenses on November 14, 2016.

Enhanced driver's license and weight distance revenues are used to cover salary costs throughout MVD, resulting in savings to the general fund. Further, MVD will close four rural field offices and use the mobile unit to serve these areas for solvency savings.

The committee recommendation for MVD includes \$10.8 million from the general fund, a decrease of \$347.1 thousand. The recommendation includes an overall budget of \$25.1 million, a decrease of \$1.5 million, or 5.7 percent, from the FY17 adjusted operating budget.

Property Tax Program. The Property Tax Program has been funded with other revenue and cash balances since FY11. Revenue is generated by the department through the sale of delinquent property and collection of delinquent property taxes. In FY16, the division returned approximately \$11.6 million in delinquent property tax obligations to counties, \$1.2 million more than FY15. The program request for FY18 is increased by 12.8 percent and the committee supports the funding request for use of other state revenues. The Association of Counties is raising concerns about some centrally assessed property being significantly under-assessed, notably in Eddy County, by the County Assessor.

Natural gas pipelines cross many county roads in various school districts within Eddy County and non-reporting or underreporting by companies may affect property valuations as well as general fund and other state fund revenues. The current system requires companies to self-report lengths and volumes for gathering and transportation lines; however neither the state nor counties have the assessors necessary to oversee the reporting practices of over 130 companies in Eddy County. This issue may affect other counties as well as centrally assessed property.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of the Tax Administration Act or other substantive law, 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, 7-1-6.47, and Subsection E of Section 7-1-6.41 NMSA 1978.

Notwithstanding the provisions in the Tax Administration Act or other substantive law, of the amounts withheld, an amount equal to three percent of the distributions specified in Subsection E of Section 7-1-6.41 NMSA 1978 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.

The other financing uses category in the motor vehicle division includes ninety-four thousand five hundred dollars (\$94,500) from the weight distance tax identification permit fund for the motor transportation division of the department of public safety.

The other revenues appropriation in the tax administration program of the taxation and revenue department in the personal services and employee benefits category includes three hundred sixty-eight thousand two hundred dollars (\$368,200) from the Office of the Superintendent of Insurance for the collection of insurance premium taxes.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	22,521.4	20,471.3	21,041.3	20,471.3	0.0
Federal Revenues	1,543.6	1,506.8	1,506.8	1,506.8	0.0
Other Revenues	6,323.3	7,277.9	7,277.9	8,234.1	13.1
SOURCES TOTAL	30,388.3	29,256.0	29,826.0	30,212.2	3.3
USES					
Personal Services and Employee Benefits	24,607.5	23,793.8	24,256.2	24,642.4	3.6
Contractual Services	163.0	213.4	236.4	236.4	10.8
Other	5,822.3	5,248.8	5,333.4	5,333.4	1.6
TOTAL USES	30,592.8	29,256.0	29,826.0	30,212.2	3.3
FTE					
Permanent	460.5	460.5	460.5	407.5	-11.5
Term	26.0	26.0	26.0	26.0	0.0
Temporary	17.5	17.5	9.3	9.3	-46.7
TOTAL FTE POSITIONS	504.0	504.0	495.8	442.8	-12.1

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Average return on investment of all funds for every dollar invested in the audit and compliance division	11.7:1	10.7:1	11:1	11:1	11:1
Explanatory	Percent of electronically filed returns for personal income tax and combined reporting system	92%	85.4%	92%		
Explanatory	Percent of taxpayer correspondence requests answered in an average of ten working days	100%	100%	100%		
* Outcome	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	15.5%	19.3%	18%	18%	18%
* Outcome	Collections as a percent of collectible assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year	59%	42.9%	60%	60%	60%
Explanatory	Percent of personal income tax returns filed on time	NEW	84.2%	90%		
Explanatory	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed	NEW	1.5%	0.2%		

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,648.9	11,158.5	10,811.4	10,811.4	-3.1
Federal Revenues	124.7	0.0	0.0	0.0	
Other Revenues	16,113.9	14,217.4	14,217.4	14,217.4	0.0
Fund Balance	1,265.6	1,265.6	0.0	94.5	-92.5
SOURCES TOTAL	30,153.1	26,641.5	25,028.8	25,123.3	-5.7
USES					
Personal Services and Employee Benefits	14,959.3	15,451.9	15,138.2	15,138.2	-2.0
Contractual Services	4,638.5	4,268.5	4,268.5	4,268.5	0.0
Other	5,935.8	5,655.5	5,622.1	5,622.1	-0.6
Other Financing Uses	1,265.6	1,265.6	0.0	94.5	-92.5
TOTAL USES	26,799.2	26,641.5	25,028.8	25,123.3	-5.7
FTE					
Permanent	342.0	342.0	339.0	319.0	-6.7
Term	3.0	2.0	2.0	2.0	0.0
Temporary	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	347.0	346.0	343.0	323.0	-6.6

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of registered vehicles with liability insurance	91%	92.4%	92%	92%	92%
* Efficiency	Average call center wait time to reach an agent, in minutes	5:09	6:07	<5:00	<5:00	<5:00
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	15:36	13:14	18:00	<19:00	<15:00
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1.0	2.0	1.0	1.0	1.0
* Quality	Percent of customers rating customer service as good or higher	98.5%	98.5%	90%	>90%	95%
Explanatory	Web transactions as a percent of total transactions	34.8%	33.1%	35%		

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	Other Revenues	4,494.7	3,366.5	3,796.6	3,796.6	12.8
	SOURCES TOTAL	4,494.7	3,366.5	3,796.6	3,796.6	12.8
USES						
	Personal Services and Employee Benefits	2,473.9	2,353.8	2,505.9	2,505.9	6.5
	Contractual Services	263.0	378.2	628.0	628.0	66.0
	Other	586.8	634.5	662.7	662.7	4.4
	TOTAL USES	3,323.7	3,366.5	3,796.6	3,796.6	12.8
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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held	84.8%	94%	80%	90%	90%
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$10.4	\$11.6	\$11.0	\$11.6	\$11.6
Outcome	Percent of total delinquent property taxes recovered	NEW	NEW	NEW	10%	10%

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	1,502.8	1,602.3	1,555.3	1,555.3	-2.9
	Other Revenues	120.9	0.0	0.0	0.0	
	SOURCES TOTAL	1,623.7	1,602.3	1,555.3	1,555.3	-2.9
USES						
	Personal Services and Employee Benefits	1,346.8	1,340.3	1,282.5	1,282.5	-4.3
	Contractual Services	8.3	13.7	7.6	7.6	-44.5
	Other	259.1	248.3	265.2	265.2	6.8
	TOTAL USES	1,614.2	1,602.3	1,555.3	1,555.3	-2.9
FTE						
	Permanent	22.0	22.0	21.0	20.0	-9.1
	TOTAL FTE POSITIONS	22.0	22.0	21.0	20.0	-9.1

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	78%	88%	50%	50%	85%
Explanatory	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	98%	99%		
Outcome	Percent of internal investigations completed within sixty days	80%	93%	75%	60%	90%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	19,712.0	18,039.6	18,135.1	17,863.7	-1.0
Other Transfers	610.8	650.7	620.6	620.6	-4.6
Other Revenues	911.0	1,010.2	1,010.2	1,105.7	9.5
SOURCES TOTAL	21,233.8	19,700.5	19,765.9	19,590.0	-0.6
USES					
Personal Services and Employee Benefits	13,062.3	13,414.9	13,476.3	13,300.4	-0.9
Contractual Services	3,591.3	3,600.0	3,306.4	3,306.4	-8.2
Other	3,737.1	2,685.6	2,983.2	2,983.2	11.1
TOTAL USES	20,390.7	19,700.5	19,765.9	19,590.0	-0.6
FTE					
Permanent	182.0	182.0	182.0	172.0	-5.5
TOTAL FTE POSITIONS	182.0	182.0	182.0	172.0	-5.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of tax protest cases resolved	1,380	1,897	1,300	1,300	1,350
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	100%	100%	100%
Output	Percent of internal audit recommendations implemented	83%	93.13	90%	90%	90%
Explanatory	Financial report error rate	NEW	NEW			
Explanatory	Number of days after the close of a reporting period that financial reports are available	NEW	NEW			

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 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. 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. SIC's mission is to optimize the funds to ensure 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)

	<u>FY18 – 2017-2018</u>					Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	44,138.0	56,589.0	56,299.8	53,189.1		-6.0
SOURCES TOTAL	44,138.0	56,589.0	56,299.8	53,189.1		-6.0
USES						
Personal Services and Employee Benefits	3,913.7	4,093.1	4,096.0	3,932.1		-3.9
Contractual Services	39,640.0	51,633.1	51,341.0	48,494.2		-6.1
Other	584.3	862.8	862.8	762.8		-11.6
TOTAL USES	44,138.0	56,589.0	56,299.8	53,189.1		-6.0
FTE						
Permanent	31.0	31.0	31.0	28.0		-9.7
TOTAL FTE POSITIONS	31.0	31.0	31.0	28.0		-9.7

AT A GLANCE:

The market value of the funds invested by the State Investment Council (SIC) increased slightly during FY16, from over \$20.5 billion in June 2015 to around \$20.7 billion at the end of June 2016. The agency reduced the amount requested for contractual services due to lower projected asset values through the end of FY18. The agency slightly increased the amount requested for the personal services and employee benefits category to fund each vacant position and cover cost increases for group insurance and retirement.

The LFC recommendation supports the requested decrease in contractual services but reduces the category an additional 5.5 percent. The recommendation provides room for growth in the contractual services category for asset management fees above the targeted rate of return in the event the agency outperforms its targets. However, LFC notes the permanent funds' poor rankings in Wilshire Trust Universe Comparison Service and suggests SIC should reduce active management fees if poor performance continues. The recommendation reduces the other category by \$100 thousand to reduce miscellaneous other expenses back to FY15 operating budget amount. For FY17, SIC requested significant salary increases for the staff and director, only two of which were approved by the governor's office. The agency is not pursuing the denied salary increases, and no additional salary increases were requested for FY18. The agency's current vacancy rate is 25.8 percent. The LFC recommendation reduces the agency's personnel by 3 FTE to eliminate positions vacant for more than two years and applies a 4 percent reduction from the amount requested to the personal services and employee benefits category.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	-111	-80	>25	>25	>0
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	52	63	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points	-45	-69	>25	>25	>0
* Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe	51	71	<49	<49	<49

STATUTORY AUTHORITY:

Sections 7-1B-1 through 7-1B-9 NMSA 1978 create the Administrative Hearings Office (AHO) as an administratively attached office to the Department of Finance and Administration. AHO schedules, conducts, and rules on administrative protest hearings stemming from the Tax Administration Act, the Property Tax Code, the Implied Consent Act, and the Motor Vehicle Code.

		BUDGET SUMMARY (dollars in thousands)				
				<u>FY18 – 2017-2018</u>		
		<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	1,545.5	1,505.9	1,559.6	1,505.9	0.0
	Other Transfers	3.0	100.0	100.0	153.7	53.7
	SOURCES TOTAL	1,548.5	1,605.9	1,659.6	1,659.6	3.3
USES						
	Personal Services and Employee Benefits	1,070.2	1,296.2	1,359.6	1,359.6	4.9
	Contractual Services	55.6	24.2	22.9	22.9	-5.4
	Other	268.9	285.5	277.1	277.1	-2.9
	TOTAL USES	1,394.7	1,605.9	1,659.6	1,659.6	3.3
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

AT A GLANCE:

The Administrative Hearings Office (AHO) is entering its second year as an independent agency and has a better understanding of its fiscal priorities, considering the significant growth of hearing requests in recent years. At the end of FY16, the agency heard and ruled on more than 4,456 implied consent and tax protest hearings. This caseload is distributed among 10 hearing officers, each averaging about 445 cases per year.

The FY18 AHO request reduced the general fund level by \$34 thousand, or 2.1 percent, from the FY17 operating level. The agency request reduced the other costs category and reallocates funding to the personal services and employee benefits category to fill a vacant lawyer position. The committee recommendation fully funds all authorized FTE with increased revenue from the motor vehicle suspense fund to address the increased caseload.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the administrative hearings office includes one hundred fifty three thousand seven hundred dollars (\$153,700) from the motor vehicle suspense fund.

ADMINISTRATIVE HEARINGS

		PERFORMANCE MEASURES				
		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
*	Outcome Percent of hearings for implied consent act cases not held within 90 days due to administrative hearings office error	NEW	0.15%	0.5%	<0.5%	<0.5%
	Outcome Percent of tax cases not held, including merits and scheduling conference, within 90 days because of administrative hearings office error	NEW	0.74%	2.5%	<2.5%	<2.5%
	Outcome Number of tax protest or implied consent act trainings conducted annually	NEW	4	4	4	4

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) provides 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	26,482.4	23,033.6	22,699.6	22,323.7	-3.1
Other Transfers	43,334.7	37,000.0	37,500.0	37,500.0	1.4
Federal Revenues	10,203.3	10,203.3	10,203.3	10,203.3	0.0
Other Revenues	74,259.0	84,937.4	82,314.2	82,314.2	-3.1
Fund Balance	5,530.7	1,800.0	2,475.8	2,475.8	37.5
SOURCES TOTAL	159,810.1	156,974.3	155,192.9	154,817.0	-1.4
USES					
Personal Services and Employee Benefits	11,565.4	11,756.5	11,681.5	11,681.5	-0.6
Contractual Services	11,355.6	9,506.7	9,525.7	9,354.3	-1.6
Other	45,357.2	61,083.7	60,205.7	60,001.2	-1.8
Other Financing Uses	72,949.2	74,627.4	73,780.0	73,780.0	-1.1
TOTAL USES	141,227.4	156,974.3	155,192.9	154,817.0	-1.4
FTE					
Permanent	143.0	143.0	129.0	129.0	-9.8
Term	21.0	21.0	18.0	18.0	-14.3
TOTAL FTE POSITIONS	164.0	164.0	147.0	147.0	-10.4

AT A GLANCE:

The overall Department of Finance and Administration (DFA) budget request for FY18 overall and specifically for general fund revenue was slightly below the FY17 operating budget adjusted for special session reductions.

As in previous years, about half of the general fund request covered operating expenses of the agency; the remainder was allocated to state expenditures or special appropriations that pass through DFA. The agency, operating with a 2 percent unfunded vacancy rate and a 5.3 percent funded vacancy rate, requested a substantial cut in FTE. The FY18 request for special appropriation pass-throughs included \$148.7 thousand to increase allocations to the Land Grant Council, but most other special appropriations requests were 2 percent less than the FY17 adjusted operating budget. LFC supports the appropriation request for operating expenses of the agency, with recommended changes for some DFA pass-through appropriations.

BUDGET ISSUES:

DFA requested an FY18 general fund appropriation of \$22.7 million, \$334 thousand, or 1.5 percent, below FY17 adjusted operating budget levels. The overall budget request for FY18 was \$155.2 million, \$1.8 million, or 1.1 percent, below FY17 budget levels.

Budgetary Oversight. The State Budget Division (SBD) at DFA is tasked with overseeing agency budgets and monitoring revenue received by agencies from sources other than the general fund; if revenue is not meeting projections, SBD is required to reduce the operating budget to reflect revenues. SBD should focus more resources on monitoring agency budgets and expenditures to ensure potential shortfalls are identified early and actions are taken to mitigate the projected shortfall. In recent years, budget shortfalls in other agencies have been an issue. For FY16, the Department of Health, Corrections Department, and the Human Services Department (HSD) are other agencies that requested supplemental appropriations totaling \$78.6 million. The Human Services Department received only \$18 million of the \$47 million supplemental appropriation request for FY17.

Statewide Financial Reporting. Hyperion software, which automates the Comprehensive Annual Financial Report (CAFR) preparation, was implemented successfully in less than nine months, sooner than expected. Hyperion was used to create the FY15 CAFR, released to the public earlier than any previously audited CAFR. The Cash Control Bureau successfully managed and implemented the cash remediation phase 2, strengthening controls over the data disbursement process and transmission and added important transactional validation.

Local Government. State law passed in 2015 increased the distribution of liquor excise tax revenues to the local DWI grant fund from 41.5 percent to 46 percent through FY18. A 2014 LFC performance evaluation of local DWI programs found that, although drug and alcohol courts are among the strongest evidence-based programs for which DWI grant funds can be used, no counties currently do so. As such, the LFC recommendation supports a \$1.6 million DWI grant fund transfer from the local DWI fund to the Administrative Office of the Courts to support drug courts.

During the 2016 special legislative session the Legislature swept funds from various accounts in the treasury to the general fund, including \$3.6 million from the local DWI grant fund. Sweeping the funds resulted in less funding available to distribute among local government entities.

Special Appropriations. The committee recommends general fund transfers for DFA special appropriations of \$8.3 million, a reduction of \$549 thousand, or 6.2 percent, from the FY17 adjusted operating budget. The total recommendation for DFA special appropriations is 2.4 percent less than FY17 adjusted operating budget levels at \$22.4 million; only the general fund was reduced. The recommendation includes transferring administrative oversight of the domestic violence prevention program, \$70.8 thousand, to the Children Youth and Families Department (CYFD), reducing \$17.7 thousand from statewide teen courts, and reducing funding to regional housing authority oversight and the county detention of prisoners. As evidenced by a double-digit operating budget increase in FY17, the Mortgage Finance Authority (MFA), should seek other funds to oversee regional housing authorities. Additionally, the committee recommends a flat general fund allocation for the membership and dues that flow through DFA. All other special appropriation requests are reduced by at least 1.7 percent from FY17 adjusted general fund operating levels.

RECOMMENDED LANGUAGE:

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 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 2018. 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 programs of the department of finance and administration include ten million dollars (\$10,000,000) from the 911 enhancement fund, twenty-two million dollars (\$22,000,000) from the local DWI grant fund, and one million five hundred thousand dollars (\$1,500,000) from the civil legal services fund.

The other state funds appropriation in the other financing and uses category includes one million six hundred thousand dollars (\$1,600,000) 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.

The department of finance and administration shall not distribute a general fund appropriation in subparagraphs (d) through (o) 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.

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)				
				FY18 - 2017-2018		
		FY16	FY17	Agency	LFC	Percent
		2015-2016	2016-2017	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,286.3	3,203.5	3,135.7	3,135.7	-2.1
	SOURCES TOTAL	3,286.3	3,203.5	3,135.7	3,135.7	-2.1
USES						
	Personal Services and Employee Benefits	2,809.2	2,926.3	2,934.2	2,934.2	0.3
	Contractual Services	81.2	121.1	83.7	83.7	-30.9
	Other	124.4	156.1	117.8	117.8	-24.5
	TOTAL USES	3,014.8	3,203.5	3,135.7	3,135.7	-2.1
FTE						
	Permanent	36.0	39.0	31.0	31.0	-20.5
	TOTAL FTE POSITIONS	36.0	39.0	31.0	31.0	-20.5

PERFORMANCE MEASURES

		FY15	FY16	FY17	FY18	FY18
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
*	Outcome	General fund reserves as a percent of recurring appropriations	TBD	TBD	10%	10%
	Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and gas revenue and corporate income taxes	1.5%	TBD	(+/-) 3%	3%
						(+/-) 3%
*	Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	TBD	TBD	(+/-) 3.5%	4%
						(+/-) 3%
	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	98%	98%	97%	97%
	Outcome	Percent of capital outlay appropriations reviewed by the capital outlay bureau per executive order 06 by the deadline established by the state board of finance for the upcoming bond sale	NEW	NEW	NEW	100%
						100%
	Outcome	Number of formal and informal trainings conducted by the state budget division.	NEW	NEW	NEW	3
						3

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)				
				FY18 - 2017-2018		
		FY16	FY17	Agency	LFC	Percent
		2015-2016	2016-2017	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	4,383.4	3,975.5	3,891.4	4,031.4	1.4
	Federal Revenues	10,203.3	10,203.3	10,203.3	10,203.3	0.0
	Other Revenues	34,362.3	35,400.0	34,124.2	34,124.2	-3.6
	Fund Balance	5,530.7	1,800.0	2,475.8	2,475.8	37.5
	SOURCES TOTAL	54,479.7	51,378.8	50,694.7	50,834.7	-1.1

BUDGET SUMMARY
(dollars in thousands)

		FY18 - 2017-2018				Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
USES	Personal Services and Employee Benefits	3,224.1	3,089.1	3,105.7	3,105.7	0.5
	Contractual Services	4,200.7	3,779.3	3,733.0	3,873.0	2.5
	Other	34,876.3	42,610.4	41,956.0	41,956.0	-1.5
	Other Financing Uses	1,300.0	1,900.0	1,900.0	1,900.0	0.0
	TOTAL USES	43,601.1	51,378.8	50,694.7	50,834.7	-1.1
FTE	Permanent	24.0	25.0	23.0	23.0	-8.0
	Term	21.0	21.0	18.0	18.0	-14.3
	TOTAL FTE POSITIONS	45.0	46.0	41.0	41.0	-10.9

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Number of local driving-while-intoxicated program component areas for which benchmarks are developed and implemented to evaluate program effectiveness	4	4	4 to 8	4 to 8	4 to 8
Quality	Percent of required site visits by E-911/driving-while-intoxicated/community development block grant staff conducted annually	62%	85%	90%	95%	95%
Efficiency	Percent of capital grant agreements, not restricted by state board of finance special conditions, issued within sixty days from availability of funds	95%	95%	95%	95%	95%
* Output	Percent of county and municipality budgets approved by the local government division of budgets submitted timely	100%	100%	90%	90%	90%
* Outcome	Number of counties and municipalities local government division assisted during the fiscal year to resolve audit findings and diminish poor audit opinions	5	5	5	5	5
Outcome	Percent of complete and accurate grantee payment requests processed by both the program managers and fiscal services staff within ten working days from date stamp of receipt in the local government division.	NEW	NEW	NEW	97%	97%
Outcome	Number of counties and municipalities operating under a conditional certification during the fiscal year	5	5	5	5	5
Outcome	Percent of capital outlay appropriations assigned to the local government division and required to submit annual audits to the state auditor reviewed within sixty days	NEW	NEW	NEW	95%	95%
Outcome	Percent of county, municipal and special districts financial reports submitted timely and complete that are reviewed by local government division budget analysts within forty-five days.	NEW	NEW	NEW	90%	90%

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 and approve all state professional service contracts.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,758.2	6,115.6	5,986.1	5,986.1	-2.1
Other Transfers	43,044.8	37,000.0	37,500.0	37,500.0	1.4
Other Revenues	31,036.7	35,347.4	34,000.0	34,000.0	-3.8
SOURCES TOTAL	80,839.7	78,463.0	77,486.1	77,486.1	-1.2
USES					
Personal Services and Employee Benefits	4,677.2	4,868.1	4,773.9	4,773.9	-1.9
Contractual Services	975.1	777.9	847.7	847.7	9.0
Other	522.5	469.6	364.5	364.5	-22.4
Other Financing Uses	71,119.4	72,347.4	71,500.0	71,500.0	-1.2
TOTAL USES	77,294.2	78,463.0	77,486.1	77,486.1	-1.2
FTE					
Permanent	70.0	67.0	64.0	64.0	-4.5
TOTAL FTE POSITIONS	70.0	67.0	64.0	64.0	-4.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	9	12	10		
Explanatory	Date of submitting the annual statewide cost allocation plan for federal approval	3/30	03/28	12/31		
Efficiency	Percent of payroll payments to employees made by the scheduled payday	100%	100%	100%	100%	100%
* Efficiency	Percent of vouchered vendor payments processed within five working days.	95%	95%	95%	95%	95%
* Output	Percent of bank accounts reconciled on an annual basis	100%	100%	100%	100%	100%
Outcome	Percent of bank accounts reconciled that were error free	99%	90%	90%	90%	90%
Explanatory	Percent of contracts rejected due to lack of all required elements for a complete contract	NEW	9.7%	15%		

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 provide human resources support and to administer the executive's exempt salary plan

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,084.0	922.5	903.0	903.0	-2.1
SOURCES TOTAL	1,084.0	922.5	903.0	903.0	-2.1
USES					
Personal Services and Employee Benefits	799.7	814.7	803.4	803.4	-1.4
Contractual Services	66.2	68.3	72.1	72.1	5.6
Other	37.4	39.5	27.5	27.5	-30.4
TOTAL USES	903.3	922.5	903.0	903.0	-2.1
FTE					
Permanent	13.0	12.0	11.0	11.0	-8.3
TOTAL FTE POSITIONS	13.0	12.0	11.0	11.0	-8.3

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of major fund reconciliations completed as an internal control within twenty-one days after the official closing of the books each quarter	70%	95.6%	90%	95%	90%
Outcome	Percent of prior-year audit findings resolved	NEW	NEW	NEW	75%	80%

**DFA Non-Operating Appropriations
Budget Summary**
(dollars in thousands)
FY 2017 - 2018

	FY17 <u>Adjusted</u>	FY18 <u>Request</u>	FY18 <u>LFC Rec.</u>	<u>% Change</u>
SOURCES				
General fund transfers	8,816.5	8,783.4	8,267.5	-6.2%
General revenues	14,190.0	14,190.0	14,190.0	0.0%
SOURCES TOTAL	\$23,006.5	\$22,973.4	\$22,457.5	-2.4%
USES				
(a) Emergency water supply fund	106.6	104.8	104.8	-1.7%
(b) Fiscal agent contract	1,082.7	1,064.8	1,064.8	-1.7%
(c) Membership and dues	690.7	638.9	690.7	0.0%
(d) Group youth mentoring	631.6	621.1	621.1	-1.7%
(e) One-on-one youth mentoring	2,168.4	2,132.4	2,132.4	-1.7%
(f) Regional housing authority oversight	180.0	177.0	90.0	-50.0%
(g) Domestic violence prevention shelter *	72.0	70.8	0.0	-100.0%
(h) State planning districts	603.0	593.0	593.0	-1.7%
(i) Leasehold community assistance	116.0	114.1	114.1	-1.6%
(j) County detention of prisoners	2,427.8	2,387.5	2,148.8	-11.5%
(k) Acequia and community ditch education program	404.9	398.2	398.2	-1.7%
(l) New Mexico acequia commission	89.6	88.1	88.1	-1.7%
(m) Statewide teen court	17.9	17.7	0.0	-100.0%
(n) Land grant council	225.3	375.0	221.5	-1.7%
TOTAL GENERAL FUND	8,816.5	8,783.4	8,267.5	-6.2%
(m) Statewide teen court	140.0	140.0	140.0	0.0%
(o) Law enforcement protection fund	14,050.0	14,050.0	14,050.0	0.0%
TOTAL NON-GENERAL FUND	14,190.0	14,190.0	14,190.0	0.0%
TOTAL APPROPRIATIONS	\$23,006.5	\$22,973.4	\$22,457.5	-2.4%

*Consideration to move program to the Children, Youth and Families Department

STATUTORY AUTHORITY:

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

MISSION:

NMPSIA offers health, dental, prescription drug, and vision coverage, as well as life and disability insurance. NMPSIA also provides comprehensive property, liability, and workers' compensation programs to educational entities so they are protected for personnel injuries and financial losses.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,323.0	1,347.0	1,389.4	1,389.4	3.1
Other Revenues	377,348.2	394,065.2	428,287.3	402,344.4	2.1
Fund Balance	20,995.8	0.0	0.0	0.0	
SOURCES TOTAL	399,667.0	395,412.2	429,676.7	403,733.8	2.1
USES					
Personal Services and Employee Benefits	962.9	973.6	1,016.0	1,016.0	4.4
Contractual Services	393,032.5	392,843.2	427,043.6	401,100.7	2.1
Other	212.5	248.4	227.7	227.7	-8.3
Other Financing Uses	1,360.3	1,347.0	1,389.4	1,389.4	3.1
TOTAL USES	395,568.2	395,412.2	429,676.7	403,733.8	2.1
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

AT A GLANCE:

NMPSIA, funded from employee payroll and employer contributions for group health benefits and risk pool insurance, covers hundreds of thousands of teachers and other educational employees, students and athletes, volunteers, and others, and over \$20 billion in school property values, almost triple from what it was five years ago. In FY16, for the Risk Program, the average cost per claim and number of claims per unit of exposure remained relatively constant when compared with the previous five-year period. For the Benefits Program, however, costs on a per member basis increased at an annual rate of 8 percent, driving premium increases of 26 percent over this same time period.

NMPSIA asked for an overall increase of about 9 percent to cover increases for school risk and group health claims, excess insurance coverage above self-insured retention limits, a new property appraisal, and risk claims administrative fees. This would require increases from both the general fund appropriation to public school funding and in employee health premiums.

The LFC recommendation includes a smaller increase overall. A decrease in the overall risk premium for schools, although some schools may experience increases and others decreases depending on exposure and claims experience, and an increase in the employer's share of group health insurance. The overall increase will also be accommodated by budgeting higher amounts from excess insurance carriers, who often try to challenge claims, prescription drug rebates, which can increase as better pricing is negotiated, and investments and other miscellaneous income, in addition to savings from programmatic changes and adjustments to administrative costs.

BUDGET ISSUES:

NMPSIA administers risk and benefits programs on behalf of over 200 school districts, charter schools, and other educational entities. For the first time, for FY17, two state universities, Eastern New Mexico University and Western New Mexico University, have petitioned to exit the state's risk pool and join NMPSIA effective January 1, 2017. NMPSIA differs from the General Services Department in that it operates more as a purchasing agency. However, the Public School Insurance Act would allow the board to wholly self-insure. During FY16, NMPSIA expended \$1.3 million for 11 FTE for Program Support, with much of the daily administration conducted by consultants, claims adjusters and insurance carriers, and expended \$72 million for risk coverage and \$322 million for health benefits. A board composed of union and school officials determine level of coverage. In recent years, costs have risen faster than what has been available to fund schools for insurance, which can directly impact funding to educate students.

Overall, the request was \$429.7 million, a \$34 million, or 9 percent, increase from the FY17 operating budget. For the Benefits Program, the request included \$344 million from employer and employee payroll contributions, an increase of \$31 million, and \$7.9 million from prescription drug rebates and miscellaneous revenue. For the Risk Program, the request included \$75.7 million from school risk assessments, an increase of \$3.1 million, and \$580 thousand from miscellaneous revenue, including excess insurance reimbursements. The request for Program Support included an increase of \$42 thousand, or 4 percent, over the FY17 operating budget for board-approved salary increases for some exempt and classified staff.

The recommendation is \$403.7 million overall, an \$8.3 million, or 2.1 percent, increase from the FY17 operating budget. For the Risk Program, the recommendation proposes lower risk assessments to help fund small employer increases for health insurance in the Benefits Program and reduces funding for excess insurance premiums and property appraisals, with the expectation that the program can negotiate better terms to minimize increases. For the Benefits Program, the recommendation proposes an inflation rate of 4 percent, takes credit for fees no longer required under the Affordable Care Act, and anticipates greater savings than the program expects from a lower-cost health plan option, revised provider rates, and changes in cost-sharing for higher-cost health plan consumers. For Program Support, the recommendation includes funding for the approved salary increases.

Risk Coverage. NMPSIA collects premiums to self-insure up to \$1 million per occurrence for workers' compensation and liability coverage and up to \$750 thousand per occurrence for property coverage, with excess coverage for larger losses, few in number but potentially catastrophic. For example, this year NMPSIA settled a molestation case for \$3.2 million but additional alleged victims have come forth, and a new molestation case has surfaced with possibly five victims. The board wants schools to have the extra protection because of the seriousness of special education, molestation, and employment-related claims, buildings in areas with less than optimal access to public safety infrastructure, and school buildings vulnerable to hail and water damage because of inadequate maintenance. Over the past five years, the board has supported budget increases of \$29 million to \$36 million, nearly 25 percent, to cover excess insurance premiums. However, total claims paid increased at an annual rate of 3 percent, from \$26 million to \$31 million, due to effective loss control and claims administration. The board should consider wholly self-insuring some risk with a smaller amount of excess insurance coverage, particularly for worker's compensation with its aggressive return-to-work policies, with a guarantee from the state to help cover those few serious claims if fund balances insufficient.

Health Coverage. NMPSIA collects premiums to administer health benefits and uses fund balances, when available, to hold down premium increases. Between FY15 and FY16, costs on a per member basis increased 10 percent due to higher than expected medical and prescription drug costs. Over the past several years, however, revenue has increased less than expected as members moved to lower-cost premium options. Coupled with rising costs, this has resulted in declining fund balances. To raise revenue and decrease spending, NMPSIA increased premiums this year by 8 percent, on average. This is expected to generate an additional \$18 million in recurring revenue -- 60 percent from school fund balances in the absence of sufficient revenue from the state for increases and 40 percent from employees. For the average teacher, monthly take-home pay is reduced about \$16 for single coverage and \$44 for family coverage. To reduce spending, NMPSIA also increased drug copayments, eliminated coverage for medications available without a prescription, and increased deductibles and out-of-pocket maximums so members with high cost claims pay more out of pocket. These changes are expected to save \$16 million. New services also expected to reduce costs for both the plan and consumer include video visits with a \$10 copay, wellness resources, and a new medical plan option with a narrower provider network.

RECOMMENDED LANGUAGE:

Appropriations in the contractual services category of the risk program of the New Mexico public schools insurance authority shall not be used to pay brokers or consultants who receive a commission, fee or other compensation from a third-party for recommendations to the New Mexico public schools insurance authority pertaining to levels of reinsurance, vendors or any other such matters.

Any expended balances in program support of the New Mexico public schools insurance authority remaining at the end of fiscal year 2018 from this appropriation shall revert to the benefits program and risk program.

BENEFITS

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)					
FY18 - 2017-2018					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	301,308.4	320,859.7	351,995.2	330,895.4	3.1
Fund Balance	20,969.8	0.0	0.0	0.0	
SOURCES TOTAL	322,278.2	320,859.7	351,995.2	330,895.4	3.1
USES					
Contractual Services	321,598.0	320,186.2	351,300.5	330,200.7	3.1
Other Financing Uses	680.2	673.5	694.7	694.7	3.1
TOTAL USES	322,278.2	320,859.7	351,995.2	330,895.4	3.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Percent change in per-member health claim costs	6.5%	6%	6.5%	≤9%	≤4%
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	8	7	9	9	7
* Outcome	Percent change in medical premium as compared with industry average	1.5%	2%	≤3%	5%	≤2%
Output	Percent change in the number of participants covered by health plans	NEW	NEW	NEW	≥50,000	≥50,000

RISK

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)					
FY18 - 2017-2018					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	76,039.8	73,205.5	76,292.1	71,449.0	-2.4
SOURCES TOTAL	76,039.8	73,205.5	76,292.1	71,449.0	-2.4
USES					
Contractual Services	71,319.9	72,532.0	75,597.4	70,754.3	-2.5
Other Financing Uses	680.1	673.5	694.7	694.7	3.1
TOTAL USES	72,000.0	73,205.5	76,292.1	71,449.0	-2.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Quality	Percent of educational entities satisfied with risk insurance claims processing service	95%	95%	95%	95%	95%
* Outcome	Percent of schools in compliance with loss control prevention recommendations	51%	54%	65%	60%	80%
* Outcome	Average cost per claim for current fiscal year	\$3,714	\$3,390	≤\$4,500	≤\$4,777	≤\$3,500
Outcome	Percent change in the average cost of worker's compensation claims as compared with other self-insured plans.	-48%	4%	≤4%	≤4%	≤4%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,323.0	1,347.0	1,389.4	1,389.4	3.1
Fund Balance	26.0	0.0	0.0	0.0	
SOURCES TOTAL	1,349.0	1,347.0	1,389.4	1,389.4	3.1
USES					
Personal Services and Employee Benefits	962.9	973.6	1,016.0	1,016.0	4.4
Contractual Services	114.6	125.0	145.7	145.7	16.6
Other	212.5	248.4	227.7	227.7	-8.3
TOTAL USES	1,290.0	1,347.0	1,389.4	1,389.4	3.1
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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0

STATUTORY AUTHORITY:

The New Mexico Retiree Health Care Authority (NMRHCA) was created by Section 10-7C-1 through 10-7C-19 NMSA 1978 to provide affordable health care for New Mexico public retirees and eligible dependents. NMRHCA 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 superintendent's association, and one member from the Association of Counties.

MISSION:

NMRHCA seeks to provide an affordable, comprehensive group health insurance benefits plan for present and future retirees and eligible dependents. The benefits plan offers medical, prescription drug, dental, vision, basic life, and voluntary life coverage.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,012.9	3,118.3	3,118.3	3,087.5	-1.0
Other Revenues	325,996.5	313,049.7	342,131.0	328,211.6	4.8
SOURCES TOTAL	329,009.4	316,168.0	345,249.3	331,299.1	4.8
USES					
Personal Services and Employee Benefits	1,898.6	1,949.8	1,997.3	1,997.3	2.4
Contractual Services	288,222.3	310,507.8	339,515.2	325,575.8	4.9
Other	613.4	592.1	618.5	607.7	2.6
Other Financing Uses	3,012.9	3,118.3	3,118.3	3,118.3	0.0
TOTAL USES	293,747.2	316,168.0	345,249.3	331,299.1	4.8
FTE					
Permanent	26.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	26.0	27.0	27.0	27.0	0.0

AT A GLANCE:

NMRHCA receives no general fund revenues for operational expenses but management of this post-employment benefit has a direct impact on general fund revenues, both because the state must pay the employer share of contributions and has periodically had to subsidize the fund with increased contributions to keep it solvent.

The health of the NMRHCA trust fund has improved dramatically in the last 10 years. Nevertheless, the agency requested a substantial increase in other revenue to cover growth in the number of retirees and eligible dependents joining the plan and medical inflation. The committee recommends a more moderate increase.

BUDGET ISSUES:

NMRHCA consists of 36 thousand retirees, with an average age of 69 years, 11 thousand spouses, and 100 thousand working employees with an average expected retirement age of 60. Fifty percent of members are from schools and universities, 25 percent from state agencies, and 25 percent from cities and counties. Non-Medicare eligible retirees receive a subsidy of up to 64 percent, while Medicare-eligible members receive a subsidy of up to 50 percent, depending on years of service. Members cost the plan more to cover until they reach Medicare age and Medicare becomes the primary payer. Non-subsidized dental, vision and life insurance are also available. The NMRHCA board has broad authority to change eligibility and plan design, which should include policies that encourage working age retirees to continue working to reduce non-Medicare plan costs. The Legislature has authority over employer and employee contribution rates, which are 2 percent and 1 percent of pay, respectively.

Fund Performance. This year's actuarial valuation found that the funded ratio of the trust fund -- the degree to which health care benefits are prefunded -- increased to 11 percent. Ten years ago the funded ratio was 3 percent. The increase is due to changes the board made to improve sustainability and statutory increases in contributions and tax distributions. However, despite larger deposits to the fund in recent years, the new valuation placed the unfunded actuarial accrued liability (future benefits not prefunded) at \$3.8 billion, which includes a \$150 million gap in contributions needed each year to pre-fund benefits. Ten years ago, that gap was \$400 million.

The agency's revenue sources include contributions as a percentage of pay to fund the cost of a premium subsidy, with the remaining cost funded by retiree premiums, prescription drug rebates and federal drug subsidies, and tax distributions. For FY18, NMRHCA requested a 9 percent increase to support growth in retirees and eligible dependents joining the plan and healthcare inflation. The committee recommends a more moderate increase of 4.8 percent, which still supports deposits into the long-term trust fund to help reduce the UAAL. The reason for the high unfunded liability is because contributions many retirees made over the course of their careers did not match the value of the health care benefits they received or are now receiving for the rest of their lifetime.

During FY16, the NMRHCA operated with 26 FTE and spent \$2.9 million on Program Support and \$291 million on claims and third-party administrators and others that help evaluate and process those claims. Under the FY17 operating budget, the agency can spend \$316 million, an increase of 8 percent over FY16 actual spending due to projections for growth in membership and prescription drug costs which have been growing faster than medical costs. However, in recent years, the agency has successfully kept most costs below healthcare cost trends when compared with other self-insured government plans for retirees. This was accomplished in part by shifting more costs to members when they access health care and educating retirees to be thoughtful health care consumers.

For FY18, the agency requested \$345 million, a \$29 million, or 9 percent, increase from the FY17 operating budget. The request for the Healthcare Benefits Administration Program reflects continued growth of 3 percent in membership and health plan cost increases of 6 percent for the older, higher cost risk pool. The request for Program Support totaled \$3.1 million and included funding for 27 FTE, salary increases for staff, rent adjustments for two office locations, and increases for Department of Information Technology rate assessments.

The LFC Recommendation for Program Support is \$3.1 million, a \$31 thousand, or 1 percent, decrease from the FY17 operating budget. The recommendation supports increases from actual spending levels for actuarial services related to solvency and new Governmental Accounting Standards Board requirements related to annual reporting of post-employment benefit liabilities. The recommendation reduces legal and information technology service contracts to actual spending levels, applies a smaller inflationary adjustment for office rent, and reduces funding for board travel and training. For the Healthcare Benefits Administration program, the recommendation is more closely aligned with revenues from premiums, contributions, and other sources and health care expenditures in FY16, which represents an increase of \$15.2 million, or 4.8 percent, from the FY17 operating budget.

Sustainability. The trust fund has sufficient assets to sustain benefit costs for a 16-year period -- four years less due to 2016 special session solvency measures that temporarily reduced tax distributions from the general fund until 2019. Between 2012 and 2016, to maintain a 15- then 20-year rolling solvency period, the board phased out family coverage subsidies, reduced subsidies for non-Medicare-eligible members, introduced co-insurance on mail order drugs, increased some office visit co-pays for non-Medicare-eligible plans, implemented a minimum age requirement of 55 to receive a subsidized premium, and increased years of service required to receive the maximum subsidy to 25 years. This year, the board also eliminated a costly non-Medicare-eligible plan and added a lower-premium higher-cost-sharing option, eliminated coverage for drugs now available over the counter, and established an open enrollment period. Taken together, these actions have helped to increase solvency.

Since 2013, the board has pursued a statutory increase in contributions, which has not been approved because of concerns over the rising cost of benefits for schools and other employers and the negative impact on take-home pay for teachers and other employees. For the 2017 legislative session, the board is considering a memorial asking the Legislature to acknowledge the number of people dependent on a retiree health care benefit, the progress the board made to ensure long-term viability of the program, and challenges created during the 2016 special session that reduced revenue to the fund. The board is also discussing asking the Legislature to create a working group of legislators and stakeholders to explore sustainability options. Those options could include raising the minimum age for a subsidized premium, further reducing or eliminating subsidies for spouses and non-Medicare-eligible retirees, or providing younger retirees a monthly stipend to purchase health insurance elsewhere.

RECOMMENDED LANGUAGE:

Any unexpended balance in the program support program of the New Mexico retiree health care authority remaining at the end of fiscal year 2018 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	325,996.5	313,049.7	342,131.0	328,211.6	4.8
SOURCES TOTAL	325,996.5	313,049.7	342,131.0	328,211.6	4.8
USES					
Contractual Services	287,836.6	309,883.4	338,970.4	325,051.8	4.9
Other	37.8	48.0	42.3	41.5	-13.5
Other Financing Uses	3,012.9	3,118.3	3,118.3	3,118.3	0.0
TOTAL USES	290,887.3	313,049.7	342,131.0	328,211.6	4.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Minimum number of years of positive fund balance	20	20	20	20	20
* Outcome	Minimum number of years of projected balanced spending	5	5	5	5	5
Outcome	Percent of diabetics properly managed according to clinical guidelines	NEW	NEW	70%	65%	≥65%
Outcome	Emergency room visits per one thousand members	NEW	NEW	≤400	200	≤200

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	3,012.9	3,118.3	3,118.3	3,087.5	-1.0
SOURCES TOTAL	3,012.9	3,118.3	3,118.3	3,087.5	-1.0
USES					
Personal Services and Employee Benefits	1,898.6	1,949.8	1,997.3	1,997.3	2.4
Contractual Services	385.7	624.4	544.8	524.0	-16.1
Other	575.6	544.1	576.2	566.2	4.1
TOTAL USES	2,859.9	3,118.3	3,118.3	3,087.5	-1.0
FTE					
Permanent	26.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	26.0	27.0	27.0	27.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of deposits made within twenty-four hours	100%	100%	100%	100%	100%

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, facilities management, and transportation.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	14,169.6	13,084.3	14,087.4	14,087.4	7.7
Other Transfers	11,310.1	12,526.9	10,383.9	10,184.3	-18.7
Other Revenues	450,277.1	461,983.4	471,337.9	460,567.6	-0.3
Fund Balance	1,731.8	3,401.5	5,503.6	5,103.6	50.0
SOURCES TOTAL	477,488.6	490,996.1	501,312.8	489,942.9	-0.2
USES					
Personal Services and Employee Benefits	18,157.4	18,769.5	18,800.7	18,676.1	-0.5
Contractual Services	37,229.7	43,741.6	44,504.8	40,472.1	-7.5
Other	381,808.0	415,958.1	427,623.4	420,610.4	1.1
Other Financing Uses	9,349.1	12,526.9	10,383.9	10,184.3	-18.7
TOTAL USES	446,544.2	490,996.1	501,312.8	489,942.9	-0.2
FTE					
Permanent	312.5	312.0	291.5	291.5	-6.6
Temporary	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	314.5	314.0	291.5	291.5	-7.2

AT A GLANCE:

GSD, funded primarily from fees, premium assessments, payroll contributions, and other sources outside the general fund, provides a variety of support services to state government, local businesses, and New Mexico residents. The agency insures hundreds of public entities, including correctional facilities and hospitals; manages hundreds of millions of dollars in public works projects, including building maintenance; oversees billions of dollars in contracts for goods and services, from office supplies to vehicles; and manages office space, storage, and special use leases on behalf of all state government except the judicial branch. About 3 percent of the agency's appropriation is from the general fund, mostly for construction management and maintenance of state facilities.

Although GSD asked for a 2 percent increase overall, the request from the general fund was \$14.1 million, an increase of 7.7 percent, primarily due to assuming responsibility for Department of Public Safety (DPS) building management at a projected annual cost of \$994 thousand. The request also included an increase of nearly \$10 million over the FY17 operating budget from a premium increase of 1 percent for the employer share of employee health insurance and increases associated with the risk rates. For FY18, the group health benefits requested increase is approximately 2.7 percent higher and accounts for three-fourths of the entire appropriation request.

Although a slight decrease overall from the FY17 operating budget, LFC recommends an increase of nearly 10 percent from actual spending for risk management and group health benefits and supports the general fund request for additional personnel and other costs associated with assuming management of the DPS complex.

BUDGET ISSUES:

The FY17 operating budget, adjusted downward by 5.5 percent in the 2016 special legislative session is approximately \$491 million to cover operating expenses for six divisions, including \$87 million for the risk funds and \$363 million for the group health fund. The agency has 314 authorized FTE; half are funded from general fund revenue and the other half from other state funds, including revenue generated from enterprise activities.

Employee Group Health Benefits. From FY09 to FY13, fund balance was depleted to offset the difference between rising costs and declining revenue because of hiring freezes and loss of members to retirement. In 2013, GSD alerted the Legislature it was reaching insolvency, partly based on medical inflation projections of 10 percent. In response, the Legislature appropriated \$10 million from the general fund. In the ensuing four years, GSD increased premiums 29 percent -- 7 percent per year when annualized -- to meet projections for healthcare cost trends. GSD proposes another 1 percent for FY18. The program's funding goal for FY18 is to increase revenue to ensure fund reserves of \$29 million, one month of claims expenses. The LFC recommendation assumes year-over-year expenditure growth of 4 percent and provides funding in agency budgets for a 1 percent employer health premium increase. Under the LFC recommendation, the expected reserve level is kept slightly lower by holding ancillary benefit costs flat and assuming smaller increases for third-party administrators.

Risk Management. GSD administers self-insurance plans for property, liability, and workers' compensation exposure on behalf of state agencies, universities, and local public bodies. Over the past several years, the program increased agency training in loss prevention and alternative dispute resolution to reduce exposure. For FY16, spending was \$77 million with 70 percent spent on claims, shared between the distressed party and their attorneys, and the other 30 percent spent on administrative expenses, excess coverage, and loss control efforts. In FY16, the number of new workers' compensation claims was below the five-year average, due to a smaller workforce, but the average cost per claim grew 7 percent to \$13 thousand, due in part to healthcare inflation. For liability coverage, the number of new medical malpractice claims was also below the five-year average, and the average cost per claim decreased to \$131 thousand. The number of new claims for law enforcement also dropped, as did the average cost per claim, now \$57 thousand. For civil rights coverage, the number of new claims was the lowest seen in the past 10 years, and the average cost per claim is now about \$71 thousand.

The recommendation for the risk management funds is \$83.9 million, including decreases of about \$3.6 million in total, or 4 percent, for the public liability, workers' compensation and public property funds. This assumes lower projections for attorney fees and claims expenses based on the prior three-year averages. The financial position of the funds in total was 56 percent at the end of FY16 (assets divided by estimated outstanding losses), above GSD's targeted reserve level of 50 percent. However, after 2016 special legislative session solvency measures that swept \$14.1 million from the risk funds, the reserve level for the risk funds dropped to 47 percent.

Facilities Management. The Facilities Management Division is organized into four bureaus: financial management; facility operations, which accounts for the majority of staff; capital projects, which includes construction for agency capital projects; and facility management, which oversees space use in state and leased buildings. In September 2016, FMD submitted an infrastructure capital improvement plan based on 2015 facility condition assessments that included \$30.5 million to address immediate building deficiencies of which \$10 million was for critical security and fire systems; \$28.5 million to acquire and equip the Sunport Center in Albuquerque to consolidate Children, Youth and Families Department programming; and \$1.2 million to demolish five vacant buildings and abate hazardous materials in Hobbs, Los Lunas, and Albuquerque. Other priorities included \$13.7 million for property renovations in Las Vegas and Santa Fe to reduce leased space and \$550 thousand for master planning and facility condition assessments conducted on a five-year cycle.

In addition to managing capital projects, FMD is responsible for 6.9 million square feet in 750 buildings throughout the state (of which 110 buildings include office space totaling 2.5 million square feet) and 300 office leases totaling 2.75 million square feet. FMD spends \$42 million per year on office space and leases, not including operating costs, \$3 million less than previously reported. Leased office space averages 443 square feet per FTE in Santa Fe County, up from 346 square feet the year before, 462 square feet per FTE in Bernalillo County, and 491 square feet per FTE in Dona Ana County, due in part to higher quality leasing data. Although improvements have been made, such as moving agencies out of leased space into state-owned space, consolidating leases, and renegotiating longer lease terms in exchange for lower rent, perhaps, leased space per FTE is still significantly higher than the program's space standard of 215 square feet per FTE, partly because more agencies are seeking to have their space needs exempted from the standard.

FMD requested an increase from the general fund of approximately \$1 million from the adjusted FY17 general fund appropriation of \$11.7 million to maintain buildings and grounds for the Department of Public Safety headquarters in Santa Fe. The request also included using the capitol building repair fund (CBRF) to pay a portion of property insurance costs for Santa Fe buildings under GSD's jurisdiction. This amounted to \$692.8 thousand. The program also submitted several special appropriation requests totaling \$1.5 million from the general fund to fund projects now delayed due to the sweep of the public buildings repair fund in the 2016 special legislative session into the general fund. Those projects include the reconciliation of vacant land records, updating and revising tenant agreements with user agencies, and master planning of state facilities and capital outlay requests.

The recommendation supports the program's general fund request for \$12.8 million and increases the personal services and employee benefits category by \$294 thousand, or 4.5 percent, from actual spending to hire more custodians for the newly acquired DPS complex and to reduce the metric for square feet per custodian per day which currently exceeds industry standard. In the contractual services category, the recommendation includes \$150 thousand to establish an ongoing program of five-year cyclical facility condition assessments. The recommendation does not include use of the capitol building repair fund (CBRF) to pay property insurance increases. The CBRF is primarily reserved for smaller building repairs in Santa Fe and requires State Board of Finance approval; LFC staff is not aware of the SBOF granting any such approval in the past.

Transportation Services. The Transportation Services Division is responsible for the operation of the state's central fleet of 2,000 vehicles; acquiring and redistributing surplus property from federal and state agencies; and the state jet. For FY18, the program asked for a relatively flat budget that included \$500 thousand for global positioning monitoring in half of fleet vehicles, offset by lower fuel and maintenance costs, and sufficient funding to lease 800 vehicles, as opposed to buying new vehicles, as part of its five-year vehicle replacement program. In general, the recommendation supports the request and reduces some costs to reflect a sweep of \$500 thousand from the program's transportation services fund during the 2016 special legislative session.

The General Appropriation Act of 2016 included \$150 thousand to the New Mexico School for the Blind and Visually-Impaired (NMSBVI) for aviation services for students at the residential campus in Alamogordo with families in Gallup and Farmington. In FY14, the Legislature made the state jet a general-fund-supported program so agencies could use the jet at a lower cost, paying just for fuel. In FY16, GSD received \$600 thousand from the general fund to support the jet. However, the plane only logged 147 flight hours, which translates to \$4 thousand per flight hour and suggests the airplane may be seriously underused. For the jet, the recommendation includes \$550 thousand from the general fund for maintenance, a small other state funds appropriation for fuel, and includes an appropriation to NMSBVI from the aviation services fund to fly students to and from school in Alamogordo.

Procurement Services. The Procurement Services Division is organized into four bureaus for information technology, construction, general procurement, and contract management. The program has two sources of revenue, the general fund and fees. The general fund share has dropped in half over the past five years as program costs have grown. In 2012, the program discontinued vendor registration fees and the number of registered vendors doubled to nearly 4,000. Since then, fees from copying bids, proposals, information requests, and state purchasing alliances and other contracts based on sales in New Mexico, have increased, to just under \$2 million per year. This is due to greater use of cooperative procurements and other price agreements by states and state agencies and, to some extent, from improved reporting of fee-based sales by vendors. The LFC recommendation supports the request, which includes \$1.6 million from fees. However, that amount was requested before the 2016 special legislative session swept the fees fund into the general fund. The fees fund was being used to cover training costs for certified procurement officers, implement the procurement module within SHARE, and pay for FMD's building operations and maintenance tracking system.

Printing Services. The State Printing Division is requesting a deficiency appropriation from the general fund of \$157 thousand, down from its deficiency appropriation of almost twice that amount the year before, to correct losses dating back to 2007. The program is unable to generate revenue on a consistent basis to meet expenses. In part, because the program does not have first right of refusal over executive agency print business. The program has also lost business to competitors because of failure to modernize, and as a result, customer service has suffered. To pay down the debt, overtime and personnel costs have been reduced. With the implementation of the new digital storefront, however, the program appears to be growing business without additional FTE due to automation. In addition, the program has acquired new digital presses to create higher quality products. The LFC recommendation supports the program's request, which is close to flat with actual spending in FY16.

Program Support. Program Support includes the Office of the Secretary and supports financial, human resource functions, and information technology systems for the other divisions, with 37 FTE at a cost of \$3.9 million in FY16. In addition, the program provides an inter-agency mail service. To hold down transfers from FMD to Program Support, LFC reduces the request in all bureaus except the technology and systems services bureau.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2018 shall revert to the procurement services, state printing services, risk management, facilities management and transportation services programs based on the proportion of each individual program's assessment for program support.

Any unexpended balances in the risk management program of the general services department remaining at the end of fiscal year 2018 shall revert to the public liability fund, workers' compensation retention fund, state unemployment compensation fund, local public body unemployment compensation fund and group self-insurance fund based on the proportion of each individual fund's assessment for risk management division operations.

The appropriation to the facilities management division of the general services department in the contractual services category includes one hundred fifty thousand dollars (\$150,000) to continue the five-year cyclic assessments of state-owned buildings under the control of the facilities management division of the general services department.

The other state funds appropriation to the transportation services program of the general services department in the other category includes one hundred thousand dollars (\$100,000) from the aviation services fund for flight costs of blind and visually impaired students of the New Mexico school for the blind and visually impaired. Any unexpended balances at the end of fiscal year 2018 from this appropriation shall not revert to the aviation services fund.

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	344,744.3	363,542.5	373,196.0	366,252.1	0.7
SOURCES TOTAL	344,744.3	363,542.5	373,196.0	366,252.1	0.7
USES					
Contractual Services	17,659.0	21,053.0	21,578.0	18,834.9	-10.5
Other	319,885.9	338,240.0	349,470.0	345,269.2	2.1
Other Financing Uses	2,909.6	4,249.5	2,148.0	2,148.0	-49.5
TOTAL USES	340,454.5	363,542.5	373,196.0	366,252.1	0.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES						
		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of state group prescriptions filled with generic drugs	83%	86%	84%	84%	90%
Efficiency	Percent change in state employee medical premium	3%	1%	4%	4%	≤2%
* Outcome	Percent change in the average per-member per-month total healthcare cost	New	10%	4%	<7%	<7%
Outcome	Percent of eligible state employees purchasing state medical insurance	95%	88%	95%	95%	95%

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	7,378.4	8,550.3	6,338.3	6,338.3	-25.9
Fund Balance	443.4	0.0	1,755.9	1,755.9	
SOURCES TOTAL	7,821.8	8,550.3	8,094.2	8,094.2	-5.3
USES					
Personal Services and Employee Benefits	3,965.6	4,627.0	4,271.1	4,271.1	-7.7
Contractual Services	140.7	150.0	150.0	150.0	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Other	338.3	434.5	378.1	378.1	-13.0
Other Financing Uses	3,377.2	3,338.8	3,295.0	3,295.0	-1.3
TOTAL USES	7,821.8	8,550.3	8,094.2	8,094.2	-5.3
FTE					
Permanent	55.0	55.0	55.0	55.0	0.0
Temporary	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	57.0	57.0	55.0	55.0	-3.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent increase in the number of alternative dispute resolution bureau training and outreach events held with the top twenty loss-producing agencies	NEW	NEW	5%	5%	5%

RISK MANAGEMENT FUNDS

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	95,755.8	87,466.8	86,507.1	83,373.5	-4.7
Fund Balance	0.0	0.0	480.0	480.0	
SOURCES TOTAL	95,755.8	87,466.8	86,987.1	83,853.5	-4.1
USES					
Contractual Services	18,515.5	21,955.0	22,061.8	20,697.2	-5.7
Other	48,482.6	61,211.0	60,735.0	58,966.0	-3.7
Other Financing Uses	2,334.4	4,300.8	4,190.3	4,190.3	-2.6
TOTAL USES	69,332.5	87,466.8	86,987.1	83,853.5	-4.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Projected financial position of the public property fund	274%	365%	50%	50%	50%
* Outcome	Projected financial position of the public liability fund	22%	50%	50%	50%	50%
* Outcome	Projected financial position of the workers' compensation fund	28%	40%	50%	50%	50%

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	1,324.2	1,373.8	1,160.0	1,160.0	-15.6	
SOURCES TOTAL	1,324.2	1,373.8	1,160.0	1,160.0	-15.6	
USES						
Personal Services and Employee Benefits	452.7	649.3	461.1	461.1	-29.0	
Contractual Services	6.0	5.0	0.0	0.0	-100.0	
Other	683.1	669.4	656.7	656.7	-1.9	
Other Financing Uses	45.0	50.1	42.2	42.2	-15.8	
TOTAL USES	1,186.8	1,373.8	1,160.0	1,160.0	-15.6	
FTE						
Permanent	14.5	14.0	10.0	10.0	-28.6	
TOTAL FTE POSITIONS	14.5	14.0	10.0	10.0	-28.6	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Revenue generated per employee compared with the previous thirty- or sixty-day legislative session	\$164,237	\$181,504	\$125,000	\$150,000	\$175,000
* Outcome	Sales growth in state printing revenue compared with the previous thirty- or sixty-day legislative session	-5%	9%	8%	0%	8%
Output	Percent of printing jobs delivered on time	NEW	99%	95%	95%	95%
Outcome	Average number of business days to provide a quote to the customer	NEW	2	2	2	2

FACILITIES MANAGEMENT

The purpose of the facilities management division 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	12,471.7	11,669.0	12,850.1	12,850.1	10.1	
Other Revenues	0.0	0.0	692.8	0.0		
SOURCES TOTAL	12,471.7	11,669.0	13,542.9	12,850.1	10.1	
USES						
Personal Services and Employee Benefits	6,469.5	6,027.7	6,763.7	6,763.7	12.2	
Contractual Services	366.6	94.5	154.5	304.5	222.2	
Other	5,383.6	5,452.6	6,425.1	5,781.9	6.0	
Other Financing Uses	196.4	94.2	199.6	0.0	-100.0	
TOTAL USES	12,416.1	11,669.0	13,542.9	12,850.1	10.1	
FTE						
Permanent	139.5	140.0	132.0	132.0	-5.7	
TOTAL FTE POSITIONS	139.5	140.0	132.0	132.0	-5.7	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Efficiency	Percent of capital projects completed on schedule	NEW	NEW	90%	90%	95%
Efficiency	Percent of capital projects within budget	NEW	NEW	90%	90%	95%
Output	Percent of scheduled preventive maintenance requirements completed on time	NEW	93%	80%	80%	90%
* Outcome	Percent of new office space leases achieving adopted space standards	NEW	NEW	90%	90%	95%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	597.6	544.3	548.6	548.6	0.8
Other Revenues	7,366.9	8,217.5	8,206.8	8,206.8	-0.1
Fund Balance	1,288.4	3,401.5	3,267.7	2,867.7	-15.7
SOURCES TOTAL	9,252.9	12,163.3	12,023.1	11,623.1	-4.4
USES					
Personal Services and Employee Benefits	2,366.8	2,459.8	2,351.6	2,351.6	-4.4
Contractual Services	209.1	184.5	187.9	187.9	1.8
Other	6,287.0	9,087.8	9,056.4	8,656.4	-4.7
Other Financing Uses	410.1	431.2	427.2	427.2	-0.9
TOTAL USES	9,273.0	12,163.3	12,023.1	11,623.1	-4.4
FTE					
Permanent	35.0	35.0	33.0	33.0	-5.7
TOTAL FTE POSITIONS	35.0	35.0	33.0	33.0	-5.7

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Percent of short-term vehicle use	NEW	26%	27%	26%	80%
* Efficiency	Average vehicle operation costs per mile, as compared with industry average	NEW	\$0.47	≤\$0.59	≤\$0.59	≤\$0.49
* Outcome	Percent of leased vehicles used seven hundred fifty miles per month	NEW	NEW	80%	80%	95%

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	1,100.3	871.0	688.7	688.7	-20.9	
Other Revenues	1,085.9	1,382.8	1,575.2	1,575.2	13.9	
SOURCES TOTAL	2,186.2	2,253.8	2,263.9	2,263.9	0.4	
USES						
Personal Services and Employee Benefits	1,853.2	1,976.5	1,935.8	1,935.8	-2.1	
Contractual Services	18.8	80.0	76.0	76.0	-5.0	
Other	179.4	135.0	170.5	170.5	26.3	
Other Financing Uses	76.4	62.3	81.6	81.6	31.0	
TOTAL USES	2,127.8	2,253.8	2,263.9	2,263.9	0.4	
FTE						
Permanent	27.0	27.0	24.0	24.0	-11.1	
TOTAL FTE POSITIONS	27.0	27.0	24.0	24.0	-11.1	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent increase in best value procurements	NEW	NEW	15%	15%	15%
* Outcome	Percent of executive branch agencies with certified procurement officers	NEW	NEW	NEW	90%	95%
Outcome	Percent of procurement code violators receiving procurement code training within thirty days	NEW	NEW	NEW	90%	90%
* Output	Cost avoidance due to negotiated savings for construction procurements	NEW	NEW	NEW	\$200,000	\$200,000

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Transfers	3,931.7	3,976.6	4,045.6	3,846.0	-3.3	
SOURCES TOTAL	3,931.7	3,976.6	4,045.6	3,846.0	-3.3	
USES						
Personal Services and Employee Benefits	3,049.6	3,029.2	3,017.4	2,892.8	-4.5	
Contractual Services	314.0	219.6	296.6	221.6	0.9	
Other	568.1	727.8	731.6	731.6	0.5	
TOTAL USES	3,931.7	3,976.6	4,045.6	3,846.0	-3.3	
FTE						
Permanent	41.5	41.0	37.5	37.5	-8.5	
TOTAL FTE POSITIONS	41.5	41.0	37.5	37.5	-8.5	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of audit findings resolved from prior fiscal year excluding findings related to fund solvency	67%	88%	95%	95%	95%

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 select 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	27,296.7	30,551.9	31,864.0	29,722.9	-2.7
SOURCES TOTAL	27,296.7	30,551.9	31,864.0	29,722.9	-2.7
USES					
Personal Services and Employee Benefits	5,914.8	5,757.9	5,996.5	5,440.0	-5.5
Contractual Services	20,041.7	23,625.0	24,189.1	22,604.5	-4.3
Other	1,340.2	1,169.0	1,678.4	1,678.4	43.6
TOTAL USES	27,296.7	30,551.9	31,864.0	29,722.9	-2.7
FTE					
Permanent	65.0	68.0	68.0	68.0	0.0
Term	4.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	69.0	68.0	68.0	68.0	0.0

AT A GLANCE:

For FY16, investments in the ERB fund returned 2.6 percent, net of external management fees, underperforming for the second year in a row the 7.75 percent target needed for the fund to stay solvent. However, the fund outperformed the comparison index and ranked in the top 6th percentile when compared with its peer group. After covering the shortfall between employer and member contributions to the fund and pension benefits and expenses paid from the fund, the market value of the fund at the end of the fiscal-year was \$11.5 billion, slightly higher than where it began. Three-, five-, and 10-year returns also fell short of investment goals; however, the fund outperformed the comparison index and ranked in the top half of its peer group in each of those time periods.

In FY16, ERB distributed \$1 billion in benefits to 46 thousand retirees and beneficiaries. The number of active members is now about 60 thousand, a small decline from FY15. The average annual benefit is \$21,976, and, on average, is expected to replace 60 percent of pre-retirement income for members with 25 years of service. Over the past five years, the average benefit increased 9 percent, although the average has increased more slowly recently due to smaller cost-of-living adjustments. A slow-growing workforce since the recession worsened the fund's ability to cover benefit obligations. By the end of FY12, ERB's funded ratio, the share of pension liabilities prefunded, dropped to 60 percent. In response, the Legislature increased employee contributions to 10.7 percent, delayed the first cost-of-living adjustment (COLA) until age 67 for new hires, applied a COLA reduction until the fund was 100 percent funded, and reduced the benefit amount for members retiring before age 55. The pension system is now moving toward sustainability as long as assumptions are met, however, at some cost to teachers who are paying a higher price for a smaller benefit when compared with their state employee counterparts.

BUDGET ISSUES:

The agency, funded through contributions and investment income, requested \$31.9 million, a \$1.3 million, or 4 percent, increase over the FY17 operating budget. In the personal services and employee benefits category, the request included an increase of \$238.6 thousand for overtime during periods of high vacancies and two new expansion positions for the investment division approved for FY17. The request for the contractual services category included an increase of 2.4 percent for asset management fees based on more conservative projections for growth in assets under management. In the other category, the request is \$509.4 thousand higher, primarily for office space expansion and IT-related expenses and security.

The committee recommends funding the agency at \$29.7 million. The recommendation funds vacant positions under the current compensation pay plan and applies a 6 percent vacancy rate, half the actual vacancy rate. In comparison with actual spending, the recommendation for the personal services and employee benefits category is nearly \$500 thousand less due to substantial decreases in General Services Department risk insurance assessments. The contractual services category includes increases for asset management fees proportional to the size of assets invested but uses a lower discount rate and reduces funding for contract attorneys closer to actual spending. In the other category, the recommendation supports the request to expand office space and to adopt technologies and systems related to in-house investing and IT security.

Investment Fees and Disclosure. The shift to more complex alternative investments has coincided with a significant increase in external management fees for state pension plans. In 2013, state pension funds on average reported fees equal to 0.37 percent of assets. This year, ERB reported fees equal to 0.84 percent of assets, higher than the State Investment Council and Public Employees Retirement Association. Unlike stocks and bonds and other more conventional assets where fees are paid through the operating budget, managers for alternative investments withhold fees from investment proceeds. For FY16, external management fees were \$119 million; of that total, \$16 million was covered by the operating budget and \$103 million was deducted directly from investment account balances. In total, however, fees for FY16 were \$10 million less than FY15 and nearly \$45 million less than FY14 due to lower investment income and, in part, from transitioning one third of the portfolio to internal management.

Governance. This year, ERB approved compensation increases for the executive director and deputy director to mid-levels paid by other public funds and proposed new exempt job classifications for two deputy investment officers, three fixed income portfolio managers, two analysts for private equity and real assets, and one head of operations. The salary adjustments would occur in stages and require approval from the Governor's Office. Currently, salaries for the eight investment positions total \$785 thousand (not including benefits). If the change is approved, the salary maximums would increase by \$640 thousand to over \$1.5 million. ERB believes this is the only way to increase in-house expertise and retain top staff. According to ERB, the U.S. Public Funds Compensation Survey found some ERB salaries in the bottom quartile when compared with other pension systems. In addition, about half of the other systems pay bonuses. The survey did not include data on fund performance, so it is unknown if the pension systems with the highest salaries saw better fund performance.

This year, ERB delayed action on a rule clarification relating to substitute teachers. As with all other school employees, school districts would be reminded to determine a substitute's FTE status at the time of hire and require that substitute teachers expected to work more than quarter time join ERB, a statutory requirement for all part-time employees. Because of the unknown employer costs for some schools still offering all substitutes the option to join ERB or not -- irrespective of the number of hours worked -- and the negative impact on take-home pay for substitutes who earn lower wages, the board tabled the motion and asked staff to come back with better cost data. Informal estimates suggest it could add millions of dollars to already tight school budgets.

In 2010, ERB revised the method for computing interest due on refunds of contributions to members who terminate employment and withdraw their contributions and on refunds paid to the beneficiary of a deceased member. During implementation, a programming error resulted in 834 individuals receiving overpayments totaling \$1.7 million. The overpayments ranged from \$1 to \$306 thousand. ERB staff have struggled to comply with a requirement to recover the overpayment plus interest. Of the original amount, \$226 thousand is still outstanding and 43 individuals have repayment plans in place for \$160 thousand.

Retired ERB members receive a COLA on July 1 of each year following the later of the year a member retires or the year a member reaches age 65 (tier 1 and tier 2) or age 67 (tier 3). In 2014, legislative changes to improve solvency reduced the COLA until the plan was 100 percent funded. Retirees with benefits at or below the median and with 25 or more years of service credit receive a 10 percent COLA reduction. All others receive a 20 percent reduction. Once the funding is greater than 90 percent, the COLA reductions decrease by half. On July 1, 2016, because inflation was only 0.1 percent and the funded ratio was below 100 percent, ERB retirees and beneficiaries received 0.09 (10 percent less) or 0.08 percent (20 percent less) COLAs depending on the number of years served and the amount of benefits earned.

Government Accounting Standards Board Improvements. GASB now requires employers participating in cost-sharing plans to report their portion of pension liabilities if trust fund assets are not sufficient to cover benefits long-term. Previously, as long as employers paid their contributions, no recording of their liability on balance sheets was required. Although the rating agencies do not expect significant credit issues based solely on the new reporting, some employers are seeing negative balances. For FY15, ERB's total net pension liability (NPL) under the new rules was \$6.5 billion, an increase of \$800 million from FY14, due to investment returns that fell short of the actuarial target. GASB also requires plans to provide the sensitivity of the NPL to changes in the discount rate used, currently 7.75 percent. In particular, GASB requires using a rate that is plus or minus 1 percentage point. With a decrease in the rate to 6.75 percent, the NPL increases to \$8.7 billion. With an increase in the rate to 8.75 percent, the NPL decreases to \$4.6 billion.

Legislative Changes. The board will be proposing legislation to allow ERB's executive director to set pay rates for the deputy director, general counsel, and investment staff. The board tabled a staff proposal to bring back a return-to-work (RTW) restructuring bill from last legislative session due to opposition by the University of New Mexico and others. Presently, retirees wait one year before returning to work, and the retiree and employer pay pension contributions, preventing any negative impact on the fund. However, under ERB's RTW rules, there is no wait period or contributions to the fund if an employee works less than quarter time or earns less than \$15 thousand a year. More significantly, PERA retirees returning to work for ERB employers are not required to pay contributions. These positions include highly paid professional employees of university systems. Other PERA retirees are not afforded the same benefit. The annual loss to the fund compared with having these RTW filled with new hires and employers making contributions, is now over \$4 million. Nearly 3,500 individuals participate in ERB's RTW program, an increase since FY12. Of that total, one-third are working in higher education as opposed to hard-to-fill positions in struggling public schools, the original intent of the program.

Defined Benefit Alternatives. In addition to the defined benefit plan, ERB also administers a defined contribution plan (ARP) for faculty and professional employees of colleges and universities. Those who do not elect to participate become members of the regular plan. The ARP is portable and benefits are paid as a lifetime annuity, over a specific time period, or as a single cash payment at retirement based on the amount of money in the fund from contributions and investment earnings. The funds are kept separate from the regular defined benefit plan's funds. Colleges and universities contribute 10.9 percent of an employee's salary to an approved ARP vendor at the direction of the employee and 3 percent of the employee's annual salary is paid to ERB to offset the \$5 million actuarial loss to the fund. Employees participating in ARP do not accrue rights to benefits in the regular defined benefit plan.

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

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
* Outcome	Average rate of return over a cumulative five-year period	10.10%	6.6%	7.75%	7.75%	7.75%
Outcome	Percent of members' satisfaction with seminars and trainings	95%	95%	95%	95%	95%
* Outcome	Funding period of unfunded actuarial accrued liability, in years	<31	45	≤30	≤30	≤30
Outcome	Ten-year performance ranking in a national peer survey of public plans	NEW	NEW	NEW	<50%	<50%

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. A law passed in 2003 changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 178 created a Sex Offender Management Board within the commission. The commission also has four committees: Data, Sentencing Reform, Legislative, and Judicial.

MISSION:

The central duties of the commission include serving as a clearing house for criminal justice data provided by other state agencies, providing unbiased research on criminal-justice-related issues on an ad hoc basis, and analyzing criminal justice legislation to inform the Legislature, executive agencies, and the public. Additionally, the County Detention Facility Reimbursement Act requires the commission to annually calculate 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.

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	574.7	524.6	555.1	499.6	-4.8	
Other Transfers	30.0	52.0	52.0	52.0	0.0	
SOURCES TOTAL	604.7	576.6	607.1	551.6	-4.3	
USES						
Contractual Services	569.2	572.6	603.1	547.6	-4.4	
Other	33.3	4.0	4.0	4.0	0.0	
TOTAL USES	602.5	576.6	607.1	551.6	-4.3	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

AT A GLANCE:

The New Mexico Sentencing Commission (NMSC) continues to provide timely research and information on important criminal and juvenile justice system issues. The commission does not have FTE but, instead, contracts with the University of New Mexico (UNM) for fiscal services, paying a 9 percent fee for administrative costs. The agency supplements personnel with undergraduate, graduate, and doctoral-level researchers to complete its 15 targeted research projects.

Through fall 2016, NMSC had published three reports. The commission produces a prison population study and a release eligible inmate study on a yearly basis while studies of juvenile justice, the judicial branch, the state police, and recidivism rates are performed as needed or by request.

The LFC recommendation reduces the commission’s general fund revenues 4.5 percent from the FY17 operating level adjusted for special session cuts. The reduced funding will mostly affect the contract between the commission and UNM. The committee recommendation also does not support the commission’s request for continuance of nonreversion language authorized in the 2017 legislative session and recommends long-term projects be implemented in phases.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of criminal justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	13	14	15	15	15

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 – 2017-2018</u>					Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,573.1	3,261.0	3,261.0	3,260.0	0.0	
SOURCES TOTAL	3,573.1	3,261.0	3,261.0	3,260.0	0.0	
USES						
Personal Services and Employee Benefits	2,814.0	2,687.4	2,779.8	2,779.8	3.4	
Contractual Services	33.9	79.2	89.8	89.8	13.4	
Other	372.7	494.4	391.4	390.4	-21.0	
TOTAL USES	3,220.6	3,261.0	3,261.0	3,260.0	0.0	
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	

AT A GLANCE:

The office reduced the number of performance measures for FY18 from 10 to five. The measures retained were for timely assistance to constituents, timely processing of extraditions and pardon requests, and timely posting to the governor's website of recorded public meetings and executive orders. For FY16, the office achieved all targets, including for the number of days to answer or refer to the public entity requests for information and percentage of governor-exempt employees who sign a code of conduct and fill out a financial disclosure form.

For FY18, the general fund request was flat with the adjusted FY17 operating budget. The request proposed decreases in most General Services Department and Department of Information Technology rates and increases above actual spending for Indian gaming negotiations, information technology services, and travel, including use of the state jet, and included \$80 thousand for the governor's contingency account. The recommendation supports the request.

BUDGET ISSUES:

For the first time, the office's annual audit raised concerns regarding the long-standing practice of treating funds appropriated to the governor for or unforeseen expenses differently than other appropriations that revert at the end of a fiscal year. Past practice has allowed these appropriations to roll over from year to year and revert at the end of a governor's final term. Consequently, the audit for FY15 received a finding for unspent monies at year-end that were not reverted. Secondly, Section 10-8-5(C), NMSA 1978, appears to exempt contingent expenditures from audit provided they are connected with obligations of the office, according to the State Auditor. However, it is unclear if the exemption refers to Department of Finance and Administrative oversight over expenditures at the front end or review in the annual audit at the back end. Thirdly, disclosure of contingent appropriation spending has not always been as transparent as other spending, which makes it difficult to determine if they are connected with obligations of the office. In the cover letter to the office's audit for FY15, the State Auditor recommended full disclosure of contingency appropriation spending.

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>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Percent of constituent service cases closed within thirty days of initial receipt	90%	90%	90%	90%	90%
Output	Number of business days to process extraditions	NEW	NEW	NEW	14	14
Output	Number of business days to post public meetings to www.governor.state.nm.us	NEW	NEW	NEW	2	2
Output	Number of business days to acknowledge receipt and determine eligibility for consideration of pardon request	NEW	NEW	NEW	10	10
Output	Number of business days to post executive orders to the governor's website after being signed by the governor and secretary of state	NEW	NEW	NEW	1	1

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the Office of the 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 Senate and serve as ombudsman and acting governor when the governor is out of state.

BUDGET SUMMARY (dollars in thousands)						
<u>FY18 – 2017-2018</u>						
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	583.4	532.4	532.4	487.1	-8.5	
SOURCES TOTAL	583.4	532.4	532.4	487.1	-8.5	
USES						
Personal Services and Employee Benefits	402.0	447.5	477.6	419.6	-6.2	
Contractual Services	9.9	42.9	14.1	24.6	-42.7	
Other	39.6	42.0	40.7	42.9	2.1	
TOTAL USES	451.5	532.4	532.4	487.1	-8.5	
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	

AT A GLANCE:

The office reduced performance measures from nine to four by combining several into one for various boards and commissions attended by the lieutenant governor. Retained measures included constituent service files closed, days in session and presided over, public forums held, and boards and commissions attended. For FY16, the office achieved all performance measure targets, including one for assisting citizens with requests that relate to state government within 30 days, 80 percent of the time. The office closed those requests within 30 days -- low when compared with prior-year achievements.

For FY18, the agency's general fund request was flat with the adjusted FY17 operating budget and included funding for four filled exempt positions and one legal counsel position that has been vacant since 2015. The filled positions included the lieutenant governor and his chief of staff, one policy analyst and one legislative liaison. The recommendation includes funding for the filled positions and increases contractual services by \$10 thousand for legal services when Office of the Governor attorneys are unavailable. Despite a reduction from the FY17 operating budget, the recommendation is still higher than actual spending and sufficient to continue efforts to promote a robust employment environment in New Mexico, a priority for the lieutenant governor.

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>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Percent of constituent service files closed within thirty days	91%	80%	80%	80%	80%
Output	Number of constituent service mobile office days or townhall meetings and economic forums held	NEW	NEW	NEW	4	4
Output	On boards and commissions the lieutenant governor sits, percent of meetings held and attended in Santa Fe	NEW	NEW	NEW	90%	90%
Output	Percent of days in session and presided over (gavel down)	100%	90%	90%	90%	90%

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. 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 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 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. 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.

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)					Percent Incr (Decr)
	FY16	FY17	FY18 – 2017-2018			
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	970.1	885.4	890.1	445.1	-49.7	
Other Transfers	8,568.8	12,158.5	10,049.5	8,537.9	-29.8	
Federal Revenues	519.0	444.0	444.0	444.0	0.0	
Other Revenues	59,054.8	56,709.8	62,650.2	59,054.8	4.1	
SOURCES TOTAL	69,112.7	70,197.7	74,033.8	68,481.8	-2.4	
USES						
Personal Services and Employee Benefits	15,555.5	18,530.1	16,821.3	16,376.3	-11.6	
Contractual Services	8,770.5	13,103.7	12,969.4	11,991.1	-8.5	
Other	27,212.4	26,413.1	34,193.6	29,619.9	12.1	
Other Financing Uses	8,568.8	12,150.8	10,049.5	10,494.5	-13.6	
TOTAL USES	60,107.2	70,197.7	74,033.8	68,481.8	-2.4	
FTE						
Permanent	210.0	210.0	210.0	205.0	-2.4	
Term	5.0	3.0	2.0	2.0	-33.3	
TOTAL FTE POSITIONS	215.0	213.0	212.0	207.0	-2.8	

AT A GLANCE:

The department's base budget request was \$74 million in all funds, or 5.5 percent, over the FY17 operating budget adjusted for cuts made in the special session. The department states the increase was due to higher costs of providing services and increased service utilization. The base request for general fund revenue is \$890.1 thousand, \$4,700 over the FY17 adjusted operating budget. The recommendation supports the department's intent to transfer 1 FTE from Enterprise Services to the Compliance and Project Management (CPM) program to begin reorganizing the program to include statewide functions of strategic planning, project management, and statewide IT investment and security oversight. However, the recommendation reduces general fund revenues by half, or \$445 thousand, to initiate the incorporation of CMP functions into the DoIT rate structure, consistent with how other DoIT services and overhead are funded. Consequently, the recommendation includes an intradepartmental transfer from Enterprise Services to CPM to meet the program's requested level of funding. The recommendation for Enterprise Services reduces revenues to the FY16 level due to ongoing agency budget constraints. Finally, the recommendation for the equipment replacement fund is held essentially flat with FY16 because DoIT has not provided plans and reports for the fund as required by statute.

BUDGET ISSUES:

Enterprise Services. In June 2016, the state's IT rate committee approved DoIT proposed new service rates for FY18 to take effect July 1, 2017. However, due to statewide revenue constraints, DoIT maintained FY18 rates flat with the FY17 rates, except for the SHARE subscription fee and a mobile radio fee. The selected rate increases and modest increased utilization account for the projected increase in revenue. While DoIT established a new tool to improve its ability to make decisions related to its rate model, risks remain. For example, an October 2016 LFC evaluation found the rate setting process is not always substantiated by a documented process and the department is at risk of having a single point of failure because of its historical reliance on one individual for the cost allocation and rate model.

For FY18, DoIT estimates \$62.7 million in enterprise service revenues for data processing, central telephone and other services provided to state agencies. This represents a 6 percent increase over FY16 actual revenues and 10.5 percent over the FY17 operating budget; however, while the department has made progress in collecting receivables, estimated revenues often exceed actual collections. To support the ongoing need for upgraded equipment, improved services, and highly-skilled IT staff, the recommendation supports revenues at the FY16 level. DoIT should implement LFC evaluation recommendations to document and publish the methodology for rate setting, ensure IT costs and cost-recovery methods are transparent and clearly communicated, and establish service level agreements with state agencies that balance customer needs with the IT department's capabilities and customer expectations with the IT department's commitments. DoIT recently implemented a service area budget and executive reporting (SABER) tool that will allow management to review costs and revenues by service area. The department is currently assessing and formalizing inputs for this tool, an important step forward. While DoIT received an FY15 audit without findings and has improved billing and collection practices, the agency continues to transfer large sums from personnel and has diverted funds intended to cover capital depreciation to cover cost overruns.

The LFC recommendation reduces the personal services and employee benefits categories by \$445 thousand and makes an intradepartmental transfer to the Compliance and Project Management (CPM) program to initiate the incorporation of CPMs funding into DoIT's Enterprise Services rate structure. The Enterprise Services program routinely carries significant vacancy savings and can absorb this transfer in its base budget. Finally, the recommendation deletes 5 vacant and unfunded FTE positions.

Equipment Replacement Funds. For FY18, DoIT requested just under \$7 million in expenditures for the equipment replacement funds (ERF), just under \$4 million for the statewide human resources, accounting and management reporting system called SHARE, ERF and \$3 million for Enterprise Services ERF. ERFs were established to provide the department with a funding mechanism for replacing and updating infrastructure in the state, funded by building depreciation costs into the rates it charges. However, the October 2016 LFC evaluation found that ERF balances have risen significantly over the past five years, from about \$8 million in 2012 to just over \$16 million in FY16. Further, LFC noted DoIT has not met its statutory obligation to develop an annual equipment replacement plan. The annual plan is required to be presented to the Department of Finance and Administration, the state's IT Commission and the Legislature by September 1 of each year, accompanied by a reconciliation report of the preceding fiscal year reflecting financial activity in each of the equipment replacement revolving funds. Consequently, the LFC recommendation maintains expenditures from the ERFs at \$5 million, essentially flat with FY16 actual expenditures. The recommendation includes language indicating expenditures from the ERFs are contingent on an ERF plan, submitted to and approved by the IT Commission, DFA, and LFC, and the required reconciliation report of FY17 reflecting financial activity for the funds. The Legislature may consider additional BAR language to allow more flexibility for the department after it has provided the required plans and reports.

Compliance and Project Management. DoIT's Compliance and Project Management program provides IT project management guidance and oversight to state agencies and provides support staff to the Project Certification Committee, the entity responsible for reviewing and approving phased funding for agency IT projects. In its FY18 strategic plan, the department describes its intent to restructure the program to include strategic planning and an Office of the Chief Security Officer with eventual IT investment oversight and strategic planning for all IT investment. While the program has filled an "IT CIO III or Tech Manager III" position, strategic planning is currently headed up with a contracted position. For FY18, DoIT is also requesting the transfer of 1 FTE from Enterprise Services to Compliance and Project Management, a position currently in the Chief Information Security Office in Enterprise Services.

In the past, the program has been funded solely with general fund revenues because it was assumed that statewide enterprise service revenues should not be used for providing IT project oversight for a limited number of agencies. However, with the program's broader statewide scope – and since the new functions have historically been funded through enterprise funds – the Compliance and Oversight Management program should also be funded with statewide enterprise revenues. Consequently, the LFC recommendation reduces general fund in the program by half, or \$445 thousand, to begin transitioning the program to incorporate Enterprise Project Management office functions into enterprise service rates; the difference is covered by an intradepartmental transfer from the Enterprise Services Program.

Information Technology Commission. The DoIT Act established the Information Technology Commission (ITC), making it responsible for setting the strategic direction for statewide IT initiatives; it serves as the oversight and approval body for DoIT initiatives and for IT rules affecting state agencies. The commission is required to convene at least quarterly to meet its statutory responsibilities; however, since 2011, ITC has met only four times and has not met at all since October 2014, resulting in a lack of accountability and transparency when making significant IT decisions. For example, ITC has not approved an IT strategic plan since July 2010. An October 2016 LFC performance evaluation recommended ITC meet as statutorily required to review and approve a state IT strategic plan developed and proposed by DoIT. Further, it recommended DoIT update administrative rules for information technology, including for the project certification committee, which is staffed by DoIT and meets to review and approve the phased release of appropriated funding for state IT projects.

Performance Reporting. For FY18, the agency will begin reporting on an annual basis. DoIT's performance measures for Enterprise Services and Program Support are largely consistent with other enterprise agencies, and for FY18, the department added a new measure to perform an annual customer satisfaction survey as recommended by the LFC. However, while DoIT continues to provide a quarterly report on the status of the state's largest and most critical IT projects, performance measures for the Compliance and Project Management Program continue to be weak, providing little information about the effectiveness of its oversight.

RECOMMENDED LANGUAGE:

The appropriations to the equipment replacement fund program are contingent on the submission of an equipment replacement fund plan for fiscal year 2018 and an equipment replacement fund reconciliation report for fiscal year 2017 as required by statute.

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)						
		FY18 - 2017-2018				
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	General Fund Transfers	970.1	885.4	890.1	445.1	-49.7
	Other Transfers	0.0	0.0	0.0	445.0	
	SOURCES TOTAL	970.1	885.4	890.1	890.1	0.5
USES						
	Personal Services and Employee Benefits	734.5	713.8	694.4	694.4	-2.7
	Contractual Services	19.4	0.0	0.0	0.0	
	Other	52.6	39.3	56.7	56.7	44.3
	Other Financing Uses	125.9	132.3	139.0	139.0	5.1
	TOTAL USES	932.4	885.4	890.1	890.1	0.5
FTE						
	Permanent	7.0	8.0	9.0	9.0	12.5
	TOTAL FTE POSITIONS	7.0	8.0	9.0	9.0	12.5

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of information technology professional service contracts reviewed with quality feedback in five business days	NEW	NEW	NEW	90%	95%
Outcome	Number of workshops, trainings, events or whitepapers delivered to agencies on information technology best practices predicated on department analysis of key information technology oversight areas	NEW	NEW	NEW	24	24

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)				
				FY18 - 2017-2018		
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	Federal Revenues	519.0	444.0	444.0	444.0	0.0
	Other Revenues	59,054.8	56,709.8	62,650.2	59,054.8	4.1
	SOURCES TOTAL	59,573.8	57,153.8	63,094.2	59,498.8	4.1
USES						
	Personal Services and Employee Benefits	12,477.4	14,858.3	13,343.4	12,898.4	-13.2
	Contractual Services	6,301.6	9,059.8	9,059.8	9,059.8	0.0
	Other	24,587.8	21,217.2	30,780.5	27,185.1	28.1
	Other Financing Uses	8,442.9	12,018.5	9,910.5	10,355.5	-13.8
	TOTAL USES	51,809.7	57,153.8	63,094.2	59,498.8	4.1
FTE						
	Permanent	169.0	168.0	167.0	162.0	-3.6
	Term	5.0	3.0	2.0	2.0	-33.3
	TOTAL FTE POSITIONS	174.0	171.0	169.0	164.0	-4.1

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
*	Outcome	Percent of service desk incidents resolved within the timeframe specified for their priority level	100%	100%	95%	90%
	Outcome	Percent of perimeter and security-logged devices reporting security metrics to the network operations center	NEW	No Data	80%	80%
	Outcome	Number of system enhancements implemented annually in financials and human capital management	NEW	NEW	NEW	12

EQUIPMENT REPLACEMENT FUND

		BUDGET SUMMARY (dollars in thousands)				
				FY18 - 2017-2018		
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	Other Transfers	5,471.0	8,902.8	6,956.6	5,000.0	-43.8
	SOURCES TOTAL	5,471.0	8,902.8	6,956.6	5,000.0	-43.8
USES						
	Contractual Services	2,416.5	4,009.9	3,876.6	2,898.3	-27.7
	Other	2,314.6	4,892.9	3,080.0	2,101.7	-57.0
	TOTAL USES	4,731.1	8,902.8	6,956.6	5,000.0	-43.8
FTE						
	TOTAL FTE POSITIONS	0.0	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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,097.8	3,255.7	3,092.9	3,092.9	-5.0
SOURCES TOTAL	3,097.8	3,255.7	3,092.9	3,092.9	-5.0
USES					
Personal Services and Employee Benefits	2,343.6	2,958.0	2,783.5	2,783.5	-5.9
Contractual Services	33.0	34.0	33.0	33.0	-2.9
Other	257.4	263.7	276.4	276.4	4.8
TOTAL USES	2,634.0	3,255.7	3,092.9	3,092.9	-5.0
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	100%	100%	95%	95%	95%
* Explanatory	Overall results of the department's annual customer satisfaction survey	NEW	NEW			
Outcome	Percent of enterprise services areas achieving full cost recovery	NEW	NEW	NEW	90%	90%

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 administering the Volunteer Firefighters Retirement Act (Sections 10-11A-1 through Sections 10-11A-7 NMSA 1978), Judicial Retirement Act (Sections 10-12B-1 through 10-12B-19 NMSA), Magistrate Retirement Act (Sections 10-12C-1 through 10-12C-18 NMSA 1978), Retirement Reciprocity Act (Sections 10-13A-1 through 10-13A-4 NMSA 1978), Deferred Compensation Act (Sections 10-7A-1 through 10-7A-12 NMSA 1978), and the U.S. Internal Revenue Code 457 regarding deferred compensation. PERA is governed by a 12-member board composed of the secretary of state and 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.

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	0.0	77.3	0.0	
Other Transfers	0.0	7.4	0.0	0.0	-100.0
Other Revenues	45,867.1	42,817.0	37,636.3	35,391.7	-17.3
SOURCES TOTAL	45,867.1	42,824.4	37,713.6	35,391.7	-17.4
USES					
Personal Services and Employee Benefits	6,154.9	6,643.4	6,858.6	6,431.6	-3.2
Contractual Services	23,691.1	34,935.5	29,287.6	27,411.0	-21.5
Other	1,713.6	1,245.5	1,567.4	1,549.1	24.4
TOTAL USES	31,559.6	42,824.4	37,713.6	35,391.7	-17.4
FTE					
Permanent	82.0	84.0	84.0	84.0	0.0
TOTAL FTE POSITIONS	82.0	84.0	84.0	84.0	0.0

AT A GLANCE:

Fiscal year 2016 was another difficult year for institutional investors as the global market performed poorly. Investments in the total PERA fund returned 0.48 percent, net of fees, and the market value of the fund declined \$400 million from FY15 after covering the shortfall between contributions to the fund and beneficiary payments from the fund after expenses. PERA was not alone, however; public pension funds in the United States fell on average 7 percent short of their investment goals for FY16. For the second year in a row, investment returns for PERA underperformed the 7.75 percent return target to stay solvent and comparison index. Investments over three, five and 10 years also fell short of investment goals. The market value of the total PERA fund is now \$13.8 billion – less than the fund's record high of \$14.6 billion in FY14 when the fund earned investment returns of 17 percent.

Despite these challenges, the fund has grown since the worldwide market turndown in 2009, from a low of \$9.2 billion after losing one quarter of its value to nearly \$14 billion, while at the same time distributing over \$1 billion annually in pension benefits to 37 thousand New Mexicans. Since FY12, largely due to legislative changes to the Public Employees Retirement Association Act that reduced retirement benefits for new hires and reduced and delayed cost-of-living adjustments to retiree pensions, the funded ratio -- the degree to which benefits are prefunded -- increased from 65 percent to 75 percent and the funding period -- the years required to pay off benefits that were not prefunded, is now 56 years, as opposed to 128 years.

BUDGET ISSUES:

The FY18 budget request of \$37.7 million was a 12 percent decrease from the FY17 operating budget and included a small vacancy savings rate. The base budget request increased the personal services and employee benefits category by \$215 thousand, or 3 percent, for six exempt and 78 permanent employees. Despite unfunded positions, the LFC recommendation leaves them intact in case budget adjustment authority is used to transfer funding from contractual services for external managers to personal services and employee benefits for internal management. The request decreased contractual services by \$5.6 million due to decreases in manager fees as a result of lower than projected return on investments and renegotiation of those fees for investment contracts. The request also included an increase of \$322 thousand in the other category to bring operational costs closer to actual spending.

PERA, primarily funded through contributions and investment income, requested \$77 thousand from the general fund for social security administration. In 1955, PERA was designated as the agency responsible for processing requests from public employers to affiliate with social security and collecting and transmitting social security taxes to the IRS. Section 10-4-7 NMSA 1978 allows PERA to recover administrative costs from a separate fund that earns interest on social security and Medicare taxes transmitted by employers to PERA prior to transfer to the IRS. In 1986, federal law changed to require employers to transmit those taxes directly to the IRS. Over the years, PERA has used fund balances to administer the program and the fund is now expended. The 2016 General Appropriation Act included a special appropriation of \$77 thousand to PERA to continue this function.

The committee recommends funding the agency at \$35.4 million. The recommendation applies an 8 percent vacancy rate, lower than the average of 10 percent. The recommendation does not include funding for compensation increases. The recommendation for the contractual services category assumes growth in assets under management will be 7.25 percent and does not include funding for lobbyists or the board to hire its own separate legal counsel. In the other category, the request for increases for board training is supported, but out-of-state travel for board members to attend out-of-state investment manager site visits with PERA investment staff is not supported, to avoid the appearance of undue influence.

Investments and Fees. This year, PERA changed its asset allocation, reduced the number of portfolios from eight to four, and reclassified assets as illiquid and liquid, rather than traditional and alternative. The four portfolios are now global equity, which includes private equity and hedge funds; risk reduction and mitigation, which includes core fixed income and cash; credit-oriented fixed income, and real assets. The new allocation includes a 43.5 percent allocation to global equity, down from 53.5 percent; 21.5 percent allocation to risk reduction and mitigation; 15 percent allocation to credit strategies; and 20 percent allocation to real assets. In addition, two-thirds of the public equity portfolio is now passively invested or indexed. During FY16, PERA's best performance was in the risk reduction and mitigation portfolio -- with returns close to 7 percent, the portfolio outperformed the comparison index. The global equity portfolio performed the worst, losing 2 percent of its value.

PERA has been an industry leader in challenging management fees that have been rising regardless of fund performance. In 2014, PERA worked with a benchmarking service to assess fees at the asset level. When compared with other large public funds, total investment costs for PERA were 58.9 basis points (bps), below the average of 70.2 bps, which translated into "opportunity" savings of \$15 million. The study resulted in PERA reducing the number of managers and negotiating lower fees. For FY16, total fees were 36 bps, down from 42 bps for FY15, due to lower fees and lower investment returns. PERA paid the lowest amount of fees in proportion to the overall fund than the other state investment agencies. PERA uses external managers because the investment team believes in-house management is too risky and opportunities may be missed.

Disclosure and Reporting. PERA is assisting employers with new reporting requirements by the Governmental Accounting Standards Board (GASB). The requirements are for employers in cost-sharing plans to disclose their pension liability along with other long-term liabilities. Previously, as long as employers paid their contributions, no formal disclosure or reporting of the liability was required. Although the rating agencies do not expect significant credit issues based solely on the new reporting, employers may end up with negative balances. For FY15, PERA's total net pension liability (NPL), the amount benefit costs exceed assets available, was \$4.3 billion, an increase of \$1 billion from FY14. GASB also requires plans to provide the sensitivity of the NPL to changes in the discount, 7.75 percent at the time; in particular, calculated using a rate that is plus or minus 1 percentage point. With an increase of 1 percent, the NPL decreased to \$2.4 billion; with a decrease of 1 percent, the NPL increased to \$6.5 billion.

Agency Management. In early FY16, PERA obtained an internal governance audit that identified weaknesses related to board member training and financial disclosure and gift reporting and involvement with manager selection. The audit noted trustees should have no "hands on" involvement and should empower experienced people and monitor and evaluate results. However, PERA board members still accompany investment staff on manager site visits and suggest managers to recommend to the board. The audit cited risks of conflict when the board votes on recommendations derived through board member involvement. The Legislature should consider changing the make-up of the 12 member board to include the secretary from the Department of Finance and Administration and one member from the public with financial expertise not receiving a benefit from PERA. The executive director from the New Mexico Retiree Health Care Authority (NMRHCA) could also be on the board as an ex officio member because pension system policies that encourage early retirement negatively impact the NMRHCA fund.

In August, PERA held a special board meeting regarding a board candidate’s complaint about their opponent’s credentials. Against its own general counsel’s advice, the board did not want to address the issue publicly. At a subsequent board meeting, the board voted, with four dissenting, to hire an attorney to develop a scope of work for separate board counsel to obtain a second opinion from the opinions of its own in-house counsel and to resolve conflicts between the board and staff and between board members. PERA staff expressed concerns a separate board counsel (1) is a departure from public pension fund practice, (2) is not a prudent use of trust funds, and (3) may be in violation of the Open Meetings Act depending on how the board interacted with its attorney.

Sustainability. PERA continues to be concerned about efforts to allow retired police officers to return-to-work (RTW) after retiring and collect a pension and a salary and how this practice could open the door to similar groups, rolling back progress made toward solvency. In 2010, the Legislature restricted the ability of a RTW employee to collect a pension and a salary because retirements had increased significantly after RTW provisions were passed in 2003. To help with police officer retention efforts, PERA sent a letter to police officers nearing retirement to stress the potential retirement earnings for working more than 20 years. For example, a police officer working three more years could receive an additional \$1,100 on top of the officers’s monthly pension. The average annual pension benefit for a police officer that retired in FY15 was \$34 thousand and the average age was 49.

To enhance the actuarial soundness of the fund, PERA should consider a hybrid pension plan option that includes a smaller employer contribution, 3 percent for instance, as opposed to 16.99 percent or more, with an employer matching all or part of an employee’s contribution to a shared-risk or profit-sharing plan up to a limit; explore reducing the maximum salary used to calculate pension benefits at retirement; and apply a cost-of-living adjustment (COLA) at age 65 or reduce COLAs until the funding status of the plan is 90 percent funded or greater. Although the New Mexico Constitution, Article XX, Section 22, considers pensions earned by public employees and teachers a vested property right once minimum service requirements are met, it also provides for modifications to the plans for the purpose of solvency.

RECOMMENDED LANGUAGE:

The appropriation in the contractual services category of the pension administration program of the public employees retirement association includes twenty-five thousand dollars (\$25,000) for fiduciary counsel legal services for the public employees retirement association’s board of trustees and does not include funding for the public employees retirement association’s board of trustees to retain its own separate legal counsel.

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>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Funding period of unfunded actuarial accrued liability, in years	41	TBD	≤30	≤30	≤30
* Outcome	Ten-year annualized investment returns to exceed internal benchmark, in basis points	-55	-89	>30	≥10	≥10
Outcome	Total investment cost at or below the benchmark cost that adjust for differences in fund size, asset mix and country of origin	NEW	NEW	NEW	≤85	≤85

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 by 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)						
	FY16	FY17	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,774.7	2,476.4	2,620.5	2,476.4	0.0	
Federal Revenues	25.0	25.0	0.0	0.0	-100.0	
Other Revenues	114.4	126.3	119.1	126.3	0.0	
Fund Balance	97.5	92.1	99.3	109.3	18.7	
SOURCES TOTAL	3,011.6	2,719.8	2,838.9	2,712.0	-0.3	
USES						
Personal Services and Employee Benefits	2,325.7	2,341.9	2,353.6	2,293.2	-2.1	
Contractual Services	61.5	46.4	69.1	60.6	30.6	
Other	265.8	331.5	416.2	358.2	8.1	
TOTAL USES	2,653.0	2,719.8	2,838.9	2,712.0	-0.3	
FTE						
Permanent	41.0	42.0	37.0	37.0	-11.9	
TOTAL FTE POSITIONS	41.0	42.0	37.0	37.0	-11.9	

AT A GLANCE:

Due to space constraints at storage facilities, the Commission of Public Records (CPR) is only accepting records from state agencies when records currently in storage reach their retention period and are destroyed. This lack of space has resulted in state agencies storing documents in state-owned and leased offices and hallways, a costly use of space. Through better training opportunities, CPR expects to increase the quality of stored information, which over time is expected to reduce the amount of information sent from state agencies to CPR for storage.

The FY17 original operating budget was reduced \$144.1 thousand following solvency actions taken in the 2016 legislative special session. For FY18, the recommendation is effectively flat with the adjusted FY17 operating budget and includes increased revenue from the sale of goods and services and fund balance to help offset the reduction in general fund revenue.

BUDGET ISSUES:

CPR relies on general fund appropriations to support operations. A significant amount of non-general fund revenue is collected from the sale of goods and services, and deposited in a statutory internal service fund. Fees from publishing the New Mexico Register, the official publication for notices of intent for rule-making and final adopted rules, and New Mexico Administrative Code, the official compilation of those rules, are also deposited in the internal service fund. The fee schedule was changed in 2014 to raise the charge for publishing rule-making; however, revenue from those fees are difficult to predict and dependent on the extent of agency rule-making. Revenue collected from these and other activities totaled \$114 thousand in FY16; an increase of \$6.6 thousand from FY15. The commission also has a nonbudgeted special revenue gift and donation fund with a small balance.

The LFC recommendation decreases the personal services and employee benefits category by 2.1 percent from the adjusted FY17 operating budget for 37 FTE. The contractual services category increases by \$14.2 thousand primarily for records management software and storage. Other operating costs are increased by \$92.4 thousand over actual spending primarily for warehouse storage and equipment, information technology upgrades, and to purchase archival and record storage supplies for resale. The agency is authorized in statute to purchase items for resale and proceeds are deposited in an internal service fund to help offset operating expenses paid from general fund appropriations. In FY16, CPR reverted \$158 thousand, or 6 percent, of its general fund appropriation.

Last year, CPR and LFC discussed reducing the demand for storage by imposing a per-box storage fee. An analysis of the practices of 25 states concluded that three fourths of states charge for storage services. If New Mexico were to impose a per-box fee of 35 cents per month, CPR estimates it would result in over \$600 thousand in additional annual revenue. Last year, CPR asked the Attorney General (NMAG) for an interpretation of the Public Record Act to determine the legality of imposing a storage fee. The NMAG noted the act requires CPR to provide record storage to state agencies and an amendment to the act would be necessary. In any event, DFA indicated it would not support an agency storage fee. To raise revenue, CPR could include a charge to state agencies that drop off documents for shredding. Because of the value of paper materials, through a statewide price agreement, shredding services are provided free of charge to CPR.

At present, CPR has not been successful in acquiring capital outlay funds to expand its facilities. In FY14, the Legislature appropriated \$600 thousand to plan and design an expanded records facility. Last year, CPR fully expended the appropriation and requested \$13.2 million for the first phase of a records facility expansion in Santa Fe that would ultimately cost \$63 million when completed. LFC noted that, without significant changes to record inflow and retention practices, the proposed facility could reach full capacity within 20 years. This year, CPR submitted an updated infrastructure capital improvement plan that included \$9.7 million to expand the existing Santa Fe records center and improve drainage and temperature control and remove inefficient and dangerous skylights. The estimated value of the archival holdings for insurance purposes is \$273 million.

CPR is now collaborating with the General Services Department to offer scanning of paper documents to agencies at a low cost, which should also help to reduce the amount of storage space required by state agencies. This is also an important means of expanding access to public records and managing and preserving those records. CPR is also one of nine national archives and records administration affiliates allowed to administer federal grants to private nonprofit historical record depositories in New Mexico.

The mission and responsibilities of the state historian within CPR could be housed with the Museum of New Mexico. This function is performed by 3 FTE at CPR. Additionally, the archive and library could be housed at the Department of Cultural Affairs as other libraries and museums in the state. The records center could be managed by the Legislative Council Service, the approach some states have chosen. This approach may subject public records requests to less political influence than if records were housed under the General Services Department, for instance. Finally, New Mexico may be the only state that has a records center administering the State Rules Act. In many states, this function is performed by the Secretary of State.

RECORDS, INFORMATION AND ARCHIVAL MANAGEMENT

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of requests for access to public records in custody that the commission is able to satisfy within twenty-four hours.	100%	100%	100%	100%	100%
Output	Number of educational activities provided by commission staff	56	29	30	49	49
Outcome	Percent of historical record folders in its custody and record center boxes safely stored for state agencies that are requested for review or removed from storage by government entities and the public	100%	100%	100%	100%	100%
* Output	Number of state employees trained on the proper management of public records in compliance with the public records act	NEW	NEW	7	450	450

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.

In 2012, Article 11, Section 2, of the Constitution of New Mexico was amended to transfer the authority to charter and regulate corporations from the Public Regulation Commission (PRC) to the Secretary of State (SoS) and statutory changes were subsequently enacted by Laws 2013, Chapter 75 (House Bill 46), which also transferred related staff and expenses from PRC to SoS.

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 and register all corporations doing business in New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY16	FY17	<u>FY18 – 2017-2018</u>		
	2015-2016	2016-2017	Agency	LFC	Percent
	<u>Actuals</u>	<u>Adj. Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	9,550.3	7,233.1	11,136.5	7,733.1	6.9
Other Transfers	1,248.6	750.0	500.0	700.0	-6.7
Other Revenues	1,250.0	35.0	35.0	35.0	0.0
SOURCES TOTAL	12,048.9	8,018.1	11,671.5	8,468.1	5.6
USES					
Personal Services and Employee Benefits	3,696.1	3,714.0	4,207.7	3,697.7	-0.4
Contractual Services	1,079.9	1,054.7	1,489.3	1,100.8	4.4
Other	3,254.0	3,249.4	5,974.5	3,669.6	12.9
TOTAL USES	8,030.0	8,018.1	11,671.5	8,468.1	5.6
FTE					
Permanent	59.0	59.0	59.0	59.0	0.0
TOTAL FTE POSITIONS	59.0	59.0	59.0	59.0	0.0

AT A GLANCE:

The Secretary of State (SoS) requested sufficient general fund revenues to cover all expenses for FY18 without the need for special or supplemental appropriations and limited use of revenue from the public election fund. The requested general fund increase of \$3.9 million, or 54 percent, over the FY17 adjusted operating budget primarily supports increases in the Elections Program and supplants public elections fund revenue with general fund revenue. The request for the Administration and Operations Program transfers 12 FTE and the associated personnel funding to the Elections Program and increases operational costs by 30 percent to fund IT equipment purchases and maintenance.

Since FY10, general fund appropriations to the Elections Program have increased 168 percent because the Legislature included an increasing proportion of election costs in the base budget of the SoS. The LFC recommendation for FY18 continues this practice by increasing Elections Program funding by 25.7 percent over the FY17 adjusted budget to cover more of the recurring costs, including personnel, IT supplies, and maintenance. This increase is partially offset by decreases in the Administration and Operations Program and a recommended increase of \$500 thousand from the general fund.

BUDGET ISSUES:

Elections. Despite legislative action taken to curb the cost of elections, including the 2011 passage of legislation allowing the consolidation of traditional precincts, election expenses continue to increase. Appropriation growth, though significant, has not kept up with election cost increases and the Legislature has relied on special and supplemental appropriations to close the gap, in addition to the use of public election fund revenue. The amounts of the special and supplemental appropriations for elections were \$1.4 million in FY14, \$541 thousand in FY16, and \$1.5 million in FY17. For the 2017 legislative session, SoS is requesting supplemental appropriations of \$179 thousand for the 2016 general election and \$117 thousand for court-ordered costs and fees associated with an American Civil Liberties Union lawsuit over the former Secretary of State's violation of the state's Inspection of Public Records Act due to nondisclosure of information associated with alleged voting irregularities.

SoS oversees elections every fiscal year, with primary elections occurring in even-numbered fiscal years and general and presidential elections occurring in odd-numbered fiscal years. Historically, general and presidential elections have been more costly than primary elections due to increased advertising and printing costs primarily related to constitutional amendments and bond questions. Because primary elections represent minimum recurring election costs, the costs are considered recurring and included in the base budget. SoS estimated the 2016 general election ballot printer need for the entire state to be 916 machines. However, county clerks collectively requested 1,515 ballot printers for this election. Despite the significant difference between the SoS and county estimates, the SoS requested sufficient funding to meet the county-requested level for ballot printers. The Secretary of State should revisit its funding formula for county election needs compared with counties' requests and bring to the Legislature a proposal that better aligns the two and offers counties greater opportunity to contribute funding for enhanced voter services.

The LFC recommendation for the Elections Program includes an increase of \$984 thousand, or 25.7 percent, to fund 12 FTE transferred from the Administration and Operations Program with an approximate 17 percent vacancy rate. The recommendation also includes \$294 thousand for an upgrade to counties' election servers and for the ballot-on-demand IT systems.

Administration and Operations. In the Administration and Operations Program, LFC recommends an overall decrease of \$534.4 thousand from the adjusted FY17 budget, or 13 percent, largely associated with the transfer of 12 FTE to the Elections Program. In FY16, SoS reduced the personnel budget by \$200 thousand, and LFC recommends maintaining the current vacancy rate. For FY18, SoS requested additional funding to maintain a vacancy rate of 10 percent despite a vacancy rate of 28 percent in November and a two-year rate of 22 percent. The LFC recommendation directs personnel savings to the Elections Program.

In 2013, the Corporations Division of the Public Regulation Commission (PRC) was transferred to the SoS to provide a consolidated "one-stop shop" for business reporting and filing. Prior to the transfer of the division from PRC to SoS, both agencies maintained staff related to corporate reporting and filing. It is likely that high vacancy rates in the Administration and Operations Program of SoS are partially due to efficiency gains following the consolidation of corporate reporting and filing services. SoS continues to focus on improving campaign finance through outreach and education as well as technological improvements to both the campaign finance information system and the integrated reporting and integrity system.

The LFC recommendation increases operational costs for administration by \$130 thousand relative to the FY17 budget adjusted for special session cuts. The additional funds include support for the business filing IT system post-warranty maintenance and security assessment.

Public Election Fund. The LFC recommendation continues the limited use of public election funds to supplement general fund appropriations in the Elections Program. The public election fund receives \$1.4 million per year in transfers from the tax suspense fund and the Public Regulation Commission (PRC) and had a fund balance of \$500 thousand at the close of FY15. Disbursements from the fund are made in even fiscal years. In 2016, the most recent year disbursements were made, a total of \$997 thousand was disbursed to seven candidates from the public election fund. Even though five candidates had no opposition in the primary election, they still received \$137.8 thousand. SoS projects a 2018 disbursement of \$830.9 thousand from the public election fund and requested budgeting \$500 thousand, leaving a fund balance of \$440 thousand. The LFC recommends the appropriation of an additional \$200 thousand from the fund and recommends SoS consider amending the public election fund authorizing statute to eliminate or reduce the funds available to candidates in uncontested primary and general elections.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 1-19A-10 NMSA 1978 or other substantive law, the other state funds appropriation to the elections program of the secretary of state includes seven hundred thousand dollars (\$700,000) from the public election fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2018 from appropriations made from the public election fund shall revert to the public election fund.

Notwithstanding the provisions of Section 1-19A-13 NMSA 1978 or other substantive law, candidates in uncontested primary and general elections shall not receive distributions from the public election 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	7,187.1	4,157.2	3,992.1	3,622.8	-12.9	
Other Revenues	0.0	35.0	35.0	35.0	0.0	
SOURCES TOTAL	7,187.1	4,192.2	4,027.1	3,657.8	-12.7	
USES						
Personal Services and Employee Benefits	3,696.1	3,714.0	3,328.3	3,007.3	-19.0	
Contractual Services	128.3	101.3	187.4	147.4	45.5	
Other	457.0	376.9	511.4	503.1	33.5	
TOTAL USES	4,281.4	4,192.2	4,027.1	3,657.8	-12.7	
FTE						
Permanent	59.0	59.0	47.0	47.0	-20.3	
TOTAL FTE POSITIONS	59.0	59.0	47.0	47.0	-20.3	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	0%	50%	100%	N/A	100%
Output	Average number of days to process partnership registration requests	NEW	NEW	NEW	TBD	3
Output	Average number of days to process corporations documents	3	5	5	TBD	5
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	N/A	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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,363.2	3,075.9	7,144.4	4,110.3	33.6	
Other Transfers	1,248.6	750.0	500.0	700.0	-6.7	
Other Revenues	1,250.0	0.0	0.0	0.0		
SOURCES TOTAL	4,861.8	3,825.9	7,644.4	4,810.3	25.7	
USES						
Personal Services and Employee Benefits	0.0	0.0	879.4	690.4		
Contractual Services	951.6	953.4	1,301.9	953.4	0.0	
Other	2,797.0	2,872.5	5,463.1	3,166.5	10.2	
TOTAL USES	3,748.6	3,825.9	7,644.4	4,810.3	25.7	
FTE						
Permanent	0.0	0.0	12.0	12.0		
TOTAL FTE POSITIONS	0.0	0.0	12.0	12.0		

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of county clerks satisfied with the election training provided by the secretary of state's office	100%	100%	100%	N/A	100%
Output	Number of training sessions provided to all county clerks on changes to the Election Code	1	1	1	N/A	1
* Outcome	Percent of eligible-but-not-registered voters that respond to the annual outreach mailing conducted by the secretary of state	75%	TBD	80%	TBD	80%
Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	100%	100%	100%	N/A	100%
Outcome	Percent of voting machines tested	100%	100%	100%	N/A	100%
Efficiency	Percent of public requests and complaints responded to within the three day statutory deadline	95%	TBD	100%	N/A	100%
Outcome	Percent of eligible Native American voters registered to vote	TBD	TBD	N/A	N/A	80%
Outcome	Percent of statutorily required documents provided to the county clerks	100%	100%	N/A	N/A	100%
Outcome	Percent of counties visited by the secretary of state's office to obtain input regarding the election code and its application	100%	100%	N/A	N/A	100%
Quality	Number of errors, misspellings or mistranslations on election ballots	0	0	N/A	N/A	0
Quality	Number of filed candidates whose names fail to appear on printed ballots	0	0	N/A	N/A	0
Outcome	Number of counties meeting the Uniformed and Overseas Citizens Absentee Voting Act deadline of mailing overseas ballots not later than forty-five days prior to an election	NEW	33	33	TBD	33
* Outcome	Percent of reporting individuals in compliance with campaign finance reporting requirements	NEW	NEW	100%	TBD	100%
Outcome	Percent of reporting individuals who have been issued a notice of final determination for noncompliance	NEW	NEW	80%	TBD	80%
Outcome	Number of campaign finance training sessions offered each fiscal year	NEW	NEW	5	TBD	5
* Efficiency	Percent of public records requests responded to within the statutory deadline	95%	93%	100%	N/A	100%
* Outcome	Percent of eligible voters registered to vote	75%	TBD	80%	N/A	80%

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)					
	FY16	FY17	FY18 – 2017-2018		
	2015-2016	2016-2017	Agency	LFC	Percent
	<u>Actuals</u>	<u>Adj. Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	4,315.0	3,933.1	3,921.4	3,812.9	-3.1
Other Transfers	301.0	249.0	269.1	269.1	8.1
SOURCES TOTAL	4,616.0	4,182.1	4,190.5	4,082.0	-2.4
USES					
Personal Services and Employee Benefits	3,914.9	3,871.1	3,852.5	3,759.9	-2.9
Contractual Services	35.0	22.2	39.9	37.9	70.7
Other	473.4	288.8	298.1	284.2	-1.6
TOTAL USES	4,423.3	4,182.1	4,190.5	4,082.0	-2.4
FTE					
Permanent	53.0	48.0	47.0	47.0	-2.1
TOTAL FTE POSITIONS	53.0	48.0	47.0	47.0	-2.1

AT A GLANCE:

The State Personnel Office (SPO) submitted an amended FY18 request with a small increase of 0.2 percent over its FY17 budget adjusted for special session cuts. SPO has not proposed an executive compensation plan for the past several years but reports it has focused on developing a new occupation-based salary structure. The lack of a compensation plan has resulted in pay for some state jobs--such as engineers and correctional, healthcare and IT staff--falling increasingly behind the market and in compaction of salaries as new employees are hired at or near the salary levels of tenured employees. However, SPO reported at the August LFC hearing that many classifications are being appropriately compensated.

The LFC recommendation closely aligns with the agency's amended request to reduce funding in the other costs and contractual services categories but further reduces the personal services and employee benefits budget. The recommendation funds 1 vacant FTE, not 1.5 FTE as requested, and adjusts benefits to match the recommended personnel funding.

BUDGET ISSUES:

SPO requested an increase of \$20.1 thousand from other transfers related to the shared human resource (HR) services the agency provides to many small agencies. SPO expects to provide HR services to 17 agencies in FY18, an increase from the current 15 agencies. SPO anticipates generating revenues of \$269.1 thousand, or 8.1 percent greater than the FY17 operating budget. The increased revenue is to be generated by providing HR services to two new agencies, the Homeland Security and Emergency Management Department and the Crime Victims Reparation Commission, and by providing more services to the Gaming Control Board.

SPO did not achieve several performance targets over the past year: The average number of days to fill a vacant position increased from 64 days to 69 days; the average new hire comp-ratio (salary divided by salary range mid-point) increased from 96 percent to 97 percent; and the state employee average overtime usage per month went from 12 hours to 16 hours. The classified service vacancy rate continues to grow from 13 percent to 15.2 percent. SPO requested three new performance measures for FY18 but only retained one prior performance measure. LFC recommends several of the prior performance measures be maintained because the agency regularly collects the data regardless of reporting requirements. Also, salaries and benefits are a significant portion of agency budgets across government; therefore, it is important to provide robust data to inform policymakers' personnel funding decisions.

The LFC recommendation aligns the other costs and contractual services categories with the agency's request for reduced funding. In the personal services and employee benefits category, SPO requested a vacancy rate of 11.6 percent; however, the committee recommends applying a vacancy rate of 14 percent and eliminating 6 FTE per the agency request.

In FY16, SPO reverted \$118 thousand to the general fund and transferred \$200 thousand, or 5.1 percent, from the personal services and employee benefits category to the other costs category for scanners, licenses, and other items related to its enterprise content management (ECM) IT project, even though phases of the ECM project were already funded with computer system enhancement funds. The LFC recommendation accounts for prior-year budget adjustments by reducing the personal services and employee benefits category to align with actual expenditures while still providing sufficient funds to fill 1 vacant FTE.

Occupation-Based Compensation System. For the past several years, SPO has been developing an occupation-based salary structure to more accurately reflect the jobs performed by public employees by replacing the state's single pay plan with 11 pay plans corresponding to the field of work. The majority of state employees are paid according to a common pay scale, but alternative pay scales may be adjusted to meet specific program needs. For example, in some instances agencies have misclassified "manager" positions to provide pay increases for certain employees and now significant numbers of employees in managerial positions do not actually manage people or resources. In 2016, new pay structures were implemented for correctional staff within the Corrections Department (NMCD) and IT staff primarily within the Department of Information Technology (DoIT). Another pay structure is underway for over 1,000 engineers, surveyors and architects located primarily within the Department of Transportation (DOT). However, despite additional funding from the Legislature, the implementation of NMCD's new pay structure resulted in apparent pay disparities between newly hired and tenured correctional staff. For DoIT, the department's pay structure now seems more comparable to market rates.

The statewide public employee vacancy rate for all three branches of government is approaching 16 percent. In FY16, overtime totaled \$32.7 million, a decrease from \$41.2 million in FY15, most likely due to hiring constraints as opposed to better management of human resources. Moreover, only 70 percent of new hires complete their probationary period, with the basis for separation not well understood. In addition, employee turnover is 15 percent, although some turnover is due to movement within and between agencies. Therefore, without better metrics, policymakers will have difficulty appropriating salary increases, targeted or otherwise, to support recruitment and retention efforts within the public sector.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Average number of days to fill a position from the date of posting	69	69	55	N/A	55
Efficiency	Average state employee sick leave usage per capita, in hours	22	24.3	24	N/A	24
Efficiency	State employee average overtime usage per month, in hours	15.5	16.2	12	N/A	12
Outcome	Percent of state employees receiving overtime	16.5%	17%	20%	N/A	17%
* Explanatory	Statewide classified service vacancy rate	13.2%	15.2%	13%		
* Explanatory	Average state classified employee compa-ratio	101%	102%	≥95%		
Outcome	Average number of days to post position following agency request	NEW	6	10	10	8
Outcome	Number of human resource rule compliance audits conducted annually	NEW	NEW	NEW	15	22
Outcome	Number of human resources trainings offered annually	NEW	NEW	NEW	50	50
Outcome	Number of digitized personnel records	NEW	NEW	NEW	347	347

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 function of the state and its political subdivisions.

BUDGET SUMMARY (dollars in thousands)						
FY18 – 2017-2018						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	229.6	213.7	231.0	213.7	0.0	
SOURCES TOTAL	229.6	213.7	231.0	213.7	0.0	
USES						
Personal Services and Employee Benefits	166.5	163.0	170.3	165.5	1.5	
Contractual Services	6.0	5.5	8.1	5.8	5.5	
Other	45.3	45.2	52.6	42.4	-6.2	
TOTAL USES	217.8	213.7	231.0	213.7	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	

AT A GLANCE:

In FY16, 70 percent of Public Employee Labor Relations Board (PELRB) cases were resolved through agreement, mediation, or arbitration prior to hearing and no decisions were overturned on appeal.

In FY13 and FY15, PELRB overspent its general fund budget, which resulted in discussions with the LFC and Department of Finance and Administration regarding administratively attaching the agency to another agency with dedicated fiscal personnel to avoid overspending in the future. No action was taken primarily because of conflict of interest concerns if the administrative entity selected ever had to come before the board. Since then, PELRB staff has received additional training and procedures were developed for producing monthly budget projections and reconciliations. In FY16, PELRB spent only 95 percent of its operating budget.

For FY18, the agency requested a general fund increase of 8 percent compared with the adjusted FY17 operating budget. The recommendation reduces the request for salaries and benefits for a director and administrative assistant to actual spending levels and decreases funding for other costs except those required by General Services Department and Department of Information Technology rate schedules. The recommendation also includes \$22 thousand to cover a five-year amendment to a lease agreement in Albuquerque for board meeting, hearing, and office space for 2 FTE.

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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of decisions overturned on appeal	0%	0%	1%	1%	1%
Output	Percent of determinations of approval of local labor relations boards, bargaining unit recognition petitions and prohibited practice complaints processed and completed within the applicable regulatory deadlines	100%	100%	100%	100%	100%

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 principal 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)					Percent Incr (Decr)
	FY16	FY17	FY18 – 2017-2018			
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,756.8	3,428.6	4,207.1	3,428.7	0.0	
Federal Revenues	2.3	4.0	4.0	4.0	0.0	
Other Revenues	122.3	122.3	122.3	122.3	0.0	
SOURCES TOTAL	3,881.4	3,554.9	4,333.4	3,555.0	0.0	
USES						
Personal Services and Employee Benefits	2,828.2	2,790.5	3,546.1	2,831.2	1.5	
Contractual Services	392.9	407.8	420.0	386.1	-5.3	
Other	520.8	356.6	367.3	337.7	-5.3	
TOTAL USES	3,741.9	3,554.9	4,333.4	3,555.0	0.0	
FTE						
Permanent	40.0	40.0	40.0	39.0	-2.5	
TOTAL FTE POSITIONS	40.0	40.0	40.0	39.0	-2.5	

AT A GLANCE:

The priorities for STO's investment strategies are: (1) safety of the principal, (2) maintenance of liquidity, and (3) maximum return on investments. During FY16, as general fund revenues fell far below initial projections and dipped below appropriations, general fund balances held by STO declined significantly. Returns improved slightly in FY16 from the prior year despite ongoing actions by the agency to maintain liquidity in a period of rapidly declining balances.

General fund balances held by the Treasurer's Office were down \$412 million, or 21 percent, year-over-year at the end of FY16. By the end of September 2016, balances were down 29 percent year-over-year.

The reduction in general fund balances forced STO to keep precise track of investments in its two portfolios: the core portfolio, primarily intended to maximize return with minimal risk to principal, and the liquidity portfolio, intended to provide day-to-day liquid assets for the operations of state government. Over the course of the fiscal year, the agency transferred \$575 million, more than a quarter of the entire general fund balance, from the core portfolio to the liquidity portfolio, and it transferred another \$295 million in FY17 by the end of September. Despite these actions, the agency generated \$21.6 million in earnings for FY16, compared with a general fund budget of \$3.8 million.

STO is working on two projects related to SHARE, the statewide human resources, accounting, and management reporting system. The first is a \$1.9 million appropriation to create a treasury module in SHARE, bringing STO's accounting system under the statewide accounting software umbrella. The project is not moving forward as quickly as planned, and the appropriation was extended for an additional year during the 2016 regular legislative session. The second, related project is a monthly reconciliation of cash balances between SHARE and STO holdings. The agency is working with LFC staff and the state controller to improve reconciliation and tracking and eliminate remaining discrepancies.

BUDGET ISSUES:

The agency requested increases across budget categories, but the one significant change was a request for nearly full funding of all nine vacant positions. The request was a 22 percent increase over the FY17 operating budget adjusted for the 5.5 percent budget cut enacted in the 2016 special legislative session. The LFC recommendation deletes 1 FTE vacant for more than two years and keeps funding levels flat across budget categories compared with the FY17 adjusted operating budget.

STATE TREASURER

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	0.1	5	5	0	5
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	0	-21	5	0	0
Outcome	Maximum number of audit findings	0	4	2	2	2
Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	90%	99%	90%	90%	95%
Explanatory	Dollar amount of forfeiture sales proceeds deposited to the general fund	NEW	NEW			
Explanatory	Percent of liquidity pool to total state general fund investment pool	NEW	NEW			

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-15-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act.

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)					Percent Incr (Decr)
			<u>FY18 – 2017-2018</u>			
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	317.2	63.1	320.0	295.8	368.8	
Fund Balance	52.0	324.6	83.2	83.2	-74.4	
SOURCES TOTAL	369.2	387.7	403.2	379.0	-2.2	
USES						
Personal Services and Employee Benefits	264.1	272.6	288.1	279.0	2.3	
Contractual Services	6.5	13.1	13.1	11.0	-16.0	
Other	89.8	102.0	102.0	89.0	-12.7	
TOTAL USES	360.4	387.7	403.2	379.0	-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	

AT A GLANCE:

For FY17 the board requested additional funding to cover increases in staff salaries, fees paid to the Department of Information and Technology (DoIT), and expenses due to additional board meetings and more meetings outside of Santa Fe. The request included \$15.5 thousand to provide salary increases for two positions that were reclassified in FY17 and to increase the salary of the agency director 5 percent above the previous director's salary. The committee recommendation provides funding for the reclassified positions but maintains the current salary level for the vacant agency director.

Over the last three years, the board completed significant technological changes that included an updated database of registrants, a new website design to enable the public real time access to the board's roster of registrants, and placement of the newly designed applications under the secured firewall of the Department of Information and Technology (DoIT). The board also developed a program that allows registrants to renew their license securely online and is working on an online payment process and hopes to have this in place for the 2017 renewal cycle. These technological updates have resulted in significant increased DoIT rates, which are partly offset by savings in rent when the board relocated to the Toney Anaya building in FY17.

In FY16, 2,089 active architects were registered in New Mexico: 674 in-state registrants and 1,415 out-of-state registrants. The funding sources for the board are primarily from fees paid by architects renewing their licenses every two years, by December 31st of every odd-numbered calendar year. Beginning in December 2017, the number of registrants up for renewal will be divided to allow half of the registrations to expire each year, which should result in a stable revenue stream each year. The board had an ending cash balance of \$689 thousand for FY15 and projects an ending cash balance of \$355 thousand for FY17. The Board of Examiners for Architects is scheduled for a sunset hearing in the 2017 legislative session.

ARCHITECTURAL REGISTRATION

The purpose of the architectural registration program is to regulate, through enforcement and licensing, the professional conduct of architects to protect the health, safety and welfare of the general public of the state.

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of audited registrants who successfully meet the continuing education requirements	OFF YEAR	93%	85%	80%	80%
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement committee	5	2.75	5	5	5
Outcome	Percent of reciprocity applicants who successfully complete the application process	NEW	91%	85%	85%	85%
Efficiency	Percent of cases resolved prior to issuance of a notice of contemplated action	NEW	80%	65%	65%	65%
Efficiency	Percent of cases where a notice of contemplated action has been issued but is resolved prior to hearing	NEW	90%	85%	85%	85%

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 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)						
	FY16	FY17	FY18 – 2017-2018		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	328.1	299.5	316.9	299.5	0.0	
Other Transfers	3.3	3.3	3.3	3.3	0.0	
Other Revenues	124.5	78.5	81.8	81.8	4.2	
Fund Balance	0.0	100.0	116.7	116.7	16.7	
SOURCES TOTAL	455.9	481.3	518.7	501.3	4.2	
USES						
Personal Services and Employee Benefits	318.4	308.0	319.6	319.6	3.8	
Contractual Services	59.9	52.5	52.7	52.5	0.0	
Other	77.6	120.8	146.4	129.2	7.0	
TOTAL USES	455.9	481.3	518.7	501.3	4.2	
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	

AT A GLANCE:

The Border Authority is working to improve the flow and number of vehicles passing through the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells and continues to work on a feasibility study for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa.

The agency requested an increase in FY18 to cover higher health insurance costs and increased maintenance costs for the Border Authority building. The LFC recommendation fully funds personal services and employee benefits, while reducing the agency's other category. The agency requested an increased use in fund balance for FY18. The LFC recommendation, increases the use of the fund balance to cover the expenditure increases, holding the general fund flat with the FY17 adjusted operating budget.

BUDGET ISSUES:

New Mexico's exports grew 42 percent in 2012, fell by 9 percent in 2013, grew 39 percent in 2014, fell 1 percent in 2015, and grew 11.9 percent year-over-year in the first quarter of 2016. The rise in exports is attributed to transportation exports, electrical components, and computer electronic products. More than \$2 billion of products cross the Santa Teresa Port monthly, rising from only \$1 billion a few years ago.

The Border Authority chaired a project in FY16 with members from the border trade community, congressional delegation staffers, the U.S. Department of Homeland Security, and the General Services Administration to expand lanes at the Santa Teresa port, doubling its capacity, with federal funding of \$12 million.

Dell Inc. made a deal with U.S. Customs and Border Protection to expand hours for southbound commercial traffic at the Santa Teresa port of entry during FY16. The company is paying to add four additional hours each weekday, bringing the operational hours in line with those of the cross-border bridges in El Paso. One of Dell's key business partners is Foxconn, Mexico's largest maquiladora and the largest contract manufacturer in the world. Foxconn employs 9,700 workers at its facility in San Jeronimo, Chihuahua, and invested \$230 million to build the first phase of the project. The plant is just across the border from Santa Teresa and could eventually grow to 20 thousand workers with additional investment of \$540 million.

Numerous companies expanded or relocated operations to the Santa Teresa industrial park in the last few years, and economic developers in the area report a significant increase in interest after Union Pacific Railroad began construction on its \$400 million fueling and intermodal facility, a truck-to-rail hub in Santa Teresa completed in May 2014. Only 200 thousand square feet of space is still available for companies seeking to relocate to the Santa Teresa Industrial Park.

The west park is the latest project in the development stages on the border, with 166 acres available. MCS Frames is the first tenant, with a 215 thousand square foot building. Valley Cold Storage will also move in to the west park area with a 105 thousand square foot building. FedEx will also occupy 31 acres of the west park area within the next year.

The Border Authority, in conjunction with the New Mexico Department of Transportation, the Mexican state of Chihuahua, and other groups, is conducting a rail bypass feasibility study to evaluate relocating the rail line that currently runs from downtown El Paso to Ciudad Juarez. Several proposed alternate routes run from the Sunland Park and Santa Teresa area south to Mexico. The state would benefit from the additional rail infrastructure and related transportation and logistics operations, and the move would increase security and speed for the freight transit.

BORDER DEVELOPMENT

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	21%	25%	23%	25%	25%
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	300	400	300	300	300
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%
* Outcome	Commercial and noncommercial vehicular port traffic at New Mexico ports	1,463,046	1,589,396	1,450,000	1,500,000	1,590,000

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)					Percent Incr (Decr)
			<u>FY18 – 2017-2018</u>			
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
General Fund Transfers	13,495.5	12,815.8	12,883.6	12,815.8	0.0	
Other Revenues	3,629.1	4,589.3	4,589.3	4,589.3	0.0	
Fund Balance	27.2	0.0	0.0	0.0	0.0	
SOURCES TOTAL	17,151.8	17,405.1	17,472.9	17,405.1	0.0	
USES						
Personal Services and Employee Benefits	3,407.5	3,425.9	3,441.6	3,441.6	0.5	
Contractual Services	1,382.7	1,272.0	1,313.8	1,329.4	4.5	
Other	11,939.9	12,707.2	12,717.5	12,634.1	-0.6	
TOTAL USES	16,730.1	17,405.1	17,472.9	17,405.1	0.0	
FTE						
Permanent	59.5	59.5	44.0	44.0	-26.1	
Term	9.0	9.0	10.0	10.0	11.1	
TOTAL FTE POSITIONS	68.5	68.5	54.0	54.0	-21.2	

AT A GLANCE:

The Tourism Department continues to be a leader in data-driven management. The Legislature increased advertising funding for the department more than threefold over the last six years, from \$3 million in FY11 to \$9.2 million in FY16. The Tourism Department's FY18 request decreased advertising funding slightly and the LFC recommendation provides slightly less than that, bringing advertising levels close to FY16 actual spending and flat with the FY17 operating budget revised for special legislative session cuts.

BUDGET ISSUES:

The agency requested a general fund budget flat with the adjusted FY17 operating budget level of \$12.8 million. The Tourism Department's FY17 adjusted operating budget allocates 69.6 percent of the \$12.8 million general fund appropriation to advertising. The proportion of the budget spent on advertising has risen each year since FY11, when 28 percent of the \$10.8 million appropriation was spent marketing the state. However, the FY18 request will be the first year since FY11 the advertising budget will not be increased. The LFC recommendation supports the agency's request to hold the advertising budget flat with the FY17 adjusted budget. The department hired a new advertising company in 2015, using a local business that previously worked with the agency to develop "New Mexico True Stories" and "New Mexico True Certified" videos for web promotions, addressing previous criticism over the use of out-of-state advertising companies to promote the state.

The tourism industry experienced a fourth consecutive year of record visitation in 2015, according to an annual survey by Longwoods International. The report found New Mexico set a new high of 33.4 million travelers, compared with 32.7 million in 2014. Out-of-state trips increased from 70 percent in 2014 to 71.4 percent in 2015. Out-of-state travel increased from 83 percent to 84 percent of total overnight trips. In-state travel was down slightly in 2015, day trips dropped by 2.2 percent, and in-state overnight trips dropped by 4.6 percent. The agency attributes this to higher consumer confidence and lower gas prices, contributing to more trips taken out of state. Overnight visitors typically spend more during a trip than those who visit for part of a day, so the economic impact from out-of-state visitation likely increased during 2015 compared with the prior year. Overnight visitors are the target market for the Tourism Department for advertising outside of New Mexico because of this spending differential. New Mexico is attracting first time overnight visitors to the state with 19 percent of overnight visitors as first time visitors to New Mexico versus 13 percent being the national norm. The top five activities of travelers on overnight trips to New Mexico were shopping, visiting a landmark or historic site, visiting a national or state park, fine dining, and visiting a museum.

Leisure and hospitality is no longer the leading industry sector for job creation in New Mexico, but the sector increased jobs by 5.6 percent in FY16, nearly triple the statewide job growth rate of 1.7 percent. Despite falling behind other industries for job creation and the subtle increase in out-of-state visitation, the Tourism Department's updated return on investment (ROI) study reported a 7-to-1 return on advertising expenditures in five key markets. This represents a significant increase from the 2012 ROI study that showed a return of 3-to-1. However, the state's national ranking for overnight visitation went from 36th in 2012, 33rd in 2013, and 32nd in 2014 back to 33rd in 2015. The 2015 Longwood's study suggest that although marketable overnight trips increased from 1.12 percent in 2014 to 1.15 percent in 2015, this was attributed to the state's share of domestic overnight trips decreasing from 1.15 percent in 2014 to 1.07 percent in 2015 as a result of fewer business trips occurring.

Founded in 1923, New Mexico Magazines the oldest state magazine in the United States and is the third-largest state-owned publication. Circulation declined to 75 thousand in FY16 from 90 thousand in FY15. The number of readers also declined from 240 thousand in FY15 to 200 thousand in FY16. The New Mexico Magazine Program is now under development by a new editor in chief and art director, with a strategic plan for increasing advertising sales revenue, implementing subscriptions for students, and implementing a new invoicing system over the next three years.

RECOMMENDED LANGUAGE:

The other state funds appropriation in the other category includes two hundred thousand dollars (\$200,000) from the litter control and beautification fund for advertising and promotion.

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)						
		<u>FY18 - 2017-2018</u>				
		<u>FY16</u>	<u>FY17</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2015-2016</u>	<u>2016-2017</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	10,997.7	10,607.7	10,664.0	10,607.2	0.0
	Other Revenues	23.8	30.0	30.0	30.0	0.0
	SOURCES TOTAL	11,021.5	10,637.7	10,694.0	10,637.2	0.0
USES						
	Personal Services and Employee Benefits	1,626.6	1,302.6	1,329.5	1,329.5	2.1
	Contractual Services	520.0	327.5	342.5	337.4	3.0
	Other	8,728.8	9,007.6	9,022.0	8,970.3	-0.4
	TOTAL USES	10,875.4	10,637.7	10,694.0	10,637.2	0.0
FTE						
	Permanent	34.5	35.5	22.0	22.0	-38.0
	TOTAL FTE POSITIONS	34.5	35.5	22.0	22.0	-38.0

		<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Explanatory	Percent of visitors who choose New Mexico as their primary destination	70.2%	64.0%			
Output	Dollar amount spent per visitor per day	\$76	\$79	\$75	\$76	\$76
* Outcome	New Mexico's domestic overnight visitor market share	1.1%	1.1%	1.1%	1.1%	1.1%
* Outcome	Percent change in New Mexico leisure and hospitality employment	2.4%	5.0%	3%	3%	3%
Output	Percent increase in social media fans	96.9%	19.0%	40%	40%	40%
Explanatory	Percent change in number of visitors to New Mexico	1.6%	2%			
Outcome	Number of referrals from newmexico.org to partner websites	172,983	183,985	125,000	125,000	180,000

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	1,030.2	881.1	1,142.6	903.1	2.5
	Other Revenues	1,093.8	1,230.3	1,230.3	1,230.3	0.0
	SOURCES TOTAL	2,124.0	2,111.4	2,372.9	2,133.4	1.0
USES						
	Personal Services and Employee Benefits	281.8	301.2	348.5	330.1	9.6
	Contractual Services	73.5	10.7	5.3	26.0	143.0
	Other	1,667.1	1,799.5	2,019.1	1,777.3	-1.2
	TOTAL USES	2,022.4	2,111.4	2,372.9	2,133.4	1.0
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

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Number of applicants for grant programs participating in collaborative applications for the cooperative advertising program	184	191	180	40	180
* Outcome	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands	\$2,300	\$2,200	\$2,000	\$2,200	\$2,200
Output	Number of stakeholder meetings/events conducted by New Mexico tourism department each quarter	NEW	NEW	NEW	24	24

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	Other Revenues	2,511.5	3,329.0	3,329.0	3,329.0	0.0
	Fund Balance	27.2	0.0	0.0	0.0	0.0
	SOURCES TOTAL	2,538.7	3,329.0	3,329.0	3,329.0	0.0
USES						
	Personal Services and Employee Benefits	704.3	939.9	928.5	928.5	-1.2
	Contractual Services	709.6	885.5	885.5	885.5	0.0
	Other	1,124.8	1,503.6	1,515.0	1,515.0	0.8
	TOTAL USES	2,538.7	3,329.0	3,329.0	3,329.0	0.0
FTE						
	Permanent	5.0	5.0	4.0	4.0	-20.0
	Term	9.0	9.0	10.0	10.0	11.1
	TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	True adventure guide advertising revenue per year, in thousands	NEW	NEW	\$500,000	\$500,000	\$500,000
* Output	Advertising revenue per issue, in thousands	\$60	\$53	\$72	\$72	\$72
Explanatory	Collection rate for ads sold in current fiscal year	92.6%	92%			
Explanatory	Number of social media fans, in thousands	NEW	144,000			

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)

	<u>FY16 2015-2016 Actuals</u>	<u>FY17 2016-2017 Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,467.6	1,327.0	1,077.0	1,305.5	-1.6
SOURCES TOTAL	1,467.6	1,327.0	1,077.0	1,305.5	-1.6
USES					
Personal Services and Employee Benefits	794.8	882.2	835.1	853.5	-3.3
Contractual Services	79.6	48.3	80.5	80.5	66.7
Other	419.2	396.5	161.4	371.5	-6.3
TOTAL USES	1,293.6	1,327.0	1,077.0	1,305.5	-1.6
FTE					
Permanent	14.0	13.0	12.0	12.0	-7.7
TOTAL FTE POSITIONS	14.0	13.0	12.0	12.0	-7.7

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Number of repeat audit findings	0	0	0	0	0
Outcome	Percent of advertising spending on overall agency budget	NEW	NEW	NEW	72%	70%

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. 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 and private partnerships to establish a stable diversified economy that will improve the quality of life for New Mexicans.

	BUDGET SUMMARY (dollars in thousands)				
			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,438.0	8,564.6	8,837.5	8,564.6	0.0
SOURCES TOTAL	9,438.0	8,564.6	8,837.5	8,564.6	0.0
USES					
Personal Services and Employee Benefits	3,695.1	3,598.9	3,883.5	3,817.0	6.1
Contractual Services	3,082.1	2,429.0	2,458.9	2,426.2	-0.1
Other	2,411.1	2,536.7	2,495.1	2,321.4	-8.5
TOTAL USES	9,188.3	8,564.6	8,837.5	8,564.6	0.0
FTE					
Permanent	51.0	51.0	51.0	51.0	0.0
TOTAL FTE POSITIONS	51.0	51.0	51.0	51.0	0.0

AT A GLANCE:

For FY18 the Economic Development Department (EDD) requested a 3.2 percent increase from the FY17 base budget adjusted for special session cuts and maintained flat FTE levels in all programs. The LFC recommendation is flat compared with the FY17 adjusted general fund appropriation and recommends transferring \$45 thousand from the Film Office to the Economic Development Division to support business incubators.

BUDGET ISSUES:

Local Economic Development Act. EDD has improved some aspects of accountability and performance reporting in FY16, but the state still does not receive sufficient reporting from businesses using tax incentives and Local Economic Development Act (LEDA) funds to properly evaluate these programs. As a result, it is difficult to determine the effectiveness and cost-efficiency of these programs or to determine if they provide a positive or negative financial return for the state. EDD reported a slight increase in jobs created through department efforts for FY16, with double the amount of LEDA funds spent compared with FY15. Twenty-three LEDA projects closed in FY16, totaling \$15.2 million, including 11 projects in rural communities: Alamogordo, Clovis, Corrales, Jal, Portales, Roswell, Pena Blanca, Santa Teresa, Silver City, Socorro, and Tucumcari.

In the FY15 legislative session, \$50 million was appropriated for LEDA projects, including language to prevent a significant portion of unexpended general fund and gross receipts tax balances remaining at the end of a fiscal year from reverting, providing the agency flexibility to use the appropriation as needed over time and time to more fully evaluate project proposals. The Legislature also extended a \$10 million FY15 special appropriation for LEDA projects through FY16, providing the Economic Development Department approximately \$60 million for use in FY16 and beyond. In FY16, the Legislature appropriated \$6 million in severance tax bonds to LEDA, bringing the three-year LEDA funding total to almost \$70 million. EDD currently has \$29 million remaining unexpended and unencumbered as of November 2016.

In September 2016, EDD awarded \$10 million in LEDA funding to Facebook for a data center in Los Lunas. This is the largest award in at least the last six years. The first phase of the project will cost \$250 million and bring an estimated 30 to 50 data center jobs. Facebook is also eligible for up to \$1 million in Job Training Incentive Program (JTIP) funding. Facebook is scheduled to break ground in October 2016 and the data center is expected to be fully operational by late 2018.

The cost per job created through LEDA funding for FY16 ranges from as little as \$900 per job up to \$200 thousand for jobs at the Facebook data center, although the latter figure doesn't count construction jobs. Other examples include \$23 thousand per job for Santa Fe Spirits, \$25 thousand per job for Interfaith Leap, and \$50 thousand per job for historic theatres. (See "Cost per Job Created" chart in the LFC Volume III).

EDD has expressed that better metrics can be used to evaluate LEDA, for example, using a leverage ratio which would evaluate private funding versus public funding. Improved metrics can also include addressing the impact to the local payroll in the communities where LEDA awards have been given. EDD should also consider requiring all businesses awarded LEDA funds to sign agreements requiring data-sharing with EDD; this will help measure the return on investment.

Beginning shortly after the onset of the recession, the number of states and municipalities offering cash "closing funds" increased, as did some of the fund sizes. Approximately half of all states now offer some type of closing fund. New Mexico cannot give companies direct grants due to an anti-donation clause in the state constitution, but it can provide LEDA funds to assist with land, building, and infrastructure for the benefit of a specific company.

Job Training Incentive Program. The Legislature appropriated \$6 million in Job Training Incentive Program (JTIP) funds during the 2016 legislative session, the second highest appropriation for the program in four years and the third highest in the last eight years. Historically funded through special appropriations, the Legislature appropriated \$2 million for FY17 in the base budget to provide stability for the program. This recurring funding level is greater than the total amount of funding provided in FY15. In addition to the recurring appropriation, the 2016 General Appropriation Act included a \$4 million nonrecurring special appropriation for JTIP for use in FY16 and FY17.

Statute requires one-third of JTIP appropriations be spent on training in rural areas, but EDD has not complied with this statute any of the last three fiscal years. The agency spent 18.6 percent of FY14 awards on rural training, 14.6 percent in FY15, and just 13.3 percent in FY16. The agency should consider legislation to change or eliminate the rural provision to resolve compliance issues.

The agency, after discussion with LFC and DFA staff, has requested to make changes to performance measure reporting for FY18. The average hourly wage of jobs funded by JTIP has been changed to an explanatory measure, meaning the agency has agreed to retain data but will not be held to a target. The agency will also discontinue reporting the numbers of businesses participating in JTIP, as well as the percent of employees whose wages were subsidized by JTIP still employed in New Mexico after one year.

The NM Film office. The FY18 request also includes a flat general fund budget for the NM Film Office. The film office's primary purpose is to market the state to the film, television, and emerging media industries, service the recruited productions and companies; and promote job and business opportunities for New Mexico residents. The film office has been providing funding for an economic benefit report on the film tax credit. The study is scheduled to end in FY17, freeing up operating budget. The study cost \$32.5 thousand in FY14, \$50 thousand in FY15, \$26.8 thousand in FY16, and \$13.8 thousand in FY17. The committee recommends the savings from not funding the impact study, along with vacancy savings, be redistributed to the Economic Development Division to support local business incubators. According to a program evaluation in FY14, business incubators have a substantial return on investment and lower cost per job.

Economic Development Partnership. The New Mexico Partnership is EDD's largest professional contract, with \$1 million dollars from the general fund. A new CEO, started with the Partnership in November 2016. In the absence of a statewide economic development brand, LFC recommends the Economic Development Partnership work with the Tourism Department to promote the state's economic development advantages under the "New Mexico True" brand.

Other Development Initiatives. The Economic Development Department expanded its recent efforts to support a statewide food infrastructure network by providing small grants to assist commercial kitchens and farmers' markets throughout the state. Five grants were given in FY16 ranging from \$13 thousand to \$15 thousand. Taos Food Center and South Valley served as mentors to communities considering a kitchen facility. New startup kitchens are in Espanola, Ribera and El Morro. This food infrastructure program is a key recipient of funding supplied through the state's five certified business incubators.

In the 2016 legislative session, the Rapid Workforce Development Act was enacted and funded with a \$1.3 million special appropriation to implement this training program. The new program would identify workforce skills gaps for newly locating or expanding companies and create customized technical or vocational training programs at higher education institutions. As of October 2016, rules and regulations were still under development with no funding being spent in this program. Funds are nonreverting, providing continued funding for the agency for use in FY17 and beyond.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes one million one hundred eighty thousand dollars (\$1,180,000) for the New Mexico economic development corporation and one hundred thirty thousand dollars (\$130,000) for business incubators. The general fund appropriation to the economic development program of the economic development department in the other category includes two million dollars (\$2,000,000) for the development training fund, of which at least one-third shall be expended for training in nonurban areas of the state, and one hundred thousand dollars (\$100,000) for the technology research collaborative.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,740.4	6,148.9	6,326.8	6,193.9	0.7
SOURCES TOTAL	6,740.4	6,148.9	6,326.8	6,193.9	0.7
USES					
Personal Services and Employee Benefits	1,691.6	1,664.9	1,825.0	1,825.0	9.6
Contractual Services	2,764.2	2,248.9	2,266.7	2,256.7	0.3
Other	2,155.8	2,235.1	2,235.1	2,112.2	-5.5
TOTAL USES	6,611.6	6,148.9	6,326.8	6,193.9	0.7
FTE					
Permanent	26.0	26.0	26.0	26.0	0.0
TOTAL FTE POSITIONS	26.0	26.0	26.0	26.0	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Number of workers trained by the job training incentive program	1,894	2,238	1,500	1,500	2,000
Outcome	Number of jobs created due to economic development department efforts	3,294	4,139	4,500	4,500	4,500
Outcome	Number of rural jobs created	726	640	1,600	1,600	1,600
Explanatory	Average hourly wage of jobs funded by the job training incentive program	\$17.67	\$18.04	\$20		
Output	Private sector investment in mainstreet districts, in millions	\$7.9	\$22.1	\$9	\$9	\$15
* Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act	10:1	16.8	10:1	10:1	16.1
Output	Number of potential recruitment opportunities generated by the economic development partnership	NEW	NEW	NEW	84	84
* Output	Number of jobs created through the use of Local Economic Development Act funds	NEW	2,426	2,000	2,000	2,400
Output	Number of successfully completed agency-grant-funded projects resulting in job growth, new investment, increased revenue or workforce development	NEW	NEW	15	15	15
Outcome	Number of jobs created through business relocations facilitated by the economic development partnership	NEW	NEW	1,600	2,250	2,250

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	758.5	706.0	727.5	661.0	-6.4	
SOURCES TOTAL	758.5	706.0	727.5	661.0	-6.4	
USES						
Personal Services and Employee Benefits	513.6	489.0	557.6	491.1	0.4	
Contractual Services	159.9	81.9	81.9	81.9	0.0	
Other	81.0	135.1	88.0	88.0	-34.9	
TOTAL USES	754.5	706.0	727.5	661.0	-6.4	
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	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Number of film and media worker days	298,398	260,307	200,000	209,000	250,000
* Outcome	Direct spending by film industry productions, in millions	\$286	\$387	\$200	\$220	\$300

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,939.1	1,709.7	1,783.2	1,709.7	0.0	
SOURCES TOTAL	1,939.1	1,709.7	1,783.2	1,709.7	0.0	
USES						
Personal Services and Employee Benefits	1,489.9	1,445.0	1,500.9	1,500.9	3.9	
Contractual Services	158.0	98.2	110.3	87.6	-10.8	
Other	174.3	166.5	172.0	121.2	-27.2	
TOTAL USES	1,822.2	1,709.7	1,783.2	1,709.7	0.0	
FTE						
Permanent	17.0	17.0	17.0	17.0	0.0	
TOTAL FTE POSITIONS	17.0	17.0	17.0	17.0	0.0	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Percent of previous years' audit findings resolved in one year	NEW	NEW	100%	100%	100%

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. RLD was created as a unified agency vested with 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).

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

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	13,376.1	12,343.3	12,408.4	12,343.3	0.0
Other Transfers	4,784.2	6,283.6	6,507.7	6,205.3	-1.2
Federal Revenues	139.9	17.5	17.5	17.5	0.0
Other Revenues	11,507.1	7,302.3	7,814.5	7,514.8	2.9
Fund Balance	300.3	1,197.6	1,248.0	1,234.7	3.1
SOURCES TOTAL	30,107.6	27,144.3	27,996.1	27,315.6	0.6
USES					
Personal Services and Employee Benefits	18,201.6	19,152.5	20,261.9	20,049.5	4.7
Contractual Services	686.1	1,710.2	1,255.0	1,078.0	-37.0
Other	2,799.0	4,318.4	4,382.9	4,089.9	-5.3
Other Financing Uses	4,547.4	1,963.2	2,096.3	2,098.2	6.9
TOTAL USES	26,234.1	27,144.3	27,996.1	27,315.6	0.6
FTE					
Permanent	303.4	308.4	320.4	320.4	3.9
Term	1.0	1.0	1.0	1.0	0.0
Temporary	3.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	307.4	311.4	323.4	323.4	3.9

AT A GLANCE:

Strategic goals for the Regulation and Licensing Department (RLD) include streamlining the licensing and renewal process, encouraging responsible economic development and compliance in the alcohol industry, creating a safer environment for securities investment, reducing elderly fraud and continued outreach to Native American investors, prosecuting unlicensed building contractors, improving turnaround for building permits and inspections, prosecuting notary public abuses, and assisting law enforcement to track recycled metal thefts and illegal transactions. During the 2016 special legislative session, RLD's FY17 general fund was reduced by \$718.4 thousand, or 5.5 percent, and \$8.1 million of cash balances from various boards and commissions were swept to the general fund. The request includes 12 additional FTE: 8 FTE for the Substitute Care Advisory Council and 4 FTE to support the newly created Money Services Regulatory Program. The special session resulted in FY17 reductions for each program of 5.5 percent. The department had some flexibility to reduce expenditure categories, however, RLD reduced personal services and employee benefits for each program.

For FY18, the committee recommends a flat general fund budget from the FY17 adjusted operating budget. In general, the FY18 LFC recommendation realigns contractual services with FY16 levels and reallocates excess funds to support personal services and employee benefits to reduce high vacancy rates in key programs. The recommendation supports the agency request for the 12 additional FTE for the Substitute Care Advisory Council and the Money Services Regulatory Program as both are funded with other state funds.

BUDGET ISSUES:

The Construction Industries and Manufactured Housing Division continues to struggle to fill vacant inspector positions and with high turnover rates. The agency attributes a high vacancy rate in part to low starting salaries in comparison with the local municipalities and the private sector. Unable to attract and retain qualified applicants, the division has experienced large vacancy rates ranging from 18 percent to 20 percent. The division plans to explore options to increase inspector salaries, including working with the State Personnel Office (SPO) to increase inspector pay above midpoint of the pay band, improving recruitment efforts, and establishing geographical pay differentials for certain regions of the state.

Over the past few years, the division has been working to increase the number of multiple certifications for state inspectors as a means to increase and improve the efficiency of the inspection process. In 2016, 27 inspectors completed a two-month training process. They now have a total of 41 new inspector certifications. The department is now working with SPO to move the inspectors into the appropriate pay range. This effort and movement of the inspectors from range 60 to range 65 will result in greater efficiencies as well as reduce the need to fill vacant positions because now one inspector can provide multiple certifications for a project rather than sending multiple inspectors to the same project.

In FY16, the department implemented the Accela information technology system, which allows the division to have all permitting, inspections, licensing, and compliance on a single software platform. The result has been improved on-line services and greater efficiencies that allow supervisors to better allocate staff to high demand areas. The majority of funding for the project has been through vacancy savings and a \$650 thousand data processing appropriation in FY16.

In FY16, the Alcohol and Gaming Division received 540 citations from the Special Investigations Unit that enforces the Liquor Control Act and resolved 444 of them. The division also collected \$455 thousand in fines and held five administrative hearings for violations of the Liquor Control Act. The division also processed over 435 liquor license applications and more than 4,000 liquor license renewal applications. The division continues to conduct on-line and in-person alcohol server training courses both in English and Spanish. The division also provides an option for online renewal of a few license types but will continue to expand online renewal opportunities.

In 2016, the Uniform Money Services Act was passed that sets forth regulation and licensing guidelines for money services. "Money services" includes money transmission, check cashing, or currency exchange, and money services business include companies such as Western Union, Money Gram and PayPal. The Financial Institutions Division (FID) requested 4 FTE for oversight and administration of the act.

The Legislature in 2016 created the Substitute Care Advisory Council (SCAC), administratively attached to RLD and previously known as the Citizens Review Board at Department of Finance and Administration (DFA). The Substitute Care Advisory Council is responsible with the oversight of substitute care review boards in their monitoring of children placed in the custody of Children, Youth and Families Department. Previously, DFA contracted with New Mexico State University to administer the program. SCAC is also responsible for adopting rules related to the functions of the substitute care review boards, including training and criteria for designating and monitoring of cases, membership, and operating procedures. SCAC has nine members and RLD is requesting 8 FTE to administer the program. LFC recommends the additional 8 FTE and associated operating costs in the amount of \$546.8 thousand.

The LFC recommendation for boards and commissions reduced certain budgets for boards by about 5 percent and more closely aligned contractual services to FY16 actual levels. Also reduced were overhead fees charged by Program Support to the various boards for financial, human resource, legal, and information technology services, which in some cases are as high as 90 percent of their total budget.

It should be noted, in 2015 the Legislature swept \$4.9 million from the department's available fund balance into the general fund and another \$8.1 million during the 2016 special legislative session. The LFC recommendation for Boards and Commissions provides the department with significant flexibility by consolidating most of the FTE and appropriations into one program. The following tables detail the recommended sources, uses, and FTE for each board.

BASE EXPANSION:

The agency base request includes \$378 thousand and 4 FTE for the money services regulatory program supported with license fees collected from money services businesses. The LFC recommendation extracts the request from the base and recommends as a program expansion because this is a new effort.

BASE EXPANSION LISTING
FY18 - 2017-2018

Agency Rank	(Program) (P600)	Agency Request	LFC Recommendation
1	Money Services Regulatory	0.0	378.0
TOTAL		0.0	378.0

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	8,144.0	7,796.4	7,827.7	7,902.6	1.4
Other Transfers	269.0	250.0	330.0	330.0	32.0
Federal Revenues	139.9	17.5	17.5	17.5	0.0
Other Revenues	56.1	149.1	159.1	159.1	6.7
Fund Balance	0.2	151.7	268.0	268.0	76.7
SOURCES TOTAL	8,609.2	8,364.7	8,602.3	8,677.2	3.7
USES					
Personal Services and Employee Benefits	6,930.7	6,883.2	7,293.4	7,368.3	7.0
Contractual Services	253.6	265.2	249.8	249.8	-5.8
Other	1,160.0	1,192.8	1,020.6	1,020.6	-14.4
Other Financing Uses	11.7	23.5	38.5	38.5	63.8
TOTAL USES	8,356.0	8,364.7	8,602.3	8,677.2	3.7
FTE					
Permanent	114.0	117.0	117.0	117.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	115.0	118.0	118.0	118.0	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request	96%	75%	96%	90%	95%
* Outcome	Percent of commercial plans reviewed within ten working days	85%	90%	85%	85%	90%
* Outcome	Percent of residential plans reviewed within five working days	90%	90%	90%	90%	95%
Efficiency	Percent of all construction inspections performed within three days of inspection request	93%	95%	93%	90%	93%
* Output	Time to final action, referral or dismissal of complaint, in months	NEW	NEW	NEW	8	8

FINANCIAL INSTITUTIONS

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

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,492.8	1,001.0	1,059.3	1,001.0	0.0
Other Transfers	0.0	420.0	420.0	420.0	0.0
Other Revenues	2,344.3	1,113.7	1,503.7	1,503.7	35.0
Fund Balance	0.0	0.0	60.0	60.0	
SOURCES TOTAL	3,837.1	2,534.7	3,043.0	2,984.7	17.8
USES					
Personal Services and Employee Benefits	1,819.0	2,057.6	2,391.6	2,333.3	13.4
Contractual Services	4.8	18.5	38.5	38.5	108.1
Other	219.9	361.4	500.2	500.2	38.4
Other Financing Uses	70.0	97.2	112.7	112.7	15.9
TOTAL USES	2,113.7	2,534.7	3,043.0	2,984.7	17.8
FTE					
Permanent	33.0	34.0	38.0	38.0	11.8
TOTAL FTE POSITIONS	33.0	34.0	38.0	38.0	11.8

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	95%	95%	95%	95%	95%
Efficiency	Percent of state-chartered banks, state-chartered credit unions, independent trust companies, small loan companies, mortgage loan companies, mortgage loan branches, and escrow companies examined	NEW	NEW	NEW	95%	95%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	981.2	872.0	922.8	916.8	5.1
SOURCES TOTAL	981.2	872.0	922.8	916.8	5.1
USES					
Personal Services and Employee Benefits	866.2	781.9	832.7	832.7	6.5
Contractual Services	8.9	22.0	22.0	16.0	-27.3
Other	70.7	68.1	68.1	68.1	0.0
TOTAL USES	945.8	872.0	922.8	916.8	5.1
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Temporary	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	15.5	15.5	15.5	15.5	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	118	122	120	150	122
* Output	Number of days to resolve an administrative citation that does not require a hearing	121	164	100	100	100
* Outcome	Number of days to issue a restaurant beer and wine liquor license	108	110	110	139	110
Output	Number of days to process a small manufacturer license	NEW	NEW	NEW	139	139

BOARDS AND COMMISSIONSBUDGET SUMMARY
(dollars in thousands)

	FY18 - 2017-2018		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted			
SOURCES					
General Fund Transfers	28.7	392.9	445.6	392.9	0.0
Other Transfers	2,806.8	3,428.5	3,426.5	3,267.3	-4.7
Other Revenues	8,111.1	5,307.5	5,493.9	5,194.2	-2.1
Fund Balance	300.1	575.8	449.9	436.6	-24.2
SOURCES TOTAL	11,246.7	9,704.7	9,815.9	9,291.0	-4.3
USES					
Personal Services and Employee Benefits	4,911.3	5,454.3	5,906.7	5,745.6	5.3
Contractual Services	156.2	936.4	435.2	306.0	-67.3
Other	562.5	1,560.7	1,637.6	1,401.1	-10.2
Other Financing Uses	4,373.1	1,753.3	1,836.4	1,838.3	4.8
TOTAL USES	10,003.1	9,704.7	9,815.9	9,291.0	-4.3
FTE					
Permanent	83.4	83.4	91.4	91.4	9.6
Temporary	2.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	85.4	84.4	92.4	92.4	9.5

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	NEW	NEW	99%	99%	99%
Output	Percent of complaints logged and processed within three 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	NEW	NEW	99%	99%	99%
Efficiency	Percent of board meeting agendas available to the public and posted to the website at least seventy-two hours prior to the meeting and draft minutes prepared and posted to the website within ten working days after the meeting	NEW	NEW	100%	99%	100%
Outcome	Percent of barber and cosmetology establishments, body art establishments, funeral service establishments and pharmacy establishments inspected once every sixteen months	NEW	NEW	NEW	96%	96%

SECURITIES DIVISION

The purpose of the securities program is to protect the integrity of the capital market in New Mexico by setting standards for licensed professionals, investigating complaints, educating the public and enforcing the law.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,159.4	979.5	828.5	828.5	-15.4
Other Revenues	995.6	732.0	657.8	657.8	-10.1
Fund Balance	0.0	470.1	470.1	470.1	0.0
SOURCES TOTAL	2,155.0	2,181.6	1,956.4	1,956.4	-10.3
USES					
Personal Services and Employee Benefits	1,101.7	1,435.0	1,229.1	1,229.1	-14.3
Contractual Services	1.2	183.4	183.4	183.4	0.0
Other	215.3	474.0	435.2	435.2	-8.2
Other Financing Uses	92.6	89.2	108.7	108.7	21.9
TOTAL USES	1,410.8	2,181.6	1,956.4	1,956.4	-10.3
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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt of the completed application	95%	99%	99%	99%	99%
Outcome	Percent of investment adviser registrants examined annually	46%	38%	55%	40%	55%
Output	Percent of all administrative and criminal actions processed annually	70%	N/A	70%	70%	70%
Outcome	Percent of complaints logged and assigned within two days of receipt of written complaint, then investigated and a course of action determined no later than four months from receipt of complaint	80%	83%	80%	83%	83%
* Outcome	Total revenue collected from licensing, in millions	NEW	NEW	NEW	\$24	\$24

Regulation and Licensing Department Boards and Commissions

BUDGET SUMMARY

(dollars in thousands)

FY 2016 - 2018

	FY16 Actual	FY17 Adj. Operating	FY18 Agency Request	FY18 LFC Recomm- endation	FY17/FY18 Pct increase (decrease)
SOURCES					
General fund transfers	28.7	392.9	445.6	392.9	0.0%
Other transfers	2806.8	3,428.5	3,426.5	3,267.3	-4.7%
Federal revenues	0.0	0.0	0.0	0.0	0.0%
Other revenues	8111.1	5,307.5	5,493.9	5,194.2	-2.1%
Fund balance	300.1	575.8	449.9	436.6	-24.2%
TOTAL REVENUE	\$11,246.7	\$9,704.7	\$9,815.9	\$9,291.0	-4.3%
USES					
Substitute Care Advisory Council	0.0	546.8	596.9	546.8	0.0%
New Mexico Public Accountancy Board	386.2	515.8	514.4	488.7	-5.3%
Board of Acupuncture and Oriental Medicine	192.5	235.7	244.2	232.2	-1.5%
New Mexico Athletic Commission	127.8	189.6	190.5	181.0	-4.5%
Athletic Trainer Practice Board	18.7	27.8	27.9	26.4	-5.0%
Board of Barbers and Cosmetologists	869.7	1,043.1	1,073.6	1,009.9	-3.2%
Board of Body Art Practitioners	84.1	153.5	158.7	145.8	-5.0%
Chiropractic Board	119.6	150.0	149.1	142.5	-5.0%
Counseling and Therapy Practice Board	335.4	433.9	436.7	412.4	-5.0%
New Mexico Board of Dental Health Care	352.1	499.8	499.8	472.0	-5.6%
Interior Design Board	11.6	23.7	23.7	23.7	0.0%
Board of Landscape Architects	17.3	27.6	27.5	27.5	-0.4%
Massage Therapy Board	212.5	252.4	254.2	240.7	-4.6%
Board of Nursing Home Administrators	27.5	50.6	50.8	47.8	-5.5%
Nutrition and Dietetics Practice Board	14.3	30.9	30.4	29.3	-5.2%
Board of Examiners for Occupational Therapy	73.1	94.0	94.5	89.9	-4.4%
Board of Optometry	77.5	110.5	110.1	105.0	-5.0%
Board of Osteopathic Medical Examiners	132.8	177.5	177.1	168.2	-5.2%
Board of Pharmacy	1,683.5	2,105.3	2,147.5	2,025.8	-3.8%
Physical Therapy Board	105.5	152.8	173.2	147.8	-3.3%
Board of Podiatry	28.5	52.1	52.0	52.0	-0.2%
Private Investigations & Polygraphers Board	313.7	282.5	256.1	256.1	-9.3%
New Mexico State Board of Psychologist	130.2	204.1	203.7	193.7	-5.1%
Real Estate Appraisers Board	280.6	389.7	389.6	369.8	-5.1%
New Mexico Real Estate Commission	784.4	936.6	939.7	913.9	-2.4%
New Mexico Real Estate Commission Ed & Trng	29.2	0.0	15.8	15.8	100.0%
Advisory Board of Respiratory Care	90.0	103.8	104.1	99.1	-4.5%
Board of Social Work Examiners	224.0	292.1	294.4	277.9	-4.9%
Speech Language Pathology, Audiology, and Hearing Aid Dispensing Practices Board	110.8	155.9	175.8	155.9	0.0%
Board of Thanatopractice	123.9	151.4	151.3	146.2	-3.4%
Animal Sheltering Services Board	65.2	95.0	81.6	76.9	-19.1%
Signed Language Interpreting Practice Board	91.3	155.2	106.0	106.0	-31.7%
Impaired Dentist	11.6	15.0	15.0	14.3	-4.7%
Real Estate Commission Recovery	0.0	50.0	50.0	50.0	0.0%
TOTAL EXPENDITURES	\$7,125.1	\$9,704.7	\$9,815.9	\$9,291.0	-4.3%

Regulation and Licensing Department Boards and Commissions

FTE Summary
FY 2016 - 2018

	FY16 <u>Actual</u>	FY17 Authorized <u>FTE</u>	FY18 Agency <u>Request</u>	FY18 LFC Recomm- <u>endation</u>	FY17/FY18 Pct increase <u>(decrease)</u>
Substitute Care Advisory Council	0.0	0.0	8.0	8.0	100.0%
New Mexico Public Accountancy Board	5.0	5.0	5.0	5.0	0.0%
Board of Pharmacy	14.0	14.0	14.0	14.0	0.0%
New Mexico Real Estate Commission	9.0	9.0	9.0	9.0	0.0%
Flow Through	57.4	56.4	56.4	56.4	0.0%
TOTAL FTE	85.4	84.4	92.4	92.4	9.5%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,570.0	1,301.5	1,324.5	1,301.5	0.0
Other Transfers	1,708.4	2,185.1	2,331.2	2,188.0	0.1
SOURCES TOTAL	3,278.4	3,486.6	3,655.7	3,489.5	0.1
USES					
Personal Services and Employee Benefits	2,572.7	2,540.5	2,608.4	2,540.5	0.0
Contractual Services	261.4	284.7	326.1	284.3	-0.1
Other	570.6	661.4	721.2	664.7	0.5
TOTAL USES	3,404.7	3,486.6	3,655.7	3,489.5	0.1
FTE					
Permanent	33.0	34.0	34.0	34.0	0.1
Temporary	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	33.5	34.5	34.5	34.5	0.1

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of prior-year audit findings resolved	53%	67%	80%	75%	75%

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. PRC is composed of five elected members.

MISSION:

The mission of PRC is to regulate utilities, telecommunications, and motor carriers to ensure fair and reasonable rates and to assure reasonable and adequate services to the public as provided by law and to promote public safety through the State Fire Marshal, Firefighter Training Academy, and Pipeline Safety Bureau.

	BUDGET SUMMARY (dollars in thousands)				
			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,793.2	6,666.8	7,534.8	6,666.8	0.0
Other Transfers	6,216.7	6,553.6	6,073.6	6,073.6	-7.3
Federal Revenues	953.0	953.0	953.0	953.0	0.0
Other Revenues	5,724.2	6,328.9	5,848.9	5,848.9	-7.6
SOURCES TOTAL	20,687.1	20,502.3	20,410.3	19,542.3	-4.7
USES					
Personal Services and Employee Benefits	11,335.0	11,640.5	12,005.3	11,245.0	-3.4
Contractual Services	584.7	711.3	711.3	685.7	-3.6
Other	1,872.5	1,821.6	1,844.8	1,762.7	-3.2
Other Financing Uses	5,724.2	6,328.9	5,848.9	5,848.9	-7.6
TOTAL USES	19,516.4	20,502.3	20,410.3	19,542.3	-4.7
FTE					
Permanent	131.0	153.0	153.0	153.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	132.0	154.0	154.0	154.0	0.0

AT A GLANCE:

The Public Regulation Commission (PRC) faces case filing submissions increasing in number and complexity due to regulations and legislation from the federal government and the state and prior commission rulings. The agency filled numerous vacancies in the Policy and Regulation program in the last two years but continues to face staffing challenges.

PRC's FY18 budget request held funding flat for the Public Safety Program but significantly increased funding for the Policy and Regulation program and Program Support. The LFC recommendation does not support the increase in Policy and Regulation and recommends moving \$413 thousand from the Policy and Regulation program to Program Support to fund current staffing levels. Policy and Regulation currently has 21 vacancies, resulting in a high funded vacancy rate. The LFC recommendation holds the Public Safety program general fund appropriation flat with FY17 operating levels adjusted for special session cuts.

BUDGET ISSUES:

Overall, the LFC recommendation for PRC's general fund is flat with the FY17 adjusted operating budget. The PRC request for Program Support has a substantial decrease due to firefighters use fee funds that will not be available for use in FY18 because the fund will not have excess amounts available to transfer after FY17. In previous fiscal years, these fees have been used to support personnel costs. The agency requested an increase of \$480 thousand to counter the loss of the firefighters use fee fund. The LFC recommendation does not support this request. The agency currently has savings amounting to \$1.1 million in the Policy and Regulation program. The LFC recommendation includes transferring \$413 thousand of the vacancy savings to the Program Support Division to fully fund current personnel costs.

Reversions from the fire protection fund to the general fund are decreasing annually by a schedule set in statute, dropping from \$15.1 million at the end of FY15 to \$14.5 for FY16. By the end of FY25 and in each subsequent year, all funds in the fire protection fund will transfer to the fire protection grant fund. During the FY17 special session, legislation was passed suspending transfers to the fire protection fund. This grant fund provides revenues for fire departments and fire districts across the state, and data shows departments and districts receiving these grants are more likely to improve their Insurance Services Office (ISO) ratings. ISO ratings are a factor in property insurance rates and a lower ISO rating results in more affordable insurance. The ISO ratings are based on equipment levels and condition, response times, and water availability and pressure. PRC reports that,

although the increasing funds are allowing for better equipment and contribute to faster response times, water availability and pressure is a bottleneck and remains an issue across much of the state.

PRC continues to regulate industries that may no longer need it, for example, moving and taxi companies. The agency should consider ending such regulations as well as adopting policies to streamline licensing to save money.

Regulatory Activities. On September 28 2016, the Public Regulation Commission decided on a 3-to-2 vote to allow a rate increase for customers of the Public Service Company (PNM). This will pass on, to PNM customers, a portion of the cost of purchasing nuclear power from an Arizona plant. Home electric bills will rise by as much as 9 percent. PNM requested a 15.8 percent increase. The chief operating officer of PNM said it will most likely appeal the decision. The Public Regulation Commission rejected a previous rate proposal in 2015, after about a year of hearings, saying the utility did not offer enough evidence to justify the higher rates. The current request was filed about a year ago.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,521.9	6,267.5	6,632.3	5,854.5	-6.6
Other Transfers	985.8	775.4	775.4	775.4	0.0
SOURCES TOTAL	7,507.7	7,042.9	7,407.7	6,629.9	-5.9
USES					
Personal Services and Employee Benefits	6,386.1	6,482.3	6,847.1	6,069.3	-6.4
Contractual Services	168.0	87.8	87.8	87.8	0.0
Other	610.4	472.8	472.8	472.8	0.0
TOTAL USES	7,164.5	7,042.9	7,407.7	6,629.9	-5.9
FTE					
Permanent	78.7	78.7	78.7	78.7	0.0
TOTAL FTE POSITIONS	78.7	78.7	78.7	78.7	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$82.4	\$173	\$140	\$150	\$150
Explanatory Outcome	Number of docketed cases opened in a fiscal year	385	358	400		
Outcome	Percent of written documents filed by staff of the total number of docketed cases in a fiscal year	NEW	NEW	NEW	50%	50%
Outcome	Percent of total carrier inspections performed by staff of the total number of regulated carriers in a fiscal year	NEW	NEW	NEW	10%	10%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	4,749.2	4,421.2	4,421.2	4,421.2	0.0
Federal Revenues	953.0	953.0	953.0	953.0	0.0
SOURCES TOTAL	5,702.2	5,374.2	5,374.2	5,374.2	0.0
USES					
Personal Services and Employee Benefits	3,533.9	3,608.2	3,608.2	3,608.2	0.0
Contractual Services	380.8	572.9	572.9	572.9	0.0
Other	1,114.9	1,193.1	1,193.1	1,193.1	0.0
TOTAL USES	5,029.6	5,374.2	5,374.2	5,374.2	0.0
FTE					
Permanent	52.3	52.3	52.3	52.3	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	53.3	53.3	53.3	53.3	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	148,062	138,284	140,000	138,000	140,000
Quality	Pass rate for state certification exams administered by the state firefighter academy	87.8%	65%	87%	85%	87%
* Outcome	Percent of statewide fire districts with insurance service office ratings of eight or better	68%	73%	70%	100%	80%
Explanatory	Number of fire districts statewide	368	365	367		
Output	Number of pipeline safety inspection, excavation damage prevention and investigation hours performed by the pipeline safety bureau in a fiscal year	10,463	3,284	10,500	3,500	8,000

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	1,271.3	399.3	902.5	812.3	103.4	
Other Transfers	481.7	1,357.0	877.0	877.0	-35.4	
SOURCES TOTAL	1,753.0	1,756.3	1,779.5	1,689.3	-3.8	
USES						
Personal Services and Employee Benefits	1,415.0	1,550.0	1,550.0	1,567.5	1.1	
Contractual Services	35.9	50.6	50.6	25.0	-50.6	
Other	147.2	155.7	178.9	96.8	-37.8	
TOTAL USES	1,598.1	1,756.3	1,779.5	1,689.3	-3.8	
FTE						
Permanent	0.0	22.0	22.0	22.0	0.0	
TOTAL FTE POSITIONS	0.0	22.0	22.0	22.0	0.0	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Opinion of previous fiscal year independent agency audit	Unqual.	Unqual.	Unqual.	Unqual.	Unqual.
Outcome	Number of public access accounts registered in info share in a fiscal year	662,495	494,346	1,000,000	500,000	600,000
Outcome	Percent of prior-year audit findings eliminated	100%	90%	100%	90%	95%

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
Other Revenues	5,724.2	6,328.9	5,848.9	5,848.9	-7.6	
SOURCES TOTAL	5,724.2	6,328.9	5,848.9	5,848.9	-7.6	
USES						
Other Financing Uses	5,724.2	6,328.9	5,848.9	5,848.9	-7.6	
TOTAL USES	5,724.2	6,328.9	5,848.9	5,848.9	-7.6	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

Article XI, Section 20, of the New Mexico Constitution, enacted in 2012, separated the Insurance Division from the Public Regulation Commission and created the Office of Superintendent of Insurance. The superintendent is appointed by an insurance nominating committee made up of four members chosen by the Legislature, four by the governor, and a ninth selected by the eight appointed members. The four members appointed by the Legislative Council and the governor can include no more than two from the same political party, two from the insurance industry, and two representing insurance consumers. The ninth member must be either a former New Mexico superintendent of insurance or another person with extensive knowledge of insurance regulation in New Mexico.

MISSION:

The mission of the Office of Superintendent of Insurance is to regulate insurance industries to ensure fair and reasonable rates and to assure reasonable and adequate services to the public as provided by law.

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
Other Transfers	7,927.5		7,803.9		11,537.0	9,004.0	15.4
Federal Revenues	1,289.3		2,456.7		823.2	823.2	-66.5
Other Revenues	27,163.7		7,138.8		10,466.8	9,004.0	26.1
Fund Balance	32,862.2		18,749.2		22,144.8	21,739.7	16.0
SOURCES TOTAL	69,242.7		36,148.6		44,971.8	40,570.9	12.2
USES							
Personal Services and Employee Benefits	7,099.4		8,987.9		9,271.5	7,316.1	-18.6
Contractual Services	1,320.0		1,730.1		2,159.2	1,807.9	4.5
Other	28,608.2		17,626.7		22,004.1	21,777.8	23.6
Other Financing Uses	7,927.5		7,803.9		11,537.0	9,669.1	23.9
TOTAL USES	44,955.1		36,148.6		44,971.8	40,570.9	12.2
FTE							
Permanent	101.0		104.0		122.0	87.0	-16.3
Term	26.0		26.0		11.0	26.0	0.0
TOTAL FTE POSITIONS	127.0		130.0		133.0	113.0	-13.1

AT A GLANCE:

The Office of Superintendent of Insurance (OSI) requested a significant budget increase for FY18 from other state funds. Any balance in the insurance operations fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation reverts to the general fund; the remainder is kept as fund balance until the following year. The LFC recommendation reduces funding for the Insurance Policy Program because expenditures in FY16 were significantly lower than the FY17 operating budget, and any budget increase would decrease the amount of insurance premium tax transferred to the general fund for other critical state needs.

BUDGET ISSUES:

The requested budget increase would nearly fully fund personal services and employee benefits and pay for an additional 3 permanent FTE despite the current 24 percent vacancy rate. The LFC recommendation reduces unfunded vacancies by 20 FTE, increases funding for the patients compensation fund, reduces the Insurance Policy program by 14.3 percent, and includes sufficient funding to fill about six vacant positions. The request also included transferring 15 positions from term to permanent due to a federal funded grant ending in FY17. The LFC recommendation does not support this request.

Premium Tax Audit.

In the 2014 legislative session, the Legislature appropriated \$100 thousand to OSI for an audit of premium tax collections. During the 2015 legislative session, the Legislature extended the time period for spending the special appropriation to the end of FY16 and required the audit to be subject to oversight by the Office of the State Auditor.

In the special audit released in September 2016, the State Auditor found the sample of insurance companies audited, payers of 26 percent of all premium taxes, likely underpaid premium taxes during the audited period by at least \$193 million. The agency has challenged the findings, even though it hired the contractors that did the audit. It states it is under-resourced and is

reorganizing FTE within the agency to ensure proper staffing to pursue underpayment collections. LFC and DFA staff have been meeting regularly since September 2016 to ensure greater accountability of premium taxes collected. LFC and DFA requested the agency meet specific timelines for pursuing underpayments and share the methodology for completing the necessary audits of individual companies. LFC and DFA staff also requested the agency inform both parties once it fully identifies the amounts of underpayments for each company in question (following any required confidentiality provisions) and requested the agency provide that information to LFC, DFA, the Office of the State Auditor, and the Office of the Attorney General before entering into any settlement agreements for possible civil or other sanctions. During the joint meetings, it was highly encouraged the agency not settle for amounts less than owed. In memos sent to OSI, specific deadlines were sought by both LFC and DFA. Originally, deadlines were not met. At an LFC hearing in November, LFC, DFA and the State Auditor expressed the need for an external contractor to do additional auditing of the premium tax collection. The Superintendent agreed and has been responsive with all parties involved.

Due to the severity of the state's financial situation and the potential revenue from under-collected premium taxes, the committee recommends transferring premium tax collection responsibly to the Taxation and Revenue Department, with a joint partnership agreement. This agreement would include a transfer of \$302 thousand to cover personnel expenses for 6 FTE. The financial audit bureau, responsible for premium tax collection oversight, currently has 4 filled FTE positions, with two vacancies.

New Mexico Medical Insurance Pool.

The New Mexico Medical Insurance Pool (NMMIP) was created to provide access to health insurance coverage to all residents of New Mexicans who are denied adequate health insurance and are considered uninsurable. NMMIP was established in 1987 by the New Mexico State Legislature. Financing of the Pool is a four-way partnership consisting of premiums from individuals, assessment of losses to health insurance carriers, state premium tax credits for health insurance carriers and a Federal grant. In 2015, The board of the NMMIP voted to delay to transitioning members out of the pool for a year. NMMIP will transition a third of members who have other insurance options out of the pool each year over three years, starting in 2017. LFC staff estimates this timeframe would cost the state up to \$80 million in general fund transfers over four years -- \$23 million in 2016, \$27 million in 2017, \$19 million in 2018, and \$11 million in 2019 -- compared with a one-year pool depopulation in 2016 followed by closure of the pool in 2017, assuming insurers have enough tax liability to fully use their NMMIP credits.

Patients Compensation Fund.

The Patient's Compensation Fund Program is a flow-through expenditure program that pays malpractice settlements for member physicians and hospitals. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice insurance 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 and amount of court-ordered settlement awards paid from the PCF is increasing. The committee supports the agency request of \$21.7 million in fund balance. Actual spending for the past three years has ranged from \$13 million in FY13 to \$28 million in FY16. The last actuarial study was completed in December 2015, with the next study scheduled for December 2017.

The Legislature created New Mexico Mutual more than 20 years ago to enable a competitive market for employers to obtain workers' compensation insurance. New Mexico Mutual, the state's largest provider of workers' compensation insurance with 34 percent of the voluntary market, ended the 2015 tax year with a record surplus of \$139 million. The company earned a 2.3 percent return on invested assets and total investments in 2015, up 8.7 percent from 2014. One main factor of the increase was the level of incurred losses and loss adjustment expenses, which were \$52.5 million for 2015. This represents a 27.5 percent decrease, or \$19.9 million from 2014. Based on past claim experience, the company does not project that losses will continue at this lower level but will return to more historic levels as experienced through the first half of 2016.

The FY15 audit included four prior-year findings, continued from 2014: controls over payroll (significant deficiency), payroll documentation, travel and per diem, and travel and per diem other matters. The FY15 audit included six current year findings for 2015: controls over vehicle usage, chief procurement officer reporting requirement, lack of internal controls over reporting (significant deficiency), suspension and debarment exception (significant deficiency), lack of internal controls over federal disbursements (significant deficiency), and missing time and effort certifications (significant deficiency). The FY16 audit is currently taking place and the agency states it is scheduled to be completed on time.

RECOMMENDED LANGUAGE:

The patient's compensation fund program of the office of superintendent of insurance may request budget increases from patient's compensation fund balances for patient compensation settlements and court-ordered payments.

The Financial Audit Bureau of the office of the Superintendent of Insurance in the personal services and employee benefits category includes three hundred sixty eight thousand two hundred dollars (368,200) for a joint partnership agreement with Taxation and Revenue Department for insurance premium tax collection and enforcement.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	7,927.5	7,803.9	11,537.0	9,004.0	15.4
Federal Revenues	1,289.3	2,456.7	823.2	823.2	-66.5
Other Revenues	299.4	0.0	0.0	0.0	
Fund Balance	112.6	1,200.1	0.0	0.0	-100.0
SOURCES TOTAL	9,628.8	11,460.7	12,360.2	9,827.2	-14.3
USES					
Personal Services and Employee Benefits	7,091.9	8,790.9	9,112.8	7,157.4	-18.6
Contractual Services	1,064.2	1,304.0	1,655.3	1,304.0	0.0
Other	1,040.4	1,365.8	1,592.1	1,365.8	0.0
TOTAL USES	9,196.5	11,460.7	12,360.2	9,827.2	-14.3
FTE					
Permanent	99.0	101.0	119.0	84.0	-16.8
Term	26.0	26.0	11.0	26.0	0.0
TOTAL FTE POSITIONS	125.0	127.0	130.0	110.0	-13.4

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred and eighty days of filing	85.6%	98%	98%	98%	98%
Output	Percent of producer applications, appointments and renewals processed within ten business days	99.9%	96.9%	99.9%	99.9%	99.9%
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for further adjudication by a competent court, referral to civil division, or closures within ninety days	59%	88%	88%	80%	80%
Output	Number of managed healthcare outreach activities conducted annually	121	99.2%	115	115	120

PATIENT'S COMPENSATION FUND

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	12,850.5	0.0	0.0	0.0	
Fund Balance	32,749.6	17,549.1	21,739.7	21,739.7	23.9
SOURCES TOTAL	45,600.1	17,549.1	21,739.7	21,739.7	23.9
USES					
Personal Services and Employee Benefits	7.5	197.0	158.7	158.7	-19.4
Contractual Services	255.8	426.1	503.9	503.9	18.3
Other	27,567.8	16,260.9	20,412.0	20,412.0	25.5
Other Financing Uses	665.1	665.1	665.1	665.1	0.0
TOTAL USES	28,496.2	17,549.1	21,739.7	21,739.7	23.9
FTE					
Permanent	2.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	2.0	3.0	3.0	3.0	0.0

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY16	FY17	FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	14,013.8	7,138.8	10,466.8	9,004.0	26.1
Fund Balance	0.0	0.0	405.1	0.0	
SOURCES TOTAL	14,013.8	7,138.8	10,871.9	9,004.0	26.1
USES					
Other Financing Uses	7,262.4	7,138.8	10,871.9	9,004.0	26.1
TOTAL USES	7,262.4	7,138.8	10,871.9	9,004.0	26.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

STATUTORY AUTHORITY:

The Medical Practice Act, Sections 61-6-1 through 61-6-29 NMSA 1978, establishes the Medical Board. The state agency is responsible for regulating and licensing physicians, physician assistants, anesthesiologist assistants, genetic counselors, polysomnographic technologists, and naprapaths. The nine member board is 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)						
	FY16	FY17	FY18 – 2017-2018		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	2,041.0	1,791.0	1,820.0	1,754.5	-2.0	
Fund Balance	0.0	100.0	80.0	80.0	-20.0	
SOURCES TOTAL	2,041.0	1,891.0	1,900.0	1,834.5	-3.0	
USES						
Personal Services and Employee Benefits	991.5	1,208.3	1,195.0	1,185.3	-1.9	
Contractual Services	289.4	321.4	338.0	311.4	-3.1	
Other	396.0	361.3	367.0	337.8	-6.5	
TOTAL USES	1,676.9	1,891.0	1,900.0	1,834.5	-3.0	
FTE						
Permanent	15.5	15.5	16.0	15.5	0.0	
TOTAL FTE POSITIONS	15.5	15.5	16.0	15.5	0.0	

AT A GLANCE:

The Medical Board submitted an overall FY18 budget request flat with the FY17 operating budget. Included in the agency request was a 5.8 percent vacancy rate and a request to convert a part-time lawyer to a full-time position. The agency also requested an 8 percent increase in contractual services for medical services for the monitored treatment program of impaired practitioners and a 30 percent increase for hearing officer services.

The committee recommendation of \$1.8 million is a 3 percent decrease from FY17. The committee recommendation does not support the expansion request to convert the FTE from part time to full time at a cost of \$38.9 thousand and continue to contract for attorney services, which cost the agency \$8 thousand in FY16. The recommendation funds the request for the monitored treatment program and provides a 10 percent increase for hearing officer services.

BUDGET ISSUES:

The board holds four meetings per year, with an annual meeting held during the second quarter of each year as well as interim and special meetings during the year as necessary. During the meeting, the board considers licensing issues, investigates complaints, conducts administrative hearings, disciplines physicians and develops rules and policies pertaining to the various statutory acts for which the board is responsible. In FY16, the board issued 635 licenses to physicians and received 308 complaints with 212 (including carry-over from the previous fiscal year) resolved within 12 months.

A September 2016 article in the *Los Angeles Times* reported the rate of drug and alcohol addiction among physicians starts at 10 percent and rises as high as 15 percent while the general population rates of addiction run from 8 percent to 10 percent. The article also indicates doctors are more than twice as likely to kill themselves as the general population and as many as one-sixth of primary care doctors leave the profession mid-career. These are staggering statistics given the primary-care doctor shortage in the United States and New Mexico as indicated in the 2015 New Mexico Health Care Workforce Committee annual report. The author indicates that as an alternative to revoking or suspending physician licenses, state medical boards should keep doctors at work but under careful monitoring programs to ensure patient safety. In FY16, in New Mexico, 17 physicians voluntarily entered into a monitored treatment program, 26 physicians and three physician assistants were mandated into a monitored treatment program, and six successfully completed their programs.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	1,465,440	1,340,913	1,400,000	1,300,000	1,400,000
* Output	Number of triennial physician licenses issued or renewed	3,841	3,744	3,850	3,800	3,850
* Output	Number of biennial physician assistant licenses issued or renewed	476	451	450	440	450
Output	Number of complaints closed within the fiscal year	222	212	240	230	230
Output	Number of participants in monitored treatment programs	86	46	110	80	225
Outcome	Number of days to issue a physician license	36	41	40	40	40

STATUTORY AUTHORITY:

The Nursing Practice Act, Sections 61-3-1 through 61-3-31 NMSA 1978, established the seven-member Board of Nursing to regulate 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)						
<u>FY18 – 2017-2018</u>						
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>	
SOURCES						
Other Revenues	1,886.2	2,013.5	1,892.5	1,872.5	-7.0	
Fund Balance	378.6	259.5	266.8	266.8	2.8	
SOURCES TOTAL	2,264.8	2,273.0	2,159.3	2,139.3	-5.9	
USES						
Personal Services and Employee Benefits	1,269.8	1,540.6	1,635.4	1,469.7	-4.6	
Contractual Services	222.1	150.4	37.2	37.2	-75.3	
Other	677.1	582.0	486.7	632.4	8.7	
TOTAL USES	2,169.0	2,273.0	2,159.3	2,139.3	-5.9	
FTE						
Permanent	19.0	22.0	22.0	22.0	0.0	
Temporary	0.0	0.0	1.3	0.0		
TOTAL FTE POSITIONS	19.0	22.0	23.3	22.0	0.0	

AT A GLANCE:

Last year, the Board of Nursing experienced significant organizational change, including the hiring of a new executive director and other personnel. In FY17, the agency reclassified two information technology staff and one investigator. The reclassifications and salary adjustments were approved by the State Personnel Office (SPO).

For FY18, the agency submitted a budget decrease of 5 percent in compliance with executive directive. To achieve this, the board decreased the amount granted to higher education institutions and other organizations supported by the nurse excellence fund by 54 percent, or \$95 thousand, and eliminated attorney fees of \$98.6 thousand because the board no longer contracts for a prosecuting attorney but instead is working with the Office of the Attorney General for prosecuting services.

The committee recommendation is a 5.9 percent decrease from last year but reallocates savings from attorney fees to restore funding for grants to higher education institutions and other organizations supported by the nurse excellence fund. The recommendation reprioritizes funding in other costs and does not fund the expansion request for an additional 1.25 FTE requested in the base in the personal services and employee benefits category for a license clerk and investigator. The recommendation funds the agency request for the reclassification of 3 FTE approved by SPO in FY17.

BUDGET ISSUES:

For FY17, the board plans to allocate \$175 thousand from the nurse excellence fund: \$100 thousand for scholarship and programs at higher education institutions and \$75 thousand for other organizations such as the Center for Nursing Excellence and Heart Institute.

The committee continues to recommend funding that targets healthcare workforce programs throughout the state, such as the nurse excellence fund, and funds grants to higher education institutions and other organizations at \$251 thousand, consistent with expenses in FY16. In the nurse excellence fund, the board is projecting an ending balance of \$38.9 thousand at the end of FY17 and anticipates \$59.5 thousand in new revenues in FY18 for a total of \$98.4 thousand available in FY18. Because uses will exceed sources for this fund in FY18, the committee reprioritizes operational savings from attorney fees and personal services and employee benefits to fund this critical program. The committee continues to recommend the board consider increasing the renewal surcharge on licensing fees of \$5 per license to a level that more closely supports the need for funding from the nurse excellence fund.

The 2015 New Mexico Health Care Workforce Committee annual report estimated New Mexico had 1,228 certified nurse practitioners (CNP) and clinical nurse specialists (CNS) in 2014, an increase from 2013 of 139. According to the report, 42.3 percent of the total 1,228 nurses practice in Bernalillo County. The counties with the greatest CNP/CNS shortages are San Juan, Sandoval, Valencia, McKinley, and Otero.

In FY17 the agency had 18 performance measures, including a “quality” measure that reported the number of current active nursing licenses issued. For FY18, the number of performance measures drops by more than 50 percent to 6 measures, including the measure reporting the number of active nurses in New Mexico. Many of the measures discontinued were not meaningful and should have been dropped; however, given the nursing shortage in New Mexico, the number of licensed nurses remains meaningful and should continue to be reported.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Percent of applications processed within five days of receipt of completed application	72%	86%	99%	99%	100%
Output	Percent of complaints logged and investigation initiated within two business days of receipt of written complaint	98%	98%	95%	95%	95%
* Explanatory	Number of licensed practical nurse, registered nurse and advanced practice nurse licenses and unlicensed assistive personnel certificates issued	14,854	16,251	16,000		
Output	Number of unlicensed assistive personnel and nursing education site visits completed within thirty days of the site visit requirement	389	425	450	450	450
Output	Percent of low- and medium-priority complaints investigated and presented to the board of nursing within six months	NEW	NEW	90%	90%	90%
Efficiency	Percent of continuing education compliance audits performed for annual renewals of unlicensed assistive personnel	NEW	NEW	NEW	1%	1%

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)						
<u>FY18 – 2017-2018</u>						
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>	
SOURCES						
Other Revenues	11,827.3	11,978.7	12,048.0	12,048.0	0.6	
SOURCES TOTAL	11,827.3	11,978.7	12,048.0	12,048.0	0.6	
USES						
Personal Services and Employee Benefits	5,648.5	5,575.3	5,684.3	6,171.7	10.7	
Contractual Services	2,948.7	2,959.6	2,960.3	2,294.0	-22.5	
Other	3,190.1	3,443.8	3,403.4	3,582.3	4.0	
TOTAL USES	11,787.3	11,978.7	12,048.0	12,048.0	0.6	
FTE						
Permanent	35.0	35.0	35.0	35.0	0.0	
TOTAL FTE POSITIONS	35.0	35.0	35.0	35.0	0.0	

AT A GLANCE:

The LFC recommendation supports a requested increase in other revenues while redistributing funds within all categories to reduce overdue fees to the General Services Division. The New Mexico State Fair is anticipating other revenues to increase in FY18 due to the Gathering of Nations to be held at the fairgrounds in the spring of 2018. The State Fair Commission meets quarterly, significantly improving oversight for the agency compared with years prior to 2014, when the commission met just once each year.

BUDGET ISSUES:

State Fair attendance increased in 2016 for the third year in a row, with an increase of 8 percent. The most attended days were the discounted days, including dollar day. While poor weather caused a few slow days early on, attendance picked up later in the week.

The 2016 fair was open 11 days. The fair was shortened from 17 days to 12 days in 2014 and to 11 days in 2015 to reduce operating costs. State Fair officials attribute the increase in 2016 attendance largely to the improvements of rides, passes offered, and multiple efforts to simplify parking and transportation. For example, the partnership with a ride-sharing service resulted in 4,000 rides to and from the fair. Also, 65 thousand people used free shuttle rides provided within the perimeter of the fairgrounds and as transportation to and from off-site parking.

The State Fair hired a new carnival operator in 2015, with a contract through 2018. The agency is not legally required to use a request for proposals (RFP) process, but fair officials voluntarily issued an RFP for this contract, which generates about \$1 million annually for the agency.

For the second year in a row, to increase attendance, the New Mexico State Fair chose La Cumbre Brewing Company to craft the official beer, the New Mexico State Fair Cream Ale, to generate advertising for the 2016 fair. The beer was sold in local stores and restaurants. This marketing effort helps support the significant growth in the local craft brewing industry in New Mexico.

Despite increasing attendance at the last three annual fair events, the State Fair's revenues are insufficient to cover operating expenses and required insurance rate expenses, leading to a large amount owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage. By the end of FY15, the total reached \$3.5 million, and by the end of FY16, increased to \$4 million. The State Fair requested an increase in other revenues for FY18 and expenditure increases for personnel costs and costs in the other category.

The committee supports the recommended increase in other revenue, while decreasing contracts by \$665.6 thousand to support efforts to pay the Risk Management Division. The committee recommends \$596.4 thousand for personnel go towards GSD workers compensation premiums, unemployment compensation and employee liability. Of that, \$404.6 thousand would cover FY18 insurance, while \$191.8 thousand would pay 50 percent of amounts owed for FY17 insurance.

The committee recommends \$178.8 thousand of the other costs category be spent on transportation insurance and property insurance owed to the Risk Management Division. Of that, \$128.7 thousand would cover FY18 fees, while \$50.1 thousand would pay 50 percent of overdue amounts owed for FY17. The committee also recommends the agency request a deficiency appropriation using fund balance to bring the insurance coverage account with GSD up to date.

The fairgrounds suffered from decades of neglect and deferred maintenance. However, in recent years the agency has made progress in addressing maintenance issues, including electrical improvements of the dairy barn and midway, upgraded lighting in the fine arts buildings, repaired roofs at Tingley and Lujan buildings, improved drainage to meet Environmental Protection Agency regulations, and improved public access to entrance gates, tunnels, and restrooms. The State Fair's total capital outlay request was \$14 million for FY18 primarily for complex renovations, infrastructure and electrical upgrades, and paving and concrete. The agency is also planning to replace Tingley Coliseum and is currently updating a feasibility study.

RECOMMENDED LANGUAGE:

The other revenue appropriation to the New Mexico state fair in the personal services and employee benefits category includes five hundred and ninety six thousand (\$596,000) for workers compensation premiums, unemployment compensation and employee liability paid to the general services division. The other revenue appropriation to the New Mexico state fair in the other category includes one hundred and seventy eight thousand 800 dollars (\$178,800) for transportation insurance and property insurance fees paid to the general services division.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	96.3%	93%	95%	95%	95%
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	420,624	414,932	430,000	430,000	430,000
* Output	Number of total attendees at annual state fair event	458,379	460,468	460,000	460,000	470,000

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. The 10 members, appointed by the governor to staggered five-year terms, meet regularly every other month.

MISSION:

The mission of the State Board of Licensure for Engineers and Land Surveyors is to regulate practices of engineering and surveying in the state as they relate to the welfare of the public in safeguarding life, health, and property.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 – 2017-2018</u>					Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
Other Revenues	1,068.6	839.9	836.0	797.9		-5.0
SOURCES TOTAL	1,068.6	839.9	836.0	797.9		-5.0
USES						
Personal Services and Employee Benefits	317.4	504.8	515.4	490.2		-2.9
Contractual Services	195.1	224.5	214.3	202.8		-9.7
Other	79.6	110.6	106.3	104.9		-5.2
TOTAL USES	592.1	839.9	836.0	797.9		-5.0
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

AT A GLANCE:

Currently, the agency has 8,555 licenses in good standing, 1,598 licenses on retired status and 566 licenses on inactive status. In FY16 the agency received 975 applications for licenses and issued 855 new licenses and intern certificates. The agency also administered 597 exams and investigated 19 complaints and violations.

The agency had a FY16 ending cash balance of \$2.8 million and projects nearly the same amount of \$2.5 million at the end of FY17, only slightly lower than the \$3 million balance in FY15. Given the large cash balances, the board has significant opportunity to reduce fees for practicing engineers and surveyors. Currently, biennial license renewal fees are \$180 for professional engineers and surveyors and \$360 for a dual license. The State Board of Licensure for Engineers and Land Surveyors is scheduled for a sunset hearing in the 2017 legislative session.

The overall committee recommendation is a 5 percent reduction from the FY17 operating level primarily in the personal services and employee benefits and the contractual services categories. Prior to FY17, the executive director position had been vacant since 2011 and the agency maintained a two-year vacancy rate of 37.5 percent. The executive director position is currently filled and two positions are vacant, one position has been vacant since June 2014 and the other since October 2015. The recommendation in the personal services and employee benefits category reflects the reduction in the FY17 agency vacancy rate and the recommendation in the contractual services category aligns funding closer to FY16 actual expenses.

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>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100%	100%	100%	100%
Explanatory	Number of examinations administered	515	597	600		
* Output	Number of licenses or certifications issued within one year	843	855	800	815	815
Efficiency	Percent of cases resolved through compliance or legal action within one year	20%	33%	95%	90%	95%
Efficiency	The number of days from receipt of a complaint to delivery to the respective professional committee of the board	90	90	90	90	90

STATUTORY AUTHORITY:

Sections 60-2E-1 through 60-2E-62 NMSA 1978, the Gaming Control Act, establishes the primary functions and authority of the Gaming Control Board (GCB). This authority includes licensing, regulation, and enforcement of the provisions of the act. 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

	BUDGET SUMMARY (dollars in thousands)				
	FY16 2015-2016	FY17 2016-2017	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES					
General Fund Transfers	5,765.5	5,157.7	5,457.9	5,157.7	0.0
SOURCES TOTAL	5,765.5	5,157.7	5,457.9	5,157.7	0.0
USES					
Personal Services and Employee Benefits	3,698.6	3,479.2	3,671.6	3,671.6	5.5
Contractual Services	817.6	768.0	812.0	783.7	2.0
Other	1,101.5	910.5	974.3	702.4	-22.9
TOTAL USES	5,617.7	5,157.7	5,457.9	5,157.7	0.0
FTE					
Permanent	57.0	57.0	57.0	55.0	-3.5
TOTAL FTE POSITIONS	57.0	57.0	57.0	55.0	-3.5

AT A GLANCE:

The Gaming Control Board (GCB) requested a decrease in funding for the personal services and employee benefits category and an increase to the contractual services category. The board continues to struggle with filling the executive director position due to statutory language, Section 60-2E-9 NMSA 1978, restricting salary flexibility and requiring five years of supervisory management experience in a gaming regulatory environment. In FY16 the board reverted \$148 thousand to the general fund. The board is currently operating with a 15.3 percent unfunded vacancy rate. GCB is paying \$26.49 per square foot for space, significantly more than the average cost of \$18.72 per square foot, and will increase to \$27.35 per square foot in FY20. Currently, the agency is paying \$657.8 thousand per year, or \$54.8 thousand per month, for its leased space for 46 FTE, 12 percent of the overall request.

LFC recommends the board work with GSD to move into cheaper space, renegotiate the lease cost in exchange for a longer term, or find vacant state-owned space. The committee encourages GCB work with the State Racing Commission to once again adhere to Executive Order 2006-015 for efficiency in state government and cost savings to the New Mexico taxpayer. LFC recommends funding the board's request for personnel but also reduces the number of authorized FTE by two, to 55. These positions have been vacant for some time and do not change the board's ability to execute its duties. Additionally, LFC recommends adjusting the vacant executive director position salary and begin steps to hire for the position. The agency is encouraged to renegotiate its online central monitoring system contract to align with other solvency.

BUDGET ISSUES:

In FY16, total revenue to the general fund from gaming operations was \$127 million, \$9 million less than FY15. Gaming also contributed \$48 million to the horsemen's trust fund and generated \$1.9 million for charities and \$602 thousand for compulsive gambling prevention and intervention programs. In FY16, the net win for racetracks was \$241 million. Gaming taxes in FY16 included \$62.7 million from racetracks and \$1 million from nonprofits.

In FY16, the board was allowed to carry over the remaining balance of a \$200 thousand special appropriation for arbitration and litigation expenses related to tribal gaming through FY17. As of October 19, 2016, the remaining balance was \$101.5 thousand. In light of ongoing litigation, the board will request another extension for the remaining balance.

Gaming Compacts. Currently, 15 gaming tribes and pueblos have signed the 2015 amended gaming compact: the Jicarilla Apache Nation, Mescalero Apache Tribe, Navajo Nation, and the pueblos of Acoma, Jemez, Isleta, Taos, Ohkay Owingeh (San Juan), Zuni, Laguna, Santa Clara, Tesuque, Nambe, San Felipe, and Sandia. Santa Ana Pueblo and Picuris Pueblo and both still on the 2007 compact. The Jemez, Zuni, and Picuris pueblos have not yet opened any casinos. In January, 2016 Nambe opened the doors of its first casino. The U.S. Bureau of Indian Affairs (BIA) allowed the class III gaming compacts to take effect despite questions raised about the higher revenue sharing rate.

Pojoaque Pueblo's gaming compact expired on July 1, 2015, and the pueblo did not sign the 2015 gaming compact, disagreeing with terms approved by the state gaming representative. The tribe asked Bureau of Indian Affairs to issue class III gaming procedures for its operations but was blocked by a federal judge in response to a lawsuit filed by the executive that argued the tribe could not negotiate directly with the federal agency. The tribe asked the 10th U.S. Circuit Court of Appeals to overturn the injunction and filed a lawsuit against the executive for failing to negotiate on the gaming compacts in good faith.

On October, 7, 2015, a federal judge granted a preliminary injunction to Pojoaque Pueblo that prevented the executive and the Gaming Control Board from taking action against vendors that did business with the tribe after its compact expired. In early October 2016, U.S District Judge James Browning ruled that the administration did not violate the rights of the Pueblo of Pojoaque. The judge threw out the tribe's complaint. After this decision, Pojoaque Pueblo filed an appeal with the 10th Circuit Court of Appeals in Denver.

The U.S. Attorney's Office did not take action against the tribe after its compact expired but said it would monitor the tribe's compliance with 2001 gaming compact terms until the 10th Circuit resolved the matter. Under the 2015 gaming compact terms, Pojoaque Pueblo would have contributed a higher revenue sharing rate, from which the tribe is exempt until its litigation with the state concludes. Pending the court decision, Pojoaque Pueblo is making court-required deposits in an escrow account totaling nearly \$6 million in FY16. The tribe can operate regularly until the court issues a decision and no date is set by the court to rule on this issue.

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

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Quality	Percent of incidents reported to the central monitoring system help desk closed within three calendar days	95%	95%	96%	96%	96%
Outcome	Percent of work permit and work permit renewals processed within forty-five business days	NEW	NEW	NEW	90%	95%
Output	Percent of all tribal gaming operation inspections and reviews completed in one calendar year	NEW	NEW	NEW	93%	95%
Output	Percent of audit reports completed and mailed within thirty business days of completion of field work or desk compliance review	NEW	NEW	NEW	95%	95%
Output	Average annual number of inspections conducted by each agent at assigned nontribal venues	NEW	NEW	NEW	24	24
Output	Average annual number of inspections conducted by each agent at each assigned bingo and raffle location	NEW	NEW	NEW	6	6
Outcome	Percent of transported gaming software and devices inspected by agents on site	NEW	NEW	NEW	85%	85%

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)						
<u>FY18 – 2017-2018</u>						
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	2,412.8	1,981.9	2,097.2	1,981.9	0.0	
Other Transfers	664.9	960.3	1,100.0	1,100.0	14.5	
SOURCES TOTAL	3,077.7	2,942.2	3,197.2	3,081.9	4.7	
USES						
Personal Services and Employee Benefits	1,394.9	1,382.4	1,387.7	1,387.7	0.4	
Contractual Services	1,375.4	1,331.8	450.1	1,466.2	10.1	
Other	283.4	228.0	259.4	228.0	0.0	
Other Financing Uses	0.0	0.0	1,100.0	0.0		
TOTAL USES	3,053.7	2,942.2	3,197.2	3,081.9	4.7	
FTE						
Permanent	20.3	20.3	22.0	20.3	0.0	
Term	0.6	0.6	0.8	0.6	0.0	
Temporary	1.8	1.8	0.0	1.8	0.0	
TOTAL FTE POSITIONS	22.7	22.7	22.8	22.7	0.0	

AT A GLANCE:

For FY18, the State Racing Commission (SRC) request for the personal services and employee benefits category (PS&EB) was flat to the FY17 operating budget adjusted for special session reductions. The \$1.1 million of other transfers represents racehorse testing fund revenue. The commission is requesting use of additional racehorse testing fund revenue to cover new costs associated with storing samples at the Department of Health.

The LFC general fund recommendation is flat to the FY17 adjusted operating budget and includes \$1.1 million from the racehorse testing fund to help the commission combat horse doping and improve the integrity of horseracing in the state. The LFC recommendation does not support the commission's request for additional FTE at this time.

BUDGET ISSUES:

Racehorse Testing. Equine doping continues to be an issue for the commission. In FY16, NMRC drug-tested three horses per live race. Under SRC's out-of-competition drug testing program, violators are sanctioned by fines and suspensions, and horses that test positive are banned from entering or racing in sanctioned events for a period of time determined by the stewards. A new rule bans horses that test positive for certain drugs from participating in races for a minimum of 60 days. If a second test's sample is positive, the horse is banned for an additional 60 days; if not, the horse may enter and run races again.

Chapter 60-1A-14.1 NMSA 1978 establishes the racehorse testing fund to be administered by the State Racing Commission (SRC) for the handling and testing of urine and other specimens taken from racehorses pursuant to the Horse Racing Act. The legislation took effect in January 2015 and stipulated 50 percent of the parimutuel tax collected from both class A and class B racetrack licensees be transferred to the racehorse testing fund instead of the general fund. Monthly transfers to the fund in FY16 averaged \$90 thousand. Any funds beyond \$600 thousand in the testing fund revert to the general fund at the end of the fiscal year. At the end of FY16, approximately \$400 thousand remained in the testing fund.

The Horse Racing Act requires the commission to divide each specimen taken from a horse into two or more equal samples; one sample is sent to the designated testing laboratory and the second sample must be forwarded to the Scientific Laboratory Division (SLD) of the Department of Health (DOH). Beginning November 1, 2016, SLD started charging the commission \$10 per sample for storage and disposal of the samples. Current funding levels allow the commission to test three horses per race and more during special meets. The commission's ability to test more than three horses per race depends on funding levels and this year testing will be stretched due to the new fee being charged by SLD, an estimated annual cost of up to \$105 thousand.

The Horse Racing Act requires the State Racing Commission to contract with independent laboratories that meet or exceed the current national laboratory standards for testing horses, as established by the Association of Racing Commissioners International. Currently, the commission uses the University of California, Davis, for testing. Although the University of California, Davis, is regarded as a high-quality testing facility, other nationally accredited labs could also provide the service for a reduced cost.

Performance. In FY16, the agency collected a total of \$244.4 thousand in fines, but \$288 thousand in assessments were left unpaid. Fines for minor violations are easy to collect compared with fines exceeding \$10 thousand; however, the agency plans to work with the Office of the Attorney General to find alternative ways for penalty assessments on licensees that do not pay fines. The agency currently employs two investigators, one of whom is new to the agency and the industry and is going through training. The agency made a transition to incorporate stewards as investigators with hopes of meeting other performance targets missed in FY16.

Sunset. The law authorizing the State Racing Commission is due to expire on July 1, 2018, under a sunset clause. In September 2016, SRC came before a sunset subcommittee of the LFC to request extension of its sunset date, however, the committee made no recommendation for extension. The committee asks for the SRC to develop recommendations regarding its regulations of the horse racing industry and the laws, regulations and practices affecting horse racing in New Mexico.

Racetrack Licenses. The racing commission has issued five out of six potential horseracing track licenses. Tucumcari applied for the sixth license in 2007, unsuccessfully. Two years later, in 2009, the racing commission awarded the sixth license to La Mesa Park in Raton but it was nullified because the racino was not opened by the required date of May 2010; however, this was not settled until 2013, when the New Mexico Court of Appeals ruled in favor of the commission. On October 4, 2016, the Greater Tucumcari Economic Development Corp. requested expedited action on the sixth racing license. Other investors are also interested in the license, including a group with land options in Clovis.

Compliance Issues. The commission notes the resolution of appeals for positive racehorse drug tests continue to be a burden, both financially and in terms of public perception. Delays in resolution prevent other stakeholders from getting purse money within a reasonable timeframe because purses cannot be paid out until racehorse specimens return with clean results or contested test results have been resolved. Additionally, illegal horse racing continues to negatively impact the racing industry in New Mexico. The commission is seeking to coordinate with state and county law enforcement officials and task forces that conduct investigations into any illegal gambling, alcohol sales, animal abuse, and drug trafficking.

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	3%	.017%	2.5%	2.5%	0.5%
* Output	Total amount collected from parimutuel revenues, in millions	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,682	\$5,500	\$5,000	\$6,000	\$5,000
Outcome	Timely collections of penalty fees by licensee to the general fund, in number of days	30	30	30	30	30
Outcome	Number of equine tests per live race	2	3	3	3	3
Efficiency	Average number of days to bring a case to prosecution	30	30	25	25	25
Outcome	Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check	20	20	25	25	20
Efficiency	Average number of days to refer investigation cases for administrative prosecution	30	30	25	25	25
Explanatory	Horse fatalities per one thousand starts	NEW	NEW			

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.

MISSION:

The mission of the Board of Veterinary Medicine is to protect the public by promoting quality veterinary care through the 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	332.9	342.6	342.6	332.2	-3.0	
SOURCES TOTAL	332.9	342.6	342.6	332.2	-3.0	
USES						
Personal Services and Employee Benefits	175.3	180.0	180.0	179.4	-0.3	
Contractual Services	104.8	106.7	106.7	103.3	-3.2	
Other	56.5	55.9	55.9	49.5	-11.4	
TOTAL USES	336.6	342.6	342.6	332.2	-3.0	
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	

AT A GLANCE:

For FY18, the board's request is flat compared with FY17. During the last two operating budgets, agency uses exceeded sources and required a budget adjustment to have a balanced budget. The board had a fund balance of \$900.6 thousand at the end of FY16 and projects an ending fund balance of \$558 thousand in FY18. The committee recommendation fully funds personnel costs and makes a modest reduction to contractual services from the FY17 operating level.

In 2010, the Board of Veterinary Medicine unsuccessfully attempted to merge with the Animal Sheltering Board, currently under the Regulation and Licensing Department. The Board of Veterinary Medicine is scheduled for a sunset hearing in the 2017 legislative session and the Animal Sheltering Board is scheduled for a sunset hearing in the 2019 legislative session. LFC recommends the merger of these two boards to the 2016 sunset subcommittee; a proposal both boards support.

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of facility licenses issued annually	298	312	300	315	315
Output	Number of facilities inspected annually	150	133	155	155	155
Outcome	Percent of inspected facilities meeting minimum standards	99%	99%	99%	99%	99%
Outcome	Percent of inspected facilities requiring a plan of correction	1%	<1%	<1%	1%	1%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	0%	0%	<1%	0%	0%
Output	Number of registered veterinary technicians licenses issued annually	197	210	220	220	220
* Output	Number of veterinarian licenses issued annually	988	993	1,000	1,000	1,000
Outcome	Attrition rate of all licensees annually	2%	2%	3%	3%	3%
Outcome	Percent of formal complaints resolved without disciplinary action	80%	93%	93%	93%	93%
Output	Number of months to resolution of disciplinary matter	4	3	3	4	3
Outcome	Percent of complaints resolved through adjudication	1%	<1%	5%	<1%	<1%
Outcome	Percent of New Mexico-registered veterinary technicians employed in the state	91%	90%	94%	94%	94%
Outcome	Percent of New Mexico-licensed veterinarians employed in the state	61%	60%	65%	65%	65%
Output	Number of bovine artificial insemination permits issued annually	N/A	N/A	30	21	21
Output	Number of bovine pregnancy diagnosis permits issued annually	N/A	N/A	50	35	35

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	123.2	111.8	118.3	111.8	0.0
Other Revenues	3,784.1	3,701.5	3,643.2	3,643.2	-1.6
SOURCES TOTAL	3,907.3	3,813.3	3,761.5	3,755.0	-1.5
USES					
Personal Services and Employee Benefits	97.8	128.9	127.4	127.4	-1.2
Contractual Services	3,348.2	3,445.2	3,455.7	3,449.2	0.1
Other	266.6	239.2	178.4	178.4	-25.4
TOTAL USES	3,712.6	3,813.3	3,761.5	3,755.0	-1.5
FTE					
Permanent	2.9	2.9	2.2	2.2	-25.9
TOTAL FTE POSITIONS	2.9	2.9	2.2	2.2	-25.9

AT A GLANCE:

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Revenues and operating expenses over the last 10 years fluctuated considerably, depending largely on ridership. The FY18 budget request included a reduction of \$58.3 thousand in other revenues due to the agency's assumption that ticket sales will decrease. The LFC recommendation reduces the general fund budget by 5.5 percent, flat with the FY17 adjusted operating budget and reduces the other revenues to the agency's requested level of \$3.6 million.

BUDGET ISSUES:

Ticket sales over the last 10 years have been as low as \$2.7 million in FY11 and as high as \$4 million in FY15. In FY16, revenues from ticket sales fell to \$3.7 million. The agency is anticipating revenues from ticket sales to fall to \$3.6 million for FY18. The decline in revenue is the result of lower ticket costs for "trip three," which leaves Antonito. This was the poorest performing trip in recent years. The commission decided to lower fares for trip three in FY16 with hopes to increase ticket sales and revenues. However, while ridership increased, overall ridership of all train rides did not grow. The commission also reduced spending in the personal services and employee benefits category as well as the FTE count, due to reorganization and transferring of some labor costs to the operating agent rather than the commission. The LFC recommendation supports the request in the personal services and employee benefits category.

In the past several years, the agency has struggled with financial reporting and ridership tracking issues, with numbers in the operating budget and requests sent to LFC and DFA differing substantially from those sent to Colorado. The combined and consolidated revenues and expenditures chart is available in "Volume III." A new commissioner has been appointed to the commission who has been associated with the railroad since 1999. With new leadership, the committee recommends the agency continue efforts to increase transparency and accuracy of all financial statements.

Additionally, the commission operates outside of SHARE, state government's finance and human resource computer system, and LFC recommends the agency move over its financial accounts to SHARE for FY18 to improve oversight and accountability. DFA and LFC staffs currently have limited ability to verify the reported financial condition.

The primary use of funding provided to the commission from New Mexico and Colorado is for infrastructure. The commission has \$958 thousand remaining in capital outlay funds, which the agency will use for locomotive and boiler upgrades, as well as a water tank supply system, sand house repair, and a visitor gateway center. The agency requested \$1.1 million in capital funds for FY18.

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>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Total number of passengers	30,127	38,743	37,000	38,600	38,700
Output	Revenue generated from ticket sales, in millions	\$3.5	\$3.5	\$3.6	\$4.1	\$4.1

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 membership consists of a director appointed by the Executive.

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	199.3	181.9	194.7	181.9	0.0	
SOURCES TOTAL	199.3	181.9	194.7	181.9	0.0	
USES						
Personal Services and Employee Benefits	112.7	108.0	110.7	110.7	2.5	
Contractual Services	57.6	59.8	70.4	57.6	-3.7	
Other	17.7	14.1	13.6	13.6	-3.5	
TOTAL USES	188.0	181.9	194.7	181.9	0.0	
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	

AT A GLANCE:

The Office of Military Base Planning and Support (OMBPS) general fund request for FY18 is 2.3 percent above the FY17 operating budget. The LFC recommendation holds the operating budget flat with the FY17 budget, adjusted for special legislative cuts.

BUDGET ISSUES:

Like OMBPS, the Military Base Planning Commission is administratively attached to the Economic Development Department (EDD). The Legislature extended the sunset dates to July 2022 for OMBPS and the commission during the 2015 regular legislative session.

During 2016, the U.S. Department of Defense (DOD) proposed a round of base realignments and closures (BRAC) due to excess infrastructure and requested the timeline begin in 2017. However, Congress has not yet supported the BRAC request, which could further delay the start date, likely until 2019 or later. In anticipation of a future BRAC round, OMBPS is addressing military value issues in federal legislation proposed by DOD, including the current and future mission capabilities of New Mexico's military installations. This work includes comparing the cost of operations at New Mexico's installations with those at other installations in the Southwest, reviewing the availability and condition of land and facilities, and determining the ability to meet potential new DOD force requirements.

The agency has nearly \$800 thousand remaining from a capital outlay appropriation in 2006, reauthorized in 2010, 2014, and extended again until 2018. The first option, for use of the appropriation is to assist the Air Force in the planned reconstruction of an entry gate at Cannon Air Force Base. The gate, referred to as the "Portales gate," will be built to alleviate congestion, safety, and security concerns on a short country road used by commercial traffic to access the base. Option two is purchasing additional land around the perimeter of Cannon as it becomes available. This land may be used to enhance security or to expand the base to add housing units as the base population grows. The final option is for severance tax bond funds to contribute to the Readiness and Environmental Protection Integration program to purchase restrictive easements to protect Melrose Air Force Range from incompatible development.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of military units impacted by the activities of the commission and the office	10	10	10	10	10
Outcome	Number of community support organizations that have benefited from the activities of the commission and the office	8	10	10	10	10
Output	Number of communities assisted by the office of military base planning and support	8	10	8	10	10

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Sections 58-31-1 through 58-31-7 NMSA 1978.

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)		FY18 – 2017-2018		Percent Incr (Decr)
	FY16 2015-2016 Actuals	FY17 2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	459.7	419.6	444.0	0.0	-100.0
Other Revenues	3,380.0	4,086.1	5,466.6	5,466.6	33.8
Fund Balance	426.8	0.0	0.0	0.0	
SOURCES TOTAL	4,266.5	4,505.7	5,910.6	5,466.6	21.3
USES					
Personal Services and Employee Benefits	1,120.8	1,523.4	1,814.0	1,814.0	19.1
Contractual Services	1,539.5	1,401.6	2,353.8	1,909.8	36.3
Other	1,606.2	1,580.7	1,742.8	1,742.8	10.3
TOTAL USES	4,266.5	4,505.7	5,910.6	5,466.6	21.3
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	9.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	18.0	20.0	20.0	20.0	0.0

AT A GLANCE:

Virgin Galactic, spaceport's anchor tenant, is slated to begin operations in the Virgin Galactic terminal hangar facility. The company originally planned for commercial launches to begin as early as 2010, but Virgin Galactic suffered numerous setbacks and delays, including a catastrophic mishap in October 2014. Today the spaceport has contracts with 27 New Mexico companies in nine counties. New Mexico Spaceport Authority (NMSA) has 20 full-time staff working on-site and Virgin Galactic has 20 staff, with an additional 70 Virgin Galactic employees to be added once commercial flights begin.

The Spaceport Authority requested a flat general fund budget for FY18, with an increase of \$1.3 million in other revenues. The request holds the FTE level flat with the FY17 operating budget. LFC recommends a \$444 thousand, or 100 percent, reduction in general fund appropriations in the contracts category but increases other revenues resulting in an overall increase of 20 percent. The agency should be self-sustaining with such a large increase in other funds beginning in FY18.

BUDGET ISSUES:

Virgin Galactic's midair accident in 2014 substantially impacted the Spaceport. The company's first commercial flight is expected sometime in FY18, with no date set yet. The Virgin Galactic lease is currently \$1 million and will rise to \$3 million in FY18, regardless whether launches start. With an expected commercial launch in FY18, Spaceport didn't request additional general fund appropriations but increased other revenues. Contracts will increase for FY18 due to Federal Aviation Administration environmental studies that used to be expensed through capital outlay as part of building expenses. However, now that construction is complete, the environmental studies will become a contractual cost in the operating budget.

Visitors and Tenants. The key to reducing or eliminating any potential shortfall and achieving long-term financial stability as an enterprise agency is increasing the number of visitors to, and tenants at, the spaceport. A study performed by a Spaceport contractor estimated annual visitation could reach 200 thousand people once Virgin Galactic begins its commercial launches. In addition to space flight, Spaceport America launched five signature events, including an open house, a drone event, a foot race, an auto time trial, and a college rocket competition, all with the intent to attract more visitors. The agency reports visitor levels reached 13.8 thousand in FY16, a substantial increase from 3,000 visitors in FY15. Spaceport America's primary tenants include Virgin Galactic, SpaceX, Up Aerospace, and EXOS Aerospace.

Firefighter and Security Costs. A significant portion of NMSA's expenses come from a contract with Fiore industries to provide emergency and security services. Initially, this contract providing security guards and firefighters cost \$500 thousand per year. However, for FY18 the agency is requesting \$2.1 million for four firefighters on site at all times as well as safety and medical support. However, this level of emergency responder staff is not required by the State Fire Marshal's office. LFC recommends reducing this contract by \$444 thousand.

Capital Outlay. The Legislature appropriated a total of \$142.2 million in capital outlay funding to the Spaceport Authority for planning, design, and construction of Spaceport America and related infrastructure, with bond proceeds from an incremental gross receipts tax imposed by Sierra and Dona Ana counties brings the total cost rises to \$218 million.

Phase one of construction is complete, with the basic spaceport infrastructure (electricity, water, waste water system, and communication), spaceway, operations center, terminal and hangar, and vertical launch pads. Phase two construction projects include the improvement of a 24-mile southern access road to the spaceport from Exit 32 on Interstate highway 25. Phase three would require additional capital outlay of \$150 thousand to extend utilities to Spaceport America North Campus. The north campus is designed for future costumers to fund their own space and buildings.

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

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Output	Number of customers and tenants	NEW	9	7	9	9
Output	Number of events held	NEW	17	10	17	17
Output	Number of visitors to spaceport	3,000	13,805	35,000	20,000	25,000
Outcome	Annual number of jobs due to New Mexico spaceport authority efforts	122	518	150	600	600

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 94A-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 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 18-8-1 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 1978 (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA 1978 (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA 1978 (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)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	30,504.3		27,840.2		29,010.5	27,840.2	0.0
Other Transfers	7.8		125.0		125.0	125.0	0.0
Federal Revenues	3,143.4		3,130.0		3,252.7	3,252.7	3.9
Other Revenues	6,139.6		6,542.5		6,300.5	6,300.5	-3.7
Fund Balance	859.2		250.0		1,650.0	771.1	208.4
SOURCES TOTAL	40,654.3		37,887.7		40,338.7	38,289.5	1.1
USES							
Personal Services and Employee Benefits	27,759.7		26,668.9		28,900.3	27,734.8	4.0
Contractual Services	3,607.3		2,859.5		2,721.1	2,460.9	-13.9
Other	8,534.9		8,359.3		8,717.3	8,093.8	-3.2
TOTAL USES	39,901.9		37,887.7		40,338.7	38,289.5	1.1
FTE							
Permanent	417.8		418.3		413.3	393.3	-6.0
Term	91.0		91.0		95.3	96.0	5.5
TOTAL FTE POSITIONS	508.8		509.3		508.5	489.3	-3.9

AT A GLANCE:

The Department of Cultural Affairs has struggled with personnel costs and laid off employees but then also hired additional employees, resulting in spending even more money. It anticipates shortfalls in personnel in FY17 and FY18 and sought a substantial increase, both overall and in general fund revenue. The committee recommends a flat budget and encourages the agency to focus on generating additional revenue and cutting costs.

BUDGET ISSUES:

The Cultural Affairs Department (DCA) submitted a budget request for FY18 that provided an overall budget increase compared to the FY17 adjusted operating budget. The FY18 budget request is \$40.3 million, an increase of \$2.5 million, or 6.5 percent, compared with the FY17 adjusted operating budget. The general fund request is \$29 million, an increase of \$1.2 million, or 4.2 percent, compared with the FY17 adjusted operating budget. Federal funds increased by \$122 thousand in the FY18 request.

The agency's request includes the use of \$1.6 million in fund balance to help cover a projected shortfall in the personal services and employee benefits category. The agency is currently operating with 101 vacancies, and anticipates a shortfall in personal services and employee benefits in FY17 as well as FY18. In July 2016, DCA estimated a \$2 million deficit and looked for cost savings in the personal services and employee benefits category. In July 2016, the State Personnel Office approved a Department of Cultural Affairs reduction in force (RIF) plan to lay off 11 employees: three in Program Support and eight in Museum and Historic Sites, including six managers of historic sites. The RIF went in to effect on August 13, 2016, and reduced the FY17 operating budget by \$627 thousand. The department also hired 13 critical positions soon after the RIF at an estimated cost of \$700 thousand according to the agency.

The fund balances were accrued during the years before the economic downturn when general fund appropriations to DCA were nonreverting, allowing the agency to accumulate unexpended balances. During the downturn, fund balance revenues were used to support agency operations, replacing a portion of general fund appropriations. The LFC recommendation supports the use of \$771 thousand in fund balance to help mitigate current shortfalls in the agency's operating budget but acknowledges the 2016 special legislative session 5.5 percent reduction to the FY17 operating budget will effect current expense levels, primarily in personnel costs. In FY17 the contractual services were reduced by \$755 thousand due to the Cultural Affairs Department no longer receiving funding for the New Mexico Coalition for literacy.

The LFC recommendation includes a total appropriation of \$38.3 million, including \$27.8 million of general fund revenues, flat with the FY17 adjusted operating budget. The LFC recommendation also includes \$125 thousand in other transfers, \$3.2 million in federal revenue, and \$6.3 million in other revenues. The recommendation includes \$27.7 million for personal services and employee benefits and reduces the unfunded vacant positions by 20 in the Museums and Historic Sites program but provides sufficient funding to fill 20 vacant positions. The LFC recommendation also uses \$771 thousand in fund balance to cover a current shortfall in filled positions within the Museum and Historic Sites Program.

The LFC recommendation encourages the Cultural Affairs Department to continue its efforts in reducing expenditures and increasing revenue. The committee recommends DCA take a hard look at virtually every option available, including an immediate hiring freeze, closing museums one to two days a week, sharing staff among museums and historic sites (which will lessen the need to furlough), seeking additional federal funding, and selling or transitioning low-revenue historic sites to local entities. DCA has stated it is currently researching closing El Camino Real Historic Trail Site south of Socorro, and is in discussions to have friends of Fort Stanton take over the site. DCA will close four Santa Fe museums one day a week during winter, has increased ticket prices for children, seniors and adults at the New Mexico Museum of Natural History and Science in Albuquerque by \$1, and is closing the New Mexico Museum of Natural History and Science on Tuesdays. The ticket price increase is projected to yield \$422 thousand in additional revenue for FY17.

The department should also focus on cost controls and create alternative use plans for properties that receive little visitation. For example, DCA could pare back schedules for historic sites more substantially, such as limiting attendance to weekends. In addition, the agency should collaborate with the Tourism Department to advertise under the "New Mexico True" brand to leverage this successful marketing campaign rather than advertising on its own, lowering the agency's advertising expense.

Museums and Historic Sites. The Museum of New Mexico Foundation supports the museums and historic sites through fund development for exhibitions, education programs, financial management, and advocacy. The foundation provided \$3.2 million in financial assistance in FY14, \$3 million in FY15, and \$3 million in FY16. The committee recommends the agency seek additional funding from the Museum of New Mexico Foundation.

Museum visitation declined in FY15 by nearly 21 thousand visitors, or about 2.8 percent but increased in FY16 by 5.8 percent. However, the agency notes it changed the way they report admission of some visitor types. DCA needs to invest in refreshed and more popular exhibits. Without changing exhibits and efficient marketing to make people aware of them, visitor levels are not likely to increase significantly, placing a ceiling on revenues generated by the facilities.

DCA's Los Luceros historic property is underused, and the agency has been in negotiations with New Mexico State University (NMSU) for the past several years to transfer all or a majority of the property to the university. The property would be managed by staff at NMSU's existing Alcalde Sustainable Agriculture Science Center. NMSU would initially lease the property to commercial growers and develop a formal plan to create an agricultural research and incubator program to teach beginning farmers. The university reports the key barriers for these farmers are access to land, equipment, and training. In FY16, NMSU's Agricultural Experiment Station had the authority to transfer \$200 thousand to DCA for the Los Luceros property. However, these funds were not expensed by DCA and the funds reverted after FY16. LFC encourages DCA to work with NMSU to complete the transfer of the property to make better use of this state asset or consider other interests in the property that have been expressed within the last year, including lease proposals from the Los Luceros Milagro Initiative.

The Los Luceros Milagro Initiative has offered to lease the Los Luceros property. The Los Luceros Milagro Initiative is an organization for creative training in film, the arts, and sustainable futures, in creative liaison with Robert Redford and Milagro at Los Luceros. The draft lease details a 12-month agreement for \$75 thousand to cover all costs associated with the state's employment of the resident property manager. Los Luceros Milagro Initiative wishes to increase the public use of Los Luceros, in coordination with the programs operated by DCA, and is willing to negotiate shared revenue with the state. The department has had the lease since August 2016 and has not moved forward with any action.

Capital Outlay. DCA owns 191 buildings across the state, including properties associated with eight museums and eight historic sites, and has no facility master plan or structured method to prioritize funding. Capital outlay appropriations are often used for emergency repairs, but many facilities continue to suffer from a lack of maintenance, including water damage from storms, and heating and air conditioning systems that are failing or function poorly and negatively impact the visitor experience. In some instances, structures of historic and cultural significance are structurally unsound or collapsing due to a lack of funding for repairs. In FY17 DCA requested \$21.6 million and received \$2 million of capital outlay appropriations.

By statute, agencies receiving non-infrastructure capital outlay funding are required to spend 1 percent of the funding on public art. The Art in Public Places (AIPP) program at DCA manages this activity. During the 2016 special legislative session, AIPP fund balances not spent, dating back to 2008, amounting to \$2.5 million were to be swept to the general fund. However, only \$700 thousand was available for transfer. The committee recommends the department request use of the remaining \$1.8 million for capital expenditures in the operating budget.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the preservation program of the cultural affairs department include one million dollars (\$1,000,000) from the department of transportation for archaeological studies as needed for highway projects.

MUSEUMS AND HISTORIC SITES

The purpose of the museums and historic sites 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	20,276.4	18,712.3	19,601.4	18,712.3	0.0	
Other Transfers	7.8	125.0	125.0	125.0	0.0	
Federal Revenues	81.4	92.5	91.8	91.8	-0.8	
Other Revenues	4,184.3	3,937.1	4,273.1	4,273.1	8.5	
Fund Balance	468.8	0.0	1,650.0	771.1		
SOURCES TOTAL	25,018.7	22,866.9	25,741.3	23,973.3	4.8	
USES						
Personal Services and Employee Benefits	17,986.5	16,487.7	19,111.0	17,986.5	9.1	
Contractual Services	1,029.4	908.2	966.1	908.2	0.0	
Other	5,296.7	5,471.0	5,664.2	5,078.6	-7.2	
TOTAL USES	24,312.6	22,866.9	25,741.3	23,973.3	4.8	
FTE						
Permanent	298.3	298.3	296.3	276.3	-7.4	
Term	39.5	39.5	44.5	44.5	12.7	
TOTAL FTE POSITIONS	337.8	337.8	340.8	320.8	-5.0	

PERFORMANCE MEASURES

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Full-time equivalency of volunteer hours	NEW	NEW			
Explanatory	Dollars contributed by or administered by private sector foundations to department education programs and exhibitions	NEW	NEW			
Outcome	Number of people served through programs and services offered by museums and historic sites	NEW	NEW	NEW	1,200,000	1,200,000
Outcome	Number of children reached through museum and historic sites programs	NEW	NEW	NEW	145,514	145,514
Outcome	Earned revenue, including admissions, rentals and other revenue	NEW	NEW	NEW	\$4,273,100	\$4,273,100
Outcome	Ticketed attendance to museum and historic site exhibitions, performances, and other presenting programs	NEW	NEW	NEW	800,000	800,000

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	684.6	621.1	657.2	621.1	0.0
Federal Revenues	1,033.1	1,062.5	1,084.5	1,084.5	2.1
Other Revenues	1,866.0	2,525.0	1,952.0	1,952.0	-22.7
Fund Balance	54.0	0.0	0.0	0.0	
SOURCES TOTAL	3,637.7	4,208.6	3,693.7	3,657.6	-13.1
USES					
Personal Services and Employee Benefits	2,977.9	3,313.9	2,939.7	2,939.7	-11.3
Contractual Services	88.2	419.7	224.0	187.9	-55.2
Other	571.6	475.0	530.0	530.0	11.6
TOTAL USES	3,637.7	4,208.6	3,693.7	3,657.6	-13.1
FTE					
Permanent	23.0	23.0	23.0	23.0	0.0
Term	34.0	34.0	33.3	34.0	0.0
TOTAL FTE POSITIONS	57.0	57.0	56.3	57.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of people participating in services provided through the preservation program	NEW	NEW	NEW	23,500	23,500
Explanatory	Number of historic structures preservation projects completed annually using preservation tax credits	32	39			
Explanatory	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$8.6	\$1.2			
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	90%	95%	90%	95%	95%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,160.9	3,271.0	3,311.4	3,271.0	0.0
Federal Revenues	1,383.1	1,368.5	1,459.7	1,459.7	6.7
Other Revenues	47.0	47.0	42.0	42.0	-10.6
SOURCES TOTAL	5,591.0	4,686.5	4,813.1	4,772.7	1.8
USES					
Personal Services and Employee Benefits	2,463.5	2,546.8	2,572.4	2,572.4	1.0
Contractual Services	980.9	147.0	158.4	138.4	-5.9
Other	2,138.7	1,992.7	2,082.3	2,061.9	3.5
TOTAL USES	5,583.1	4,686.5	4,813.1	4,772.7	1.8

BUDGET SUMMARY
(dollars in thousands)

FTE		FY18 - 2017-2018					Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
	Permanent	33.5	33.5	33.5	33.5	0.0	
	Term	14.5	14.5	14.5	14.5	0.0	
	TOTAL FTE POSITIONS	48.0	48.0	48.0	48.0	0.0	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Explanatory	Annual number of visits to New Mexico public and tribal libraries	NEW	NEW			
Explanatory	Percent of grant funds from recurring appropriations distributed to communities of less than twenty thousand people	NEW	81%			
Output	Number of library transactions through direct services provided by the New Mexico state library	NEW	NEW	NEW	95,000	95,000
Output	Number of library transactions using electronic resources funded by the New Mexico state library	NEW	NEW	NEW	500,000	500,000
Explanatory	Number of children participating in statewide summer reading programs at public and tribal libraries	NEW	NEW			

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)

SOURCES		FY18 - 2017-2018					Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
	General Fund Transfers	1,422.9	1,315.3	1,391.8	1,315.3	0.0	
	Federal Revenues	645.8	606.5	616.7	616.7	1.7	
	SOURCES TOTAL	2,068.7	1,921.8	2,008.5	1,932.0	0.5	
USES							
	Personal Services and Employee Benefits	849.4	829.8	891.0	850.0	2.4	
	Contractual Services	1,039.2	953.1	961.1	943.1	-1.0	
	Other	180.0	138.9	156.4	138.9	0.0	
	TOTAL USES	2,068.6	1,921.8	2,008.5	1,932.0	0.5	
FTE							
	Permanent	11.0	11.5	11.5	11.5	0.0	
	Term	3.0	3.0	3.0	3.0	0.0	
	TOTAL FTE POSITIONS	14.0	14.5	14.5	14.5	0.0	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	35%	35%	35%	35%	35%
Explanatory	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,331,044	1,130,559			
Output	Number of people provided direct services through New Mexico arts programs	NEW	NEW	NEW	12,000	12,000
Explanatory	Number of children reached through New Mexico arts programs and grants	NEW	NEW			

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)						
<u>FY18 - 2017-2018</u>						
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	3,959.5	3,920.5	4,048.7	3,920.5	0.0	
Other Revenues	42.3	33.4	33.4	33.4	0.0	
Fund Balance	336.4	250.0	0.0	0.0	-100.0	
SOURCES TOTAL	4,338.2	4,203.9	4,082.1	3,953.9	-5.9	
USES						
Personal Services and Employee Benefits	3,482.4	3,490.7	3,386.2	3,386.2	-3.0	
Contractual Services	469.6	431.5	411.5	283.3	-34.3	
Other	347.9	281.7	284.4	284.4	1.0	
TOTAL USES	4,299.9	4,203.9	4,082.1	3,953.9	-5.9	
FTE						
Permanent	52.0	52.0	49.0	49.0	-5.8	
TOTAL FTE POSITIONS	52.0	52.0	49.0	49.0	-5.8	

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Output	Number of material weakness audit findings in the last available financial statement audit	1	0	0	0	0
Output	Number of significant deficiency audit findings in the last available financial statement audit	1	0	0	0	0

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 related 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)				
	FY16 2015-2016	FY17 2016-2017	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES					
General Fund Transfers	1,387.4	853.7	903.4	700.0	-18.0
Federal Revenues	55.9	0.0	0.0	0.0	
Other Revenues	4,827.2	4,213.6	4,132.6	4,132.6	-1.9
Fund Balance	0.0	1,055.4	1,136.4	1,339.8	26.9
SOURCES TOTAL	6,270.5	6,122.7	6,172.4	6,172.4	0.8
USES					
Personal Services and Employee Benefits	3,955.9	4,495.5	4,495.5	4,495.5	0.0
Contractual Services	224.4	233.4	283.1	283.1	21.3
Other	1,436.9	1,393.8	1,393.8	1,393.8	0.0
TOTAL USES	5,617.2	6,122.7	6,172.4	6,172.4	0.8
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

AT A GLANCE:

The New Mexico Livestock Board's (NMLB) FY18 appropriation request was flat with the FY17 appropriation before solvency reductions. The recommendation fully funds the request, but with a slightly different revenue structure.

BUDGET ISSUES:

The two major drivers of the board's revenue, mill levy and inspection fees, are impacted by weather and market conditions. According to the U.S. Drought Monitor, drought conditions in New Mexico continue to lessen with only 4 percent of the state still in moderate drought as of October 2016. However, the forecast is for increased drought through January 2017. According to the U.S. Department of Agriculture, the state's inventory of cattle and calves increased by 50 thousand head, or 4 percent, in 2015 but lower prices resulted in a reduced total statewide sales value and a 9 percent decline in the sale price per head from 2014. Despite the drought easing, harsh winter storms in late 2015 and early 2016 took a toll on cattle in New Mexico and, according to New Mexico State University's extension service, the state lost an estimated 20 thousand cows.

Every year, the minimum value of livestock for property taxation purposes is reassessed by the Taxation and Revenue Department depending on multiple factors, including prior-year sales prices and other market conditions. In tax year 2016, the minimum taxable value of livestock increased, resulting in reduced rates for the mill levy, known as yield control, on livestock for the second consecutive year. However, valuations are set in January and the cattle market has declined throughout 2016 as large supplies pushed prices down.

Medium-frame feeder steers, those sold to feedlots, averaged \$134 per 100 pounds in September 2016, down 7 percent from the prior month and the lowest level since September 2011. According to NMLB, prices will remain weak in the near-term given the increased supply. Prices for fed cattle, those leaving feedlots, have also trended lower. The U.S. Department of Agriculture's five-area fed steer price declined throughout the third quarter of 2016, falling to just below \$106 in September 2016, the lowest since January 2011. NMLB also anticipates downward pressure on fed cattle prices to continue into calendar year 2017.

Despite the uncertainty regarding future revenues, the board had a fund balance of \$3.6 million at the end of FY16, and the committee projects a balance of \$3.9 million at the end of FY18, including a \$500 thousand transfer to the general fund due to actions in the 2016 special legislative session. NMLB realized greater-than-budgeted other revenues in FY16 of \$600 thousand, allowing its fund balance to continue to grow. The fund balance doubled from the end of FY12 to the end of FY16.

According to NMLB, enforcement of quarantines and disposition of animals deemed estrays could have a large impact on operations and fund balance. The agency estimates emergency expenditures could exceed \$1 million in the event of a mass seizure or contagious disease outbreak. However, NMLB could receive emergency funding and avoid using fund balance under existing statute that provides for provisional appropriations following an executive emergency declaration.

Increasing use of the agency's growing fund balance, the LFC recommendation fully funds the request but with reduced general fund revenue. First, the recommendation reduces general fund revenue by \$49.7 thousand, or 5.5 percent, to align with the 2016 special legislative session solvency measures. Second, the recommendation reduces general fund revenues by an additional \$153.7 thousand for a total reduction of \$203.4 thousand, or 22.5 percent.

The agency request and LFC recommendation include \$250 thousand to purchase and equip inspector vehicles. The board plans to purchase 10 new trucks each year and currently maintains 144 vehicles. The agency recently sold 10 vehicles at auction for a total of \$34.5 thousand and currently has 10 vehicles with mileage over 120 thousand miles. The new vehicles are equipped with improved technology, including onboard computers, that increases staff productivity in the field.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Average percent of investigation findings completed within one month	55%	89%	75%	75%	75%
* Output	Number of road stops per month	84	58	85	85	85
* Outcome	Number of disease cases per one thousand head inspected	0.05	0.19	0.1	0.1	0.1
Output	Number of on-site verifications of animal health, disease control and movement	35,502	35,316	38,000	38,000	38,000
* Outcome	Number of stolen or missing livestock recovered	NEW	NEW	NEW	23	23

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 oversee 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. The agency is administratively attached to the Energy, Minerals and Natural Resources 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)					
	FY16	FY17	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	13,496.7	13,416.9	14,058.6	14,058.6	4.8
Other Revenues	28,316.4	25,262.9	24,997.0	24,860.5	-1.6
Fund Balance	0.0	1,675.1	1,875.8	1,467.3	-12.4
SOURCES TOTAL	41,813.1	40,354.9	40,931.4	40,386.4	0.1
USES					
Personal Services and Employee Benefits	20,895.7	21,172.4	22,162.4	22,078.9	4.3
Contractual Services	3,725.2	4,283.2	4,283.2	4,208.2	-1.8
Other	15,128.9	13,717.0	13,803.5	13,417.0	-2.2
Other Financing Uses	1,182.3	1,182.3	682.3	682.3	-42.3
TOTAL USES	40,932.1	40,354.9	40,931.4	40,386.4	0.1
FTE					
Permanent	296.0	304.0	304.0	304.0	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	317.0	317.0	317.0	0.0

AT A GLANCE:

The Department of Game and Fish requested a slight increase over the FY17 operating budget. After a multi-year effort to spend down fund balances and reduce vacancies, DGF now has a 9 percent vacancy rate and requested additional federal funds, which will help to further increase staffing levels in FY18.

For FY18, the committee recommends a smaller increase than requested. The recommendation applies a slightly higher budgeted vacancy rate and holds certain items in the contractual services and other categories to FY16 expenditure levels.

BUDGET ISSUES:

Overall, DGF requested a \$576 thousand, or 1.4 percent, increase over FY17 appropriations driven by a \$641 thousand increase in federal funds. The request increased personnel funding by \$990 thousand, slightly increased other costs, and reduced transfers to the Energy, Minerals and Natural Resources Department (EMNRD) in the other financing uses category by \$500 thousand due to insufficient balances in the trail safety fund.

However, early in FY17, DGF submitted multiple budget adjustment requests, approved by the Department of Finance and Administration and the Legislative Finance Committee, to increase the operating budget by \$1.2 million to support increased staffing levels. These increases were supported by a combination of higher federal revenues, included in the FY18 request, and use of additional fund balance. When including these adjustments to the FY17 operating budget, the agency's FY18 request represents a reduction of \$618 thousand, or 1.5 percent.

The LFC recommendation provides an increase of \$31.5 thousand, or 0.1 percent, primarily due to increased federal revenues. Like the agency's request, the recommendation applies this increase to the personal services and employee benefits category. Further, the recommendation reduces the contractual services category by \$75 thousand and the other category by \$300 thousand from the FY17 operating budget. The recommendation reflects the requested reduction in the other financing uses category to be transferred to EMNRD for the State Parks Division (SPD), and includes \$182 thousand to transfer to the Interstate Stream Commission (ISC) for dam operations at Eagle Nest and Ute lakes.

The LFC recommendation assumes EMNRD will absorb the reduced transfer amount through a combination of increased use of its own fund balances and reduced funding for personnel. Compared with FY16 actual expenditures, DGF requested a slight decrease and SPD requested a significant increase for FY18, indicating SPD can withstand the reduced transfer revenue. In addition to extensive partnerships with state agencies -- including the State Land Office, Department of Public Safety, SPD, and ISC -- DGF and EMNRD's State Forestry Division recently agreed to use the game protection fund to support capital projects for forest thinning and restoration as it relates to improving wildlife habitat.

Compared with FY16 expenditures, both the request and the recommendation show significant reductions from other revenues and in the other category. In FY16, the agency realized slightly more other revenue than was budgeted or necessary to cover expenses and avoided using fund balances. However, the primary cause of the difference between FY16 actual figures and the FY18 request is the misclassification of an FY16 budget adjustment request for capital improvements, incorrectly reflected in FY16 operating budget figures.

Within the personal services and employee benefits category, the LFC recommendation provides funding to allow DGF to fill 2 unfunded FTE in the Field Operations Program and matches the agency's request in the Conservation Services Program, Depredation and Nuisance Abatement Program and Program Support. The LFC recommendation applies a 7.2 percent vacancy rate, compared with the 9.3 percent vacancy rate as of September 2016 and the requested FY18 budgeted rate of 6.8 percent.

The nonreverting game protection fund serves as the department's operating fund 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. Nearly all DGF funds are restricted under the Code of Federal Regulation and use of these fees for purposes outside of those allowed by federal rules is known as "diversion." A diversion finding by the federal government can result in a state wildlife agency being ineligible for benefits under federal hunting and fishing laws and a state can be required to repay the diverted amount before becoming eligible again.

Revenue to the game protection fund is inconsistent throughout the fiscal year, and the fund must begin a fiscal year with a \$12 million balance to allow the agency to cover expenses before it receives federal reimbursements. The fund ended FY16 with a balance of \$37.3 million and the department projects fund revenue will reach \$37 million in FY18. In addition to the game protection fund, the agency manages 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 fund balance of all DGF funds at the end of FY16 was \$51.5 million.

At the end of the first quarter of FY17, DGF had \$22.1 million in unspent capital appropriations from fund balances, including \$4.3 million from 2013 and 2014 appropriations, \$6.5 million from 2015, and \$11.4 million from 2016. The agency's FY18 capital outlay request totals \$11 million and includes \$2 million for San Juan River restoration, \$1 million to improve and construct shooting ranges, \$4 million for habitat improvement and prevention of wildfires, and \$3.6 million for hatchery renovations and improvements.

RECOMMENDED LANGUAGE:

The other state funds appropriation in the other financing uses category of the conservation services program of the department of game and fish includes five hundred thousand dollars (\$500,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties for the state parks program of the energy, minerals and natural resources department.

The other state funds appropriation in the other financing uses category of the conservation services program of the department of game and fish includes one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations and eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations for the interstate stream compact compliance and water development program of the state engineer. Any unexpended balances remaining at the end of fiscal year 2018 from this appropriation shall revert to the game protection fund.

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)					
<u>FY18 - 2017-2018</u>					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	248.7	212.4	312.4	312.4	47.1
Other Revenues	7,914.8	8,522.6	8,522.6	8,522.6	0.0
Fund Balance	0.0	287.3	787.3	378.8	31.8
SOURCES TOTAL	8,163.5	9,022.3	9,622.3	9,213.8	2.1
USES					
Personal Services and Employee Benefits	6,501.8	6,863.9	7,463.9	7,380.4	7.5
Contractual Services	27.9	128.7	128.7	53.7	-58.3
Other	1,411.8	2,029.7	2,029.7	1,779.7	-12.3
TOTAL USES	7,941.5	9,022.3	9,622.3	9,213.8	2.1
FTE					
Permanent	96.0	102.0	102.0	102.0	0.0
TOTAL FTE POSITIONS	96.0	102.0	102.0	102.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of conservation officer hours spent in the field checking for compliance	40,417	51,595	45,000	48,000	52,000
* Output	Number of hunter and conservation education programs delivered by field staff	639	681	700	700	700
Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators	256	222	300	300	300

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>FY18 - 2017-2018</u>					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	13,015.0	12,998.3	13,540.0	13,540.0	4.2
Other Revenues	11,969.1	8,764.2	8,349.8	8,349.8	-4.7
Fund Balance	0.0	1,000.0	872.7	872.7	-12.7
SOURCES TOTAL	24,984.1	22,762.5	22,762.5	22,762.5	0.0
USES					
Personal Services and Employee Benefits	10,084.5	9,886.6	10,436.6	10,436.6	5.6
Contractual Services	3,067.9	3,582.8	3,582.8	3,582.8	0.0
Other	10,145.1	8,110.8	8,060.8	8,060.8	-0.6
Other Financing Uses	1,182.3	1,182.3	682.3	682.3	-42.3
TOTAL USES	24,479.8	22,762.5	22,762.5	22,762.5	0.0
FTE					
Permanent	144.0	144.0	144.0	144.0	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	157.0	157.0	157.0	157.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Number of elk licenses offered on an annual basis in New Mexico	NEW	NEW	NEW	33,000	33,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	84%	84%	84%	84%	84%
* Output	Annual output of fish from the department's hatchery system, in pounds	637,200	638,594	640,000	640,000	640,000
Output	Percent of New Mexico youth participation annually through education and outreach programs	NEW	NEW	NEW	5%	5%
Outcome	Percent of anglers satisfied with opportunity and success	90%	92%	88%	88%	90%
Output	Acres of accessible sportsperson opportunity through the open gate program	126,169	209,974	130,000	130,000	200,000
Output	Percent of state threatened, endangered species, or candidate species studied and conserved through the state wildlife action plan and other state programs.	N/A	N/A	10%	10%	10%
Explanatory	Percent of noncompliance with wildlife laws	NEW	NEW			

WILDLIFE DEPREDATION 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	18.1	0.0	0.0	0.0	
Other Revenues	973.1	686.9	823.4	686.9	0.0
Fund Balance	0.0	215.8	215.8	215.8	0.0
SOURCES TOTAL	991.2	902.7	1,039.2	902.7	0.0
USES					
Personal Services and Employee Benefits	287.6	288.1	288.1	288.1	0.0
Contractual Services	76.8	125.7	125.7	125.7	0.0
Other	575.4	488.9	625.4	488.9	0.0
TOTAL USES	939.8	902.7	1,039.2	902.7	0.0
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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	95%	97%	96%	96%	96%
Output	Number of educational publications viewed or distributed with a message about minimizing potentially dangerous encounters with wildlife	650,000	640,102	625,000	625,000	650,000
Outcome	Percent of wildlife complaints responded to	N/A	N/A	95%	95%	95%

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)					
FY18 - 2017-2018					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	214.9	206.2	206.2	206.2	0.0
Other Revenues	7,459.4	7,289.2	7,301.2	7,301.2	0.2
Fund Balance	0.0	172.0	0.0	0.0	-100.0
SOURCES TOTAL	7,674.3	7,667.4	7,507.4	7,507.4	-2.1
USES					
Personal Services and Employee Benefits	4,021.8	4,133.8	3,973.8	3,973.8	-3.9
Contractual Services	552.6	446.0	446.0	446.0	0.0
Other	2,996.6	3,087.6	3,087.6	3,087.6	0.0
TOTAL USES	7,571.0	7,667.4	7,507.4	7,507.4	-2.1
FTE					
Permanent	52.0	54.0	54.0	54.0	0.0
TOTAL FTE POSITIONS	52.0	54.0	54.0	54.0	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	20	20	20	20	20
Outcome	Average departmentwide vacancy rate for the fiscal year	N/A	10%	13%	13%	8%

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 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	19,868.5	18,133.3	18,202.7	17,341.7	-4.4
Other Transfers	3,919.0	4,608.3	3,934.7	3,434.7	-25.5
Federal Revenues	19,248.5	24,624.9	23,200.3	23,200.3	-5.8
Other Revenues	14,522.3	13,290.3	13,665.8	13,665.8	2.8
Fund Balance	2,264.9	8,402.3	10,292.4	10,292.4	22.5
SOURCES TOTAL	59,823.2	69,059.1	69,295.9	67,934.9	-1.6
USES					
Personal Services and Employee Benefits	31,161.9	30,732.5	31,514.3	30,910.6	0.6
Contractual Services	5,414.6	11,480.9	9,761.7	9,745.9	-15.1
Other	19,286.5	25,809.3	26,948.3	26,206.8	1.5
Other Financing Uses	2,664.0	1,036.4	1,071.6	1,071.6	3.4
TOTAL USES	58,527.0	69,059.1	69,295.9	67,934.9	-1.6
FTE					
Permanent	393.0	393.0	381.0	381.0	-3.1
Term	46.0	46.0	42.0	42.0	-8.7
Temporary	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	492.0	492.0	476.0	476.0	-3.3

AT A GLANCE:

EMNRD requested a slight increase from the FY17 operating budget, adjusted for special session solvency reductions, with increases from general fund and other revenues offsetting a decrease in overall federal funding, and to eliminate 16 vacant, unfunded FTE. The request includes a small general fund increase to offset reduced use of the oil reclamation fund and increased use of other revenues and fund balances, primarily to support renovations and repairs at state parks and to make larger payments on outstanding debt for completed projects.

The LFC recommendation reduces general fund revenues from the adjusted FY17 operating budgeted level and includes all other requested revenue other than a transfer from the Department of Game and Fish's trail safety fund, which has insufficient balances to continue the transfer in FY18 due to actions taken during the 2016 special legislative session. The reduced revenue is offset with adjustments to requested expenditure levels and a higher budgeted vacancy rate. The recommendation supports the request to eliminate 16 vacant, unfunded FTE.

BUDGET ISSUES:

The agency's overall FY18 request of \$69.3 million represented a \$236.8 thousand, or 0.3 percent, increase from the adjusted FY17 operating budget. The general fund request totaled \$18.2 million and was \$69.4 thousand, or 0.4 percent, above FY17 funding levels. EMNRD requested reduced use of the oil reclamation fund for Oil Conservation Division personnel costs due to the recent decline in the price of oil reducing drilling activity and increased use of State Parks Division (SPD) fund balances, which receives governmental gross receipts tax revenue pursuant to Section 7-1-6.38 NMSA 1978.

The LFC recommendation of \$67.9 million is a decrease of \$1.1 million, or 1.6 percent, from the agency's adjusted FY17 operating budget. Overall, the reduction is mostly attributable to reductions in federal, transfer, and general fund revenues, with a general fund reduction of \$791.6 thousand, or 4.4 percent. The recommendation provides funding to fill about 34 positions which were vacant when the agency submitted its request. The LFC recommendation reprioritizes funding for increased fire suppression as requested and funds 3 vacant FTE in the Oil Conservation Division.

In recent years, EMNRD's funded vacancy rate has been significant, meaning personnel costs have been overfunded. In FY16, SPD spent \$908 thousand less than what was appropriated for personnel, the Mining and Minerals Division spent \$300 thousand less than appropriations, and the Oil Conservation Division spent \$464 thousand less. While the State Forestry Division spent \$972 thousand more than originally appropriated for FY16, this was offset by federal funds for personnel costs increasing by \$1.3 million during the year through budget adjustment requests.

Energy Conservation and Management. The recommendation for the Energy Conservation and Management Program totals \$3.7 million, essentially flat with the adjusted FY17 operating budget. While the recommendation includes a general fund increase of \$73 thousand to fund positions currently filled and a geothermal regulation and development FTE transferred from the Oil and Gas Conservation Program as required by legislation passed in the 2016 regular session, it does not include requested increases of \$15.8 thousand and \$13.1 thousand for contractual services and other costs, respectively.

Healthy Forests. The FY18 recommendation for the Healthy Forests Program is \$13.1 million, \$136 thousand less than the amount requested, and does not include general fund increases for personnel costs. While the program's overall federal revenues are reduced, both the request and recommendation apply a higher amount to the personal services and employee benefits category, resulting in a \$691.5 thousand, or 13.2 percent, over the adjusted FY17 operating budget. The recommendation fully funds the request in the contractual services and other costs categories.

While drought conditions contributing to the risk of fire are beyond the control of state government, the threat of forest fires highlights the importance of hazardous fuel reduction across private and public land. In 2016, the Legislature again appropriated funds for forest thinning and watershed restoration to the Healthy Forests Program and the State Land Office received a \$1 million recurring increase to restore state trust lands, including forests and watersheds. Also, the Department of Game and Fish is working with other agencies to preserve landscapes and habitat. While New Mexico's efforts continue to fall short of the acreage experts estimate should be treated annually to thin overgrown forests so they are more resilient to fire, drought, insects, and disease, agencies report difficulty in expanding efforts further due to their project partners' limited capacity to take on additional work.

State Parks. With increased precipitation and reservoir levels, state parks saw 770 thousand, or 16.5 percent, more visitors in FY16 compared with FY15 and visitation remained strong in the first quarter of FY17 after the number of visitors to state parks had dropped significantly in FY12 and FY13. While self-generated revenue per visitor has remained below performance target levels, increased visitation should result in increased revenue. LFC's Volume III includes a table comparing FY15 and FY16 visitation and revenue for each state park.

New Mexico State Parks' day use fee structure has not changed recently and is significantly different from neighboring states. In New Mexico, all parks (other than the Living Desert Zoo and Gardens and the Rio Grande Nature Center) charge a \$5 per vehicle day use fee and provide free access to walkers and bikers. However, in Texas, Colorado, Utah, and Arizona, fees vary by park, method of entry, and type of day. For example, Arizona's daily vehicle entrance fees range from a low of \$7 up to \$20 for certain parks on weekends and holidays, and Colorado parks charge between \$7 and \$9 per vehicle.

The overall FY18 recommendation for State Parks is \$28.4 million, \$1.8 million higher than the adjusted FY17 operating budget and \$1.1 million lower than the agency's request. LFC's recommendation in the personal services and employee benefits category is \$162.5 thousand, or 1.4 percent, higher than FY16 expenditures to allow the agency to fill some vacant positions to ensure the safety of visitors to state parks and maximize revenue collection. The recommendation includes \$9.6 million from other revenues, including \$4.5 million from the governmental gross receipts tax, \$1.3 million from park admissions, \$2.3 million from campground rentals, and other park-related incomes. These other revenues, combined with \$6.2 million in fund balance, comprise 55 percent of the program's total recommended revenue for FY18.

The LFC recommendation includes increased use of SPD fund balances to support infrastructure improvements, however to a lesser extent than requested because the recommendation assumes \$500 thousand will be needed to offset elimination of transfer revenue from the Department of Game and Fish's trail safety fund. Additionally, the recommendation assumes \$228.3 thousand of this increased funding will be dedicated to personnel costs, offsetting general fund revenue, which is transferred to the Oil Conservation Division to reduce reliance on the oil reclamation fund.

Surveys of 11 Department of Game and Fish (DGF) properties in the Pecos Canyon to be transferred to SPD are complete. The State Game Commission will form a subcommittee to formally consider disposal of the lands. DGF and SPD will then enter into a memorandum of understanding to manage the properties.

Mine Reclamation. The FY18 recommendation for the Mine Reclamation Program represents a \$126.8 thousand, or 1.5 percent, decrease from the FY17 adjusted operating budget by applying a higher vacancy rate. The recommendation fully funds the request in the contractual services, other, and other financing uses categories.

Two Peabody Energy coal mines in New Mexico, El Segundo and Lee Ranch, are under Chapter 11 bankruptcy protection and a motion and stipulated order covering financial assurance was not approved in FY16. EMNRD is working with the Attorney General's office to ensure New Mexico is properly represented during the bankruptcy process. Peabody is working with the agency to reduce financial assurance requirements by actively performing reclamation and submitting bond release applications under permit conditions.

Oil and Gas Conservation. Despite the decline in the price of oil that began in the summer of 2014, the active rig count peaked in December 2014 and New Mexico saw record levels of production in FY15 and FY16. While operators reacted to reduced prices by lowering the number of active rigs, improved technology prevented a dramatic decline. In spring 2016, the number of rigs began to increase gradually.

The LFC recommendation fully funds the agency request for the Oil Conservation Division. The recommendation makes two reductions within the personal services and employee benefits category, \$421.6 thousand in requested vacancy adjustments and \$65.2 thousand to support the transfer of 1 FTE to the Energy Conservation and Management Program. Overall, the recommendation is nearly \$1.6 million, or 20 percent, higher than FY16 expenditures.

Program Leadership and Support. Both the agency request and the LFC recommendation for Program Leadership and Support include increases to fund currently filled positions, eliminate 1 FTE, and hold contractual services and other categories at adjusted FY17 operating levels. While the request and recommendation are a 1.8 percent increase over the adjusted operating budget, they represent a slight decrease from FY16 actual expenditures.

RECOMMENDED LANGUAGE:

The general fund appropriation to the state parks program of the energy, minerals and natural resources department includes seventy-five thousand dollars (\$75,000) to support Rio Grande trail commission efforts to define viable path routes, mitigate challenges and establish the Rio Grande trail to run the length of the state from Colorado to Texas.

The internal service funds/interagency transfers appropriations to the state parks program of the energy, minerals and natural resources department include five hundred thousand dollars (\$500,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties. Any unexpended balances remaining at the end of fiscal year 2018 from this appropriation shall revert to the game protection fund.

ENERGY CONSERVATION AND MANAGEMENT

The purpose of the energy conservation and management 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)					Percent Incr (Decr)
	FY16	FY17	FY18 - 2017-2018			
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	813.9	738.3	840.3	811.3	9.9	
Federal Revenues	1,577.6	2,923.8	2,898.8	2,898.8	-0.9	
Other Revenues	30.3	0.0	0.0	0.0		
SOURCES TOTAL	2,421.8	3,662.1	3,739.1	3,710.1	1.3	
USES						
Personal Services and Employee Benefits	1,128.0	1,087.5	1,162.7	1,162.7	6.9	
Contractual Services	227.7	362.0	352.8	337.0	-6.9	
Other	1,065.1	2,212.6	2,223.6	2,210.4	-0.1	
TOTAL USES	2,420.8	3,662.1	3,739.1	3,710.1	1.3	
FTE						
Permanent	12.0	12.0	13.0	13.0	8.3	
TOTAL FTE POSITIONS	12.0	12.0	13.0	13.0	8.3	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Number of waste isolation pilot plant related emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	45	45	51		
Outcome	Percent of completed applications for clean energy tax credits reviewed within thirty days of receipt	75%	90%	90%	90%	90%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,952.8	3,839.9	3,953.2	3,817.3	-0.6
Federal Revenues	8,924.3	10,040.1	8,675.5	8,675.5	-13.6
Other Revenues	417.8	465.9	415.1	415.1	-10.9
Fund Balance	38.6	171.3	202.6	202.6	18.3
SOURCES TOTAL	13,333.5	14,517.2	13,246.4	13,110.5	-9.7
USES					
Personal Services and Employee Benefits	6,471.5	5,229.8	6,057.2	5,921.3	13.2
Contractual Services	396.9	1,155.7	474.9	474.9	-58.9
Other	6,439.5	8,086.0	6,667.7	6,667.7	-17.5
Other Financing Uses	26.6	45.7	46.6	46.6	2.0
TOTAL USES	13,334.5	14,517.2	13,246.4	13,110.5	-9.7
FTE					
Permanent	70.0	70.0	68.0	68.0	-2.9
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	80.0	80.0	78.0	78.0	-2.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,625	1,627	1,650	1,650	1,650
* Output	Number of acres treated in New Mexico's forest and watersheds	15,142	15,762	15,500	15,500	15,500
Explanatory	Number of people employed under the veterans program	N/A	45	30		

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)

	<u>FY18 - 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	8,857.0	8,062.2	7,960.3	7,359.6	-8.7
Other Transfers	2,750.4	3,350.0	2,641.2	2,141.2	-36.1
Federal Revenues	2,785.3	3,137.3	3,137.3	3,137.3	0.0
Other Revenues	10,845.5	8,134.3	9,560.6	9,560.6	17.5
Fund Balance	152.5	3,922.7	6,195.8	6,195.8	57.9
SOURCES TOTAL	25,390.7	26,606.5	29,495.2	28,394.5	6.7
USES					
Personal Services and Employee Benefits	11,241.5	11,404.0	11,776.4	11,404.0	0.0
Contractual Services	425.6	692.8	692.8	692.8	0.0
Other	10,307.8	13,923.5	16,422.0	15,693.7	12.7
Other Financing Uses	2,235.0	586.2	604.0	604.0	3.0
TOTAL USES	24,209.9	26,606.5	29,495.2	28,394.5	6.7
FTE					
Permanent	188.0	187.0	178.0	178.0	-4.8
Term	5.0	5.0	5.0	5.0	0.0
Temporary	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	246.0	245.0	236.0	236.0	-3.7

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
* Explanatory	Number of visitors to state parks	4,684,605	5,455,119	4,250,000		
Output	Number of persons who complete a certified New Mexico boating safety education course	753	937	725	725	900
Explanatory	Number of volunteer hours contributed to state parks	NEW	NEW	NEW		
* Explanatory	Total self-generated revenue	NEW	NEW	NEW		
Explanatory	Number of Rio Grande trail commission meetings held	NEW	NEW	NEW		

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)

	<u>FY18 - 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	543.7	493.3	461.9	366.5	-25.7
Other Transfers	68.3	96.9	96.9	96.9	0.0
Federal Revenues	4,462.3	6,854.8	6,854.8	6,854.8	0.0
Other Revenues	676.7	690.1	690.1	690.1	0.0
Fund Balance	0.0	46.2	46.2	46.2	0.0
SOURCES TOTAL	5,751.0	8,181.3	8,149.9	8,054.5	-1.5
USES					
Personal Services and Employee Benefits	2,800.0	3,073.8	2,977.6	2,882.2	-6.2
Contractual Services	2,542.4	4,743.0	4,743.8	4,743.8	0.0
Other	309.6	327.5	391.5	391.5	19.5
Other Financing Uses	36.8	37.0	37.0	37.0	0.0
TOTAL USES	5,688.8	8,181.3	8,149.9	8,054.5	-1.5

BUDGET SUMMARY
(dollars in thousands)

		<u>FY18 - 2017-2018</u>				Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
FTE						
	Permanent	17.0	17.0	17.0	17.0	0.0
	Term	17.0	17.0	16.0	16.0	-5.9
	TOTAL FTE POSITIONS	34.0	34.0	33.0	33.0	-2.9

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	97%	100%	95%	100%
Outcome	Percent of inspections of active mining operations showing compliance with approved permits and regulations	N/A	N/A	100%	95%	95%

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)

		<u>FY18 - 2017-2018</u>				Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
	General Fund Transfers	2,632.6	2,188.7	2,086.5	2,086.5	-4.7
	Federal Revenues	653.2	785.4	785.4	785.4	0.0
	Other Revenues	2,552.0	4,000.0	3,000.0	3,000.0	-25.0
	Fund Balance	2,073.8	4,262.1	3,847.8	3,847.8	-9.7
	SOURCES TOTAL	7,911.6	11,236.2	9,719.7	9,719.7	-13.5
USES						
	Personal Services and Employee Benefits	5,074.1	5,623.2	5,136.4	5,136.4	-8.7
	Contractual Services	1,668.6	4,377.9	3,347.9	3,347.9	-23.5
	Other	794.7	867.6	851.4	851.4	-1.9
	Other Financing Uses	365.6	367.5	384.0	384.0	4.5
	TOTAL USES	7,903.0	11,236.2	9,719.7	9,719.7	-13.5
FTE						
	Permanent	56.0	56.0	55.0	55.0	-1.8
	Term	14.0	14.0	11.0	11.0	-21.4
	TOTAL FTE POSITIONS	70.0	70.0	66.0	66.0	-5.7

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	47,539	49,624	40,000	40,000	49,000
Output	Percent of application drill permits approved within 10 business days of receipt	89%	82%	85%	82%	85%
* Outcome	Number of abandoned oil and gas wells properly plugged	31	36	30	30	30
Explanatory	Number of violations issued	N/A	912	N/A		
Explanatory	Size of oil spills in barrels	N/A	16,889	N/A		

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	3,068.5	2,810.9	2,900.5	2,900.5	3.2
	Other Transfers	1,100.3	1,161.4	1,196.6	1,196.6	3.0
	Federal Revenues	845.8	883.5	848.5	848.5	-4.0
	SOURCES TOTAL	5,014.6	4,855.8	4,945.6	4,945.6	1.8
USES						
	Personal Services and Employee Benefits	4,446.8	4,314.2	4,404.0	4,404.0	2.1
	Contractual Services	153.4	149.5	149.5	149.5	0.0
	Other	369.8	392.1	392.1	392.1	0.0
	TOTAL USES	4,970.0	4,855.8	4,945.6	4,945.6	1.8
FTE						
	Permanent	50.0	51.0	50.0	50.0	-2.0
	TOTAL FTE POSITIONS	50.0	51.0	50.0	50.0	-2.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	100%	100%
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn	30	30	30	30	30

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	3,737.9	3,800.0	3,800.0	3,800.0	0.0	
Fund Balance	0.0	875.8	60.8	60.8	-93.1	
SOURCES TOTAL	3,737.9	4,675.8	3,860.8	3,860.8	-17.4	
USES						
Personal Services and Employee Benefits	170.3	170.6	170.6	170.6	0.0	
Contractual Services	3,305.4	4,267.0	3,470.8	3,470.8	-18.7	
Other	203.7	238.2	219.4	219.4	-7.9	
TOTAL USES	3,679.4	4,675.8	3,860.8	3,860.8	-17.4	
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	

AT A GLANCE:

The Youth Conservation Corps (YCC) is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. YCC's budget request for FY18 was a significant reduction from FY17 operating levels but is aligned with prior-year actual expenditures. The LFC recommendation fully funds the request.

BUDGET ISSUES:

For FY18, the agency requested \$815 thousand, or 17.4 percent, less than the FY17 operating budget. The reduction is primarily in the contractual services category. However, the requested amount is \$181 thousand, or 5 percent, above FY16 expenditures.

At the direction of the Department of Finance and Administration, YCC changed its project award process for the FY16 and FY17 cycle. The agency continues to improve its website to allow a streamlined application process. Applicants selected for funding are linked to the project sponsor reporting system, allowing them to provide progress reports as projects move toward completion. YCC funded 39 projects employing more than 800 youth in FY17, including restoration of historic adobe structures, erosion control projects on land damaged by wildfires, zoo exhibit construction, trail building, and installation of public art.

NEW MEXICO 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

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Number of youth employed annually	832	921	850	850	850
Outcome	Percent of grant awards used for wages for corps members	77%	77%	75%	75%	77%
Outcome	Percent of projects completed within one year	95%	100%	95%	75%	95%
Explanatory	Percent of counties served by Youth Conservation Corps projects	NEW	NEW			
Explanatory	Number of counties represented by applicants	NEW	NEW			

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. Four entities administer, promote, and produce the intertribal ceremonial event: 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, which provides administrative oversight.

BUDGET SUMMARY (dollars in thousands)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	104.2	77.1	77.6	50.0	-35.1	
SOURCES TOTAL	104.2	77.1	77.6	50.0	-35.1	
USES						
Contractual Services	104.6	77.1	77.6	50.0	-35.1	
TOTAL USES	104.6	77.1	77.6	50.0	-35.1	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

AT A GLANCE:

The agency requested a 5 percent reduction in general fund revenues, reducing their operating budget to \$77.6 thousand. The committee has concerns about declining ticket sales and event sponsors from FY14 levels and reduces the funding level to \$50 thousand.

ICO should work to increase funding from the city, county, and private sources for the event. Performance results for FY16 ceremonials increased from FY15, with tickets sold increasing to 5,914, but still missed the target by 21 percent. The number of sponsorships increased to 63 sponsors, from 49 sponsors but also missed the target by 45 percent. The percent of operating revenue from sources other than the general fund declined significantly to 69 percent, from 94 percent in FY15. The Legislature should consider merging the agency or transferring the budget to the New Mexico Tourism Department’s contractual services category to execute a contract with ICO.

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of intertribal ceremonial tickets sold	3,427	5,914	7,500	5,000	6,500
Outcome	Percent of operating revenue from sources other than the general fund	90%	69%	94%	80%	90%
Output	Number of sponsorships	49	63	110	60	90

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 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)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation			
SOURCES							
Other Revenues	15,714.2	15,894.7	15,894.7	15,894.7	0.0		
SOURCES TOTAL	15,714.2	15,894.7	15,894.7	15,894.7	0.0		
USES							
Personal Services and Employee Benefits	10,766.4	11,505.8	11,505.8	11,505.8	0.0		
Contractual Services	1,635.4	2,641.0	2,641.0	2,641.0	0.0		
Other	1,627.7	1,747.9	1,747.9	1,747.9	0.0		
TOTAL USES	14,029.5	15,894.7	15,894.7	15,894.7	0.0		
FTE							
Permanent	156.0	156.0	156.0	151.0	-3.2		
TOTAL FTE POSITIONS	156.0	156.0	156.0	151.0	-3.2		

AT A GLANCE:

Despite a decline in the oil and gas industry negatively impacting royalty revenues, revenues to SLO's land office maintenance fund – composed of lease sale bonuses and lease payments – increased to the highest level in the last 20 years. SLO projects reduced royalty revenue in FY18 due to continued low oil prices. The agency request for FY18 is flat compared with FY17 operating levels. The LFC recommendation fully funds the request but eliminates five of the 10 historically unfunded, vacant FTE.

BUDGET ISSUES:

SLO requested \$15.9 million for FY18, flat with FY17 appropriations. The agency is funded solely from land office maintenance fund revenues. Balances of the land office maintenance fund in excess of a budgetary reserve are transferred to beneficiaries, with the distribution for public schools going to the general fund.

Both the request and the recommendation apply a 5.9 percent vacancy rate, compared with an 8.9 percent actual vacancy rate as of November 2016, allowing the agency to fill 9 FTE vacant when the request was submitted or to address special initiatives such as remediation.

In collaboration with the Taxation and Revenue Department (TRD) and the Energy, Minerals and Natural Resources Department, SLO is working to replace the Oil and Natural Gas Administration and Revenue Database (ONGARD). ONGARD is responsible for approximately 30 percent of all state revenue collections and supports business processes associated with collection of taxes and royalties paid on the extraction of oil and natural gas resources as well as the revenues from other SLO leasing activities. ONGARD has served the state well over the past 20 years; however, improving the system is limited by the technology available when it was developed. In 2012, the Legislature appropriated \$6 million to TRD to stabilize and begin modernizing ONGARD and appropriated an additional \$10 million in 2016 to replace ONGARD.

For FY17, SLO received a \$1 million increase, primarily from new revenues to the state lands maintenance fund from increased lease fees for grazing and hunting and fishing access, to improve and protect forests and watersheds and clean up illegal dump sites on trust lands. With this additional funding included in the agency's recurring budget for FY18, SLO requested and LFC recommends an increase of 550 acres, or 10 percent, for the performance target for number of acres restored for future sustainability. SLO will continue to prioritize projects based on scientific data, current conditions, and research from the State Forestry Division identifying communities most at risk from wildfire.

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.

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>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Output	Total trust revenue generated, in millions	\$739.5	\$497.0	\$500.0	\$467.6	\$480.0
Outcome	Bonus income per leased acre from oil and gas activities, in dollars	\$393	\$607	\$400	\$500	\$550
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$10.9	\$2.4	\$3.0	\$2.5	\$2.5
* Output	Average income per acre from oil, natural gas and mineral activities, in dollars	\$258	\$199	\$200	\$160	\$180
Output	Percent of total trust revenue generated allocated to beneficiaries	98%	96%	98%	96%	96%
* Output	Number of acres restored to desired conditions for future sustainability	3,009	4,656	5,450	6,000	6,000
Output	Annual income from renewable energy, in thousands	\$775	\$981	\$850	\$1,000	\$1,000

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.

ISC consists of nine members. Eight are appointed by the governor, and 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, 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. ISC also operates and maintains the Ute Dam. 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 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	19,278.8	17,867.2	17,961.7	17,867.2	0.0
Other Transfers	4,494.0	16,273.7	17,480.0	17,480.0	7.4
Federal Revenues	176.3	174.9	183.4	183.4	4.9
Other Revenues	22,278.4	3,852.8	4,352.8	4,352.8	13.0
Fund Balance	0.0	266.0	266.0	266.0	0.0
SOURCES TOTAL	46,227.5	38,434.6	40,243.9	40,149.4	4.5
USES					
Personal Services and Employee Benefits	23,396.4	24,183.0	24,611.3	24,428.2	1.0
Contractual Services	5,994.3	7,388.6	8,864.1	8,952.7	21.2
Other	4,686.6	6,241.1	6,158.5	6,146.6	-1.5
Other Financing Uses	0.0	621.9	610.0	621.9	0.0
TOTAL USES	34,077.3	38,434.6	40,243.9	40,149.4	4.5
FTE					
Permanent	350.0	350.0	350.0	350.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	352.0	352.0	352.0	352.0	0.0

AT A GLANCE:

From FY08 to FY13, the irrigation works construction fund (IWCF) was increasingly used to support agency operations, reducing fund balances. The Legislature steadily reduced use of the IWCF in FY14 through FY17. OSE's FY18 request further reduced use of IWCF revenues, offset by use of other state funds and a small general fund increase.

The agency requested an increase for FY18, driven by including the operating budget for the New Mexico Central Arizona Project Entity (NMCAPE), tasked with overseeing implementation of a proposed Gila River diversion and storage project to be funded through a state settlement with the federal government and other water users.

The LFC recommendation holds general fund revenue flat with FY17 appropriations, adjusted for solvency reductions, providing a slightly lower increase than requested for personnel costs, and fully funds the remainder of the request. However, the LFC recommendation includes language directing the agency to focus resources on efforts related to or in support of New Mexico's efforts in Rio Grande Compact compliance litigation with Texas.

BUDGET ISSUES:

The agency's overall FY18 request of \$40.2 million, an increase of \$1.8 million over adjusted FY17 appropriations, included a \$94.5 thousand, or 0.5 percent, general fund increase. However, the majority of the increase, nearly \$1.25 million, is due to increased funding for the NMCAPE operating budget. The requested increase would also reduce the budgeted vacancy rate. The request applied an agencywide vacancy rate of 16.1 percent, funding 295 of 352 authorized FTE.

The committee recommendation of \$40.1 million represents a \$1.7 million increase from the adjusted FY17 operating budget and includes \$17.9 million from the general fund. The staff recommendation fully funds the request in three of four programs, applying a slightly higher vacancy rate to Program Support.

Overall, the recommendation for the personal services and employee benefits category is \$1 million, or 4.4 percent, higher than FY16 expenditures to enable the agency to fill 9 FTE, vacant when the request was submitted. The recommendation includes an agencywide vacancy savings rate of 16.7 percent. As of November 1, the agency had 75 vacant FTE, or a 21 percent vacancy rate.

Water Resource Allocation Program. New Mexico must show it is responsibly and proactively managing water resources in the Lower Rio Grande (LRG) to support its Rio Grande Compact compliance litigation efforts in the lawsuit against Texas. The LFC recommendation for WRAP supports the request to restore \$440 thousand in general fund solvency reductions in the personal services and employee benefits category and includes language directing the agency to prioritize development and implementation of active water resource management (AWRM) rules for the region.

In 2003, the Legislature authorized OSE to enforce priority administration, which provides a greater right to earlier uses, in unadjudicated areas through AWRM regulations. Court challenges delayed the rulemaking process until November 2012, when the state's Supreme Court affirmed OSE's authority. WRAP has since been working to develop rules for seven priority basins, including the Lower Rio Grande. In addition to developing rules, WRAP's AWRM efforts have focused on getting implementation tools in place: installing meters; inventorying water rights; developing geographic information system databases; and, abstracting, imaging, and posting water right files online so they are immediately available across the state. The committee recognizes prioritizing LRG AWRM funding could reduce performance and services in other areas and reflects this with a lower recommended performance target for the number of applications processed monthly.

Interstate Stream Commission. Although both the request and recommendation reduce ISC's general fund revenue, the recommendation includes slightly more than requested to support recurring contract expenses related to Rio Grande Compact litigation. As noted above, the request and recommendation also include funding for the NMCAPE operating budget of \$1.35 million. This funding is included in the contracts category because the City of Deming acts as NMCAPE's second fiscal agent and the funding accounts for nearly all of the growth in the recommendation for ISC.

Funding for NMCAPE is from the New Mexico unit fund, which will receive at least \$90 million under the federal Arizona Water Settlements Act (AWSA) to meet water supply demands in Catron, Luna, Hidalgo, and Grant counties. In addition to the NMCAPE operating budget, the New Mexico unit fund supports 3 FTE within ISC dedicated to the Gila Basin and overseeing the proposed diversion project. However, ISC submitted budget adjustment requests for capital projects totaling \$10.2 million in FY16 and FY17 to increase use of the New Mexico unit fund. Most of these increases were for engineering and design and federally required environmental reviews. LFC recommends the agency request funding for AWSA-related capital expenditures through the traditional capital outlay process so they are reviewed and approved by the Legislature.

Litigation and Adjudication Program. The current vacancy rate in the Litigation and Adjudication Program (LAP) remains the highest of all OSE programs, 28.2 percent when the agency submitted its request. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The request and recommendation are \$217.5 thousand below the adjusted FY17 operating budget but nearly \$1.3 million more than FY16 expenditures, including \$556 thousand more in the personal services and employee benefits category. 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 LAP is \$1.4 million, flat with the FY17 operating budget and \$162.8 thousand higher than FY16 expenditures.

Litigation to establish the relative priority rights of water users has lasted decades. Currently, 12 adjudications are pending in New Mexico including six in state court and six in federal court. At the current pace and approach, LAP is decades away from adjudicating the state's water rights. While OSE reported 63 percent of water rights were adjudicated at the end of FY16, this figure does not provide a clear view of progress because it only reflects active and completed adjudications and does not include adjudications yet to be initiated. Although water rights adjudications in general continue to progress slowly, both the Taos and

Aamodt (or Nambe-Pojoaque-Tesuque) adjudications are near completion. Taos Pueblo agreed to a finalized settlement – to which no other parties objected – and only domestic and stock well rights remain to be determined by the court. OSE continues to reevaluate the state's approach to water rights adjudications and plans to pursue opportunities that could significantly accelerate the process after completing the Aamodt adjudication.

Revenues. 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, the New Mexico unit 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.

IWCF revenue is projected to be \$7.5 million for FY18 and the LFC recommendation distributes \$12.5 million from the fund. At this rate of income and expenditure, the LFC projects the FY18 year-end fund balance will be \$2.6 million and would be depleted by the end of FY19.

Revenue to the improvement of the Rio Grande income fund is estimated at \$1.6 million for FY18, with an estimated ending balance of \$5.3 million. The recommendation distributes \$2.5 million from the fund. Additionally, pursuant to Section 72-4A-9(A) NMSA 1978, the recommendation for LAP includes \$3.6 million from the water project fund, of which \$621.9 thousand is transferred to the Administrative Office of the Courts (AOC) in the other financing uses category. The recommended transfer is more than requested but flat with FY17 levels, and the actual transfer amount will depend on distributions from the water project fund per statute.

Capital Requests. The agency's FY18 capital projects request totaled \$22 million. Top ranked projects included Indian water rights settlements (\$15 million), surface and ground water measurement (\$2.6 million), and dam rehabilitation (\$4 million).

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program.

The appropriations to the water resource allocation program of the state engineer include sufficient funding to develop and implement active water resource management regulations for the lower Rio Grande basin to support Rio Grande compact litigation.

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one million eight hundred seventy-two thousand five hundred dollars (\$1,872,500) from the New Mexico irrigation works construction fund.

The other state funds 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 the Rio Grande income 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 seven million one hundred twenty-five thousand nine hundred dollars (\$7,125,900) from the New Mexico irrigation works construction fund.

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include two million three hundred eighty-five thousand dollars (\$2,385,000) from the improvement of the Rio Grande income 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 the interstate stream and compact compliance program of the state engineer use of the revenue is appropriated to the interstate stream commission to be used per the agreement with the United States Bureau of Reclamation.

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations and 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 2018 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 nine hundred thousand dollars (\$1,900,000): (a) to match seventeen and one-half percent of the cost of work undertaken by the United States army corps of engineers pursuant to the federal Water Resources Development Act of 1986, provided that no amount of this appropriation shall be expended for any project unless the appropriate acequia system or community ditch has agreed to provide seven and one-half percent of the cost from any source other than the New Mexico irrigation works construction fund or improvement of the Rio Grande income fund and provided that no more than two hundred fifty thousand dollars (\$250,000) shall be allocated to any one acequia or community ditch per fiscal year; and (b) for the construction, restoration, repair and protection from floods of dams, reservoirs, ditches, diversions, flumes and appurtenances of acequias and community ditches in the state through the interstate stream commission 90/10 match program provided that not more than one hundred fifty thousand dollars (\$150,000) of this appropriation shall be used as the state share for any one acequia or community ditch per state fiscal year and capital appropriations shall not be used to meet the acequia's or community ditch's ten percent share of project costs.

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer in the contractual services category includes up to three hundred thousand dollars (\$300,000) for engineering services for approved acequia or community ditch 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 and 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 New Mexico 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 two million four hundred ninety-seven thousand one hundred dollars (\$2,497,100) from the New Mexico irrigation works construction fund.

The other state funds appropriations to the litigation and adjudication program of the state engineer include three million six hundred nine thousand seven hundred dollars (\$3,609,700) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For Program Support.

The internal service funds/interagency transfers appropriations to program support of the state engineer include nine hundred thirty-two thousand six hundred dollars (\$932,600) from the New Mexico irrigation works construction fund.

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)					
<u>FY18 - 2017-2018</u>					
	FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
	<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES					
General Fund Transfers	12,021.8	10,996.9	11,436.9	11,436.9	4.0
Other Transfers	2,020.1	2,020.1	2,020.1	2,020.1	0.0
Federal Revenues	9.6	0.0	0.0	0.0	
Other Revenues	623.3	623.3	623.3	623.3	0.0
SOURCES TOTAL	14,674.8	13,640.3	14,080.3	14,080.3	3.2
USES					
Personal Services and Employee Benefits	12,279.3	11,619.0	12,092.0	12,092.0	4.1
Contractual Services	556.2	624.7	624.7	624.7	0.0
Other	1,360.6	1,396.6	1,363.6	1,363.6	-2.4
TOTAL USES	14,196.1	13,640.3	14,080.3	14,080.3	3.2

BUDGET SUMMARY
(dollars in thousands)

		<u>FY18 - 2017-2018</u>				
		<u>FY16</u>	<u>FY17</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2015-2016</u>	<u>2016-2017</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
FTE	Permanent	185.0	185.0	185.0	185.0	0.0
	TOTAL FTE POSITIONS	185.0	185.0	185.0	185.0	0.0

PERFORMANCE MEASURES

		<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	108	37	85	85	70
Explanatory	Number of unprotested and unagrieved water right applications backlogged	1,219	422			
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	22,792	18,287	23,000	23,000	23,000
Explanatory	Number of state engineer orders issued to correct deficiencies and to improve the condition rating at high hazard publicly owned dams	NEW	NEW			

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>FY18 - 2017-2018</u>				
		<u>FY16</u>	<u>FY17</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2015-2016</u>	<u>2016-2017</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Adj. Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	1,958.1	2,045.8	1,764.9	1,853.5	-9.4
	Other Transfers	448.3	10,323.9	12,030.2	12,030.2	16.5
	Federal Revenues	166.7	174.9	183.4	183.4	4.9
	Other Revenues	16,583.1	119.8	119.8	119.8	0.0
	Fund Balance	0.0	266.0	266.0	266.0	0.0
	SOURCES TOTAL	19,156.2	12,930.4	14,364.3	14,452.9	11.8
USES						
	Personal Services and Employee Benefits	3,510.1	4,026.8	4,016.5	4,016.5	-0.3
	Contractual Services	3,834.2	4,965.8	6,442.2	6,530.8	31.5
	Other	2,217.9	3,937.8	3,905.6	3,905.6	-0.8
	TOTAL USES	9,562.2	12,930.4	14,364.3	14,452.9	11.8
FTE						
	Permanent	47.0	47.0	47.0	47.0	0.0
	Term	2.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	49.0	49.0	49.0	49.0	0.0

PERFORMANCE MEASURES

		<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY18</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Cumulative state-line delivery credit per the Pecos river compact and amended decree at the end of the calendar year, in acre-feet	95,700	109,500	>0	>0	>0
* Outcome	Cumulative state-line delivery credit per the Rio Grande compact and amended decree at the end of the calendar year, in acre-feet	0	400	>0	>0	>0
Explanatory	Cumulative New Mexico unit fund expenditures	NEW	NEW			

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,561.8	1,416.8	1,199.3	1,199.3	-15.4
Other Transfers	1,556.8	2,997.1	2,497.1	2,497.1	-16.7
Other Revenues	4,605.2	3,109.7	3,609.7	3,609.7	16.1
SOURCES TOTAL	7,723.8	7,523.6	7,306.1	7,306.1	-2.9
USES					
Personal Services and Employee Benefits	4,385.9	5,159.7	4,942.2	4,942.2	-4.2
Contractual Services	1,273.0	1,435.8	1,435.8	1,435.8	0.0
Other	364.3	306.2	318.1	306.2	0.0
Other Financing Uses	0.0	621.9	610.0	621.9	0.0
TOTAL USES	6,023.2	7,523.6	7,306.1	7,306.1	-2.9
FTE					
Permanent	71.0	71.0	71.0	71.0	0.0
TOTAL FTE POSITIONS	71.0	71.0	71.0	71.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Number of offers to defendants in adjudications	594	839	600	600	750
* Outcome	Percent of all water rights with judicial determinations	61%	63%	62%	65%	70%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,737.1	3,407.7	3,560.6	3,377.5	-0.9
Other Transfers	468.8	932.6	932.6	932.6	0.0
Other Revenues	466.8	0.0	0.0	0.0	
SOURCES TOTAL	4,672.7	4,340.3	4,493.2	4,310.1	-0.7
USES					
Personal Services and Employee Benefits	3,221.1	3,377.5	3,560.6	3,377.5	0.0
Contractual Services	330.9	362.3	361.4	361.4	-0.2
Other	743.8	600.5	571.2	571.2	-4.9
TOTAL USES	4,295.8	4,340.3	4,493.2	4,310.1	-0.7
FTE					
Permanent	47.0	47.0	47.0	47.0	0.0
TOTAL FTE POSITIONS	47.0	47.0	47.0	47.0	0.0

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Section 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 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	803.2	747.7	751.6	729.1	-2.5	
SOURCES TOTAL	803.2	747.7	751.6	729.1	-2.5	
USES						
Personal Services and Employee Benefits	449.6	471.0	475.4	475.4	0.9	
Contractual Services	173.2	159.9	148.6	126.1	-21.1	
Other	136.1	116.8	127.6	127.6	9.2	
TOTAL USES	758.9	747.7	751.6	729.1	-2.5	
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	

AT A GLANCE:

In FY16, the Office of African American Affairs (OAAA) met or exceeded performance targets. The agency has 7 FTE, six of which are filled.

The FY18 budget request reduced general fund expenditures 5 percent in the contractual services and other costs categories and does not fund 1 FTE, an executive secretary. The OAAA request fully funded 6 FTE and included an adjustment in the personal services and employee benefits category for increased General Services Department (GSD) rates.

The committee recommendation fully funds 6 FTE including the requested GSD rate increase. In addition, the LFC recommendation also reduces the contractual services category \$18.6 thousand. The total FY18 LFC recommendation reduces general fund expenditures \$18.6 thousand, or 2.5 percent, below the FY17 adjusted operating budget.

Due to significant general fund constraints in FY18, the LFC recommends the Martin Luther King Jr. Commission (MLK) and OAAA share financial and administrative support services since both are relatively small agencies and currently share common workspace.

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.

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Number of individuals and organizations recognized annually for contributions in the areas of economic development, educational achievement, improved health outcomes and historical preservation of African Americans	53	74	50	50	55
Outcome	Percent of program participants who indicate increased awareness of agency services via survey.	85%	50%	70%	70%	70%
Output	Number of data-based tools produced related to economic, education and health disparities of African Americans.	NEW	NEW	NEW	100	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, educational services, and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	298.2	373.2	799.4	319.4	-14.4
Other Revenues	2,151.5	2,082.1	1,465.2	1,806.0	-13.3
Fund Balance	329.9	556.2	768.6	768.6	38.2
SOURCES TOTAL	2,779.6	3,011.5	3,033.2	2,894.0	-3.9
USES					
Personal Services and Employee Benefits	1,027.3	1,071.0	1,121.6	1,121.6	4.7
Contractual Services	996.5	1,416.4	1,475.8	1,336.6	-5.6
Other	264.8	316.1	319.3	319.3	1.0
Other Financing Uses	491.0	208.0	116.5	116.5	-44.0
TOTAL USES	2,779.6	3,011.5	3,033.2	2,894.0	-3.9
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

AT A GLANCE:

With fewer people using land-line telephones and more people switching to alternate forms of communication, telecommunications relay service surcharge (TRS) revenues are decreasing. Offsetting projected reductions in TRS revenue, the commission request would increase the use of fund balances and would more than double general fund revenue. Fund balances will likely be depleted by the end of FY18. The commission’s request for telecommunications access revenue is \$686.3 thousand, or 32 percent, below FY16 actual revenues. In the 2017 legislative session, the commission is likely to propose statutory changes to the Telecommunications Access Act to broaden the relay service surcharge.

The agency stated that additional budget authority for the telecommunication relay service contract is necessary because federal regulations require this service to be provided. The request would nearly double the contract for TRS over FY16 actual expenditures to \$803.2 thousand. The request also reduces the transfer to the Division of Vocational Rehabilitation to \$91.5 thousand.

The LFC recommendation for general fund revenue is closer to appropriations prior to FY17, when general fund revenues for the commission were increased to offset projected decreases in telecommunications access revenue. Since FY12, TRS revenue decreased an average of \$276.1 thousand annually. LFC does not project as large a decrease in TRS revenue as the agency but recommends a reduction of \$276.1 thousand from FY16 actual revenues. The recommendation also brings allocations for contractual services closer to the FY17 adjusted operating budget.

Performance. The FY15 audit included no new findings and one prior-year audit finding was resolved. The commission did not meet the performance target for average number of relay minutes per month and this may serve as an indication that funding levels for the related contract for this activity may not need to be sustained at current levels. The commission met nearly all other performance targets.

RECOMMENDED LANGUAGE:

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.

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for the deaf and hard-of-hearing persons in the other financing uses category includes ninety-one thousand five hundred dollars (\$91,500) 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 and twenty-five thousand dollars (\$25,000) to transfer to the signed language interpreting practices board of the regulation and licensing department for interpreter licensure services.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of workshops and training sessions conducted	108	124	120	120	120
Output	Number of outreach events coordinated	53	117	75	75	75
Output	Average number of relay minutes per month	8,544	7,628	12,000	14,000	14,000
* Output	Number of accessible technology equipment distributions	829	768	1,300	800	800
Output	Number of communication barriers addressed	15,144	23,831	13,000	13,000	20,000
Output	Number of signed language interpreters who participated in professional development, including in-house mentoring programs, mentoring provided by contractors and events provided in collaboration with other organizations	226	211	215	215	215

STATUTORY AUTHORITY:

The Martin Luther King, Jr. Commission is authorized under Section 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, promotes King's nonviolent principles and philosophy. The commission hosts an annual youth conference to teach King's philosophy, and members of the commission staff travel around the state to visit schools, tribes, and nonprofit service providers to teach King's principles and 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

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)						
	FY16	FY17	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	334.0	311.2	329.3	293.1	-5.8	
SOURCES TOTAL	334.0	311.2	329.3	293.1	-5.8	
USES						
Personal Services and Employee Benefits	121.9	154.3	179.5	143.3	-7.1	
Contractual Services	3.0	12.4	12.3	12.3	-0.8	
Other	254.7	144.5	137.5	137.5	-4.8	
TOTAL USES	379.6	311.2	329.3	293.1	-5.8	
FTE						
Permanent	3.0	3.0	3.0	2.0	-33.3	
TOTAL FTE POSITIONS	3.0	3.0	3.0	2.0	-33.3	

AT A GLANCE:

The Martin Luther King, Jr. Commission's 3 FTE have been vacant since March 2016; however, the commission named a new director in September 2016. The remaining 2 FTE, an executive secretary and a financial specialist remain unfilled. In FY17, the commission co-located with the Office of African American Affairs (OAAA).

The FY18 agency budget request remained flat with the original FY17 general fund appropriations and fully funds 3 FTE and small miscellaneous adjustments to the contractual services and other costs categories. Due to an absence of staff, the commission failed to meet a majority of performance targets. Additionally, the most recent financial audit for the commission received by the State Auditor is from 2013 and the committee has concerns about weak financial controls. The executive should consider administratively attaching the commission to the Department of Finance and Administration.

The LFC recommendation deletes 1 FTE but fully funds the director and an FTE for program support. The LFC recommendation for OAAA fully funds the agency's requested FTE, including support services. The committee recommends OAAA and the commission coordinate resources for mutual benefit to provide consolidated administrative support.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	2	0	2	2	2
Output	Number of statewide holiday commemorative programs supported	10	10	10	10	10
Output	Number of youth anti-violence workshops conducted	20	TBD	20	20	20
Outcome	Number of student ambassadors who worked with state agencies to explore the historical, social, political and cultural themes associated with the life and works of Dr. King	35	0	55	55	55

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 people 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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,138.6	1,940.7	2,053.7	1,938.8	-0.1
Other Transfers	80.4	80.0	80.2	80.2	0.3
Federal Revenues	5,588.1	5,649.2	5,930.5	5,930.5	5.0
Other Revenues	3,194.8	4,968.6	4,654.0	4,654.0	-6.3
Fund Balance	21.2	0.0	0.0	0.0	
SOURCES TOTAL	11,023.1	12,638.5	12,718.4	12,603.5	-0.3
USES					
Personal Services and Employee Benefits	4,712.5	4,903.6	5,133.0	5,055.0	3.1
Contractual Services	200.4	167.4	252.5	217.5	29.9
Other	6,110.2	7,567.5	7,332.9	7,331.0	-3.1
TOTAL USES	11,023.1	12,638.5	12,718.4	12,603.5	-0.3
FTE					
Permanent	92.5	92.5	92.5	89.5	-3.2
TOTAL FTE POSITIONS	92.5	92.5	92.5	89.5	-3.2

AT A GLANCE:

The FY18 request for general fund revenue would allow the commission to fill vacancies and increase contractual services expenditures. The commission's request relies on projected federal and enterprise revenue increases. The agency recently was able to start offsetting general fund revenue with social security reimbursement program revenue and use these savings to leverage federal vocational rehabilitation funds more effectively. Enterprise revenue primarily is used to pay blind enterprise program commissions and fluctuates from year to year, explaining the increase in enterprise revenue from FY16.

LFC does not recommend increasing general fund revenue above FY17 operating budget levels adjusted for cuts passed during the special legislative session but reallocates \$151.3 thousand to the personal services and employee benefits category to allow the commission to fill about half of the 8.5 vacant FTE. The recommendation deletes three of the unfunded FTE. Additionally, LFC recommends increasing spending on the contractual services category by \$50.1 thousand from the FY17 adjusted level. LFC's recommendation for property insurance is in line with the General Services Department rate schedule.

In FY15, the Commission for the Blind was awarded \$227.5 thousand in severance tax bond revenue to plan and construct an independent living facility. For FY18 the commission's request for capital outlay revenue included \$762 thousand for facility repairs at the commission's Albuquerque and Alamogordo locations. Given limited bonding capacity projected statewide, the commission was asked at the FY18 Department of Finance and Administration capital outlay hearings, to consider seeking reauthorization for the FY15 appropriation but changing the use to cover the commission's facility repairs needs.

The commission received one FY15 federal funds audit finding related to new federal requirements for written procedures related to federal uniform grant guidance. The commission stated in its response to the findings it would have the issue resolved by the end of FY16. According to the commission, 3,000 New Mexico children have vision loss and this number is growing rapidly due to optic nerve hypoplasia, or an underdevelopment of the optic nerves. Many of the services the commission provides help these patients and others achieve independence through residential training and vocational rehabilitation. About 400 people are receiving vocational rehabilitation services through the commission at any given time, and about 19 obtained quality employment opportunities in FY16.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>	
*	Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	15	19	25	25	25
	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	580	533	600	535	535
*	Outcome	Average hourly wage for the blind or visually impaired person	\$22.07	\$14.88	\$13.50	\$13.50	\$13.50
*	Outcome	Number of persons who avoided or delayed moving into a nursing home or assisted living facility as a result of receiving independent living services	NEW	NEW	NEW	60	60

STATUTORY AUTHORITY:

Section 9-21-1 through 9-21-24 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)					Percent Incr (Decr)
	FY16	FY17	FY18 – 2017-2018			
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	2,698.7	2,522.4	2,518.2	2,240.5	-11.2	
Other Transfers	249.3	249.3	249.3	249.3	0.0	
SOURCES TOTAL	2,948.0	2,771.7	2,767.5	2,489.8	-10.2	
USES						
Personal Services and Employee Benefits	939.5	1,172.8	1,172.8	1,084.0	-7.6	
Contractual Services	743.5	749.6	735.9	735.9	-1.8	
Other	546.1	849.3	858.8	669.9	-21.1	
TOTAL USES	2,229.1	2,771.7	2,767.5	2,489.8	-10.2	
FTE						
Permanent	15.0	15.0	15.0	15.0	0.0	
Temporary	0.0	1.0	0.0	0.0	-100.0	
TOTAL FTE POSITIONS	15.0	16.0	15.0	15.0	-6.3	

AT A GLANCE:

The department requested to fully fund 15 authorized FTE, noting face-to-face trainings and workshops are the department's most effective tool for maintaining state-tribal relationships and improving compliance with tribal infrastructure and capital outlay guidelines. Internal restructuring allowed the department to reduce administrative costs and eliminate 1 term and 1 temporary FTE. However, due to persistent vacancies, the FY18 LFC recommendation applies a 6 percent vacancy rate and does not fund requested overtime, which can be covered with vacancy savings. The recommendation supports the department's \$135 thousand reduction of contractual services, largely achieved through the elimination of two contracted support positions. Finally, in view of the state's serious budget constraints, the recommendation includes a \$183.9 thousand, or 26 percent, reduction in funding for grants; however, the recommended level remains above FY16 actual expenditures.

BUDGET ISSUES:

The Indian Affairs Department (IAD) plays a key role in coordinating relations between New Mexico and 24 tribes, nations, and pueblos, including the Fort Sill Apache and the Southern Ute, under the auspices of the State-Tribal Collaboration Act. It also organizes an annual summit for tribal leaders and the executive branch. To assist the department with oversight of more than \$60 million of tribal infrastructure fund (TIF) and capital outlay projects, IAD maintains a memorandum of understanding with the Environment Department for engineering services and site inspections to ensure compliance with approved budgets and scopes of work; for FY18, the contract is estimated at \$25 thousand.

Beginning in 2012, 5 percent of annual severance tax bond funds were allocated to the tribal infrastructure fund (TIF), and for FY16, the Tribal Infrastructure Board awarded \$12.2 million to 21 infrastructure projects for tribal entities. In recent years IAD has redoubled efforts to improve the TIF award process, train tribal entities, and improve oversight. For example, as of June 2016, none of the \$14.3 million in 2015 TIF allocations had been spent and \$11.3 million remains unspent for years 2012 to 2014. In summer 2016, the department established a tribal infrastructure collaboration and consultation workgroup to revisit TIF guidelines. Revisions under consideration include a 15 percent cap on total available TIF funds per project proposal, a 36-month completion deadline, excluding planning, and a simplified scoring metric for how projects are selected for funding. A final version is expected to be completed prior to the 2017 legislative session.

The department also receives general fund revenue for grants to qualified tribal-serving organizations and federally recognized Indian nations for support of special projects to address health, education, and social and cultural initiatives. In FY17, IAD awarded \$601 thousand through a competitive award process, including \$185 thousand to the Pueblo of Jemez for a housing self-help construction pilot project and \$40 thousand each for Pueblo of Cochiti language and cultural programs, the Leadership

Institute at the Santa Fe Indian School, and the Leadership Institute at Bernalillo public schools. In light of serious budget constraints, the FY18 recommendation reduces grant funding from the FY17 level by 26 percent; however, this funding level is still above FY16 actual expenditures. For the fiscally challenging year ahead, the department should use its internal scoring method to fund those cost-effective programs with proven health, safety, and educational outcomes. Finally, the other cost category was reduced by about \$11 thousand due to savings identified by the department and some additional adjustments to hold office supply expenses flat with past-year expenditures.

IAD receives annual distributions for the Tribal Tobacco Cessation and Prevention Program through the state’s Tobacco Use Prevention and Control Program. In FY17, 11 Native American-serving entities received a total of \$249.3 thousand for targeted smoking cessation programs. The department contracts with a consulting firm to evaluate program reporting and monitoring and best practices for the best use and management of the funds to address the health impacts of smoking in native American communities.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the Indian affairs program of the Indian affairs department in the contractual services category 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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Number of capital outlay or tribal infrastructure project training sessions conducted	26	11	20		
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	100%	100%	95%	98%	99%
Explanatory	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical infrastructure	83%	95%	80%		
* Outcome	Percent of capital projects over fifty thousand dollars completed and closed on schedule	NEW	NEW	75%	75%	75%
* Outcome	Percent of tribal infrastructure fund projects over fifty thousand dollars completed and closed on schedule	NEW	NEW	75%	75%	75%
Quality	Percent of tribes, nations and pueblos that rate services provided by Indian affairs department as satisfactory or better	NEW	77%	80%	85%	85%

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 1978 elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD), the Traumatic Brain Injury (TBI) 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 waiver, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

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)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	47,592.7	44,409.0	44,409.0	44,398.7		0.0	
Other Transfers	3,093.4	3,191.3	3,498.6	3,508.9		10.0	
Federal Revenues	12,596.0	12,551.9	12,496.4	12,496.4		-0.4	
Other Revenues	100.3	128.9	80.0	80.0		-37.9	
Fund Balance	0.0	21.1	70.0	273.4		1,195.7	
SOURCES TOTAL	63,382.4	60,302.2	60,554.0	60,757.4		0.8	
USES							
Personal Services and Employee Benefits	15,814.7	15,289.3	15,572.1	15,526.8		1.6	
Contractual Services	4,225.3	3,980.8	4,581.7	4,581.7		15.1	
Other	42,468.8	41,032.1	40,400.2	40,648.9		-0.9	
TOTAL USES	62,508.8	60,302.2	60,554.0	60,757.4		0.8	
FTE							
Permanent	228.5	226.5	227.5	225.5		-0.4	
Term	7.5	9.5	13.0	9.0		-5.3	
TOTAL FTE POSITIONS	236.0	236.0	240.5	234.5		-0.6	

AT A GLANCE:

Keeping older adults safe, fed, and in their communities – seen as key to managing the aging New Mexico population – remains the committee's primary objective in prioritizing the department's budget during the current period of fiscal austerity. The agency's request for increases for Program Support and decreases for direct services does not align with the committee's priorities.

Overall, the LFC recommendation for general fund revenue is flat with the FY17 adjusted operating budget. The committee recommends reallocating more general fund revenue to programs with direct impact, such as the Aging Network and Adult Protective Services, and less for administration and the call center.

BUDGET ISSUES:

Deciding which areas to cut and which to maintain is no easy task. The department, like much of the rest of the state, is making difficult decisions in its effort to operate within tough budget constraints and also protect some of the most vulnerable New Mexico citizens. The department's request would grow Program Support while further cutting the Aging Network and would fill vacancies in the Consumer and Elder Rights Program while not funding currently filled positions in the Adult Protective Services program. Compared to the FY17 adjusted operating budget, no additional general fund revenue was requested for FY18 and the request is a 5.5 percent reduction from the original FY17 operating budget.

Ensuring Access to Quality Services. In October 2016, LFC published a program evaluation and held a hearing on the performance of nursing homes in New Mexico. Though the department plays an important role in policy affecting nursing home quality and performance, no department representatives were present for the hearing. The report found the second most common deficiency at New Mexico's nursing homes are violations of resident rights, more frequent in New Mexico than in the rest of the country. Through the long-term care ombudsman, part of the Consumer and Elder Rights Program's purpose is to assist and support older individuals, people with disabilities, and residents of long-term care facilities to protect their rights and help them make informed decisions.

Since the hearing, the department was asked to provide data showing to which other entities ombudsman directs complaints and was asked for the types of complaints elevated to other entities such as the Department of Health. The department was also asked about data related to ombudsman complaint follow ups. The department was unable to provide any of the data and stated they are looking into adding this functionality in the future.

The department's request for general fund revenue in the Consumer and Elder Rights Division is relatively flat with the FY17 adjusted operating budget. However, the request increases overall spending levels due to a projected increase in Medicaid revenue. Spending in the personal services and employee benefits category would be enough to fill about 6.2 FTE between the FY17 adjusted operating budget and the FY18 request.

The LFC recommendation for Consumer and Elder Rights assumes an increase in Medicaid revenue, an increase in the federal medical assistance percentage, allows for about 4.3 vacancies to be filled, and supports other miscellaneous decreases.

Protecting Vulnerable Adults. The department's request for general fund revenue for the Adult Protective Services (APS) program would insufficiently fund about 4.4 currently filled FTE. Nearly all of the program's vacancies are investigative caseworkers who help to ensure caretakers and others do not abuse, neglect, or exploit older adults. In FY16, APS received over 13 thousand reports of abuse, neglect, and exploitation and conducted 6,315 investigations. Many of these adult victims were provided with APS interventions, such as emergency placements, home care, adult day care, guardianships, and attendant care.

The LFC recommendation for APS fully funds positions currently filled and increases funding for adult home and day care services. The LFC recommendation will allow the department to maintain current program service levels without the need for budget adjustment requests. LFC also recommends a performance measure, as was recommended in a May 2015 LFC evaluation of the program, for the number of cases of repeat maltreatment. The measure was discontinued in 2010 and reinstating it would allow for improved evaluation of the effectiveness of APS interventions.

Remaining in the Community and Food Secure. Through its Meals on Wheels initiative and other programs, the Aging Network plays a key role in keeping residents in the community and food secure. Having healthy and well fed older adults carries the added benefit of reducing strain on Medicaid and safety net services and can help slow the growth of costly nursing facility services. Overall, the state's population increased 11 percent since 2005, while the number of those 60 years of age and older grew by 43 percent. The percentage of adults aged 65 or older who reside in nursing homes has been gradually declining in recent years, partially due to greater longevity and a growing desire to remain at home.

A May 2014 LFC evaluation of the Aging Network in New Mexico found the network lacked oversight and that most oversight was delegated to area agencies on aging. The evaluation also found that performance outcomes were not tracked and that data was not used for strategic planning purposes. Aside from eliminating less useful performance measures, little changed has since 2014.

The department's general fund revenue request for the Aging Network was \$207 thousand less than the FY17 adjusted operating budget. Overall, the request would decrease the allocation for nutrition, respite, and volunteer services by about \$180.7 thousand and took a modest vacancy savings. The request also shifts legal fees for grandparents raising grandchildren from the other category to the contractual services category.

The committee recommends using \$203.4 thousand in fund balances from the conference on aging and increases allocations for nutrition, respite, and volunteer services by \$153.1 thousand. The recommendation supports the department's request for modest vacancy savings and to shift legal fees to the contractual services category.

The committee recommendation for Program Support takes a modest vacancy savings and allows the department to maintain current FTE levels. The recommendation also does not allow for as much of an increase in the other category as requested.

Performance. While LFC staff, the department, and Department of Finance and Administration staff worked together to eliminate less useful measures, much work remains. Many performance measures and targets for FY18 are easily reachable and instead of highlighting areas where improvement is needed, they tend to showcase initiatives where the department is already performing well. While it is good to know the department is performing well on completing certain tasks, most measures give no indication of what the state should be doing to improve outcomes. Improved measures would track the number of complaints and investigations referred to other entities from ombudsman or the Adult Protective Services Program and follow up on action taken as a result of such referrals including fines and personnel actions.

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.

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 people 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,082.7	1,809.8	1,811.9	1,660.2	-8.3
Other Transfers	600.0	692.7	1,000.0	1,010.3	45.8
Federal Revenues	1,592.8	1,370.3	1,348.3	1,348.3	-1.6
SOURCES TOTAL	4,275.5	3,872.8	4,160.2	4,018.8	3.8
USES					
Personal Services and Employee Benefits	3,504.9	3,212.6	3,556.8	3,415.4	6.3
Contractual Services	150.7	141.7	75.0	75.0	-47.1
Other	580.9	518.5	528.4	528.4	1.9
TOTAL USES	4,236.5	3,872.8	4,160.2	4,018.8	3.8
FTE					
Permanent	41.5	41.5	43.5	41.5	0.0
Term	6.0	6.0	10.0	6.0	0.0
TOTAL FTE POSITIONS	47.5	47.5	53.5	47.5	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Quality	Percent of calls to the aging and disability resource center answered by a live operator	70%	72%	85%	85%	85%
Outcome	Percent of ombudsman complaints resolved within sixty days	98%	99%	98%	98%	98%
Outcome	Percent of people receiving options counseling who indicate the information received regarding long-term support services made a positive difference in their decisions	96%	96%	93%	93%	96%
* Outcome	Percent of residents who remained in the community six months following a nursing home care transition	NEW	86%	85%	90%	90%
Explanatory	Number of clients appointed as legal guardians of kinship children in their care	NEW	NEW			

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and people 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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	30,347.8		28,529.2		28,322.2	28,452.6	-0.3
Federal Revenues	10,390.7		10,557.6		10,537.6	10,537.6	-0.2
Other Revenues	100.3		128.9		80.0	80.0	-37.9
Fund Balance	0.0		21.1		70.0	273.4	1,195.7
SOURCES TOTAL	40,838.8		39,236.8		39,009.8	39,343.6	0.3
USES							
Personal Services and Employee Benefits	104.6		104.6		78.3	78.3	-25.1
Contractual Services	79.6		86.2		631.2	631.2	632.3
Other	40,160.2		39,046.0		38,300.3	38,634.1	-1.1
TOTAL USES	40,344.4		39,236.8		39,009.8	39,343.6	0.3
FTE							
Permanent	1.0		1.0		1.0	1.0	0.0
Term	0.5		0.5		0.0	0.0	-100.0
TOTAL FTE POSITIONS	1.5		1.5		1.0	1.0	-33.3

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of individuals exiting the federal older worker program who obtain unsubsidized employment	45%	48%	43%	43%	48%
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	80%	94%	85%	85%	95%
Outcome	Hours of caregiver support provided	NEW	429,612	400,000	400,000	430,000
Explanatory	Number of persons served through healthy and productive aging programs and initiatives	NEW	NEW			
Explanatory	Average cost per individual served through aging network services	NEW	NEW			
* Outcome	Percent of older New Mexicans receiving services to support care giving and healthy and productive aging through the aging network	NEW	NEW	NEW	TBD	TBD

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)		FY18 - 2017-2018		
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	General Fund Transfers	11,248.4	10,525.3	10,634.7	10,881.8	3.4
	Other Transfers	2,493.4	2,498.6	2,498.6	2,498.6	0.0
	SOURCES TOTAL	13,741.8	13,023.9	13,133.3	13,380.4	2.7
USES						
	Personal Services and Employee Benefits	8,148.3	8,088.6	8,043.1	8,290.2	2.5
	Contractual Services	3,874.9	3,650.2	3,739.0	3,739.0	2.4
	Other	1,411.0	1,285.1	1,351.2	1,351.2	5.1
	TOTAL USES	13,434.2	13,023.9	13,133.3	13,380.4	2.7
FTE						
	Permanent	133.0	133.0	132.0	132.0	-0.8
	TOTAL FTE POSITIONS	133.0	133.0	132.0	132.0	-0.8

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Output	Number of adults who receive home care or adult day services as a result of an investigation of abuse, neglect or exploitation	1,416	1,520	1,500	1,500	1,500
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	98.5%	99.5%	98%	98%	98%
* Quality	Percent of contracted homecare and daycare service providers receiving no deficiencies during annual on-site audits by adult protective services	100%	100%	95%	95%	95%
* Output	Number of adult protective services' investigations of abuse, neglect or exploitation	5,931	6,315	6,100	6,100	6,100
* Outcome	Percent of adults with repeat maltreatment	NEW	NEW	NEW	≤9%	≤9%

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)		FY18 - 2017-2018		
		FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES						
	General Fund Transfers	3,913.8	3,544.7	3,640.2	3,404.1	-4.0
	Federal Revenues	612.5	624.0	610.5	610.5	-2.2
	SOURCES TOTAL	4,526.3	4,168.7	4,250.7	4,014.6	-3.7
USES						
	Personal Services and Employee Benefits	4,056.9	3,883.5	3,893.9	3,742.9	-3.6
	Contractual Services	120.1	102.7	136.5	136.5	32.9
	Other	316.7	182.5	220.3	135.2	-25.9
	TOTAL USES	4,493.7	4,168.7	4,250.7	4,014.6	-3.7
FTE						
	Permanent	53.0	51.0	51.0	51.0	0.0
	Term	1.0	3.0	3.0	3.0	0.0
	TOTAL FTE POSITIONS	54.0	54.0	54.0	54.0	0.0

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 to provide 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 (including 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.

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 \$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 more than one in three New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	1,037,281.7	1,031,779.3	1,152,311.2	1,029,096.5			-0.3
Other Transfers	172,345.9	216,504.3	220,964.9	214,530.9			-0.9
Federal Revenues	5,518,225.5	5,617,815.9	5,911,614.4	5,597,937.5			-0.4
Other Revenues	96,153.1	57,850.3	65,457.8	62,738.8			8.5
Fund Balance	838.7	786.3	0.0	0.0			-100.0
SOURCES TOTAL	6,824,844.9	6,924,736.1	7,350,348.3	6,904,303.7			-0.3
USES							
Personal Services and Employee Benefits	108,304.7	108,437.5	105,909.1	105,511.8			-2.7
Contractual Services	167,176.5	172,219.9	171,026.9	172,244.3			0.0
Other	6,549,792.5	6,644,078.7	7,073,412.3	6,626,547.6			-0.3
TOTAL USES	6,825,273.7	6,924,736.1	7,350,348.3	6,904,303.7			-0.3
FTE							
Permanent	1,918.5	1,918.5	1,923.5	1,923.5			0.3
Term	34.0	33.0	33.0	33.0			0.0
Temporary	100.0	100.0	0.0	0.0			-100.0
TOTAL FTE POSITIONS	2,052.5	2,051.5	1,956.5	1,956.5			-4.6

AT A GLANCE:

Overall, the LFC recommendation for general fund revenue in Medicaid program is flat with the FY17 operating budget. The recommendation largely adopts HSD requests for the Medicaid program, but includes an additional \$15.4 million in general fund savings--\$55 million in all funds--from cost-containment. Additionally, LFC recommends a \$63 million special appropriation contingent on new general fund revenue from the health services sector, which to date, remains largely untaxed. An additional \$63 million in general fund savings from cost-containment will be required if the contingency is not met. The recommendation partially supports the request for increased funding for FTE within the Behavioral Health Services Division (BHSD) as it begins to transfer certain administrative service functions from OptumHealth to BHSD. However, the recommendation does not support the request for \$500 thousand for regional crisis stabilization centers because funding and appropriation language were provided for the centers in FY17. For the Income Support Division, the recommendation eliminates the state-funded senior SNAP supplemental, intended to augment federal SNAP benefits, and reduces other expenditures flat with the FY17 adjusted operating budget.

BUDGET ISSUES:

Medicaid and Medicaid Behavioral Health. The Human Services Department's (HSD) FY18 budget request was \$7.35 billion from all revenue sources, a \$424.6 million, or 6 percent, increase compared with the adjusted FY17 operating budget. The Medicaid program represents the vast majority of the increase and included general fund revenue of \$1.034 billion, an increase of \$120 million, or 13 percent, compared with the adjusted FY17 appropriation. In its updated November 2016 Medicaid projection, HSD reported a drop in general fund need for FY18 of \$37.8 million to \$82.2 million. Approximately \$31 million in savings in FY18 is due to a more favorable federal match rate (FMAP) and lower estimates for utilization and price trends from FY17 to FY18. Additionally, the department requested a supplemental appropriation of \$25 million for a projected Medicaid shortfall in FY17. The updated FY18 projection maintains \$16 million in general fund savings from additional cost-containment, some of which will result from implementing limited copayments and taking advantage of a new federal rule that allows for increased federal support for services to Native Americans under certain circumstances.

Policy changes at the federal level appear likely but are difficult to predict. One proposal is the change to a Medicaid block grant or per capita cap policy; these policies make federal expenditures more predictable but could eliminate guaranteed coverage for all eligible applicants as well as guaranteed federal matching funds to states. While states could gain flexibility to administer their programs, reduced federal funding could shift costs to states. According to the Kaiser Foundation, previous block grant proposals determined a base year financing amount for each state and then specified a fixed rate of growth for federal spending. Under a Medicaid per capita cap, the federal government would set a limit on how much to reimburse states per enrollee. Spending under per capita cap proposals fluctuate based on changes in enrollment but would not account for changes in the costs per enrollee beyond the growth limit, such as unexpected hikes in drug costs.

Cost Drivers. Ongoing cost drivers include the drop in federal funding support for the Medicaid expansion group. Beginning January 1, 2014, all adult residents with incomes up to 138 percent of the federal poverty level, about \$16.4 thousand per year for a single person, became eligible for Medicaid under the Affordable Care Act (ACA). Initially, 100 percent of the costs of this group were covered with federal funds; however, federal support began phasing down in FY17. For FY18, the additional state share accounts for more than \$43 million in additional general fund need, the single largest impact to the FY18 budget. Enrollment and utilization continue to be cost drivers, although the projected enrollment growth has slowed and may stabilize even further in the next year. Nevertheless, as of June 2018, the department projects a total of 955 thousand people enrolled in Medicaid, including 274 thousand in the expansion population, 293 thousand traditional Medicaid adults, and 388 thousand children. Health inflation also plays a role but less so; HSD included an assumption of 1.5 percent medical cost inflation in its projection. A major cost increase for FY18 is the return of a federally mandated insurers' fee, which requires \$20.5 million be added to Medicaid manage-care organization (MCO) rates as a cost of doing business. The fee, established to help fund the ACA, had been waived in FY17. Various revenue changes also contribute to the cost pressures. HSD notes negotiations with the University of New Mexico (UNM) are not finalized and the department may not realize the amount of intergovernmental transfers from UNM it had previously projected. Additionally, projected revenues from the county-supported hospital fund have been revised downward. Increased drug rebates counter some of the projected revenue decreases. In addition to the above cost and revenue drivers, other risks that have yet to be quantified include new federal Centers for Medicare and Medicaid (CMS) requirements for managed care and mental health parity. Finally, during the summer of 2016, HSD noted while the department reported a 10 percent increase in aggregate costs across all service categories from the previous 12 months, it also achieved a decrease in per-person medical and administrative costs for the same period — a positive downward trend in administrative costs for the program.

Cost-Containment. HSD's FY17 budget contained language directing the department to pursue cost-containment initiatives to control the growth in Medicaid. Over the summer of 2016, the department convened three subcommittees of the Medicaid Advisory Committee to provide public input and recommendations for how to control costs. Largely in line with the Provider Payment Subcommittee recommendations, effective July 1, 2016, HSD reduced Medicaid rates for primary care providers, inpatient and outpatient hospitals, Safety Net Care Pool hospitals, dental rates, and certain community benefit codes. Later in the year, additional rate reductions were included for remaining rates equal to or above Medicare rates, an industry method of evaluating Medicaid rates. The changes also included a 5 percent increase for Early and Periodic Screening, Diagnostic and Treatment (EPSDT) well-child screenings to encourage utilization. HSD estimated the rate reductions produced a total general fund savings of \$21 million to \$26 million. HSD reported to the Legislative Health and Human Services Committee earlier in the year that in 2014, New Mexico's Medicaid rates, as a percentage of Medicare rates, were 7th highest in the nation.

Although the Benefit and Cost Sharing Subcommittee made no recommended changes, in October 2016, the department announced plans to submit a state plan amendment to CMS for the implementation of limited copayments: nominal copays for certain populations with higher incomes for outpatient and inpatient stays; copays for non-preferred drugs, with exemptions for Native Americans, pregnant women, and children; and copays for non-emergent use of the emergency room, with certain exemptions. The savings are expected to be modest and are included in the department's planned \$16 million of cost-containment. Also, the Long-Term Leveraging Subcommittee made generalized recommendations to the department, including that the department work with the Association of Counties to leverage federal dollars, leverage provider assessments to obtain increased federal matching dollars for the program, explore ways to restructure the gross receipts tax for healthcare providers, and continue to advance value-based purchasing arrangements.

The LFC recommendation substantially adopts the department's requested changes in revenues and costs, with a slightly lower projection for enrollment because of the expected stabilization of the expansion population. However, given the extraordinary budget challenges in the coming year, the LFC recommendation assumes the department will do more to slow program growth. Consequently, LFC recommends an additional \$15.4 million in general fund cost-containment (approximately \$55 million in all funds). The recommended areas of potential savings include eliminating the Centennial Care Rewards program that provides gift incentives for healthy behavior; while the program has shown some positive impacts for beneficiaries who use the program, the peer reviewed health journal *Health Affairs* found in 2013 that Medicaid incentive programs to encourage healthy behavior show mixed results and should be further studied and improved. Additional recommendations include limited premiums for certain CMS-allowable populations, for which HSD provided savings estimates last year, and a thorough evaluation of the department's

generous benefit package for adjustments in the program to help ensure optimal healthcare outcomes and health system efficiency. Also included are additional care coordination and MCO administration efficiencies, which LFC evaluators have recommended for the past two years; the department has initiated improvements but can do more. Finally, while the department has made strides toward the goal of treating 1,750 individuals for hepatitis C, the department built an overestimate of treatment need into its agreements with MCOs. During a time of budget crisis, the state cannot rely on recoupments of overpayments to MCOs for treatment that wasn't provided.

Finally, given the remaining financial need within the Medicaid program and the state's current inability to cover all the costs, LFC recommends a \$63 million special appropriation contingent on an equivalent increase in general fund revenue derived from the health services sector, which to date, remains largely untaxed. An additional \$63 million in cost-containment would be required if the contingency is not met. In its most recent annual report, the National Association of Medicaid Directors reported states increasingly rely on provider taxes and fees to cover part of the non-federal share of Medicaid costs. The most common provider taxes in place in FY16 were taxes on nursing facilities (44 states), hospitals (40 states), and intermediate care facilities for the intellectually disabled (36 states).

Medicaid Funded Home-Visiting. As other states have done, HSD should leverage federal funds to expand the state's parent home-visiting program. Due to declining general fund revenues, LFC recommends HSD, in collaboration with the Children, Youth, and Families Department (CYFD), consider a Medicaid state plan amendment to pilot a Medicaid-funded home-visiting program. General fund revenue already appropriated to CYFD could be used to draw additional federal revenues for this purpose. Additionally, the state could build mechanisms into the pilot to manage costs, including requiring risk screening, defining family eligibility, setting provider qualifications, and defining specific geographic areas or service.

Medicaid Behavioral Health. The recommendation recognizes the \$8 million increase in general fund need for the program due to enrollment and utilization growth and recent new Centers for Medicare and Medicaid requirements for mental health "parity," or the requirement that insurers cover treatment for mental health conditions the same as for physical conditions. Otherwise, as noted above, the recommendation is flat for general fund revenue.

Tobacco Settlement Revenue. Tobacco settlement agreement revenue decreased in fiscal years 2014 and 2015 due to a reduction in the settlement payment pursuant to a successful challenge by participating manufacturers of New Mexico's enforcement of the agreement. However, in October 2016, New Mexico was notified it obtained partial refund of a 2003 reduction to be paid in FY17; consequently, the FY17 estimated revenue increased \$7 million to about \$48 million for the year. Total tobacco revenue is projected to be approximately \$39 million in FY18. The recommendation includes \$1.3 million from the tobacco settlement program fund for breast and cervical cancer treatment and \$28.5 million for the Medicaid programs; \$19.5 million of which is contingent on enactment of legislation authorizing additional tobacco funds being transferred from the tobacco settlement permanent fund to the program fund, making them available for appropriation.

Safety Net Care Pool. In FY15, the Safety Net Care Pool (SNC) replaced the Sole Community Provider (SCP) program for offsetting uncompensated costs for hospitals providing services to patients without healthcare coverage. At its peak, the SCP program provided more than \$275 million in annual funding to hospitals; however, a decrease in uncompensated care following Medicaid expansion reduced the need for the SCP. Uncompensated care reimbursements to hospitals are capped at a maximum of \$68.9 million per year for the five years of the Centennial Care waiver and are allocated according to hospital size, with the smallest hospitals being reimbursed for 100 percent of their reported uncompensated costs. For FY17, the HSD budget maintained \$9 million in general fund revenues for the pool, which supplemented the 1/12th increment GRT tax contributed by counties. However, for FY18 HSD reduced a prior hospital Medicaid rate increase for hospitals; the department elected to reduce SNC enhanced rates to the level of matching funds available from counties and the \$9 million general fund appropriation. However, as LFC noted elsewhere, Medicaid expansion has reduced the number of uninsured and associated uncompensated care costs for hospitals and counties. In fact, from 2013 to 2016, county indigent fund balances increased from \$25.4 million to just over \$31 million, or about 24 percent.

Income Support Program. The recommendation for general fund revenue is \$41.8 million, 2.8 percent below the FY17 operating budget adjusted for solvency. HSD noted fixed costs are increasing, including rent, postage for federally mandated notices to clients, utilities, and telecommunication services provided by the Department of Information Technology. To reduce costs, the program is evaluating closing or consolidating low-traffic field offices, saving an estimated \$302 thousand in administrative costs. HSD maintains the workload and pressures within ISD, particularly with efforts to respond to investigations and a long-standing lawsuit regarding noncompliance with state and federal requirements for administration of the Supplemental Nutrition Assistance Program (SNAP) and Medicaid benefits prohibited the program from finding additional savings for FY18. Further, the program requested a \$1.3 million FY17 supplemental appropriation to cover court costs for both HSD and plaintiffs and costs for a court-appointed special master and associated staff and resources that will assist the department with improving benefit administration under the lawsuit. Nevertheless, state revenues continued to decline since the department's September 2016 request; consequently, the recommendation does not include the \$1.1 million request to replace the FY17 general fund revenue solvency funding reduction.

The recommendation supports the request for federal SNAP funds of \$704 million, \$22 million over the FY17 operating budget. While nationally SNAP caseload growth slowed 5.4 percent from 2013 to 2015, caseloads grew in a few states, including 2.9 percent in New Mexico. The SNAP caseload in June 2016 was 256,301, a 10.4 percent increase from one year ago. This translates into 531,628 individuals, including 306,517 adults and 225,111 children; the increase was largely attributable to adults. However, the recommendation eliminates the SNAP Senior Supplement, an optional state-funded supplement to the federal SNAP benefit, resulting in an estimated savings of \$1.2 million in general fund revenues.

In November FY17, the department asked the federal government to continue exempting able-bodied adults receiving food aid from having to get a job or volunteer in the community to maintain eligibility for SNAP benefits after three months, due in part to the state's continuing high unemployment rate, which qualifies some states for a waiver of the rule, and a court injunction preventing the department from implementing the work requirements. A U.S. District Court Judge had barred the state from using the stricter rules as part of requirements related to the 28-year-old class-action lawsuit by SNAP recipients. Both the injunction and waiver will expire soon, and the department indicated it could implement the work requirements next year should circumstances support the policy decision.

Finally, the General Assistance Program is a safety net program for clients with few resources who do not qualify for any other HSD assistance program. Many clients receiving GA are disabled and qualify for Social Security Disability benefits but are waiting for a determination from the Social Security Administration. In FY18, the program is projected to serve approximately 3,602 clients and will spend \$10.8 million, which includes \$7.2 million in general fund revenue and the remaining in recoupment from clients later determined eligible for disability benefits.

Temporary Assistance for Needy Families. Under the TANF program, states receive a federal block grant to provide cash assistance and work support programs to low-income families. States have broad discretion to meet the program's goals, but are required to report on work participation rates of TANF clients. Failure to meet federally established work rates could trigger penalties. The TANF caseload saw significant increases during the economic recession, peaking at 21,514 cases, or about 54,802 recipients, in December 2010. However, since the beginning of 2011, the number of cases has dropped. Nationally, the average monthly number of TANF recipients declined 24 percent from calendar year 2013 to calendar year 2016; in New Mexico the decline was 19.8 percent. The New Mexico TANF caseload was 12,174 in June 2016, a decrease of 4.5 percent from June 2015, about 31,969 individuals: 8,446 adults and 23,523 children. In FY16, the department implemented a 7.5 percent increase in the cash benefit amount; however, the change had little impact on enrollment and the year ended about \$6 million under budget, contributing to carry-over balances going forward.

For FY18, the request for TANF cash assistance is \$53.6 million; the recommendation reduces the amount to \$51.2 million based on HSD's November 2016 projection. The recommendation supports the request to hold support services, such as vocational training and wage subsidy programs, flat with FY17. For FY17, LFC supported department initiatives to expand the Career Links program, which provides activities for skill improvement and 20 hours per week of subsidized employment; the program was increased \$2.8 million for a total of nearly \$6 million, to expand the program to additional communities across the state. The increase will allow New Mexico Works to provide additional support services and allow cooperating New Mexico businesses to hire more participants in subsidized temporary job assignments. Transfers to the Children, Youth, and Families Department for childcare, PreK, home-visiting and supportive housing are flat with the previous year, as are transfers to the Public Education Department for PreK. LFC projected TANF carry-over at the end of FY18 is \$23 million, including an estimate of \$10 million in TANF contingency funds for FY17 expected in FY18. TANF contingency funds are awarded in the year following the state request and are based on economic conditions during the request year.

Behavioral Health Services Division. BHSD 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 FY17, those services had been provided through a contract with OptumHealth; however, for FY18 the program begins the process of taking over some of the administrative services (ASO) functions of OptumHealth, which includes provider and client registration, provider contracting and training, and defining the scope of services and clinical quality review. The BHSD STAR IT system will perform some administrative functions formerly provided by OptumHealth, while the department plans to expand its relationship with the University of New Mexico for technical and clinical support and expertise. Last year the department submitted a special appropriation request for \$408.5 thousand and 10 new FTE to begin the transition, which includes hiring and training staff and the implementation of a new claims processing function expected to be completed for FY18. Among potential benefits of the transition are faster payments to providers and real-time access to all financial, operational, and utilization and service data. The program received a special appropriation of \$217.4 thousand in FY17 for the effort but with no additional FTE. HSD reports the transition is still in the planning stage. In its FY18 request, BHSD requested \$1.6 million over the FY17 adjusted budget. The large increase is because BHSD used vacancy savings to achieve the FY17 solvency requirement; however, the program has filled 7 FTE since its September 2016 budget request, and requested to fully fund 40 authorized positions and 5 new FTE. LFC supports the department's intent to conduct more ASO functions in-house; however, due to serious budget constraints and the delayed planning for this transition, the recommendation fully funds the existing 40 FTE but does not provide for the additional 5 requested FTE.

In FY17, the appropriation for BHSD was reduced \$3.9 million, or about 9 percent, from the FY16 operating budget to account for more services being covered under Medicaid behavioral health; however, the department has maintained the decrease limited the services it could provide because some treatment and benefits are not covered by Medicaid and many clients are not Medicaid eligible. For FY18, HSD reports no substantial additional savings within the program but instead projects a shift of expenditures from OptumHealth to new contracts with direct service providers, payment of claims, and quality assurance. Citing budget constraints, BHSD requested \$500 thousand in FY18 for regional crisis centers, which were not implemented in FY17 due to delays in rule-making by the Department of Health. The recommendation does not support the request because funding and language was provided for the centers in FY17.

In June 2015, the state Attorney General's Office (NMAG) hired a contractor to complete investigations of New Mexico behavioral healthcare providers suspected of fraud by HSD. In early 2016, NMAG concluded the investigations and cleared the remaining entities of fraud. Two providers settled with the state, Presbyterian and Youth Development Inc., and stayed in business; others continue to work through the HSD appeals process for a chance to recoup payments frozen nearly three years ago following a 2013 audit.

Despite known gaps in available services and access, HSD reports the number of individuals receiving behavioral health services has steadily increased, particularly since Medicaid expansion. With the implementation of Centennial Care, the number of individuals receiving behavioral health care increased 67 percent (58,984) between FY13 and FY14. Further, New Mexico improved 14 spots, from 36th to 22nd, in Mental Health America's annual rankings, *The State of Mental Health in America 2017*. In the latest rankings, New Mexico improved from 44th to 24th in prevalence of mental illness and from 24th to 23rd in access to mental health care. Improved rankings in the adult (33rd to 32nd) and youth (40th to 16th) categories indicate a lower prevalence of mental illness and a higher rate of access to care for both age groups.

Child Support Enforcement Division. The recommendation supports CSED's \$7.1 million general fund request for FY18, a reduction of 2.6 percent from the adjusted FY17 operating budget. The majority of savings is in personnel costs. HSD reports the hiring goal for FY17 had been 330 positions; however, the FY18 request assumes an additional 18 positions will be held vacant. Additionally, the program reports it will work with the state's district courts to prioritize the services procured in the hearing officer contracts, allowing for some additional savings. CSED receives a match rate of approximately 66 percent federal funds to 34 percent state funds and receives additional federal incentive payments for meeting performance targets; it expects \$2.2 million in incentive funding for FY18, flat with FY17. CSED reported record child support collections of \$140 million in FY15 and \$141 million in FY16, and the target for FY18 is \$145 million.

Program Support. The recommendation supports the request of \$51.9 million, including \$15.3 million in general fund revenue, which represents a 2.6 percent reduction from the adjusted FY17 base. The reductions were implemented primarily through vacancy savings, postponement of computer system replacements and within the IT department, reductions to certain support contracts, such as for the department's ASPEN system used to determine eligibility and issue benefits. Nearly 80 percent of the program's budget is in the personnel category. To achieve the savings, HSD will reorganize some resources to critical functions.

RECOMMENDED LANGUAGE:

The appropriations to the medical assistance program of the human services department assume the state will receive an enhanced federal medical assistance percentage rate for those enrolled in the new adult category through fiscal year 2018 as provided for in the federal Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Should the federal government reduce or rescind the federal medical assistance percentage rates established by the Patient Protection and Affordable Care Act, the human services department shall reduce or rescind eligibility for the new adult category.

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include one million two hundred fifty-five thousand four hundred dollars (\$1,255,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and twenty-eight million five hundred five thousand nine hundred dollars (\$28,505,900) from the tobacco settlement program fund for medicaid programs. Nineteen million five hundred thousand dollars (\$19,500,000) of the internal service funds/interagency transfers appropriations to the medical assistance program of the human services department is contingent on enactment of legislation of the first session of the fifty-third legislature authorizing sufficient tobacco settlement revenue distributions from the tobacco settlement program fund for this appropriation.

The federal funds appropriations to the income support program of the human services department include eleven million five hundred seven thousand seven hundred dollars (\$11,507,700) 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 fifty-one million one hundred fifty thousand dollars (\$51,150,000) 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, two clothing allowances per year, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include twenty million six hundred fifty-one thousand dollars (\$20,651,000) from the federal temporary assistance for needy families block grant for job training and placement and job-related transportation services, employment-related costs and a transitional employment program. The funds for the transitional employment program and the wage subsidy program may be used interchangeably.

The federal funds appropriations to the income support program of the human services department include thirty million five hundred twenty-seven thousand five hundred dollars (\$30,527,500) from the federal temporary assistance for needy families block grant for transfer to the children, youth and families department for childcare programs, five million dollars (\$5,000,000) for home-visiting programs, fourteen million one hundred thousand dollars (\$14,100,000) for prekindergarten and nine hundred thousand dollars (\$900,000) for a pilot supportive housing project.

The federal funds appropriations to the income support program of the human services department include three million five hundred thousand dollars (\$3,500,000) from the federal temporary assistance for needy families block grant for transfer to the public education department for prekindergarten.

The appropriations to the income support program of the human services department include seven million two hundred twenty thousand dollars (\$7,220,000) from the general fund and three million eighty thousand three hundred dollars (\$3,080,300) from other state funds for general assistance.

Any unexpended balances remaining at the end of fiscal year 2018 from the other state funds appropriations 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 and thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The general fund appropriation to the income support program of the human services department in the contractual services category includes seven hundred forty-one thousand five hundred dollars (\$741,500) for the food banks program.

The medical assistance program of the human services department shall amend the state plan and leverage general fund appropriations in the early childhood services program of the children, youth and families department for a pilot medicaid-funded home-visiting program.

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)

	<u>FY18 - 2017-2018</u>				
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	826,419.0	821,145.3	930,545.5	812,305.4	-1.1
Other Transfers	172,345.9	216,504.3	220,964.9	214,530.9	-0.9
Federal Revenues	4,163,965.4	4,222,533.6	4,461,947.7	4,157,000.1	-1.6
Other Revenues	89,772.7	54,053.3	61,370.3	58,651.3	8.5
SOURCES TOTAL	5,252,503.0	5,314,236.5	5,674,828.4	5,242,487.7	-1.4
USES					
Personal Services and Employee Benefits	12,669.7	12,643.1	12,320.7	12,320.7	-2.6
Contractual Services	49,591.7	57,131.6	55,613.9	57,331.3	0.3
Other	5,189,298.8	5,244,461.8	5,606,893.8	5,172,835.7	-1.4
TOTAL USES	5,251,560.2	5,314,236.5	5,674,828.4	5,242,487.7	-1.4
FTE					
Permanent	173.5	173.5	173.5	173.5	0.0
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	184.5	184.5	184.5	184.5	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Percent of children ages two to twenty enrolled in medicaid managed care who had at least one dental visit during the measurement year	65%	66%	70%	67%	68%
* Explanatory	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	52%	49%	68%		
* Outcome	Average percent of children and youth ages twelve months to 19 years in medicaid managed care who received one or more well-child visits with a primary care physician during the measurement year	75%	71%	92%	92%	92%
Outcome	Percent of recipients in medicaid managed care ages eighteen through seventy-five with diabetes who had a HbA1c test during the measurement year	63%	84%	86%	86%	86%
Outcome	Percent hospital readmissions for children in medicaid managed care, ages two to seventeen, within thirty days of discharge	7%	7%	6%	6%	6%
* Outcome	Percent hospital readmissions for adults in medicaid managed care, ages eighteen and over, within thirty days of discharge	11%	13%	9%	<10%	<10%
Outcome	Percent of member deliveries who received a prenatal care visit in the first trimester or within forty-two days of eligibility	20%	71%	85%	85%	85%
Explanatory	Expenditures for children and youth receiving services through medicaid school-based service programs, in millions	\$15.5M	\$17M	\$15M		
Quality	Percent of members reporting satisfaction with centennial care services	NEW	81%	82%	82%	85%
Outcome	Rate of short-term complication admissions for medicaid managed-care members with diabetes	NEW	NEW	500	TBD	500

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of medicaid managed-care members, ages five through sixty-four years, identified as having persistent asthma and dispensed appropriate medications that they remained on during half of the treatment year	NEW	NEW	48%	48%	50%
Explanatory	Number of jail-involved individuals made eligible for medicaid prior to release	NEW	NEW			
* Outcome	Rate of per capita use of emergency room categorized as non-emergent care	NEW	NEW	NEW	TBD	TBD
Explanatory	Number of medicaid managed care members being served by patient-centered medical homes and health homes over previous year	NEW	NEW			
Output	Number of cumulative medicaid members who have received treatment for hepatitis c	NEW	NEW	NEW	TBD	TBD
Output	Number of members receiving services from providers participating in value-based purchasing arrangements	NEW	NEW	NEW	TBD	TBD
Outcome	Percent of medicaid managed care members with a nursing facility level of care being served in the community	NEW	NEW	NEW	TBD	TBD

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	101,120.0	107,487.9	117,354.0	115,578.0	7.5
Federal Revenues	379,463.0	400,694.8	430,675.0	424,295.7	5.9
SOURCES TOTAL	480,583.0	508,182.7	548,029.0	539,873.7	6.2
USES					
Other	480,583.0	508,182.7	548,029.0	539,873.7	6.2
TOTAL USES	480,583.0	508,182.7	548,029.0	539,873.7	6.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 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	7%	8%	5%	5%	5%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative and medicaid programs	107,729	158,584	160,000	160,000	160,000

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	44,042.2	42,968.3	44,070.1	41,768.8	-2.8
Federal Revenues	902,268.3	917,610.7	943,156.2	940,806.2	2.5
Other Revenues	654.1	695.5	695.5	695.5	0.0
SOURCES TOTAL	946,964.6	961,274.5	987,921.8	983,270.5	2.3
USES					
Personal Services and Employee Benefits	55,063.2	55,895.7	53,901.0	53,901.0	-3.6
Contractual Services	33,790.8	35,902.5	38,076.1	38,076.1	6.1
Other	857,950.8	869,476.3	895,944.7	891,293.4	2.5
TOTAL USES	946,804.8	961,274.5	987,921.8	983,270.5	2.3
FTE					
Permanent	1,060.0	1,060.0	1,060.0	1,060.0	0.0
Term	15.0	15.0	15.0	15.0	0.0
Temporary	100.0	100.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	1,175.0	1,175.0	1,075.0	1,075.0	-8.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	35%	53.4%	50%	50%	53%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	27%	63.1%	60%	60%	62%
* 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	89%	93%	90%	90%	92%
Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	91.5%	98.7%	99%	95%	97%
Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	48%	53.5%	52%	52%	53%
Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	94.3%	98%	99%	95%	97%
Outcome	Percent of individuals who obtain employment within ninety days of successfully completing job skills or vocational training	NEW	NEW	NEW	TBD	TBD
Outcome	Rate of participants' retention in employment after ninety days	NEW	NEW	NEW	TBD	TBD

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	41,009.2	37,183.6	37,937.0	37,039.7	-0.4
Federal Revenues	21,587.8	19,409.6	19,233.1	19,233.1	-0.9
SOURCES TOTAL	62,597.0	56,593.2	57,170.1	56,272.8	-0.6
USES					
Personal Services and Employee Benefits	2,681.2	1,850.6	3,452.2	3,054.9	65.1
Contractual Services	57,338.7	52,492.0	52,033.5	51,533.5	-1.8
Other	2,463.8	2,250.6	1,684.4	1,684.4	-25.2
TOTAL USES	62,483.7	56,593.2	57,170.1	56,272.8	-0.6
FTE					
Permanent	33.0	33.0	38.0	38.0	15.2
Term	8.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	41.0	40.0	45.0	45.0	12.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of youth on probation who were served by the behavioral health collaborative and medicaid programs	58.5%	64.4%	60%	55%	60%
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	70%	38%	75%	72%	73%
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	30%	33%	47%	47%	47%
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	46%	52%	67%	67%	67%
Explanatory	Number of health homes established statewide	0	2			
* Outcome	Percent of people with a diagnosis of alcohol or drug dependency who initiated treatment and received two or more additional services within thirty days of the initial visit	39%	18%	40%	40%	40%
Explanatory	Number of suicides of youth served by the behavioral health collaborative and medicaid programs	2	0	2		
Quality	Percent of members reporting satisfaction with behavioral health services	NEW	NEW	85%	TBD	85%
Outcome	Percent of adults diagnosed with major depression who remained on an antidepressant medication for at least one hundred eighty days	NEW	NEW	26%	26%	26%
Explanatory	Number of persons served through telhealth in the rural and frontier counties	NEW	NEW			

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of discharges for medicaid managed-care members age six and older who are hospitalized for treatment of selected mental health disorders and received follow-up with a mental health practitioner within thirty days of discharge	NEW	NEW	NEW	TBD	TBD
Outcome	Percent of emergency department visits for members age thirteen and older with a principal diagnosis of alcohol or other drug dependence who had a follow-up visit for mental illness within seven and thirty days of emergency department visit	NEW	NEW	NEW	TBD	TBD

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,710.3	7,281.7	7,095.0	7,095.0	-2.6
Federal Revenues	17,703.3	19,800.7	19,984.8	19,984.8	0.9
Other Revenues	3,140.4	3,101.5	3,392.0	3,392.0	9.4
Fund Balance	513.1	786.3	0.0	0.0	-100.0
SOURCES TOTAL	29,067.1	30,970.2	30,471.8	30,471.8	-1.6
USES					
Personal Services and Employee Benefits	19,294.7	19,256.5	18,943.4	18,943.4	-1.6
Contractual Services	6,274.1	6,640.0	6,494.0	6,494.0	-2.2
Other	5,305.8	5,073.7	5,034.4	5,034.4	-0.8
TOTAL USES	30,874.6	30,970.2	30,471.8	30,471.8	-1.6
FTE					
Permanent	383.0	383.0	383.0	383.0	0.0
TOTAL FTE POSITIONS	383.0	383.0	383.0	383.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Explanatory	Amount of child support collected, in millions	\$140	\$141	\$145		
* Outcome	Percent of current support owed that is collected	57%	57%	62%	62%	62%
* Outcome	Percent of cases with support orders	83%	84%	85%	85%	85%
* Outcome	Percent of cases having support arrears due, for which arrears are collected	65%	62%	67%	67%	67%
Output	Total dollars collected in child support obligations for each dollar expended by the child support enforcement program	NEW	NEW	NEW	TBD	TBD

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	16,981.0	15,712.5	15,309.6	15,309.6	-2.6
Federal Revenues	33,237.7	37,766.5	36,617.6	36,617.6	-3.0
Other Revenues	2,585.9	0.0	0.0	0.0	
Fund Balance	325.6	0.0	0.0	0.0	
SOURCES TOTAL	53,130.2	53,479.0	51,927.2	51,927.2	-2.9
USES					
Personal Services and Employee Benefits	18,595.9	18,791.6	17,291.8	17,291.8	-8.0
Contractual Services	20,181.2	20,053.8	18,809.4	18,809.4	-6.2
Other	14,190.3	14,633.6	15,826.0	15,826.0	8.1
TOTAL USES	52,967.4	53,479.0	51,927.2	51,927.2	-2.9
FTE					
Permanent	269.0	269.0	269.0	269.0	0.0
TOTAL FTE POSITIONS	269.0	269.0	269.0	269.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Percent of intentional violations in the supplemental nutrition assistance program investigated by the office of inspector general completed and referred for an administrative disqualification hearing within ninety days from the date of assignment	97%	95%	96%		
Output	Percent of timely final decisions on administrative disqualification hearings	100%	100%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date	100%	100%	100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau	17%	12%	12%	15%	12%

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,814.9	8,976.6	9,024.0	8,976.5	0.0
Other Transfers	7,929.2	10,736.1	8,850.0	8,897.5	-17.1
Federal Revenues	42,794.8	48,180.9	43,563.7	43,563.7	-9.6
Other Revenues	5,666.6	0.0	0.0	0.0	
Fund Balance	6,431.0	9,236.1	7,350.0	7,397.5	-19.9
SOURCES TOTAL	73,636.5	77,129.7	68,787.7	68,835.2	-10.8
USES					
Personal Services and Employee Benefits	26,719.9	28,873.4	26,733.1	26,733.1	-7.4
Contractual Services	11,866.4	13,237.1	11,502.6	11,502.6	-13.1
Other	22,952.6	25,783.1	23,202.0	23,202.0	-10.0
Other Financing Uses	6,431.0	9,236.1	7,350.0	7,397.5	-19.9
TOTAL USES	67,969.9	77,129.7	68,787.7	68,835.2	-10.8
FTE					
Permanent	422.5	421.9	400.0	400.0	-5.2
Term	136.0	136.0	109.0	109.0	-19.9
TOTAL FTE POSITIONS	558.5	557.9	509.0	509.0	-8.8

AT A GLANCE:

The Workforce Solutions Department (WSD) FY18 general fund request was slightly over \$9 million, a slight increase over the FY17 operating budget adjusted in the 2016 special session. In addition, federal revenues are projected to continue to decline and are \$43.6 million, or \$4.6 million below FY17. To offset declining revenues, WSD continues to supplement the budget with fund balance and requested use of \$7.4 million for FY18. The FY18 LFC general fund recommendation is flat with the FY17 adjusted operating budget but is a 10.8 percent decrease overall due to declining federal revenues and reduced fund balance capacity.

The LFC recommendation fully funds the agency personal services and employee benefits category (PS&EB) request with revenues from fund balances, other transfers, and federal funds. The LFC recommendation includes \$7.4 million twice in the budget due to a generally accepted accounting principles (GAAP) adjustment required by the Department of Finance and Administration (DFA) to account for the transfer of fund balances into the budget and the expenditures. This double entry makes the recommendation appear larger than the actual expenditures.

BUDGET ISSUES:

In FY18, the agency projected a decrease in federal revenues of almost \$4.6 million, or 9.6 percent below the FY17 operating budget. The WSD budget request reduced total expenditures by \$8.3 million, or 10 percent, a significant reduction below FY16 actual expenditures. The requested \$9 million general fund request would primarily support the Workforce Technology Program. Additionally, the agency request also included a \$1.5 million transfer from the Workers' Compensation Administration (WCA). Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1.5 million for operations at WSD.

Personnel. In the FY18 request, WSD deleted over 49 vacant unfunded FTE and realigned the request closer to FY16 actual expenditures. A majority of the deleted FTE were from the Unemployment Insurance (UI) Program and Program Support; however, FTE were reduced agencywide, and those deleted were unfunded or vacant for more than two years. The LFC recommendation supports the agency request of \$26.7 million and 509 FTE.

Agency Funding. LFC recommends using \$7.4 million of fund balance revenues, or \$1.8 million below the previous fiscal year. A majority of the fund balance used in the recommendation is from the Employment Security Department (ESD) penalty and interest fund; the ESD fund balance is projected to be \$1.4 million after FY18 appropriations. WSD reported the continued use of ESD fund balance will cause the fund to be mostly depleted, resulting in the possible need for substantial increases of general fund revenues in FY19. LFC also recommends using \$500 thousand from the labor enforcement fund (LEF), the \$750 thousand from the public works apprenticeship and training fund (PWAT) in the Labor Relations Program, and \$1.5 million transferred from WCA throughout the agency.

In FY16 WSD met or exceeded a majority of performance targets. However, going forward the agency may struggle to meet targeted performance due to declining revenues and significant changes required by the new Workforce Innovation and Opportunity Act (WIOA). For example, services for youth were prioritized in WIOA, including targeting more federal funds for this group. The local workforce boards will need to locate more unemployed and underemployed youth to provide quality services. In addition, the agency has concerns the focus on youth may result in declining resources for adults. As WIOA is rolled out, the state may need to reevaluate performance targets.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the unemployment insurance program of the workforce solutions department include nine hundred thousand dollars (\$900,000) from the workers' compensation administration fund of the workers' compensation administration.

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include six hundred thousand dollars (\$600,000) from the workers' compensation administration fund of the workers' compensation administration.

UNEMPLOYMENT INSURANCE

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)						
	FY16	FY17	FY18 - 2017-2018		Percent Incr (Decr)	
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	796.8	782.0	1,035.1	987.6	26.3	
Other Transfers	2,792.2	3,032.9	2,077.1	2,124.6	-29.9	
Federal Revenues	6,076.7	6,497.5	6,622.9	6,622.9	1.9	
SOURCES TOTAL	9,665.7	10,312.4	9,735.1	9,735.1	-5.6	
USES						
Personal Services and Employee Benefits	7,981.2	8,463.7	7,981.0	7,981.0	-5.7	
Contractual Services	353.5	333.6	354.8	354.8	6.4	
Other	1,331.0	1,515.1	1,399.3	1,399.3	-7.6	
TOTAL USES	9,665.7	10,312.4	9,735.1	9,735.1	-5.6	
FTE						
Permanent	145.3	141.6	131.7	131.7	-7.0	
Term	66.6	67.0	50.0	50.0	-25.4	
TOTAL FTE POSITIONS	211.9	208.6	181.7	181.7	-12.9	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	95%	91%	80%	75%	75%
Output	Percent of all first payments made within fourteen days after the waiting week	92%	92%	90%	85%	85%
Output	Accuracy rate of claimant separation determinations	89%	93%	85%	75%	85%
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a new unemployment insurance claim, in minutes	NEW	20	15	15	15
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification, in minutes	NEW	15	15	15	15

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,023.0	730.5	1,444.9	1,444.9	97.8
Other Transfers	3,061.0	2,578.3	1,850.0	1,850.0	-28.2
Federal Revenues	176.3	330.0	224.0	224.0	-32.1
SOURCES TOTAL	4,260.3	3,638.8	3,518.9	3,518.9	-3.3
USES					
Personal Services and Employee Benefits	2,344.4	1,960.8	1,874.9	1,874.9	-4.4
Contractual Services	31.2	44.8	33.4	33.4	-25.4
Other	1,884.7	1,633.2	1,610.6	1,610.6	-1.4
TOTAL USES	4,260.3	3,638.8	3,518.9	3,518.9	-3.3
FTE					
Permanent	33.4	33.3	30.4	30.4	-8.9
Term	2.0	2.0	1.0	1.0	-50.0
TOTAL FTE POSITIONS	35.4	35.3	31.4	31.4	-11.2

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of wage claims investigated and resolved within ninety days	100%	93%	91%	91%	91%
Output	Number of targeted public works inspections completed	2,257	2,337	1,800	1,600	1,800
* Output	Average number of days to investigate and issue a determination on a charge of discrimination	NEW	203	180	180	180
Outcome	Number of apprentices registered and being trained	NEW	1,281	1,320	1,320	1,320
* Output	Number of compliance reviews and quality assessments on registered apprenticeship programs	NEW	6	6	6	6

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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	7,435.0	6,190.5	4,733.0	4,733.0	-23.5	
Other Transfers	1,817.9	3,467.9	4,205.0	4,205.0	21.3	
Federal Revenues	4,287.9	4,874.2	4,195.3	4,195.3	-13.9	
SOURCES TOTAL	13,540.8	14,532.6	13,133.3	13,133.3	-9.6	
USES						
Personal Services and Employee Benefits	3,403.8	3,734.8	3,403.8	3,403.8	-8.9	
Contractual Services	7,917.7	8,026.2	7,536.3	7,536.3	-6.1	
Other	2,219.3	2,771.6	2,193.2	2,193.2	-20.9	
TOTAL USES	13,540.8	14,532.6	13,133.3	13,133.3	-9.6	
FTE						
Permanent	43.0	40.0	39.0	39.0	-2.5	
Term	6.0	6.0	8.0	8.0	33.3	
TOTAL FTE POSITIONS	49.0	46.0	47.0	47.0	2.2	

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of time the unemployment framework for automated claims and tax services are available during scheduled uptime	100%	100%	99%	100%	100%
* Outcome	Percent of time unemployment insurance benefits are paid within three business days of claimant certification	96%	93%	100%	100%	100%

EMPLOYMENT SERVICES

The purpose of the employment 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)	
			Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,460.9	1,170.0	1,592.0	1,592.0	36.1	
Other Transfers	66.6	124.6	94.9	94.9	-23.8	
Federal Revenues	11,701.2	14,936.8	11,625.2	11,625.2	-22.2	
SOURCES TOTAL	13,228.7	16,231.4	13,312.1	13,312.1	-18.0	
USES						
Personal Services and Employee Benefits	7,143.1	7,243.3	7,140.1	7,140.1	-1.4	
Contractual Services	2,906.4	3,877.3	2,900.3	2,900.3	-25.2	
Other	3,179.2	5,110.8	3,271.7	3,271.7	-36.0	
TOTAL USES	13,228.7	16,231.4	13,312.1	13,312.1	-18.0	
FTE						
Permanent	111.0	114.0	109.1	109.1	-4.3	
Term	41.4	43.0	41.0	41.0	-4.7	
TOTAL FTE POSITIONS	152.4	157.0	150.1	150.1	-4.4	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of recently separated veterans entering employment	51%	53%	55%	55%	55%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	44%	46%	45%	45%	45%
Output	Total number of individuals receiving Wagner-Peyser employment services	98,489	91,704	150,000	150,000	120,000
* Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	58%	57%	55%	51%	55%
Outcome	Percent of individuals who have received Wagner-Peyser employment services retaining employment services after six-months	80%	80%	75%	70%	75%
* Outcome	Average six-month earnings of persons entering employment after receiving Wagner-Peyser employment services	\$13,553	\$13,748	\$13,500	\$12,500	\$13,500
Outcome	Percent of recently separated veterans retaining employment after six months	74%	73%	70%	65%	70%
Outcome	Average six-month earnings of people entering employment after receiving veterans' services	\$15,841	\$17,429	\$16,000	\$16,000	\$16,000

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>			
SOURCES							
General Fund Transfers	99.2	103.6	219.0	219.0	111.4		
Other Transfers	191.5	1,532.4	623.0	623.0	-59.3		
Federal Revenues	20,552.7	21,542.4	20,896.3	20,896.3	-3.0		
SOURCES TOTAL	20,843.4	23,178.4	21,738.3	21,738.3	-6.2		
USES							
Personal Services and Employee Benefits	5,847.4	7,470.8	6,333.3	6,333.3	-15.2		
Contractual Services	657.6	955.2	677.8	677.8	-29.0		
Other	14,338.4	14,752.4	14,727.2	14,727.2	-0.2		
TOTAL USES	20,843.4	23,178.4	21,738.3	21,738.3	-6.2		
FTE							
Permanent	90.0	93.0	90.0	90.0	-3.2		
Term	20.0	18.0	9.0	9.0	-50.0		
TOTAL FTE POSITIONS	110.0	111.0	99.0	99.0	-10.8		

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	40%	71%	70%	70%	70%
Output	Number of youth receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	NEW	856	1,400	1,400	1,400
Outcome	Percent of youth who entered employment or are enrolled in postsecondary education or advanced training after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	NEW	59%	57%	57%	58%

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of adult and dislocated workers receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	3,023	2,805	2,700	2,600	2,700
* Outcome	Percent of individuals who enter employment after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	74%	73%	70%	65%	70%
* Output	Percent of individuals who retain employment after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	93%	90%	89%	85%	89%

SPECIAL REVENUES

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	5,666.6	0.0	0.0	0.0	
Fund Balance	6,431.0	9,236.1	7,350.0	7,397.5	-19.9
SOURCES TOTAL	12,097.6	9,236.1	7,350.0	7,397.5	-19.9
USES					
Other Financing Uses	6,431.0	9,236.1	7,350.0	7,397.5	-19.9
TOTAL USES	6,431.0	9,236.1	7,350.0	7,397.5	-19.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the Worker's Compensation Act (Sections 52-1-1 through 52-1-70 and Sections 52-5-1 through 52-5-22 NMSA 1978), Occupational Disease Disablement Act (Sections 52-3-1 through 52-3-60 NMSA 1978), and Health Care Provider Act (52-4-1 through 52-4-5 NMSA 1978). 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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	13,338.8	12,643.4	11,552.7	12,243.5	-3.2
SOURCES TOTAL	13,338.8	12,643.4	11,552.7	12,243.5	-3.2
USES					
Personal Services and Employee Benefits	8,354.7	8,526.1	8,897.4	8,486.0	-0.5
Contractual Services	326.3	400.6	459.2	400.5	0.0
Other	1,502.7	2,216.7	2,196.1	1,857.0	-16.2
Other Financing Uses	1,498.2	1,500.0	0.0	1,500.0	0.0
TOTAL USES	11,681.9	12,643.4	11,552.7	12,243.5	-3.2
FTE					
Permanent	123.0	124.0	122.0	122.0	-1.6
TOTAL FTE POSITIONS	123.0	124.0	122.0	122.0	-1.6

AT A GLANCE:

Despite an 11 percent reversion in the prior year, the agency requested additional personnel funding in FY18. Importantly, the request did not include the transfer to the Workforce Solutions Department (WSD) for FY18 as was included in the operating budget for previous years. LFC recommends the transfer to WSD continue at \$1.5 million.

BUDGET ISSUES:

WCA receives funding from quarterly fees of \$2 collected from employees and matched with an employer contribution of \$2 and a 30 cent assessment to support the uninsured employer's fund, for a combined total of \$17.20 per employee per year. The 30 cent assessment is used to pay claims filed against employers noncompliant with the workers' compensation insurance law. The base assessment for workers' compensation has not increased since it was first established in 1993. Additionally, the agency's projected fund balance in FY18 is estimated to be nearly \$4 million. In 2015, WCA reported 90 percent of formal worker's compensation claims were resolved without a trial and 85 percent of employers were determined to be in compliance with insurance requirements.

The agency's FY18 request included a \$371.3 thousand, or 4 percent, budget increase for the personal services and employee benefits category. However, the agency only requested 122 FTE, deleting 2 FTE from the previous fiscal year. As of October 2016, 8 FTE were vacant agencywide, a 9 percent vacancy rate. The average vacancy rate over the previous two fiscal years was about 10 percent. Given this history, LFC recommends a reduction of 0.5 percent in the personal services and employee benefits category but funds currently filled FTE.

The agency request for the contractual services category included an increase of about \$58.6 thousand over the FY17 operating budget. A majority of the increase is for workers' compensation case utilization review and case management services. The LFC recommendation for the contractual services category remains flat with the FY17 operating budget and \$74 thousand above FY16 actuals.

In FY16, the agency received \$13.3 million in revenues. WCA is projecting similar revenues but only requested spending \$11.5 million for FY18. Given stable revenue projections, the LFC recommendation continues the \$1.5 million transfer to the Workforce Solutions Department (WSD). With the transfer, ending cash balances in FY18 are projected to be nearly \$3 million.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the workers' compensation administration program of the workers' compensation administration in the other financing uses category includes nine hundred thousand dollars (\$900,000) from the workers' compensation administration fund for the unemployment insurance program of the workforce solutions department and six hundred thousand dollars (\$600,000) from the workers' compensation administration fund for the labor relations program of the workforce solutions department.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	12,362.8	11,456.6	10,662.2	11,353.0	-0.9
SOURCES TOTAL	12,362.8	11,456.6	10,662.2	11,353.0	-0.9
USES					
Personal Services and Employee Benefits	8,028.5	8,203.3	8,568.0	8,156.6	-0.6
Contractual Services	276.2	300.6	359.2	300.5	0.0
Other	1,190.4	1,452.7	1,735.0	1,395.9	-3.9
Other Financing Uses	1,498.2	1,500.0	0.0	1,500.0	0.0
TOTAL USES	10,993.3	11,456.6	10,662.2	11,353.0	-0.9
FTE					
Permanent	119.0	120.0	118.0	118.0	-1.7
TOTAL FTE POSITIONS	119.0	120.0	118.0	118.0	-1.7

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of formal claims resolved without trial	95%	95%	95%	≥90%	≥95%
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.68	.55	0.60	≤0.60	≤0.60
* Outcome	Percent of employers determined to be in compliance with insurance requirements of the workers' compensation act after initial investigations	96%	97%	93%	≥85%	≥95%
Outcome	Percent of employers in the risk reduction program who pass the follow up inspections	NEW	100%	85%	≥85%	≥90%
Output	Percent of formal complaints and applications resolved within six months of filing	NEW	NEW	NEW	≥75%	≥75%

UNINSURED EMPLOYERS FUND

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	976.0	1,186.8	890.5	890.5	-25.0
SOURCES TOTAL	976.0	1,186.8	890.5	890.5	-25.0
USES					
Personal Services and Employee Benefits	326.2	322.8	329.4	329.4	2.0
Contractual Services	50.1	100.0	100.0	100.0	0.0
Other	312.3	764.0	461.1	461.1	-39.6
TOTAL USES	688.6	1,186.8	890.5	890.5	-25.0
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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent of reimbursements collected to claims expense paid out on a fiscal year basis	NEW	NEW	NEW	≥33%	≥33%

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. DVR is a division within the Public Education Department. The statute requires 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 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)						
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	4,374.8	5,647.6	5,677.5	5,647.6	0.0	
Other Transfers	305.5	183.0	91.5	91.5	-50.0	
Federal Revenues	31,975.4	39,874.3	43,713.6	43,602.9	9.4	
Fund Balance	406.7	460.0	550.0	550.0	19.6	
SOURCES TOTAL	37,062.4	46,164.9	50,032.6	49,892.0	8.1	
USES						
Personal Services and Employee Benefits	16,781.3	19,104.0	19,007.7	19,007.7	-0.5	
Contractual Services	1,938.6	5,316.3	6,415.4	4,938.4	-7.1	
Other	19,624.2	21,744.6	24,609.5	25,945.9	19.3	
TOTAL USES	38,344.1	46,164.9	50,032.6	49,892.0	8.1	
FTE						
Permanent	297.0	297.0	311.0	297.0	0.0	
TOTAL FTE POSITIONS	297.0	297.0	311.0	297.0	0.0	

AT A GLANCE:

The LFC FY18 general fund recommendation is flat with the FY17 adjusted operating budget. Overall, the recommendation is a substantial increase over the FY17 operating budget due to leveraging federal revenues. The FY18 request restructures administrative services into an independent program; the LFC recommendation supports this reorganization.

BUDGET ISSUES:

The LFC recommendation includes \$49.9 million from all revenues, an increase of more than \$3.7 million, or 8.1 percent, over the FY17 adjusted operating budget and 30 percent above FY16 expenditures. The general fund recommendation of \$5.6 million is flat with the FY17 adjusted operating budget. In the personal services and employee benefits category, DVR's FY16 actual expenditures totaled \$2.1 million less than what was appropriated. Similar to the previous year, the agency struggles to fill vacancies, with close to 20 funded-but-vacant FTE as of October 2016. The committee continues to support appropriations significantly above expenditure levels in personnel with the hope additional staff, mostly federally funded, will be hired to increase the number of clients served.

For FY18, the agency request for \$50 million overall included a general fund request that was relatively flat. However, the transfer of funds from the Commission for Deaf and Hard-of-Hearing Persons was reduced \$91.5 thousand. To compensate for reduced state funding, DVR maximized federal revenues in the Rehabilitation Services program by reallocating available general fund revenues and increasing use of fund balances. The committee supports the agency reprioritization of general funds to leverage federal revenues and increased fund balances where permissible.

Since 2011, DVR has been under a federal order of selection, requiring the division to give first priority for services to applicants who have the most significant disabilities and limitations. DVR must create a waiting list for others seeking service. In FY15, DVR was able to serve all 9,625 applicants; however, only 21 percent of clients achieved suitable employment outcomes after receiving services, a decrease of almost 50 percent below the previous fiscal year.

Program Funding. The Rehabilitation Services Program is the largest in the agency and the LFC recommendation of \$28.1 million represents a 24 percent increase over the FY17 adjusted operating budget. The program receives federal grant funding at a 3.7-to-1 match rate. The general fund recommendation of \$4.9 million, along with the \$91.5 thousand transfer from the Commission for Deaf and Hard-of-Hearing Persons qualify as state matching funds. With the transferred funds from the commission, DVR provides vocational training for hearing-disabled persons.

The Independent Living Services Program contracts throughout the state to provide independent living services and supports to people with disabilities in their communities. The committee recommends \$649 thousand in general fund support and \$756.1 thousand in federal revenues for an increase of 2.6 percent above the FY17 operating budget.

The Disability Determination Program is wholly 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 New Mexico. Through the 2015 federal fiscal year, the program received 26.4 thousand claims and disposed 19.6 thousand. Currently, 113.1 thousand New Mexicans are receiving disability benefits as a direct result of Disability Determination Program services. Statewide, monthly benefits are estimated to be close \$105.5 million. The LFC recommendation supports the requested \$14.7 million. Vacancies were previously a significant concern; however, in FY16 the program was able to hire 30 FTE. Despite success in filling vacancies, a considerable backlog remains. The agency also reports the continued backlog, coupled with relatively new and inexperienced staff, is increasing the mean processing time. The agency expects the FY17 mean processing time will be between 108 and 115 days.

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 ninety-one thousand five hundred dollars (\$91,500) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

Any unexpended or unencumbered balance in the division of vocational rehabilitation remaining at the end of fiscal year 2017 and fiscal year 2018 from appropriations made from the general fund shall not revert.

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)						
	FY16	FY17	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)	
	2015-2016	2016-2017	Agency	LFC		
	<u>Actuals</u>	<u>Adj. Budgeted</u>	<u>Request</u>	<u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,374.8	4,504.7	5,028.5	4,998.6	11.0	
Other Transfers	305.5	183.0	91.5	91.5	-50.0	
Federal Revenues	15,640.3	17,117.3	22,700.0	22,589.3	32.0	
Fund Balance	300.0	410.0	400.0	400.0	-2.4	
SOURCES TOTAL	20,620.6	22,215.0	28,220.0	28,079.4	26.4	
USES						
Personal Services and Employee Benefits	8,882.9	9,340.7	9,224.5	9,224.5	-1.2	
Contractual Services	1,114.4	1,028.5	2,028.5	2,028.5	97.2	
Other	10,623.3	11,845.8	16,967.0	16,826.4	42.0	
TOTAL USES	20,620.6	22,215.0	28,220.0	28,079.4	26.4	
FTE						
Permanent	154.0	154.0	154.0	154.0	0.0	
TOTAL FTE POSITIONS	154.0	154.0	154.0	154.0	0.0	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	824	827	925	837	837
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	41%	21%	56%	56%	45%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	97%	99%	98%	98%	99%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	92%	99%	95%	95%	98%

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>FY16 2015-2016 Actuals</u>	<u>FY17 2016-2017 Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	1,142.9	649.0	649.0	-43.2
Federal Revenues	252.8	256.1	756.1	756.1	195.2
Fund Balance	106.7	50.0	150.0	150.0	200.0
SOURCES TOTAL	359.5	1,449.0	1,555.1	1,555.1	7.3
USES					
Personal Services and Employee Benefits	30.8	51.3	70.4	70.4	37.2
Contractual Services	0.0	1,390.0	1,477.0	0.0	-100.0
Other	1,612.0	7.7	7.7	1,484.7	19,181.8
TOTAL USES	1,642.8	1,449.0	1,555.1	1,555.1	7.3
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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of independent living plans developed	665	467	725	467	467
* Output	Number of individuals served for independent living	1,338	488	1,275	488	488

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	11,187.1	17,107.5	14,707.5	14,707.5	-14.0
SOURCES TOTAL	11,187.1	17,107.5	14,707.5	14,707.5	-14.0
USES					
Personal Services and Employee Benefits	5,135.9	6,290.1	6,290.1	6,290.1	0.0
Contractual Services	403.2	2,102.7	2,102.7	2,102.7	0.0
Other	5,646.4	8,714.7	6,314.7	6,314.7	-27.5
TOTAL USES	11,185.5	17,107.5	14,707.5	14,707.5	-14.0
FTE					
Permanent	96.0	96.0	110.0	96.0	0.0
TOTAL FTE POSITIONS	96.0	96.0	110.0	96.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim	118	110	100	100	105
Quality	Percent of initial disability determinations completed accurately	97.6%	96.0%	98.5%	96.0%	96.0%

ADMINISTRATIVE SERVICES

The purpose of the administration services program is to provides leadership, policy development, financial analysis, budgetary control, information technology services, administrative support and legal services to the division of vocational rehabilitation. The administration program function is to ensure the division achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	4,895.2	5,393.4	5,550.0	5,550.0	2.9
SOURCES TOTAL	4,895.2	5,393.4	5,550.0	5,550.0	2.9
USES					
Personal Services and Employee Benefits	2,731.7	3,421.9	3,422.7	3,422.7	0.0
Contractual Services	421.0	795.1	807.2	807.2	1.5
Other	1,742.5	1,176.4	1,320.1	1,320.1	12.2
TOTAL USES	4,895.2	5,393.4	5,550.0	5,550.0	2.9
FTE					
Permanent	46.0	46.0	46.0	46.0	0.0
TOTAL FTE POSITIONS	46.0	46.0	46.0	46.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	2	3	3	3	3
Outcome	Number of working days between disbursements of federal funds from federal treasury to deposit of such funds into state treasury	1	1	1	1	1

STATUTORY AUTHORITY:

Sections 28-10-1 through 28-10-8 NMSA 1978 created the Governor's Commission on Disability. The commission has 15 members, with nine appointed by the governor. Six members are representatives of other state agencies: the secretaries of the Human Services Department, Labor Department, Children, Youth and Families Department, and Aging and Long-Term Services Department and the directors of the Division of Vocational Rehabilitation of the Public Education Department and 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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,313.1	1,223.4	1,279.7	1,217.9	-0.4
Federal Revenues	678.2	434.4	444.5	444.5	2.3
Fund Balance	0.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	1,991.3	1,757.8	1,824.2	1,762.4	0.3
USES					
Personal Services and Employee Benefits	984.8	1,002.7	999.1	999.1	-0.4
Contractual Services	388.5	270.3	340.7	278.9	3.2
Other	574.9	484.8	484.4	484.4	-0.1
TOTAL USES	1,948.2	1,757.8	1,824.2	1,762.4	0.3
FTE					
Permanent	10.0	10.0	10.0	10.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

AT A GLANCE:

In line with the commission's FY17 adjusted operating budget, the LFC recommends \$56.4 thousand less in general fund revenue than was requested. LFC recommends less for the assistive technology program field locations and the Southwest Conference on Disability. In the Brain Injury Advisory Council Program, the committee recommends less for educational materials. The LFC recommendation supports the commission's request for personnel.

The committee recommendation supports the request for \$444.5 thousand in federal funds and supporting FTE for assistive technology. The program loans assistive technology devices to the disabled and assists with equipment financing and home and vehicle modifications. In previous years, the commission requested funding for an additional FTE for the Brain Injury Advisory Council and was able to fill the position using internal resources.

The recommendation supports the commission's request to use \$100 thousand of fund balances for the quality of life program to provide services for individuals with disabilities and additional assistance to Native American families with disabled children. 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.

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability program 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.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,099.4	1,018.1	1,067.9	1,017.1	-0.1
Federal Revenues	678.2	434.4	444.5	444.5	2.3
Fund Balance	0.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	1,777.6	1,552.5	1,612.4	1,561.6	0.6
USES					
Personal Services and Employee Benefits	925.2	927.9	930.7	930.7	0.3
Contractual Services	315.4	200.9	259.4	208.6	3.8
Other	508.8	423.7	422.3	422.3	-0.3
TOTAL USES	1,749.4	1,552.5	1,612.4	1,561.6	0.6
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of requested architectural plan reviews and site inspections completed	97%	99%	90%	90%	95%
Output	Number of technology assistance program devices loaned statewide	156	460	125	125	150
Output	Number of technology assistance program outreach presentations, trainings and events	162	210	100	100	100
Outcome	Percent of constituent inquiries addressed	99%	99%	99%	98%	99%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	213.7	205.3	211.8	200.8	-2.2
SOURCES TOTAL	213.7	205.3	211.8	200.8	-2.2
USES					
Personal Services and Employee Benefits	59.6	74.8	68.4	68.4	-8.6
Contractual Services	73.1	69.4	81.3	70.3	1.3
Other	66.1	61.1	62.1	62.1	1.6
TOTAL USES	198.8	205.3	211.8	200.8	-2.2
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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of individuals receiving education or training on brain injury issues who demonstrate increased knowledge as evidenced by pre and post-training tests	95%	95%	99%	95%	95%
Output	Number of individuals who received technical assistance regarding brain injury	NEW	NEW	NEW	2,000	2,000

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 and at least 60 percent of the members must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. The council includes the Office of Guardianship, 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 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)					
	<u>FY18 – 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	5,364.4	5,072.3	5,393.4	5,072.4	0.0
Other Transfers	588.7	625.0	625.0	625.0	0.0
Federal Revenues	422.5	484.2	483.9	483.9	-0.1
Fund Balance	0.0	258.3	360.0	258.3	0.0
SOURCES TOTAL	6,375.6	6,439.8	6,862.3	6,439.6	0.0
USES					
Personal Services and Employee Benefits	1,036.7	1,047.2	1,113.1	1,113.1	6.3
Contractual Services	3,427.8	4,926.5	5,219.6	4,822.7	-2.1
Other	470.4	466.1	529.6	503.8	8.1
TOTAL USES	4,934.9	6,439.8	6,862.3	6,439.6	0.0
FTE					
Permanent	13.0	13.0	14.0	14.0	7.7
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	15.0	15.0	7.1

AT A GLANCE:

The council requested additional general fund revenue for Department of Information Technology rate increases and General Services Department (GSD) property insurance rate increases. With no vacancies, the council's request for increased general fund revenue funds personal services and employee benefits adequately. The requested amount for guardianship services is nearly \$1 million more than was spent in FY16 but is partially funded with non reverting Office of Guardianship fund balances.

Starting in FY17, the council raised guardianship rates in the guardianship program. Most notably, rates for mental health treatment guardianships were raised from a monthly rate of \$50 to \$75, and rates for guardian ad litem, state contracted guardians, increased from \$300 to \$650 per case. Also, the council would like to serve more guardianship clients, adding to increased projected guardianship costs.

While the committee recognizes that guardianship rate increases will increase overall costs, the recommendation does not assume as large of an increase in guardianship costs as a result of implementation of FY17 rate increases. Also, because fund balances are nonrecurring and because guardianship expenses are recurring, LFC does not recommend using fund balances to support the program. Additionally, the committee recommendation is in line with GSD risk rates and did not include an increase for miscellaneous expenses as was requested.

The council had one new audit finding, two repeated, and three resolved in the FY15 audit report. Findings included untimely general fund reversions, a lack of documentation for small purchases in some cases, and untimely financial record reconciliation. Additionally, as the state auditor reported earlier in the year, an employee of the council is accused of embezzling between \$9,000 and \$17 thousand in stipend checks from developmentally disabled clients. The employee was writing the checks to people in self advocate courses but depositing the checks into his own account through an automatic teller machine. A parent of one of the course attendees received a 1099 tax form from the council and noticed the payments had not actually been received. The employee no longer works for the council and investigations are ongoing.

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	778.0		697.5		723.3	704.0	0.9
Other Transfers	75.0		75.0		75.0	75.0	0.0
Federal Revenues	422.5		484.2		483.9	483.9	-0.1
SOURCES TOTAL	1,275.5		1,256.7		1,282.2	1,262.9	0.5
USES							
Personal Services and Employee Benefits	602.5		595.5		593.1	593.1	-0.4
Contractual Services	237.1		285.9		285.9	285.9	0.0
Other	374.7		375.3		403.2	383.9	2.3
TOTAL USES	1,214.3		1,256.7		1,282.2	1,262.9	0.5
FTE							
Permanent	8.0		7.0		8.0	8.0	14.3
Term	1.0		1.0		1.0	1.0	0.0
TOTAL FTE POSITIONS	9.0		8.0		9.0	9.0	12.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of individuals with developmental disabilities and their families trained on leadership, self-advocacy and disability-related issues	3,389	3,734	4,000	4,000	4,000
Output	Number of outreach and training activities conducted statewide focused on accessing community supports	NEW	NEW	NEW	100	100
Output	Number of contacts with individuals with developmental disabilities and family members to assist in accessing information on local community-based health resources	NEW	NEW	NEW	1,000	1,000
Output	Number of training opportunities for individuals with developmental disabilities to become leaders and train and mentor others with developmental disabilities	NEW	NEW	NEW	100	100
* Outcome	Percent of developmental disabilities planning council funded projects promoting meaningful employment opportunities and public awareness	NEW	NEW	NEW	100%	100%
Output	Number of presentations and trainings provided statewide promoting individualized and inclusive educational opportunities within the school system for students with developmental disabilities	NEW	NEW	NEW	100	100

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	4,586.4	4,374.8	4,670.1	4,368.4	-0.1
Other Transfers	513.7	550.0	550.0	550.0	0.0
Fund Balance	0.0	258.3	360.0	258.3	0.0
SOURCES TOTAL	5,100.1	5,183.1	5,580.1	5,176.7	-0.1
USES					
Personal Services and Employee Benefits	434.2	451.7	520.0	520.0	15.1
Contractual Services	3,190.7	4,640.6	4,933.7	4,536.8	-2.2
Other	95.7	90.8	126.4	119.9	32.0
TOTAL USES	3,720.6	5,183.1	5,580.1	5,176.7	-0.1
FTE					
Permanent	5.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	5.0	6.0	6.0	6.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
*	Outcome	Percent of protected persons served by court-appointed guardians in the least restrictive environment as evidenced by annual technical compliance reviews	NEW	77%	95%	95%
	Outcome	Percent of applications processed and petitioned to the court within one hundred and eighty days	NEW	NEW	NEW	100%
	Outcome	Percent of complaints and grievances processed within the state rule guidelines	NEW	NEW	NEW	100%

STATUTORY AUTHORITY:

The Miners' hospital of New Mexico was created by the state constitution and it is guided by Sections 23-3-1 through 23-3-3 NMSA 1978. Its enabling statute providing for the free or reduced-cost treatment and care of resident miners, and the hospital is an income beneficiary of the land grant permanent fund. Miners who have the ability to pay for their care are billed for services. The facility operates a 47-bed extended-care facility and a 33-bed acute care hospital that also provides health care to non miners. An outreach program exclusively for miners uses a mobile van equipped to do chest x-rays, pulmonary function tests, and audiology tests. Revenues from Medicare, Medicaid, third-party payers and private patient payments also support the hospital. The hospital does not receive general fund appropriations and all revenues are nonreverting.

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)

	FY16		FY17		FY18 – 2017-2018	
	2015-2016	2016-2017	Agency	LFC	Percent	
	<u>Actuals</u>	<u>Adj. Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr (Decr)</u>	
SOURCES						
Other Transfers	6,000.0	6,000.0	6,000.0	6,000.0	0.0	
Federal Revenues	474.6	474.6	474.6	474.6	0.0	
Other Revenues	25,208.2	20,995.3	21,989.7	24,962.6	18.9	
SOURCES TOTAL	31,682.8	27,469.9	28,464.3	31,437.2	14.4	
USES						
Personal Services and Employee Benefits	16,137.9	17,669.9	16,197.0	17,669.9	0.0	
Contractual Services	4,124.2	3,700.0	4,231.5	3,700.0	0.0	
Other	7,759.6	6,100.0	8,035.8	10,067.3	65.0	
TOTAL USES	28,021.7	27,469.9	28,464.3	31,437.2	14.4	
FTE						
Permanent	210.5	224.0	207.5	207.5	-7.4	
Term	13.5	0.0	16.5	16.5		
TOTAL FTE POSITIONS	224.0	224.0	224.0	224.0	0.0	

AT A GLANCE:

With more physicians, the hospital was able to bill for more services and increase patient revenue in FY16. Anticipating patient revenue amounts to remain elevated, LFC recommends increasing amounts transferred to HSD for the hospital's share of the Medicaid match and maintaining personal services and employee benefits spending levels commensurate with the FY17 operating budget.

BUDGET ISSUES:

Last year, the Miners' Hospital opened a new outpatient rural primary care clinic and also increased the number of physicians and physician's assistants by about one-third, allowing the hospital to bill for more services and increase patient revenue. For example, the hospital performed 540 more surgeries in FY16 than it did in FY15, a 66 percent increase. The increase in physicians also reduced the hospital's reliance on costly contracted doctors.

Likewise in FY16, the hospital increased its budget by a total of \$3.2 million, with about \$1.2 million for direct-care contract staff, \$300 thousand over five years to the University of New Mexico Foundation to establish a Miners' Colfax Medical Center endowed chair for mining-related lung disease research, and \$400 thousand for other expenses. The remaining \$1.3 million was transferred to the Human Services Department (HSD) to cover the hospital's share of the state Medicaid match. Fiscal year 16 revenue exceeded expenditures by about \$3.6 million, including the HSD transfer.

The hospital's request was largely in line with FY16 revenue and expenditure levels except that \$3.2 million less was budgeted for patient revenue. It is expected that patient revenue collection will be similar in FY18 to FY16. LFC recommends nearly \$24 million in patient revenue and increases the amount transferred to HSD from \$1.3 million in FY17 to \$3.3 million in FY18.

According to LFC's calculations, the hospital's request is not sufficient to pay for all personal services and employee benefits costs. To reduce reliance on costly contracted direct-care staff and to reduce the number of vacancies, the LFC recommends maintaining FY17 funding levels allowing the hospital to fill about 8 vacancies. The committee also recommends contractual services spending levels remain at the FY17 operating budget level.

As of the last quarterly update, the hospital continued to hold on to a \$3.2 million reauthorized capital outlay appropriation to build a behavioral health clinic. The hospital has not updated the status of the project in over a year and the project has not moved forward. For each of the last several years the miners' trust fund grew at an average of about \$1.5 million and currently holds about \$13.3 million in balances. The committee recommendation for revenue from this fund is \$6 million.

Performance. The hospital's performance was mixed in FY16. The hospital collected 100 percent of budgeted revenue; however, it took 70 days to collect some of the revenue, when the target was 50 days. The nursing home occupancy rate improved to 74 percent but still did not reach the target of 85 percent. On some of the more important performance measures the department made improvements. The percent of patients readmitted with the same or similar diagnosis within 30 days and emergency room readmissions were 1 percent and 0.05 percent, respectively. Likewise, the rate of medication errors dropped to 0.04 percent and pneumococcal screenings remained steady at 86 percent.

The hospital received a disclaimed opinion in its FY14 audit on some of its balance sheet accounts. Due to this, the FY14 disclaimed accounts were re-audited to ensure these accounts started off with the right amounts for FY15. Additionally, a separate auditing firm is preparing the 2015 Medicare cost report. A representative of the primary auditing firm stated in a letter to the state auditor, "The Medicare cost report is a significant estimate within the financial statement and it is an important component to auditing the third party payer settlement estimates within the financial statements." As of September 2016, the FY15 audit had yet to be submitted to the State Auditor's Office.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the healthcare program of the miners' hospital of New Mexico in the other category includes up to three million three hundred thirty-one thousand five hundred dollars (\$3,331,500) from other state funds from patient revenue to transfer to the medical assistance program of the human services department for the state share of medical expenditures.

The internal service funds/interagency transfers appropriation to the healthcare program of miners' hospital of New Mexico in the other category includes six million dollars (\$6,000,000) from the miners' trust fund.

HEALTHCARE

The purpose of Healthcare Program 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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of budgeted revenue collected	89%	100%	100%	100%	100%
Outcome	Percent of annual healthcare-associated infections	5.4%	1.4%	<1.5%	<1.5%	<1.5%
Outcome	Average patient length of stay, in days, for the acute care facility	2.9	2.7	3.0	3.0	3.0
* Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	2.2%	2.0%	<5.0%	<5.0%	<4.0%
Output	Number of outpatient visits	9,553	9,009	13,000	13,000	11,000
Output	Number of visits to the outreach clinic	325	1,393	325	325	1,200
Output	Number of surgeries performed	815	1,355	850	850	1,000
Outcome	Percent occupancy at nursing home based on licensed beds	68%	74%	80%	80%	80%
Efficiency	Number of days in accounts receivable	72	70	50	50	50
Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	7%	1%	<5%	<5%	<3%
Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes	12%	0%	<12%	<12%	<12%
Quality	Percent of emergency room patients returning to the emergency room with same or similar diagnosis within seventy-two hours of their initial visit	3%	0.05%	<1%	<1%	<1%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated	85.7%	86.0%	≥85.0%	≥85.0%	≥85.0%
Quality	Rate of medication errors per one thousand medications administered	.07%	0.04%	≤1%	≤1%	≤1%
Outcome	Percent of patients who return to mobile outreach clinic every three years to evaluate the progression of their pulmonary disease disability	25%	65%	50%	50%	50%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds	10%	0%	50%	50%	50%
* Output	Percent occupancy in acute care facility based on number of licensed beds	25%	30%	35%	35%	35%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	304,396.4	288,358.8	285,281.4	288,199.3	0.0
Other Transfers	30,263.3	32,931.7	32,269.3	32,269.3	-2.0
Federal Revenues	83,882.9	110,435.9	110,149.2	110,149.2	-0.3
Other Revenues	123,208.9	112,897.5	122,835.3	122,835.3	8.8
Fund Balance	2,826.7	2,952.0	0.0	0.0	-100.0
SOURCES TOTAL	544,578.2	547,575.9	550,535.2	553,453.1	1.1
USES					
Personal Services and Employee Benefits	212,511.9	210,695.1	211,741.5	214,707.8	1.9
Contractual Services	78,660.6	87,760.0	80,386.5	81,735.3	-6.9
Other	137,725.7	137,236.7	146,923.1	145,439.4	6.0
Other Financing Uses	113,847.0	111,884.1	111,484.1	111,570.6	-0.3
TOTAL USES	542,745.2	547,575.9	550,535.2	553,453.1	1.1
FTE					
Permanent	2,785.0	2,799.0	2,748.5	2,748.5	-1.8
Term	980.5	980.5	977.0	977.0	-0.4
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	3,780.5	3,794.5	3,740.5	3,740.5	-1.4

AT A GLANCE:

The community pool in Los Lunas, inpatient adolescent substance abuse treatment in Albuquerque, a Public Health Office in the South Valley of Albuquerque, and reduced health clinics and school-based health centers statewide are among the services cut by the department to remain within budget. To ensure the success of the department's mission, to protect the health of all New Mexicans, and to carry-on with services for vulnerable populations, strong effective leadership is essential. Given the vulnerable populations the department serves, strategic financing of the department's operations is needed more now than ever. Managing for austerity would greatly improve the department's and the state's ability to serve the patients in its care, oversee health facilities statewide, identify health threats, promote health, prepare for health emergencies, and prevent diseases.

With the exception of the Facilities Management Program, the department's request changed little from the FY17 operating budget, adjusted during the 2016 special Legislative session. Funding direct services adequately remains a top priority for the department and LFC. Before the end of the fiscal year, the department likely will make more difficult decisions and further reduce services. The department requested \$18.8 million in special and supplemental appropriation requests for Jackson disability services lawsuit disengagement, Waldrop disability services lawsuit settlement activities, trauma system fund restoration, personnel in vital records, and lab testing supplies. With little-to-no money for special and supplemental appropriations, it is vital that many of the issues the department seeks to resolve through these requests get addressed in the base budget. The \$288.2 million LFC general fund recommendation for the Department of Health is flat with the FY17 adjusted operating budget.

BUDGET ISSUES:

Positively impacting the department's ability to manage through austerity, between 2013 and 2015 the state's uninsured rate decreased from 18.6 percent to 10.9 percent, according to a recent report from the U.S. Census. Pending unknown changes at the federal level, uninsured rates are likely to continue decreasing for the foreseeable future. The department's success or failure at collecting patient revenue from the newly insured will determine whether the department is able to maintain vital services.

Uneven Service Delivery Statewide. Presumably, much of the uninsured population is composed of many non-citizen U.S. residents and Native Americans – exempted from health insurance requirements. Because of this, the rate of insured people likely varies across the state and some areas may require more services funded through the general fund. Public health service delivery is one area heavily impacted by an uneven distribution of services. High provider density in some areas, provider growth and contraction in other areas, and a web of federal, state, and private services should require the state to periodically re-evaluate services offered and re-consider geographic availability.

Under Section 24-1A-1 NMSA 1978, the department is required to take into account the relative needs of applicants for Rural and Primary Health Care Act (RPHCA) assistance and give preference to communities with few primary care services. While available evidence points to improved revenue for many RPHCA clinics, the department's prioritization of funding for these clinics is limited. For example, contract reductions in FY17 for RPHCs average 2.7 percent with the largest reductions at 3.7 percent and the smallest at 1 percent. After reviewing income and balance statements for FY15, the first full year after Medicaid expansion, it is clear some of the clinics are garnering more revenue while others are losing money. The well-to-do clinics may not need funding support from the department and may be located in areas with established networks. The department should review these contracts and reallocate funds accordingly.

The departments' request would decrease funding for RPHCA clinics by 32 percent. In FY17, the Legislature used nearly \$3 million in fund balances to offset a \$3.1 million decrease in general fund revenue for the clinics. For FY18, the department requested a decrease of \$1.1 million in general fund revenue and, with no fund balances available, the total FY18 decrease is \$4.1 million.

Taking into account not only reductions in uncompensated care cost for these clinics but also reductions in general fund appropriations over the last few years, the LFC recommendation for the clinics does not support the requested \$1 million decrease in general fund revenue and replaces some of the county-supported Medicaid fund balances not materializing in FY18. The committee recommends the department evaluate existing services, financial need, and geographic availability of services when allocating RPHCA funding on an as-needed basis as statute requires.

Public Health. The Public Health Program's budget in FY17 was formulated on the assumption that, as provisions of the Affordable Care Act were implemented, the department would be able to leverage more patient revenue. As of December 2016, it appears these assumptions are holding up to a modest degree with patient revenue increasing from \$1.3 million in FY14 to \$2.4 million in FY16. So far the program experienced decreases in the percentage of self-pay clients and increases in Medicaid clients at public health offices. The committee recommends the department continue working to do everything it can to improve patient revenue collection.

The department also increased patient revenue as a result of the Vaccine Purchasing Act. In the first quarter of FY17, the department billed providers \$4.8 million for vaccines provided to children and collected all but \$9,200. Last year, the sustainability of the program was called into question because the department was slow to collect all of the revenue billed. If the remaining quarters of this year are similar to the first quarter, the vaccine program should be able to sustain itself through federal support and billing revenue.

General fund revenue in the Public Health Program's budget decreased \$11.2 million, or nearly 18 percent between FY16 and FY17. However, total program revenue increased \$4.5 million in the same period and if the department's assumptions for FY18 are accurate, total revenues will again increase due to patient revenue and further improvements in Vaccine Purchasing Act revenue collection. Public Health's request would increase allocations for personnel by \$1.5 million. The program's filled positions decreased by 78 FTE in the two years between September 2014 and September 2016. LFC calculates that FY17 current funded vacancies amount to about 61 FTE and the department's FY18 request would fund roughly 22 additional vacancies.

It is unlikely the program will fill over 80 positions by FY18 and the LFC recommendation is adequate to fill about 61 vacancies in FY18.

Tobacco. With the state having to dip into tobacco revenue reserves, to cover the revenue shortfall less revenue is available to distribute. The LFC recommendation reduces allocations to tobacco cessation and control and the diabetes prevention and control initiatives by a total of \$328.6 thousand. As the October 2015 LFC evaluation pointed out, the department may be able to leverage more Medicaid funding for these programs because some of the services are reimbursable under Medicaid.

Performance. LFC staff, the department, and the Department of Finance and Administration are working together to improve performance monitoring for the FY17 quarterly report and to improve the total suite of measures for FY18. While there have been disagreements, many of the less useful measures were eliminated and modest improvements were made to other measures, allowing them to be benchmarked more easily. On the first quarterly report for FY17, LFC staff voiced concern the department did not adequately report on measures where data should be available on a quarterly basis. Additionally, it is not hard to find numerous examples of hospitals using dashboards with real-time performance data to manage day-to-day operations. LFC staff in the past encouraged the department, particularly in the Facilities Management Division, to adopt similar practices for day-to-day management and report performance data similar to this to the committee.

Trauma System Fund. The trauma system fund was established by statute in Section 24-10E-1 NMSA 1978 to sustain existing trauma centers, support the development of new trauma centers, and develop a statewide trauma system. Since 2006, the trauma system fund enabled the number of New Mexico designated trauma centers to grow from three to 12, vastly improving statewide access and level of care. However, like many other areas in the healthcare sector, hospital net income increased nearly 50 percent and uncompensated care decreased 40 percent between 2013 and 2015. This was due to 158 thousand more people having insurance in New Mexico. Additionally, hospitals receive subsidies through state gross receipts tax expenditures and safety-net care pool allocations. The University of New Mexico Hospital (UNMH) is set to receive the largest distribution in FY17, 34 percent of the fund, even as UNMH revenues have soared. The next largest beneficiary gets less than half as much as UNMH.

Given the success of the trauma program, greatly reduced uncompensated care for many of these hospitals, and subsidies hospitals receive through other means, general fund allocations to the fund have been reduced \$2.3 million in recent years. The committee recommendation eliminates general fund appropriations to the fund altogether for FY18. Ending appropriations to the fund will result in the elimination of at least one currently filled FTE at the department.

Epidemiology and Response. The department's request for the Epidemiology and Response Program's budget included an increase of \$733.7 thousand to reduce vacancies and fully fund personnel costs in the Vital Records and Health Statistics (VRHS) Bureau. The department also requested a \$500 thousand supplemental appropriation to fully fund personnel costs in VRHS in FY17.

The LFC recommendation includes \$500 thousand in the base budget for the bureau in FY18 with language but does not recommend funding the supplemental appropriation. The program also requested a \$676.2 thousand general fund revenue reduction for sexual assault and prevention contracts, and the committee does not support this reduction.

Healthcare Facilities. The Facilities Management Program was spared from the FY17 5.5 percent across-the-board general fund revenue reduction much of the rest of the department received. The Facilities Management Program requested a \$1.5 million deficiency appropriation for FY16 and a \$1 million supplemental appropriation for FY17 to cover shortfalls in personnel costs. For FY18, the program requested a \$3.8 million reduction in the personal services and employee benefits category and \$1 million to increase contract staffing within the facilities. The department's base request was made prior to the 2016 special legislative session, before anyone knew that facilities would be held harmless from austerity measures.

With shortfalls in FY15 and FY16 and a projected shortfall for FY17, the department reports it has considered either closing facilities or cutting certain service lines, such as the chemical dependency units (CDU) at Fort Bayard Medical Center, Turquoise Lodge Hospital (TLH), and the New Mexico Rehabilitation Center (NMRC). The department already closed the adolescent chemical dependency unit at TLH.

As has been noted in the past, contract staffing is more expensive than staffing the facilities with state employees, even with increased salaries to improve recruitment and retention within the facilities. As an alternative, the department could end direct contracts with staffing agencies and begin contracting through a staffing clearinghouse, allowing for a more competitive bidding process. LFC does not recommend increasing allocations for costly contract staff and recommends the department consider alternatives.

The committee recommendation for FY18 would allow the program to fill a considerable number of vacancies. With adequate personnel funding in the facilities, the department should continue working as it has in the recent past to reduce vacancies and reduce costly contract staff. The department is also working to refinance Fort Bayard Hospital and the committee assumed \$400 thousand in savings from the transaction.

Services for People with Developmental Disabilities. For the Developmental Disabilities Support Division, due to a projected shortfall, the department requested, and the committee recommendation supports, a \$1.7 million increase for personnel costs to fully fund currently filled positions. The department also requested and the committee supports a decrease for contracts related to the Waldrop lawsuit settlement and Jackson lawsuit disengagement amounting to nearly \$2.3 million. The department request would also eliminate Special Olympics funding and the LFC recommendation does not fully support this but recommends the Special Olympics find new sources of funding through private donations and other means.

Since FY08, the waiting list for the DD waiver program, so called because it provides home-and community-based services for the developmentally disabled under a waiver from federal Medicaid rules, grew at twice the rate new slots become available. With an average 6 percent annual growth rate since FY08, the DD waiver waiting list grew to 6,500 in FY16 and individuals can wait more than 10 years before receiving services. According to DOH, in any given year, if less than 300 new slots are made available, the wait list will grow. Slots become available when appropriations increase and infrastructure improves, when DD waiver recipients move out of state or die, and when the average cost per client decreases. With the federal matching rate for the Medicaid program increasing by more than 1 percent for FY18, the LFC recommendation assumes about a \$1.1 million drop in the need for state dollars. The committee recommendation adds about 62 slots for the DD waiver.

The program also requested \$11.7 million in special appropriations for various items, including Waldrop lawsuit settlement and Jackson lawsuit disengagement activities, client data management, rate studies, dental clinic support, and compliance with activities related to federal regulations. Due to very little money for special and supplemental appropriations this year, LFC did not recommend requested amounts pending further consideration during the upcoming Legislative session.

Over the past few years, the average cost per client on the DD waiver increased possibly because of ongoing litigation. For example, the Waldrop lawsuit over the state's use of the supports intensity scale, a tool for evaluating the appropriate level of services that in the past helped to reduce the average cost per person, will now likely be eliminated and the program will shift to an outside review process to make service determinations. It is unknown whether the outside review process will result in a higher average cost per client.

According to the department, FY16 costs for Jackson litigation reached about \$6.2 million and are expected to increase in FY17. Legal fees alone reached \$2.7 million with two attorneys in particular receiving nearly \$1.3 million to conduct a community audit. The Jackson lawsuit, in its 30th year, mandates the department meet lawsuit disengagement criteria and complete all of nearly 200 evaluative components before disengagement. For example, many of the components require the state to change policy on how health issues are identified and how actions are taken to remedy the problem. The state is then required to implement the changes and identify a plan for monitoring and evaluation.

Health Safety, Oversight, and Administration. The Health Certification, Licensing, and Oversight program's function is vitally important because it is responsible for overseeing and regulating health facilities across the state. The LFC calculates the department's request was insufficient to pay salaries and benefits for all current employees. LFC recommends a \$210 thousand increase in general fund revenue to ensure currently filled positions are fully funded. The division also requested nearly \$1 million in special appropriations with \$604.6 thousand to establish a new unit that would eventually replace the Jackson lawsuit community practice review currently conducted by a court ordered community monitor, \$250 thousand to replace a database linking the division to non-licensed facilities, and \$100 thousand for community living, community inclusion, and case management compliance survey tool validation.

The department's request for Program Support was relatively flat with the FY17 adjusted operating budget and the committee supports the department's request to fully fund personnel costs in administration. Program Support also requested a \$1.5 million supplemental appropriation and stated in its request that funding did not follow the 33 IT FTE consolidated from each of the department's other programs into Program Support. However, the high level summary published in LFC's *Post Session Review* from 2016 clearly accounts for all of the IT positions with \$1.3 million transferred from Public Health, \$208 thousand transferred from Facilities Management, and smaller amounts transferred from other programs.

The department's request for unemployment compensation, workers compensation, employee liability insurance, Department of Information Technology rates, and audit expenses was \$469.5 thousand more than rates listed on the Department of Finance and Administration website. The committee recommendation applies adjustments proportionately to each of the programs in the department to account for the difference.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million one hundred sixty-three thousand five hundred dollars (\$5,163,500) from the tobacco settlement program fund for smoking cessation and prevention programs, six hundred seventy-nine thousand seven hundred dollars (\$679,700) from the tobacco settlement program fund for diabetes prevention and control services, two hundred seventy-eight thousand four hundred dollars (\$278,400) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-two thousand two hundred dollars (\$122,200) from the tobacco settlement program fund for breast and cervical cancer screening.

The general fund appropriation to the epidemiology and response division of the department of health in the personal services and employee benefits category includes five hundred thousand dollars (\$500,000) to fully fund personal services and employee benefits costs in the vital records and health statistics bureau.

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	63,342.1	51,446.7	51,341.0	51,726.0		0.5	
Other Transfers	15,458.3	16,590.3	16,897.5	16,897.5		1.9	
Federal Revenues	56,838.5	72,586.9	72,078.1	72,078.1		-0.7	
Other Revenues	38,309.9	34,079.2	42,617.0	42,617.0		25.1	
Fund Balance	0.0	2,952.0	0.0	0.0		-100.0	
SOURCES TOTAL	173,948.8	177,655.1	182,933.6	183,318.6		3.2	
USES							
Personal Services and Employee Benefits	50,432.6	51,835.6	53,348.8	52,097.3		0.5	
Contractual Services	43,275.9	49,652.8	45,698.7	47,244.8		-4.8	
Other	76,193.7	75,704.4	83,423.8	83,514.2		10.3	
Other Financing Uses	0.0	462.3	462.3	462.3		0.0	
TOTAL USES	169,902.2	177,655.1	182,933.6	183,318.6		3.2	
FTE							
Permanent	316.5	306.5	301.5	301.5		-1.6	
Term	575.5	561.5	538.0	538.0		-4.2	
TOTAL FTE POSITIONS	892.0	868.0	839.5	839.5		-3.3	

PERFORMANCE MEASURES

		FY15 Actual	FY16 Actual	FY17 Budget	FY18 Request	FY18 Recomm
Explanatory	Percent of adolescents who smoke	NEW	NEW	13.5%		
* Output	Number of teens aged fifteen to seventeen receiving family planning services in department of health funded clinics	NEW	1,993	3,616	No Request	2,000
* Quality	Percent of female family planning clients aged fifteen to nineteen provided most or moderately effective contraceptives	NEW	56%	66%	56%	60%
Explanatory	Percent of third-grade children considered obese	NEW	NEW	17.1%		
Explanatory	Percent of adults considered obese	NEW	NEW	25.4%		

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Percent of adults who smoke	NEW	NEW	18.5%		
Explanatory	Number of diabetes hospitalizations per one hundred thousand population	NEW	NEW	177		
* Explanatory	Number of births to teens aged fifteen to nineteen per one thousand females ages fifteen to nineteen	NEW	NEW	25.5		
* Output	Percent of preschoolers, ages nineteen to thirty-five months, fully immunized	76%	NEW	85%	78%	78%
Output	Number of teens who successfully complete a teen outreach program class	NEW	NEW	NEW	≥ 448	≥ 448
Outcome	Percent of participants in the national diabetes prevention program who were referred by a healthcare provider through the agency-sponsored referral system	NEW	NEW	NEW	≥ 25%	≥ 25%
Output	Percent of children in healthy kids, healthy communities with increased opportunities for healthy eating in public elementary schools	NEW	NEW	NEW	≥ 65%	≥ 65%
Output	Percent of adult cigarette smokers who access department of health cessation services	NEW	NEW	NEW	≥ 2.5%	≥ 2.5%
Output	Number of visits to school-based health centers	NEW	NEW	NEW	≥ 48,000	≥ 48,000
* Output	Number of teens who successfully complete a teen outreach program class	NEW	NEW	NEW	≥ 448	≥ 448
* Quality	Percent of students using school-based health centers who receive a comprehensive well exam	34%	26%	38%		26%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,810.3	12,479.0	12,360.2	11,572.8	-6.1
Other Transfers	947.8	612.3	766.2	766.2	25.1
Federal Revenues	11,162.3	14,515.5	15,012.1	15,012.1	3.4
Other Revenues	1,198.0	841.5	407.7	407.7	-51.6
Fund Balance	326.7	0.0	0.0	0.0	
SOURCES TOTAL	27,445.1	28,448.3	28,546.2	27,758.8	-1.9
USES					
Personal Services and Employee Benefits	12,821.7	12,860.0	13,934.9	13,690.6	6.5
Contractual Services	7,364.9	7,732.0	7,552.5	8,228.7	6.4
Other	8,459.8	7,856.3	7,058.8	5,839.5	-25.7
TOTAL USES	28,646.4	28,448.3	28,546.2	27,758.8	-2.4
FTE					
Permanent	57.0	57.0	57.0	57.0	0.0
Term	126.0	123.0	128.0	128.0	4.1
TOTAL FTE POSITIONS	183.0	180.0	185.0	185.0	2.8

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of vital records customers satisfied with the service they received	98%	95%	95%	90%	95%
* Outcome	Ratio of infant pertussis rate to total pertussis rate	1:12	1:13	4:4		4:4

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of the New Mexico population served during mass distribution of antibiotics and vaccinations through public and private partnerships in the event of a public health emergency	NEW	NEW	10%	15%	15%
Quality	Percent of New Mexico hospitals certified for stroke care	NEW	NEW	14%	16%	16%
Explanatory	Number of drug overdose deaths per one hundred thousand population	NEW	NEW	25.9		
Explanatory	Number of alcohol-related deaths per one hundred thousand population	NEW	NEW	58.5		
Explanatory	Number of fall-related deaths per one hundred thousand adults aged sixty five years or older	NEW	NEW	96.1		
Explanatory	Number of cardiovascular disease deaths per one hundred thousand population	NEW	NEW	108.1		
Explanatory	Number of sexual assaults per one hundred thousand population	NEW	NEW	475		
Outcome	Percent of county and tribal health councils that include in their plans evidence-based strategies to reduce alcohol-related harms	NEW	NEW	NEW	6%	6%
* Outcome	Percent of retail pharmacies that dispense naloxone	NEW	NEW	NEW	55%	55%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,393.4	7,575.0	7,599.6	7,598.5	0.3
Other Transfers	236.8	1,168.4	1,251.1	1,251.1	7.1
Federal Revenues	2,327.5	2,368.0	2,646.0	2,646.0	11.7
Other Revenues	2,023.2	1,368.2	1,407.5	1,407.5	2.9
SOURCES TOTAL	12,980.9	12,479.6	12,904.2	12,903.1	3.4
USES					
Personal Services and Employee Benefits	8,157.5	7,882.7	7,947.2	7,942.2	0.8
Contractual Services	351.6	238.4	385.0	385.0	61.5
Other	4,554.7	4,358.5	4,572.0	4,575.9	5.0
TOTAL USES	13,063.8	12,479.6	12,904.2	12,903.1	3.4
FTE					
Permanent	87.0	86.0	84.0	84.0	-2.3
Term	48.0	48.0	52.0	52.0	8.3
TOTAL FTE POSITIONS	135.0	134.0	136.0	136.0	1.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen calendar days	94%	85%	90%	90%	90%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	59,590.2	60,050.7	57,142.2	59,891.1	-0.3
Other Transfers	878.5	1,114.0	1,118.2	1,118.2	0.4
Federal Revenues	0.0	7,787.5	7,345.5	7,345.5	-5.7
Other Revenues	76,722.7	71,583.6	72,159.6	72,159.6	0.8
SOURCES TOTAL	137,191.4	140,535.8	137,765.5	140,514.4	0.0
USES					
Personal Services and Employee Benefits	106,249.9	104,753.8	100,968.3	105,121.9	0.4
Contractual Services	11,108.3	12,628.3	12,958.6	11,938.9	-5.5
Other	23,023.8	23,153.7	23,838.6	23,453.6	1.3
TOTAL USES	140,382.0	140,535.8	137,765.5	140,514.4	0.0
FTE					
Permanent	2,050.5	2,043.5	2,011.0	2,011.0	-1.6
Term	5.0	5.0	4.0	4.0	-20.0
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	2,070.5	2,063.5	2,030.0	2,030.0	-1.6

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Efficiency	Percent of eligible third-party revenue collected at all agency facilities	88%	93%	92%	90%	93%
* Explanatory	Dollar amount of uncompensated care at all agency facilities, in millions	NEW	NEW	NEW		
* Outcome	Percent of long-term care residents with healthcare-acquired pressure ulcers	4.3%	3.2%	No Request	No Request	4%
Efficiency	Percent of operational beds occupied	NEW	NEW	60%	90%	90%
* Efficiency	Vacancy rate for direct care positions	NEW	NEW	10%	10%	10%
* Quality	Percent of long-term care residents experiencing one or more falls with major injury	NEW	NEW	NEW	3%	3%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	149,203.6	147,407.7	147,407.7	147,628.4	0.1
Other Transfers	8,642.4	8,845.0	8,130.4	8,130.4	-8.1
Federal Revenues	2,608.6	2,819.2	2,819.2	2,819.2	0.0
Other Revenues	1,042.0	1,600.0	1,600.0	1,600.0	0.0
Fund Balance	2,500.0	0.0	0.0	0.0	
SOURCES TOTAL	163,996.6	160,671.9	159,957.3	160,178.0	-0.3
USES					
Personal Services and Employee Benefits	12,784.5	11,437.3	13,117.3	13,084.7	14.4
Contractual Services	14,519.6	15,211.7	11,888.9	12,048.9	-20.8
Other	21,250.5	22,601.1	23,929.3	23,936.1	5.9
Other Financing Uses	113,847.0	111,421.8	111,021.8	111,108.3	-0.3
TOTAL USES	162,401.6	160,671.9	159,957.3	160,178.0	-0.3
FTE					
Permanent	86.0	90.0	91.0	91.0	1.1
Term	97.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	183.0	187.0	188.0	188.0	0.5

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	91%	53%	95%	95%	95%
* Explanatory	Number of individuals receiving developmental disabilities waiver services	4,610	4,660	4,700		
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	6,365	6,526	6,300		
* Outcome	Percent of adults receiving community inclusion services through the developmental disabilities waiver who receive employment services	NEW	36%	33%	33%	33%

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	4,469.0		4,178.6		4,192.6	4,557.4	9.1
Other Transfers	3,303.3		4,188.8		3,348.4	3,348.4	-20.1
Federal Revenues	2,993.1		2,517.0		2,613.0	2,613.0	3.8
Other Revenues	1,879.1		1,911.8		1,893.5	1,893.5	-1.0
SOURCES TOTAL	12,644.5		12,796.2		12,047.5	12,412.3	-3.0
USES							
Personal Services and Employee Benefits	10,192.2		9,854.0		9,692.4	10,051.1	2.0
Contractual Services	555.5		1,179.1		868.7	868.7	-26.3
Other	1,450.9		1,763.1		1,486.4	1,492.5	-15.3
TOTAL USES	12,198.6		12,796.2		12,047.5	12,412.3	-3.0
FTE							
Permanent	54.0		71.0		60.0	60.0	-15.5
Term	108.0		111.0		118.0	118.0	6.3
TOTAL FTE POSITIONS	162.0		182.0		178.0	178.0	-2.2

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Abuse rate for developmental disability waiver and mi via waiver clients	NEW	NEW	8%	8%	<8%
* Outcome	Re-abuse rate for developmental disabilities waiver and mi via waiver clients	NEW	NEW	9%	9%	<9%
* Explanatory	Percent of long-stay nursing home residents who are receiving psychoactive drugs but do not have evidence of psychotic or related conditions	NEW	NEW	15%		

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	Other Revenues	1,980.0	1,513.2	2,750.0	2,750.0	81.7
	SOURCES TOTAL	1,980.0	1,513.2	2,750.0	2,750.0	81.7
USES						
	Personal Services and Employee Benefits	895.9	1,114.7	1,400.0	1,400.0	25.6
	Contractual Services	115.7	147.9	234.0	234.0	58.2
	Other	963.0	250.6	1,116.0	1,116.0	345.3
	TOTAL USES	1,974.6	1,513.2	2,750.0	2,750.0	81.7
FTE						
	Term	12.0	15.0	22.0	22.0	46.7
	TOTAL FTE POSITIONS	12.0	15.0	22.0	22.0	46.7

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Quality	Complete medical cannabis client applications approved or denied within thirty calendar days of receipt	90%	66%	98%	98%	98%
Efficiency	Percent of registry identification cards issued within five business days of application approval	NEW	NEW	85%	85%	85%

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)		FY18 - 2017-2018		Percent Incr (Decr)
		FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	5,587.8	5,221.1	5,238.1	5,225.1	0.1
	Other Transfers	796.2	412.9	757.5	757.5	83.5
	Federal Revenues	7,952.9	7,841.8	7,635.3	7,635.3	-2.6
	Other Revenues	54.0	0.0	0.0	0.0	
	SOURCES TOTAL	14,390.9	13,475.8	13,630.9	13,617.9	1.1
USES						
	Personal Services and Employee Benefits	10,977.6	10,957.0	11,332.6	11,320.0	3.3
	Contractual Services	1,369.1	969.8	800.1	786.3	-18.9
	Other	1,829.3	1,549.0	1,498.2	1,511.6	-2.4
	TOTAL USES	14,176.0	13,475.8	13,630.9	13,617.9	1.1
FTE						
	Permanent	134.0	145.0	144.0	144.0	-0.7
	Term	9.0	20.0	18.0	18.0	-10.0
	TOTAL FTE POSITIONS	143.0	165.0	162.0	162.0	-1.8

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,156.0	11,999.5	12,062.8	11,622.5	-3.1
Other Transfers	32,134.0	39,178.2	34,497.8	34,497.8	-11.9
Federal Revenues	18,375.1	26,719.6	24,740.2	24,740.2	-7.4
Other Revenues	40,628.1	41,679.6	41,173.8	41,173.8	-1.2
Fund Balance	21,578.2	13,044.0	12,198.8	12,198.8	-6.5
SOURCES TOTAL	125,871.4	132,620.9	124,673.4	124,233.1	-6.3
USES					
Personal Services and Employee Benefits	44,405.7	51,879.9	47,226.6	46,998.0	-9.4
Contractual Services	9,974.8	18,524.6	19,015.8	18,933.5	2.2
Other	20,716.4	27,948.1	25,695.4	25,566.0	-8.5
Other Financing Uses	46,502.2	34,268.3	32,735.6	32,735.6	-4.5
TOTAL USES	121,599.1	132,620.9	124,673.4	124,233.1	-6.3
FTE					
Permanent	297.0	295.5	295.5	295.5	0.0
Term	363.5	361.0	352.0	351.0	-2.8
TOTAL FTE POSITIONS	660.5	656.5	647.5	646.5	-1.5

AT A GLANCE:

NMED underwent an internal reorganization in FY16 that is reflected in both the agency's FY18 appropriation request and the FY17 operating budget adjusted for solvency reductions but is not reflected in FY16 actual expenditures. The request and recommendation are significant reductions from the FY17 adjusted operating budget to account for past over-estimating and appropriation of uncertain revenue sources, such as other transfers and federal funds.

BUDGET ISSUES:

NMED's overall requested decrease of nearly \$8.4 million represented a \$6.4 million, or 6.5 percent, reduction in expenditure authority. This difference is because most of the agency's use of special revenue funds is budgeted twice, once as a transfer to a program operating budget and again as an expenditure within the program's budget. The agency requested an increase of \$63.3 thousand, or 0.5 percent, in general fund revenue and significantly reduced other transfer revenues.

Most of the agency's requested FY17 decreases were to reduce the personal services and employee benefits category to address historical overfunding. Specifically, the agency requested the following decreases for personnel costs: \$441.9 thousand for Resource Management, \$2.2 million for Water Protection, \$1.3 million for Resource Protection, and \$697 thousand for Environmental Protection. The recommendation further reduces the category by nearly \$228.6 thousand, and is \$2.6 million, or 5.8 percent, higher than FY16 expenditures, allowing the agency to fill 51 FTE vacant when the request was submitted.

The agency relies heavily on special revenues from various types of application, certification, and permitting fees, and funds for implementing federal laws for its operations across all four programs. The recommendation includes \$53 million from these sources, including \$23.7 million from the corrective action fund; \$2.4 million from air quality construction and emission permit fees charged to producers of air contaminants; \$3.5 million from hazardous waste permit fees charged to operators of facilities that treat, store, or dispose of hazardous waste; \$3.7 million from water conservation fees charged to public water systems; and \$2 million from food service permit fees.

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Water Infrastructure. Water was the primary focus of the 2014 capital outlay bill, with \$86.2 million appropriated for 200 storage, delivery, and treatment projects, and New Mexico continues to face significant water infrastructure issues with an estimated \$1 billion in needs statewide. NMED was tasked with overseeing \$53.2 million of the 2014 appropriations for local projects, much of which remains unspent. At the July 2016 Legislative Finance Committee meeting in Ruidoso, NMED officials stated much of the slow progress was due to the fact that many of the projects did not have complete plans or designs when the funds were appropriated. Less than one-third of the projects overseen by NMED are complete, 30 projects totaling \$14.3 million are still inactive, and 18 projects that received just over \$1 million were de-authorized during the special legislative session.

NMED reports continued difficulty in attracting communities to its loan programs due to the preference for, and availability of, grant funding, and despite offers of interest-free loans mixed with grants in some instances. The clean water state revolving loan fund has a balance of approximately \$150 million. As of July 2016, \$46.9 million of the balance was dedicated to awarded projects. The rural infrastructure revolving loan fund has a balance of \$13.8 million. As of July 2016, \$6.4 million was dedicated to awarded projects and NMED awarded an additional \$1.7 million as of November 2016.

Gold King Mine. An August 2015 breach at the Gold King Mine in Colorado, caused by federal contractors, contaminated the Animas and San Juan rivers with millions of gallons of wastewater carrying heavy metals. Emergency funds totaling \$1.25 million were allocated to NMED and the Department of Homeland Security and Emergency Management for response and monitoring efforts and the Legislature appropriated \$1 million for environmental litigation relating to the spill during the 2016 legislative session. NMED worked with a variety of partners, including other state agencies, higher education institutions, and local governments, to develop a long-term monitoring plan to identify the impacts of the spill and to generate the data needed to assess potential risks. While the U.S. Environmental Protection Agency designated the area including Gold King Mine as a Superfund site, it is only contributing 10 percent of the funding needed for monitoring efforts in New Mexico. Both New Mexico and the Navajo Nation have lawsuits pending against EPA regarding the contamination.

Waste Isolation Pilot Plant. In February 2014, a 55 gallon drum of nuclear waste from the Los Alamos National Laboratory (LANL) shipped to the Waste Isolation Pilot Plant (WIPP) in Carlsbad cracked and leaked radiation, causing the facility to shut down. The federal Department of Energy's (DOE) activity at LANL is regulated under an NMED permit requiring agency inspectors to conduct annual audits of the lab. NMED reached a settlement with DOE to provide funding for increased training and for monitoring and road improvement projects near WIPP and LANL. WIPP underwent review by DOE in November 2016 and could possibly reopen when cleared by the review and a subsequent NMED inspection.

WATER PROTECTION

The purpose of the water protection program is to protect and preserve the ground, surface and drinking water resources of the state for present and future generations. The program also helps New Mexico communities develop sustainable and secure water, wastewater and solid waste infrastructure through funding, technical assistance and project oversight.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,636.2	2,679.0	2,693.1	2,428.1	-9.4
Other Transfers	6,097.1	12,665.6	9,764.9	9,764.9	-22.9
Federal Revenues	8,502.7	14,754.3	14,703.2	14,703.2	-0.3
Other Revenues	59.7	590.2	237.8	237.8	-59.7
SOURCES TOTAL	17,295.7	30,689.1	27,399.0	27,134.0	-11.6
USES					
Personal Services and Employee Benefits	11,472.5	16,325.7	14,099.2	13,877.7	-15.0
Contractual Services	3,718.6	9,511.0	11,253.1	11,209.6	17.9
Other	2,067.4	4,852.4	2,046.7	2,046.7	-57.8
TOTAL USES	17,258.5	30,689.1	27,399.0	27,134.0	-11.6
FTE					
Permanent	44.0	72.0	72.0	72.0	0.0
Term	133.5	120.5	118.5	118.5	-1.7
TOTAL FTE POSITIONS	177.5	192.5	190.5	190.5	-1.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
*	Output	Percent of facilities operating under a groundwater discharge permit inspected each year	53%	64%	60%	55%
	Explanatory	Number of permitted facilities where monitoring results demonstrate compliance with groundwater standards	NEW	NEW	NEW	
	Explanatory	Number of miles of active watershed restoration, including wetlands projects, state-funded projects and federal Clean Water Act Section 319 projects	199	103	100	
	Explanatory	Percent of population served by community water systems that meets all applicable health-based drinking water standards	99%	98%	100%	

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of assessed stream and river miles meeting designated uses water quality standards	NEW	NEW	NEW	N/A	70%
Explanatory	Percent of lake acres monitored annually to determine if surface water quality is impaired in surveyed watershed	NEW	88%	95%		
Explanatory	Total dollar amount of new loans made from the rural infrastructure and the clean water revolving fund programs	27,385	30,689	≥\$20,000		

RESOURCE PROTECTION

The purpose of the resource protection program is to monitor and provide regulatory oversight of the generation, storage, transportation and disposal of wastes in New Mexico. The program also oversees the investigation and cleanup of environmental contamination covered by the Resource Conservation and Recovery Act.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,480.1	1,365.1	1,372.2	1,365.1	0.0
Other Transfers	13,176.9	8,862.2	8,125.2	8,125.2	-8.3
Federal Revenues	5,475.7	4,533.6	4,080.6	4,080.6	-10.0
Other Revenues	201.3	0.0	0.0	0.0	
SOURCES TOTAL	24,334.0	14,760.9	13,578.0	13,570.9	-8.1
USES					
Personal Services and Employee Benefits	15,186.4	11,204.7	9,916.8	9,909.7	-11.6
Contractual Services	3,492.5	1,771.7	1,875.7	1,875.7	5.9
Other	2,419.5	1,784.5	1,785.5	1,785.5	0.1
TOTAL USES	21,098.4	14,760.9	13,578.0	13,570.9	-8.1
FTE					
Permanent	135.5	37.0	37.0	37.0	0.0
Term	105.0	102.0	99.0	99.0	-2.9
TOTAL FTE POSITIONS	240.5	139.0	136.0	136.0	-2.2

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements	77%	77%	80%	75%	80%
Output	Percent of large quantity hazardous waste generators inspected in substantial compliance of applicable standards	29%	31%	29%	25%	50%
Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected found to be in substantial compliance with the New Mexico solid waste rules	98%	93%	90%	90%	93%
Explanatory	Percent of landfills compliant with groundwater sampling and reporting requirements	95%	98%	97%		

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to ensure New Mexicans breathe healthy air; to protect public health and the environment through specific programs that provide regulatory oversight of food service and food processing facilities, on-site treatment and disposal of liquid wastes, public swimming pools and baths and medical radiation and radiological technologist certification; and to ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,948.0	5,318.4	5,346.5	5,245.1	-1.4
Other Transfers	9,965.6	13,986.7	13,061.0	13,061.0	-6.6
Federal Revenues	2,712.9	4,390.8	4,106.9	4,106.9	-6.5
Other Revenues	0.0	73.7	0.0	0.0	-100.0
SOURCES TOTAL	14,626.5	23,769.6	22,514.4	22,413.0	-5.7
USES					
Personal Services and Employee Benefits	11,314.5	17,429.3	16,732.3	16,732.3	-4.0
Contractual Services	459.0	2,539.5	1,868.8	1,843.9	-27.4
Other	1,832.5	3,800.8	3,913.3	3,836.8	0.9
TOTAL USES	13,606.0	23,769.6	22,514.4	22,413.0	-5.7
FTE					
Permanent	70.5	139.5	139.5	139.5	0.0
Term	88.0	106.5	101.5	101.5	-4.7
TOTAL FTE POSITIONS	158.5	246.0	241.0	241.0	-2.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of priority item food-related violations issued during food establishment inspections corrected within timeframes specified	NEW	NEW	NEW	N/A	100%
Explanatory	Percent of swimming pools and spas in compliance with state standards	100%	100%	100%		
Outcome	Percent of facilities taking corrective action to mitigate air quality violations within 30 days of the facility receiving notice of violation	98%	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%	96%	97%	95%	100%
Explanatory	Percent of days with good or moderate air quality index rating	NEW	NEW	92%		
Outcome	Percent of ionizing and non-ionizing radiation registrants in compliance with applicable standards	NEW	NEW	NEW	N/A	100%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership as administrative, legal and information management support to all programs within the department. This support allows the department to operate in the most responsible, efficient and effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,091.7	2,637.0	2,651.0	2,584.2	-2.0
Other Transfers	2,894.4	3,663.7	3,546.7	3,546.7	-3.2
Federal Revenues	1,683.8	3,040.9	1,849.5	1,849.5	-39.2
Other Revenues	96.9	0.0	0.0	0.0	
Fund Balance	0.0	8.6	0.0	0.0	-100.0
SOURCES TOTAL	7,766.8	9,350.2	8,047.2	7,980.4	-14.6
USES					
Personal Services and Employee Benefits	6,432.3	6,920.2	6,478.3	6,478.3	-6.4
Contractual Services	981.1	1,202.4	518.2	504.3	-58.1
Other	374.4	1,227.6	1,050.7	997.8	-18.7
TOTAL USES	7,787.8	9,350.2	8,047.2	7,980.4	-14.6
FTE					
Permanent	47.0	47.0	47.0	47.0	0.0
Term	37.0	32.0	33.0	32.0	0.0
TOTAL FTE POSITIONS	84.0	79.0	80.0	79.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of prior-year audit findings, identified as material weaknesses, resolved	100%	50%	100%	100%	100%
* Output	Percent of enforcement actions initiated within one year of inspection or documentation of violation	94%	96%	96%	96%	100%

SPECIAL REVENUE

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	40,270.2	41,015.7	40,936.0	40,936.0	-0.2
Fund Balance	21,578.2	13,035.4	12,198.8	12,198.8	-6.4
SOURCES TOTAL	61,848.4	54,051.1	53,134.8	53,134.8	-1.7
USES					
Contractual Services	1,323.6	3,500.0	3,500.0	3,500.0	0.0
Other	14,022.6	16,282.8	16,899.2	16,899.2	3.8
Other Financing Uses	46,502.2	34,268.3	32,735.6	32,735.6	-4.5
TOTAL USES	61,848.4	54,051.1	53,134.8	53,134.8	-1.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

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, 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. ONRT is administratively attached to the Environment Department.

MISSION:

The Office of the Natural Resources Trustee is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or oil discharges into water. Natural resources include air, surface water, groundwater, and biological and geological resources.

BUDGET SUMMARY (dollars in thousands)					
	<u>FY18 – 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	275.6	247.5	248.9	247.5	0.0
Fund Balance	2,025.3	2,029.8	2,051.0	2,052.4	1.1
SOURCES TOTAL	2,300.9	2,277.3	2,299.9	2,299.9	1.0
USES					
Personal Services and Employee Benefits	253.6	257.7	282.9	285.1	10.6
Contractual Services	2,002.5	1,997.9	1,998.2	1,996.0	-0.1
Other	19.1	21.7	18.8	18.8	-13.4
TOTAL USES	2,275.2	2,277.3	2,299.9	2,299.9	1.0
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

AT A GLANCE:

Overall, ONRT requested a slight increase for FY18 over FY17 operating levels, supported by fund balance, to fully fund projected costs in the personal services and employee benefits category. Pursuant to direction from the governor, ONRT reduced expenditure plans for FY17 and requested a 5 percent general fund reduction for FY18. The request offset the general fund reduction with increased use of the agency's cost-recovery funds.

The committee recommendation is slightly higher than the request for personnel costs due to increased projections for FY18. The recommendation also reduces general fund revenue by an additional 0.5 percent compared with the original FY17 operating budget to reflect actions taken to reduce general fund appropriations during the 2016 special legislative session. The recommended general fund reduction is again offset by increased use of fund balance.

BUDGET ISSUES:

For FY18, ONRT requested a total of \$2.3 million, including a \$23 thousand decrease in general fund revenue. The agency projects its total fund balance from restoration settlement funds at the end of FY18 will be \$2 million, including unrestricted funds received as reimbursement for work toward reaching settlements and restricted funds dedicated to restoration efforts.

The LFC recommendation is slightly higher than the agency's request for personnel costs in FY18 to fully fund projected costs for currently filled positions. Both the agency and LFC staff project a shortfall in the personal services and employee benefits category in FY17 based on original appropriations and expect this to be addressed through a budget adjustment request. While FY16 actual expenditures were slightly lower, this was due to savings from one employee taking significant time off without pay. That employee is now back to work, resulting in an increase in expected personnel expenses for FY17 and FY18. The only vacant position at the agency is the state's natural resources trustee, with the Environment Department secretary filling this role.

Some of the restoration projects ONRT will continue to implement in FY18: a conservation easement of the Ancheta Springs Ranch in Grant County to preserve wildlife habitat, stabilizing exposed toxic mine tailings at the ASARCO Blackhawk Mine impoundment in Grant County, developing wastewater reuse infrastructure in Bayard to enable groundwater conservation, enhancing bird and wildlife habitat in the Burro Cienega and Mimbres River watersheds, preserving 1,000 acres of playa lakes in Curry County, and cleanup of an abandoned nitrate plume in Albuquerque's South Valley.

A \$4 million settlement was reached with Chevron Mining, Inc., to restore natural resources injured as a result of releases of hazardous substances from the Questa molybdenum mine. The restoration funds will be used to plan and implement projects that compensate for damage to groundwater and aquatic habitat resources. In addition, 225 acres of land called the Anderson Ranch, in Taos County, is to be transferred to the U.S. Bureau of Land Management for conservation and natural resource protection. A public meeting was held in April 2016 to solicit restoration project ideas. Several project proposals were received from stakeholders and the public and are currently being evaluated. A draft assessment describing and ranking those projects will be prepared for public review and comment in the near future.

ONRT, along with the Navajo Nation and Zuni Pueblo, is also finalizing a consent decree regarding clean up of the Fort Wingate Army Depot for approximately \$1 million. In addition to restoration projects, ONRT also works to assess natural resource damages. Currently, four assessments are ongoing, including the Gold King Mine spill and contamination by Los Alamos National Laboratory.

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION

The purpose of the natural resources 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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of acres of habitat benefiting from restoration	8,666	8,475	5,000	6,750	8,000
Outcome	Number of acre-feet of water conserved, restored or protected	1,050	1,037	1,100	950	950

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 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.

The department supports 180 thousand veterans statewide through outreach services in the department's 19 field offices and contractors who provide rural, women, and Native American veterans. The agency administers the Military Honors Program ensuring deceased veterans are provided a military funeral complete with bugler and flag ceremony.

BUDGET SUMMARY
(dollars in thousands)

	FY16		FY17		FY18 – 2017-2018		Percent Incr (Decr)
	2015-2016 Actuals	2016-2017 Adj. Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	3,424.8	3,238.9	3,572.1	3,176.1		-1.9	
Other Transfers	77.8	39.7	0.0	0.0		-100.0	
Federal Revenues	1,097.6	1,944.0	459.0	459.0		-76.4	
Fund Balance	77.9	0.0	139.7	239.7			
SOURCES TOTAL	4,678.1	5,222.6	4,170.8	3,874.8		-25.8	
USES							
Personal Services and Employee Benefits	2,860.2	3,099.0	2,705.2	2,569.2		-17.1	
Contractual Services	519.3	1,021.0	670.0	510.0		-50.0	
Other	858.3	1,102.6	795.6	795.6		-27.8	
TOTAL USES	4,237.8	5,222.6	4,170.8	3,874.8		-25.8	
FTE							
Permanent	36.0	39.0	42.0	39.0		0.0	
Term	6.0	12.0	4.0	5.0		-58.3	
Temporary	0.0	0.0	1.0	0.0			
TOTAL FTE POSITIONS	42.0	51.0	47.0	44.0		-13.7	

AT A GLANCE:

The department's request would have added 2 FTE and filled one vacant position, increasing general fund revenue by 10.2 percent. The request would also have eliminated 7 federally funded FTE. In accordance with LFC appropriation recommendation guidelines, LFC recommended reducing the department's general fund revenue, increasing the use of fund balance, and reducing amounts allocated for the department's contractors commensurate with federal revenue reductions. The department was exempted from solvency reductions in the 2016 special legislative session.

BUDGET ISSUES:

Requested funding levels would add a receptionist to the department's Eagle Rock location and an executive assistant for the veterans' cemetery program. The department stated these positions are needed due to high traffic at the Eagle Rock location and the veterans' cemetery director's heavy workload. Additionally, the elimination of 7 nonpermanent FTE and \$1.5 million in federal revenue is due to probable discontinuance of the rural veterans' coordination pilot project (RVCP), a federal grant.

In FY16 the department reverted \$241.7 thousand and transferred \$210 thousand to the personal services and employee benefits category and \$35 thousand to the other category. As of September there was only one vacancy.

The department's FY15 audit found the department's fiduciary program had not been terminating conservatorships and guardianships in a timely manner and in 12 cases guardianships had not been terminated when the veteran had deceased as required by law. Since these findings became public, the department decided to wind down the fiduciary program and reclassified 2 FTE, transferring one to the health issues team and one to IT.

The department's requested reduction in spending levels was not commensurate with the elimination of the federal \$1.5 million RVCP program. The LFC recommendation supports eliminating RVCP expenditures, funding and 7 FTE. Section 6-3-23 NMSA 1978 provides for budget increase authority of federal funds. If by some chance the federal government continues funding RVCP, the department can increase its budget and resume the pilot project.

The committee does not recommend the \$136.2 thousand to add the receptionist and executive assistant. The department is expected to open the veterans' cemetery at Fort Stanton at the beginning of FY18 and a second cemetery in Gallup in FY19. In anticipation of these cemeteries opening, the department budgeted about \$50 thousand for federal reimbursements for burial services. The department should consider adding the executive assistant for the cemetery program in FY19, after program workloads are determined. With limited general fund revenue, adding a receptionist is also not recommended.

Additionally, LFC recommended \$100 thousand from the veterans' enterprise fund. The department budgeted \$139.7 thousand from license plate revenues but did not use revenue from the enterprise fund. The department projected enterprise fund balances to accumulate to more than \$100 thousand by the end of FY18.

With several less useful performance measures LFC staff, the executive, and the department worked together to revamp performance reporting. New measures include veteran service satisfaction rate, veterans' business creation, and higher education institutions in compliance with state and federal rules. Fiscal Year 16 performance results were mixed because fewer than 5,000 veterans received property tax exemptions and less federal compensation was received as a result of the department's contracts with veterans' organizations.

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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Higher education facilities in compliance with state and federal rules and regulations governing services to veterans	NEW	NEW	100%	100%	100%
Quality	Percent of veterans surveyed who rate the services provided by the agency as satisfactory or above	NEW	NEW	90%	90%	90%
* Output	Number of businesses established by veterans with assistance provided by the veterans' business outreach center	NEW	NEW	NEW	16	16
Outcome	Percent of eligible deceased veterans and family members interred in a regional state veterans' cemetery	NEW	NEW	NEW	10%	10%

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>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016	FY17 2016-2017	Agency Request	LFC Recommendation	
<u>Actuals</u>	<u>Adj. Budgeted</u>				
SOURCES					
General Fund Transfers	238,918.0	244,963.6	246,463.6	246,463.6	0.6
Other Transfers	59,134.9	61,515.8	52,570.4	52,570.4	-14.5
Federal Revenues	149,215.9	174,710.3	171,454.3	171,454.3	-1.9
Other Revenues	4,019.4	4,384.1	3,993.9	3,993.9	-8.9
Fund Balance	3,040.5	500.0	1,684.8	1,684.8	237.0
SOURCES TOTAL	454,328.7	486,073.8	476,167.0	476,167.0	-2.0
USES					
Personal Services and Employee Benefits	137,554.6	137,137.6	135,247.6	136,047.6	-0.8
Contractual Services	97,875.1	119,644.9	112,294.5	111,944.5	-6.4
Other	215,421.9	229,291.3	228,624.9	228,174.9	-0.5
TOTAL USES	450,851.6	486,073.8	476,167.0	476,167.0	-2.0
FTE					
Permanent	1,272.8	2,198.6	2,198.6	2,198.6	0.0
Term	51.0	65.0	65.0	65.0	0.0
TOTAL FTE POSITIONS	1,323.8	2,263.6	2,263.6	2,263.6	0.0

AT A GLANCE:

Considering declining revenues statewide, the general fund request for FY18 from CYFD was flat with the FY17 operating budget after including \$1.5 million for child abuse prevention appropriated in the 2016 special session. In total, the agency requested \$476.2 million, of which \$246.5 million was from the general fund. The LFC recommendation supported the agency's general fund request in total, but, made adjustments in Juvenile Justice Facilities, Protective Services, and Program Support. The agency continued to struggle with high turnover rates at the close of FY16, including 18 percent for youth care specialists in the Juvenile Justice Facilities program and 29 percent for protective service workers. These direct service workers provide crucial intervention support to the most vulnerable children in New Mexico. Exacerbating the turnover problem are high and complex caseloads leading to increased staff burnout. To address rising staff burnout and better serve vulnerable children and families, the FY18 request primarily focuses on reducing caseloads in the Protective Services program. The committee general fund recommendation is flat with the FY17 adjusted operating budget, including \$1.5 million appropriated in the 2016 special session.

BUDGET ISSUES:

CYFD continues to struggle with increased need for prevention and intervention services for children and families statewide. The Protective Services Program is responsible for intervening when a child has been mistreated. Despite increased funding for additional caseworkers in previous fiscal years, oversized caseloads remain an issue. In FY18, the agency did not request additional funding for personnel. The agency did note a high number of pending investigations due to increased reporting, more complex cases, and high vacancy rates as problematic. The committee recommendation shifts funding from the contractual services and the other costs categories to support filling vacant caseworker positions and more closely align appropriations to FY16 actual expenditures in the program.

Increasingly high maltreatment rates and poor educational outcomes have made child well-being a priority investment for the state. In hopes of improving short- and long-term outcomes for children and families, the Legislature has continued to increase investments in early child well-being services. The Early Childhood Services program (ECS) has traditionally been the chief vehicle for providing early prevention services to New Mexico families with young children. Services like home visits from paraprofessionals and childcare assistance promote family stability and early learning, development, and safety for children. Through prevention services, taxpayers can save significant resources by decreasing the need for more costly remediation later. The Legislature has demonstrated continued support for responsible and systematic growth for the early childhood system to serve at-risk families and young children and improve lifelong outcomes. In FY18, CYFD did not request additional funding to expand direct services in ECS and due to declining revenues, the committee recommended a flat appropriation.

In FY16, CYFD submitted almost \$3 million in budget adjustment requests (BARs), transferring available funding to the personal services and employee benefits category (PS&EB) pay for overtime as a result of high turnover in protective services and juvenile justice. The agency's overall request incorporates a vacancy rate of 12 percent.

Juvenile Justice Facilities. Juvenile Justice Facilities program (JJF) provides prevention, intervention, and aftercare services for delinquent youth in New Mexico. JJF continues to train staff and supervisors on Cambiar, a rehabilitative and regionalization care model. New Mexico is following the national trend of declining juvenile justice populations. Very small portions, about 1 percent, of youth referred to JJF are formally committed to a juvenile facility.

While the population of committed youth has declined, a 2016 LFC program evaluation found costs have risen. Since CYFD began the implementation of the Cambiar initiative in 2008, fewer offenders are entering the juvenile justice system and those who do are less likely to commit new offenses. However, the cost of secure juvenile commitment increased about 30 percent during this time period. As of August 2016, only 171 of the 286 available beds in secure facilities were used by committed youths. Clients in custody decreased 12 percent between 2015 and 2016, the continuation of a trend that started in FY12. Regardless, whether a facility is near capacity or well below, the cost to staff and administer secure facilities stays nearly the same.

Juvenile Justice Program Outcomes. In general, JJF performance levels continued a downward trend, including violence and staff turnover, which is concerning. Juveniles who are committed to a secure facility experienced increased incidents of both use of force by staff and youth-on-youth violence. Additionally, turnover rates for direct service FTE was over 18 percent at the end of FY16.

The LFC recommendation reduces the general fund appropriation by \$370.8 thousand, or 0.5 percent below the FY17 operating budget reflecting reduced census levels. It is important to note, a majority of state agencies' FY17 operating budgets were reduced 5.5 percent in the 2016 special legislative session; however, JJF did not receive a general fund reduction at that time. The LFC FY18 general fund recommended reduction is significantly less than the special session reductions across a majority of state agencies.

Child Protective Services. The Protective Services program conducts child abuse and neglect investigations and offers services, such as in-home services, foster treatment, and foster and adoptive placements. High rates of repeat maltreatment, high caseloads, and staff turnover coupled with declining federal revenues are concerning.

The FY18 general fund budget request for Protective Services was flat with the FY17 operating budget adjusted for the 2016 special session; however, federal revenues declined close to \$2 million. A majority of declining federal revenues is related to the federal foster care program, called Title IV-E. Title IV-E provides funding for safe and stable out-of-home care for children until they are safely returned home, placed permanently with adoptive families, or placed in other planned arrangements for permanency. The program is authorized by Title IV-E of the Social Security Act. It is an annually appropriated program with specific eligibility requirements and fixed allowable uses of funds. Funding is awarded by formula as an open-ended entitlement grant and is contingent on approved Title IV-E plan to administer or supervise the administration of the program. The Title IV-E agency, CYFD, must submit yearly estimates of program expenditures as well as quarterly reports of estimated and actual expenditures in support of the awarded funds. Because this funding source is controlled by specifically defined allowable uses, New Mexico has struggled to draw down consistent and stable revenues. The agency has reported it is a priority to improve and stabilize future revenues.

Protective Services Caseloads. In June 2016, the average monthly caseload was 19 for permanency planners and 13 for investigators. The Child Welfare League of America recommends permanency planning workers have an average caseload of 12 to 15 and 12 investigations per worker per month. In FY16, the agency received an additional \$1.3 million and 22 FTE to reduce caseloads; however, continually high turnover rates have prevented this.

In recent fiscal years CYFD received significant general fund increases and FTE to reduce caseloads. Between FY15 and FY17 Protective Services received an additional \$4.1 million and 77 FTE for the Protective Services program alone. A majority of these FTE were for permanency planner staff, who focus on the placement of children in custody of the agency, and investigation staff. As of September 2016, 61 of 391 permanency planning and investigator FTE were vacant, nearly 16 percent. This is mostly a result of continually high turnover rates. At the end of FY16, CYFD reported a 29.7 percent turnover rate for protective services workers. To combat high caseloads as a result of turnover rates, CYFD, in collaboration with the State Personnel Office, held several rapid hiring events to recruit Protective Service and Juvenile Justice direct service staff.

Repeat Maltreatment in New Mexico. In FY16, the agency continued to report an increase in the number of children subjected to repeat maltreatment. An LFC evaluation found 36 percent of children who are the victim of a substantiated case of maltreatment will be abused or neglected again before they are 18. The report found CYFD dedicated little resources for preventive services to reduce repeat maltreatment. The leading child abuse prevention system in New Mexico is services for young children, mostly funded in the Early Childhood Services program.

The LFC general fund recommendation for the Protective Services program increases personnel funding \$1 million in order to reduce caseloads and turnover rates and makes adjustments to the contractual services and other costs categories. This recommendation better aligns the personal services and employee benefits, contractual services, and other cost categories with FY16 actual expenditures. Additionally, the LFC recommendation transfers \$70.8 thousand in domestic violence funding from the Department of Finance and Administration to CYFD, where other domestic violence funding is budgeted.

Early Childhood Services. New Mexico continues to show leadership in early childhood care and education funding. Since FY12, early childhood program appropriations have increased almost \$100 million. ECS provides services to children up to 14 years of age, including quality child care and nutrition, prekindergarten, early childhood development, and home-visiting services. In FY17, the Legislature increased targeted appropriations to ECS for paraprofessional home visits to families with young children, prekindergarten for three- and four-year-olds and training and income assistance for childcare workers. Additionally, in the 2016 special legislative session when a majority of agencies received general fund reductions, ECS was appropriated an additional \$1.5 million for home visiting and childcare assistance services. The LFC recommendation supports the agency request.

Childcare Assistance. Administered by CYFD, childcare assistance in New Mexico serves about 18 thousand children up to age 14 at a cost of \$97 million annually. The program subsidizes the cost of child care for families with incomes up to 200 percent of the federal poverty level (FPL), or about \$48.6 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

In FY16, enrollment for childcare assistance increased 4 percent above the previous fiscal year. Enrollment may continue to increase in FY17 and FY18 as a result of the federal Child Care and Development Block Grant (CCDBG) Act being reauthorized. CCDBG is the federal authority and funding source for childcare assistance. The reauthorization made significant changes by defining health and safety requirements for childcare providers, outlining family-friendly eligibility policies, including an extension of eligibility renewal requirement to 12 months from six months. This eligibility requirement means families will receive services longer and possibly increase total program enrollment growth. New Mexico receives close to \$36.1 million from CCDBG annually.

Prekindergarten. LFC evaluations indicate prekindergarten positively impacts student achievement. Prior to FY15, state-funded prekindergarten was only two and a half hours a day. To further increase student achievement, prekindergarten was extended to allow for longer hours and program expansion. The agency reported provider and community interest was so great the agency reallocated \$8.4 million for extended day prekindergarten in FY15. In FY17, extended day prekindergarten was increased to \$12.3 million for a total operating budget of \$22.6 million for extended day and half day services.

Early Prekindergarten. LFC analysis indicates the capacity to serve the majority of low-income 4-year-olds statewide is near saturation when considering childcare assistance, Head Start, and prekindergarten. However, service capacity for 3-year-olds is low. Considering this and the positive outcome impacts provided by prekindergarten, in FY16 the agency was appropriated \$4 million to pilot prekindergarten for 3-year-olds. Early prekindergarten also proved exceedingly popular statewide and by FY17 grew to \$4.8 million.

Head Start. Head Start programs are completely federally funded and provide children from birth to age 5 early education, health, and parental support services. Possibly as a result of increased access for 4-year-olds to childcare and prekindergarten, Head Start has experienced declining enrollment. In FY17 awarded slots declined by 251 to a total of 7,401 statewide. The state needs to better coordinate across child care, prekindergarten, and Head Start to prevent loss of federal resources.

Home-visiting. Home-visiting programs are available to pregnant women and families with new babies and young children. The program assists in addressing maternal and child health issues, supports positive parenting practices, and provides access to support services. Home-visiting is an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home-visiting provides the first opportunity to address risk factors that may limit a child's development.

The second annual home-visiting report highlighted low family engagement rates for additional services recommended by home visitors. This is significant and may hinder outcomes if families do not connect with additional services, such as treatment for maternal depression. However, the percent of children in home-visiting who receive well-child visits is significantly higher than children on Medicaid who do not participate in home-visiting services.

LFC analyzed the impact of home-visiting in terms of return on investment and improved outcomes including avoidance of child maltreatment. LFC analysis has shown a potential positive return on investment for most home-visiting programs, with the most cost beneficial being programs using highly trained professionals such as the Nurse Family Partnerships. It is also notable that the home grown program of First Born is currently undergoing an evaluation by the RAND Corporation with initial results showing very promising outcomes for participants.

Medicaid-funded Home-Visiting. As a result of declining general fund revenues statewide, federal revenues should be considered for continued expansion of the home-visiting program. The Human Services Department (HSD), in collaboration with CYFD, should consider a state plan amendment to pilot Medicaid-funded home-visiting. General fund revenue already appropriated to CYFD could be used to draw additional federal revenues for this purpose. Additionally, the state could build mechanisms into the pilot to manage costs, including requiring risk screening, defining family eligibility, setting provider qualifications, and defining specific geographic areas or service.

As reported to the LFC, in 2016 the federal Centers for Medicaid and Medicare Services (CMS) and Health Resources and Services Administration (HRSA) issued a joint informational bulletin on maternal, infant, and child health home-visiting. The informational bulletin affirms that current law permits states to use Medicaid funding to pay for core components of home-visiting services to Medicaid beneficiaries. It also clarifies that Medicaid services can be furnished in any setting lawful under state medical practice standards, including the home.

Behavioral Health Services. Behavioral Health Services focuses on access for youth to mental health and substance abuse services. The program includes licensing and certification authority, substance abuse services, mental health services, and quality management services. Access to behavioral health services is essential in assisting youth with substance abuse issues or behavioral problems. The FY18 general fund request was flat with the FY17 appropriation but lower overall due to reduced federal revenues. The LFC recommendation reduces the other costs category by \$316.2 thousand as requested by the department, however, due to declining general fund revenues the program was reduced \$50 thousand.

Program Support. Program Support consists of the office of the secretary, administrative services, and information technology. The FY18 general fund request was flat with the FY17 appropriation; however, the LFC recommendation reduces the personal services and employee benefits and other costs categories by \$250 thousand.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include forty-nine million six hundred twenty-seven thousand five hundred dollars (\$49,627,500) from the federal temporary assistance for needy families block grant, including thirty million five hundred twenty-seven thousand five hundred dollars (\$30,527,500) for childcare, fourteen million one hundred thousand dollars (\$14,100,000) for prekindergarten and five million dollars (\$5,000,000) for home visiting.

The internal service funds/interagency transfers appropriations to the protective services program of the children, youth and families department include nine hundred thousand dollars (\$900,000) for supportive housing from the temporary assistance for needy families block grant to New Mexico.

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)

	FY18 - 2017-2018				
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	70,067.0	70,721.9	70,721.9	70,351.1	-0.5
Other Transfers	397.4	423.9	423.9	423.9	0.0
Federal Revenues	387.5	400.0	400.0	400.0	0.0
Other Revenues	1,674.0	1,516.5	1,516.5	1,516.5	0.0
SOURCES TOTAL	72,525.9	73,062.3	73,062.3	72,691.5	-0.5
USES					
Personal Services and Employee Benefits	56,448.0	56,018.0	55,996.0	55,996.0	0.0
Contractual Services	9,004.5	10,721.8	10,756.4	10,585.6	-1.3
Other	6,099.0	6,322.5	6,309.9	6,109.9	-3.4
TOTAL USES	71,551.5	73,062.3	73,062.3	72,691.5	-0.5
FTE					
Permanent	941.3	943.3	943.3	943.3	0.0
Term	3.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	944.3	943.3	943.3	943.3	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Outcome	Turnover rate for youth care specialists	22%	18%	15%	15%	15%
Outcome	Percent of clients readjudicated within two years of previous adjudication	6.4%	5.5%	5.8%	5.8%	<5.5%
* Outcome	Percent of clients who successfully complete formal probation	83%	85%	80%	80%	84%
Output	Number of client-on-staff battery incidents	108	147	<125	<150	<150
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	10.7%	2.9%	15.0%	15.0%	<10.0%
Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	1.6%	1.6%	1.5%	1.5%	1.5%
* Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	7.6%	9.5%	8.0%	9.0%	9.0%
Explanatory	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	12%	13%	10%		
Explanatory	Percent of clients with improvement in reading on standardized pre- and post-testing	59.3%	61.1%	57.5%		
Outcome	Percent of clients with improvement in math on standardized pre- and post-testing	61%	58%	65%	65%	65%
* Output	Number of physical assaults in juvenile justice facilities	286	448	<255	<300	<255
Outcome	Percent of clients successfully completing term of supervised release	58%	67%	75%	65%	75%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	84,164.9	87,547.0	87,547.0	88,217.8	0.8
Other Transfers	1,774.3	2,175.9	2,175.9	2,175.9	0.0
Federal Revenues	51,146.0	54,842.3	52,848.0	52,848.0	-3.6
Other Revenues	2,345.4	2,867.6	2,477.4	2,477.4	-13.6
Fund Balance	825.8	0.0	0.0	0.0	
SOURCES TOTAL	140,256.4	147,432.8	145,048.3	145,719.1	-1.2
USES					
Personal Services and Employee Benefits	56,447.1	56,905.9	54,987.7	55,987.7	-1.6
Contractual Services	21,423.9	25,029.3	25,039.8	24,860.6	-0.7
Other	63,426.6	65,497.6	65,020.8	64,870.8	-1.0
TOTAL USES	141,297.6	147,432.8	145,048.3	145,719.1	-1.2
FTE					
Permanent	0.0	921.8	921.8	921.8	0.0
Term	0.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	0.0	927.8	927.8	927.8	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Outcome	Percent of children in foster care for twelve months with no more than two placements	74%	71%	76%	75%	75%
Outcome	Percent of children adopted within twenty-four months from entry into foster care	32%	23%	33%	33%	33%
Explanatory	Percent of children in foster care who have at least one monthly visit with their caseworker	97%	96%	97%		
* Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	95%	89%	95%	94%	94%
* Output	Turnover rate for protective service workers	29%	29%	15%	25%	15%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	89%	88%	93%	90%	93%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	64%	60%	65%	65%	65%
* Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.8%	99.8%	99.7%	99.8%
Output	Percent of children reentering foster care in less than twelve months	9.8%	12.6%	9.0%	9.0%	9.0%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	57,970.5	58,871.8	60,371.8	60,371.8	2.5
Other Transfers	56,001.0	58,132.9	49,627.5	49,627.5	-14.6
Federal Revenues	88,782.2	110,392.7	110,392.7	110,392.7	0.0
Fund Balance	2,214.7	500.0	1,684.8	1,684.8	237.0
SOURCES TOTAL	204,968.4	227,897.4	222,076.8	222,076.8	-2.6
USES					
Personal Services and Employee Benefits	9,520.3	9,126.7	9,237.7	9,237.7	1.2
Contractual Services	52,785.2	66,859.0	61,140.1	61,140.1	-8.6
Other	140,447.0	151,911.7	151,699.0	151,699.0	-0.1
TOTAL USES	202,752.5	227,897.4	222,076.8	222,076.8	-2.6
FTE					
Permanent	127.5	126.5	126.5	126.5	0.0
Term	44.0	55.0	55.0	55.0	0.0
TOTAL FTE POSITIONS	171.5	181.5	181.5	181.5	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of children in state-funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	94%	94%	93%	93%	94%
* Outcome	Percent of parents who demonstrate progress in practicing positive parent-child interactions	NEW	44%	30%	45%	45%
Outcome	Percent of families at risk for domestic violence who have a safety plan in place	NEW	49%	40%	45%	45%
Outcome	Percent of children receiving state childcare subsidy, excluding child protective services child care, who have one or more protective services substantiated abuse or neglect referrals during the time in which the child is receiving the childcare subsidy	NEW	NEW	1.3%	1.2%	1.2%
Outcome	Percent of licensed childcare providers participating in high-quality programs	NEW	NEW	NEW	38%	40%
Outcome	Percent of children receiving subsidy in high-quality programs	NEW	NEW	NEW	45%	45%

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to provide coordination and management of behavioral health policy, programs and services for children.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,144.8	14,435.3	14,435.3	14,385.3	-0.3
Other Transfers	904.8	711.6	285.3	285.3	-59.9
Federal Revenues	2,723.8	3,078.2	1,766.5	1,766.5	-42.6
SOURCES TOTAL	16,773.4	18,225.1	16,487.1	16,437.1	-9.8
USES					
Personal Services and Employee Benefits	2,585.4	2,354.7	2,293.9	2,293.9	-2.6
Contractual Services	12,956.6	15,210.3	13,799.3	13,799.3	-9.3
Other	565.1	660.1	393.9	343.9	-47.9
TOTAL USES	16,107.1	18,225.1	16,487.1	16,437.1	-9.8
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	33.0	33.0	33.0	33.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Quality	Percent of youth receiving community-based and juvenile detention center behavioral health services who perceive they are doing better in school or work because of the behavioral health services they have received	NEW	TBD	75%	75%	75%
Outcome	Percent of infants served by infant mental health teams with a team recommendation for unification who have not had additional referrals to protective services	NEW	NEW	NEW	TBD	TBD

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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,570.8	13,387.6	13,387.6	13,137.6	-1.9
Other Transfers	57.4	71.5	57.8	57.8	-19.2
Federal Revenues	6,176.4	5,997.1	6,047.1	6,047.1	0.8
SOURCES TOTAL	19,804.6	19,456.2	19,492.5	19,242.5	-1.1
USES					
Personal Services and Employee Benefits	12,553.8	12,732.3	12,732.3	12,532.3	-1.6
Contractual Services	1,704.9	1,824.5	1,558.9	1,558.9	-14.6
Other	4,884.2	4,899.4	5,201.3	5,151.3	5.1
TOTAL USES	19,142.9	19,456.2	19,492.5	19,242.5	-1.1
FTE					
Permanent	171.0	174.0	174.0	174.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	175.0	178.0	178.0	178.0	0.0

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the U.S. 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. An 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 guards, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

	BUDGET SUMMARY (dollars in thousands)				
			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,262.4	6,691.0	7,625.5	6,691.0	0.0
Other Transfers	153.3	147.4	153.3	153.3	4.0
Federal Revenues	14,372.6	14,977.2	15,952.0	15,952.0	6.5
Other Revenues	49.3	44.8	91.7	91.7	104.7
Fund Balance	75.0	0.0	0.0	0.0	
SOURCES TOTAL	21,912.6	21,860.4	23,822.5	22,888.0	4.7
USES					
Personal Services and Employee Benefits	8,361.8	8,967.1	9,495.3	9,042.2	0.8
Contractual Services	2,313.2	3,671.5	3,800.6	3,769.5	2.7
Other	10,965.8	9,221.8	10,526.6	10,076.3	9.3
TOTAL USES	21,640.8	21,860.4	23,822.5	22,888.0	4.7
FTE					
Permanent	29.0	29.0	33.0	33.0	13.8
Term	111.0	114.0	111.0	111.0	-2.6
TOTAL FTE POSITIONS	140.0	143.0	144.0	144.0	0.7

AT A GLANCE:

The Department of Military Affairs (DMA) requested a 14 percent general fund increase over the FY17 operating level after adjusting for special session cuts. The request for personnel was 14 percent above FY16 actual expenditures. The committee recommendation supports increases in federal funds but maintains a flat budget compared with FY17 adjusted operating levels.

BUDGET ISSUES:

The department requested a general fund increase of \$934.5 thousand, or 14 percent, over the FY17 adjusted operating level, including \$133.7 thousand for service members group life insurance (SGLI) and \$219.8 thousand for General Services Department (GSD) property premium rate increases. State law passed in 2015 allows the SGLI premiums to be reimbursed from the general fund. Additionally, DMA requested \$141.6 thousand to restore reductions made within the personal services and employee benefits category in the 2016 legislative session. DMA reorganized its general fund support positions and converted four term positions to permanent positions at no cost. The department is also adding 1 fully federally funded FTE to support the Army National Guard Training Support System. The general fund recommendation is flat; however, the total recommendation is 4.7 percent higher than the FY17 adjusted budget to reflect additional federal funds and other revenues.

Performance data indicates the New Mexico Youth Challenge Academy reduces juvenile recidivism. The cost per participant is \$4,000 for a 22-week academy, compared with the almost \$75 thousand cost of a 22-week stay at the Children, Youth and Family Department's Youth Diagnostic Development Center (YDDC). Diverting teens before they get to a juvenile justice facility could further slow population growth in the juvenile system. Additionally, 84 percent of cadets graduated from the academy and 49 percent passed GED tests in FY16.

The National Guard is at 100 percent manpower strength despite the recent deployments among guardsmen. The rate of attrition from the National Guard is 11 percent, below the national standard of 18 percent. Between FY15 and FY16, almost 300 guardsmen were deployed or scheduled to be deployed. Since 2001, 6,400 New Mexican National Guardsmen have been deployed to Iraq, Afghanistan, Kosovo, Kuwait, Egypt, and stateside.

The FY17 adjusted general fund operating level and a FY18 budget flat to the adjusted level can affect federal fund matching. Only 33 FTE of the 144 FTE at DMA are funded solely through the general fund; the remaining FTE are funded with federal funds and general fund matching dollars. The department stated reduced general funds would create hardship within the agency because DMA would not be able to absorb GSD rate increases and might need to cut staff. The reductions could also negatively affect the Youth Challenge Academy.

NATIONAL GUARD SUPPORT

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of strength of the New Mexico national guard	93%	100%	95%	97%	97%
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	61	127	98	110	110
Output	The number of square feet of armory or readiness centers that are assessed as having major deficiencies on the infrastructure status report	142,129	138,932	103,000	110,000	110,000
Outcome	Percent of cadets successfully graduating from the youth challenge academy	82%	84%	94%	93%	90%

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 by the Corrections Department. 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	486.8	476.2	482.8	476.2	0.0
SOURCES TOTAL	486.8	476.2	482.8	476.2	0.0
USES					
Personal Services and Employee Benefits	311.3	331.4	336.0	331.4	0.0
Contractual Services	7.7	7.5	7.5	7.5	0.0
Other	118.0	137.3	139.3	137.3	0.0
TOTAL USES	437.0	476.2	482.8	476.2	0.0
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

AT A GLANCE:

The Adult Parole Board consists of 15 members who work on a voluntary basis and travel to prison facilities statewide to conduct parole hearings. The board is staffed by 6 FTE, including an appointed director, charged with ensuring parole hearings run smoothly. In FY16, the board conducted 4,214 parole hearings, 13 percent more than the previous year, and coordinated with the Corrections Department to reduce parole hearing cancellations by 15 percent.

The board's request was a 4.3 percent reduction from the FY17 operating budget. The agency achieved savings within travel, training, and office supplies. The board strives to remain fully staffed to maintain efficient operations. The committee recommendation is flat from the adjusted FY17 operating level.

ADULT PAROLE

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	94%	97.3	95%	95%	95%
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	34	32	34	30	30
Explanatory	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1	1	1		
Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	99%	97.3%	98%	95%	97%

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 JPSAB is to provide citizen oversight, review programs and initiatives, and make recommendations to 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)						
	FY16	FY17	FY18 – 2017-2018		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	14.9	13.6	14.4	13.2	-2.9	
SOURCES TOTAL	14.9	13.6	14.4	13.2	-2.9	
USES						
Contractual Services	4.8	4.9	4.9	4.9	0.0	
Other	9.7	8.7	9.5	8.3	-4.6	
TOTAL USES	14.5	13.6	14.4	13.2	-2.9	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

AT A GLANCE:

The Juvenile Public Safety Advisory Board (JPSAB) budget request was flat compared with FY17 appropriations and made no adjustments among categories. The board may have up to seven members at any time but currently only has two and has never had more than four.

In FY16, JPSAB reported only 66 percent of juvenile clients successfully completed their term of supervised release. The board reported youth absconding from supervision is a large contributing factor to low performance. In response, the board is expected to again support legislation that would provide, if a warrant is issued for an absconder, the release period would be put on hold.

The committee recommendation reduces the general fund appropriation to \$13.2 thousand, or 2.9 percent below the FY17 operating budget adjusted for special session cuts. The entire JPSAB budget funds audit costs and board travel expenses. The reduction is a result of reduced board membership and supports the implementation of a committee recommendation to rotate member travel. This schedule would maximize member accessibility to facilities while reducing duplication.

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 a low risk for reoffending or re-victimizing the community.

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
Output	Percent of clients reviewed at forty days	89%	83%	98%	98%	98%
Outcome	Percent of clients successfully completing term of supervised release	58%	66%	75%	65%	65%

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)				
	FY16 2015-2016	FY17 2016-2017	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Adj. Budgeted</u>			
SOURCES					
General Fund Transfers	287,887.0	293,676.9	302,469.6	296,280.8	0.9
Other Transfers	527.6	1,335.3	1,335.3	1,335.3	0.0
Federal Revenues	339.1	0.0	0.0	300.0	
Other Revenues	26,966.9	26,915.2	26,287.7	25,758.9	-4.3
Fund Balance	819.7	1,312.7	2,312.7	2,312.7	76.2
SOURCES TOTAL	316,540.3	323,240.1	332,405.3	325,987.7	0.9
USES					
Personal Services and Employee Benefits	137,020.0	139,054.4	144,580.5	145,025.4	4.3
Contractual Services	57,625.4	55,619.1	65,311.3	61,085.6	9.8
Other	127,266.9	128,566.6	122,513.5	119,876.7	-6.8
Other Financing Uses	150.6	0.0	0.0	0.0	
TOTAL USES	322,062.9	323,240.1	332,405.3	325,987.7	0.9
FTE					
Permanent	2,412.0	2,368.0	2,417.0	2,368.0	0.0
Term	35.0	35.0	59.0	35.0	0.0
TOTAL FTE POSITIONS	2,447.0	2,403.0	2,476.0	2,403.0	0.0

AT A GLANCE:

The Corrections Department requested a \$4.3 million, or 1.4 percent, general fund budget increase for FY18 before the agency's FY17 budget was reduced \$4.5 million in the 2016 special legislative session. The FY18 general fund request is \$8.8 million, or 3 percent, higher than the FY17 adjusted budget. The requested increase includes funds to address correctional officer pay plan compaction, increased inmate healthcare costs, a more costly prison contract, and additional detention holds. The LFC recommendation increases the agency's general fund budget \$2.6 million, or 1 percent, compared with the FY17 adjusted budget.

BUDGET ISSUES:

In June 2014, the department initiated a budget adjustment request transferring \$1.1 million from the personal services and employee benefits category to pay private prison costs, resulting in a need for \$4.8 million deficiency appropriation to close out FY14 in the 2015 legislative session. Additionally, in FY15 and FY16, the department requested special appropriations to address overspending and hepatitis C treatment. In FY17, NMCD received smaller than typical statewide solvency cuts during the 2016 special session; however, it reported the need to continue using the 2016 special appropriation to balance the budget. The committee has concerns about the chronic use of special appropriations to balance the operating budget, and it is unclear if this practice is the result of not effectively managing operational expenses or underestimating operating budget needs. Also raising concern is the lack of transparency regarding budget projections and expenditure data. Often the committee is not kept apprised of cost overruns and efforts to manage costs.

For FY18, after the agency's budget was adjusted to reflect special session reductions, the agency requested an additional \$9 million in special appropriations for inmate population growth, hepatitis C treatment, increases in overtime due to correctional officer pay restructuring, and to cover a projected deficit in salaries and benefits and restore funding for transitional living.

NMCD continues to face a challenging outlook through FY17 and into future years, including management turnover with a new secretary and significant vacancies for the administrative deputy secretary and administrative services director positions, raising concern that the department's leadership may not yet have developed sufficient plans to contain costs and operate within budget.

Reflecting operating challenges, the department's FY18 general fund request was 3 percent above the FY17 adjusted operating budget. The department requested \$332.4 million overall, including \$302.5 million from the general fund. The agency request increased the use of fund balance revenue by \$1 million but decreased other revenues \$627.5 thousand. NMCD received large general fund increases in FY17, including an \$8.5 million budget increase and \$13 million in nonrecurring funds for population growth, hepatitis C (HCV) specialty drug costs, and compensation increases. Despite prior years of increased funding, NMCD had an \$8.9 million deficit in the Inmate Management and Control program (IMAC) at the end of FY16 and a \$9.9 million deficit overall.

However, the agency has opportunities for cost-savings, including the purchase of prescription drugs through a purchasing pool with the Department of Health and the Human Services Department and using vacancy savings to address compaction. The committee recommendation reflects cost-saving options and increases general fund 1 percent compared with the FY17 adjusted budget.

A portion of NMCD's request included a large increase in Department of Information Technology (DoIT) radio fees, which increased from \$372 thousand per year in FY16 to almost \$4 million per year in FY17. Five years ago, NMCD purchased its own security radios but did not use DoIT to maintain them. In FY14, when DoIT changed the frequency of public safety radio waves to comply with federal mandates, NMCD's radios stopped working. Because DoIT did not own NMCD's radios, the equipment was never modified or updated to support the new frequency. In FY15, DoIT replaced all of NMCD's radios but didn't properly charge for the service until recently. In FY18, NMCD expects to pay DoIT an additional \$2.9 million for the service, a 700 percent increase. LFC recommends that DoIT reconsider rates for the Corrections Department and does not fund the request.

The department requested an additional 24 term FTE and an additional \$1 million in fund balance within the Corrections Industries program, despite running a 50 percent staff vacancy rate. The requested positions and funds would support an expanded food service program currently operated by contractors. The LFC recommendation does not support the request. Additionally, the LFC recommendation reprioritizes the increased fund balance from corrections industries to Inmate Management and Control to cover operating costs.

Critical Vacancy Rates. In FY17, \$4.5 million was appropriated to the department to implement a new correctional officer pay plan. With the help of the State Personnel Office (SPO), the funding was used to increase salary minimums and raise salary midpoints, but no funding was dedicated to address salary compaction. Compaction occurs when newly hired or promoted employees are paid salaries closer to the midpoint of a pay range, which diminishes pay differentials with more tenured employees. As a result, \$2.9 million, or 33 percent, of the agency's requested increase is to address compaction issues.

Attempting to keep personnel costs flat and offset the cost of compaction in Inmate Management and Control (IMAC), the department budgeted a 14 percent vacancy rate; however, the current rate is 22 percent. The department has experienced chronic vacancy rates among custody staff, resulting in high overtime costs and a dangerous prison environment. NMCD historically transfers large sums of personnel funds to other categories to fund operating deficits. The department has a \$3.5 million funded vacancy rate in FY17 and should use the funds to continue to fill critical vacancies, maintain the pay plan, and reduce compaction issues instead of transferring funds to cover operating costs at the end of the fiscal year. Unfilled vacancies leads to increased overtime costs because officers are forced to work additional hours to cover shift vacancies. The LFC recommendation funds the department's salary compaction request and provides \$2.5 million to help reduce high vacancies and lead to safer conditions.

Vacancy rates are also high among probation and parole officers, hovering around 20 percent, resulting in rising caseloads. Probation and parole officers received a 6 percent salary increase in FY15 but have not received any increases since, even though LFC recommended increases in FY17.

Population Trends. According to New Mexico Sentencing Commission (NMSC) data, the female inmate population has grown an average 4 percent per year over the last six years while the male population grew an average 1 percent per year over the same period. As a result of population growth, the IMAC budget has increased \$57 million, or 23 percent, since FY07, including as a result of a \$13 million special appropriation in the 2016 legislative session that included funding to address inmate population growth.

However, NMSC projects slower overall inmate population growth over the next 10 years; the male population is projected to grow by 1 percent and female population by 3 percent in FY18. NMSC's 2016 forecast projects 7,663 inmates in FY18, 1 percent higher than FY17. For FY18, the department did not request additional funding for inmate growth.

NMSC data shows male admissions for violent crimes increased an average 3 percent over the last four years while admissions for drug crimes have risen 7 percent. Female admissions have increased in every crime category over the last four years: 28 percent in violent crime, 14 percent in property crime, 18 percent in drug crimes, and 36 percent in crimes like DWI. Sentencing reform could lead to fewer convictions for nonviolent crimes and slow population growth in the state's prisons, leading to cost savings.

Recidivism also plays a large role in population growth. In FY16, NMCD reported 46 percent of released inmates returned to prison within three years, including 17 percent for technical parole violations, such as missing a scheduled office visit. A 2012 LFC program evaluation reported if the recidivism rate could be reduced by 10 percent, the state of New Mexico could save \$8.3 million per year.

The agency made progress in reducing the number of release-eligible inmates in prisons but has additional opportunities for further improvement and cost savings. NMCD could cease payment to private prisons for inmates who are release eligible but still incarcerated or could shift all release-eligible inmates to state-run prisons to contain costs.

NMCD has taken steps to slow the rising population, including a process to establish Medicaid eligibility pre-release. The department also adopted an internal policy requiring no less than 70 percent of total recidivism programming be evidence-based as defined by the Pew-MacArthur Results First Initiative.

Health Care. Correction's healthcare contract costs have risen sharply since the start of FY17. In May 2016, NMCD chose Centurion LLC to provide health services over the previous provider, Corizon. While the contract with Centurion has limited outcome performance measures and quality of service data, it does make an attempt to control costs by mandating Centurion to obtain federal drug discount program pricing within six months from the start of the contract for medications for certain diseases, including hepatitis C. It is difficult for correctional facilities to procure federal drug discount program pricing; only Texas has been able to successfully procure the special pricing by working with the University of Texas Medical Branch. Some experts consider this arrangement to be an unauthorized use of federal drug discount program pricing.

The agency also contracted separately for pharmacy services with Boswell, a change from past contracts where healthcare and pharmacy services were handled by Corizon. The cost of the Boswell contract escalates 2.5 percent per year due to medical inflation and population growth. However, the contract does require that generic drugs be used when appropriate and limits drug supplies to last no longer than 30 days at a time. NMCD will continue to cover the costs of specialty HIV and hepatitis C drugs. NMCD pays an average \$80 thousand per inmate to treat HCV; the state Human Services Department pays \$56 thousand per person.

Additionally, the agency signed a contract with MHM Correctional Services to provide gender-responsive and trauma-informed behavioral health services to the female population. The cost of the contract escalates by almost 3 percent per year and has relatively weak performance requirements and penalties for failure to provide adequate services.

As a result of the three new health-related contracts, the agency's FY18 healthcare request increased almost \$8.6 million, or 18 percent, over FY17. The agency could participate in purchasing pools or negotiate deeper cuts as average costs fall. The LFC recommendation reduces the department's requested increases for these contracts by limiting medical inflation costs to less than 3 percent and assuming the department can negotiate reduced HCV drug purchasing prices.

Facilities. Private prisons costs comprised 34 percent of NMCD's budget in FY17. However, NMCD requested to decrease private prison contracts by 10 percent for FY18, cutting the Otero County Prison Facility budget, which houses sex offenders, by \$9.5 million. The department plans to relocate the majority of the inmates into the state's prison facilities, but has not released relocation plans or cost estimates. The state's prisons are at 91 percent of capacity; reducing beds could exacerbate overcrowding issues and create security classification challenges. LFC staff is concerned the contract may have been reduced without sufficient planning and could have an unaccounted-for burden on the department's budget.

Other states have renegotiated contracts with their private prison operators to reflect declining state budgets. Louisiana recently renegotiated multiple contracts, reducing per diem rates from \$31 per day per inmate to \$24 per day per inmate. However, caution must be exercised. The prisons Louisiana reduced already operated at extremely low per-diem rates, forcing the two prisons to operate more like jails. Reductions negatively impact programming, health care, and limit the types of inmates the facilities can accommodate.

NMCD could further reduce private prison costs in other ways. Recently, the town of Clayton reissued refunding bonds for the Northeastern New Mexico Detention Facility that resulted in the town and the contractor realizing \$7.3 million in savings and annual debt service savings of \$250 thousand per year; \$6 million of the savings will be used to make improvements and repairs to the prison facility. The official statement notes the facility fee, which is paid solely by NMCD and covers debt service on the prison, is not subject to renegotiation. However, NMCD could realize savings through the base service fee, which compensates Clayton for maintaining, managing, and operating the 540 beds set aside for NMCD, which could be renegotiated to reflect the funds dedicated to facility maintenance.

The General Services Department (GSD) released the facility condition index (FCI) for NMCD facilities showing many buildings would be more expensive to repair than replace, the worst being Southern New Mexico Correctional Facility and Central New Mexico Correctional Facility. High maintenance costs and distance between facilities and needed services, such as hospitals and social work organizations, are cost drivers and pose risks that could be minimized by building a larger facility and taking old beds offline. Legislative and executive staff have discussed the potential for building a new prison to supplant beds at old and inefficient facilities. The parties agreed to develop a request for proposals to study prison design, construction costs, and identify programming needs, although this has not yet happened.

The department has a 9 percent bed vacancy rate, running an average 590 unoccupied beds systemwide, including an average 402 empty beds at publicly run facilities. Industry standards suggest a 5 percent bed vacancy rate to prevent overcrowding and allow for safe population shifting. However, if inmate populations continue to rise with no change in recidivism rates, facilities could soon be much closer to full capacity.

Performance. The department's FY18 performance measures remain similar to FY17. The Department of Finance and Administration, LFC, and NMCD staff agreed to eliminate redundant measures, but retained or clarified many important outcome measures, including three-year recidivism rates and vacancy rates among correctional and probation and parole officers. Many of the measures are integral to understanding the success of the department and should be reported quarterly.

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 exposure to the extent possible within budgetary resources.

BUDGET SUMMARY (dollars in thousands)					
<u>FY18 - 2017-2018</u>					
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	245,248.9	251,467.4	260,859.8	255,059.3	1.4
Other Transfers	271.5	1,079.2	1,079.2	1,079.2	0.0
Federal Revenues	328.4	0.0	0.0	0.0	
Other Revenues	15,764.3	12,556.5	13,692.6	13,692.6	9.0
Fund Balance	0.0	0.0	0.0	1,000.0	
SOURCES TOTAL	261,613.1	265,103.1	275,631.6	270,831.1	2.2
USES					
Personal Services and Employee Benefits	104,959.3	108,135.7	112,583.5	114,020.3	5.4
Contractual Services	50,358.3	47,600.3	57,299.9	53,119.6	11.6
Other	111,143.5	109,367.1	105,748.2	103,691.2	-5.2
TOTAL USES	266,461.1	265,103.1	275,631.6	270,831.1	2.2
FTE					
Permanent	1,854.0	1,804.0	1,852.0	1,804.0	0.0
Term	33.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	1,887.0	1,837.0	1,885.0	1,837.0	0.0

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Percent of prisoners reincarcerated within thirty-six months due to technical parole violations	17%	17%	20%	20%	18%
Output	Percent of eligible inmates who earn a general educational development certificate	64%	76%	75%	75%	80%

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Explanatory	Percent of participating inmates who have completed adult basic education	34%	52%			
Outcome	Percent of prisoners reincarcerated within thirty-six months due to new charges or pending charges	23%	22%	20%	20%	20%
* Explanatory	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	2%	47%			
* Output	Number of inmate-on-inmate assaults with serious injury	13	10	10	15	10
* Output	Number of inmate-on-staff assaults with serious injury	2	4	4	6	4
Outcome	Percent of standard healthcare requirements met by medical contract vendor	91%	97%	100%	85%	100%
Explanatory	Percent of inmate grievances resolved informally	47%	85%			
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release on the previous sex offense conviction	NEW	0%	15%	5%	5%
* Outcome	Percent of release-eligible female inmates still incarcerated past their scheduled release date	NEW	10%	10%	10%	5%
Explanatory	Percent of random monthly drug tests administered to at least ten percent of the inmate population that test positive for drug use	NEW	1.9%			
* Outcome	Percent of release-eligible male inmates still incarcerated past their scheduled release date	NEW	9%	10%	10%	5%
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	NEW	75%	75%	75%	75%
Outcome	Percent of inmates who have filled out a YES New Mexico Medicaid application at time of release	NEW	NEW	80%	90%	90%
* Outcome	Percent of prisoners reincarcerated within thirty-six months	NEW	NEW	NEW	30%	40%
Explanatory	Number of escapes	NEW	NEW			
Outcome	Percent of eligible inmates enrolled in educational, cognitive, vocational and college programs	NEW	NEW	NEW	39%	40%
Outcome	Percent of project extension for community healthcare outcomes hepatitis c clients who cleared the virus within the prescribed time	NEW	NEW	NEW	95%	95%
Outcome	Percent of chronic care clients seen on a timely basis	NEW	NEW	NEW	85%	90%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	8,420.9	11,862.5	9,900.3	9,371.5	-21.0
Fund Balance	669.7	0.0	1,000.0	0.0	
SOURCES TOTAL	9,090.6	11,862.5	10,900.3	9,371.5	-21.0
USES					
Personal Services and Employee Benefits	1,531.3	1,569.0	2,506.0	1,569.0	0.0
Contractual Services	449.6	735.9	287.4	287.4	-60.9
Other	7,109.7	9,557.6	8,106.9	7,515.1	-21.4
TOTAL USES	9,090.6	11,862.5	10,900.3	9,371.5	-21.0
FTE					
Permanent	30.0	30.0	30.0	30.0	0.0
Term	2.0	2.0	26.0	2.0	0.0
TOTAL FTE POSITIONS	32.0	32.0	56.0	32.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent of eligible inmates employed by corrections industries	NEW	NEW	NEW	25%	25%

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	31,393.8	29,583.1	29,257.1	29,064.1	-1.8
Federal Revenues	0.9	0.0	0.0	300.0	
Other Revenues	2,193.2	2,034.6	2,540.0	2,540.0	24.8
Fund Balance	0.0	1,312.7	1,312.7	1,312.7	0.0
SOURCES TOTAL	33,587.9	32,930.4	33,109.8	33,216.8	0.9
USES					
Personal Services and Employee Benefits	20,117.8	19,160.4	19,446.8	19,446.8	1.5
Contractual Services	5,976.5	6,468.3	7,103.4	7,123.4	10.1
Other	6,996.6	7,301.7	6,559.6	6,646.6	-9.0
TOTAL USES	33,090.9	32,930.4	33,109.8	33,216.8	0.9
FTE					
Permanent	376.0	376.0	377.0	376.0	0.0
TOTAL FTE POSITIONS	376.0	376.0	377.0	376.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of contacts per month made with high-risk offenders in the community	93%	95%	95%	95%	95%
* Quality	Average standard caseload per probation and parole officer	99	109	95	95	95
Output	Percent of absconders apprehended	28%	31%	30%	30%	30%
Explanatory	Number of offenders on the waiting list for intensive or high-risk supervision	33	<40			
* Output	Percent of male offenders who graduate from the men's recovery center and are reincarcerated within thirty-six months	NEW	18%	25%	25%	25%
* Output	Percent of female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	NEW	18%	25%	25%	25%

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)

			<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,244.3	12,626.4	12,352.7	12,157.4	-3.7
Other Transfers	256.1	256.1	256.1	256.1	0.0
Federal Revenues	9.8	0.0	0.0	0.0	
Other Revenues	588.5	461.6	154.8	154.8	-66.5
Fund Balance	150.0	0.0	0.0	0.0	
SOURCES TOTAL	12,248.7	13,344.1	12,763.6	12,568.3	-5.8
USES					
Personal Services and Employee Benefits	10,411.6	10,189.3	10,044.2	9,989.3	-2.0
Contractual Services	841.0	814.6	620.6	555.2	-31.8
Other	2,017.1	2,340.2	2,098.8	2,023.8	-13.5
Other Financing Uses	150.6	0.0	0.0	0.0	
TOTAL USES	13,420.3	13,344.1	12,763.6	12,568.3	-5.8
FTE					
Permanent	152.0	158.0	158.0	158.0	0.0
TOTAL FTE POSITIONS	152.0	158.0	158.0	158.0	0.0

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Explanatory	Percent turnover of probation and parole officers	13%	10%			
Explanatory	Percent turnover of correctional officers in public facilities	14%	13%			
Explanatory	Graduation rate of correctional officer cadets from the corrections department training academy	82%	79%			
Explanatory	Percent of employee union grievances resolved prior to arbitration	100%	98%			
Quality	Percent of audit findings resolved from prior year	40%	33%	80%	75%	80%
* Outcome	Vacancy rate of probation and parole officers	NEW	NEW	NEW	19%	15%
* Outcome	Vacancy rate of correctional officers in public facilities	NEW	NEW	NEW	17%	15%

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)					
	<u>FY18 – 2017-2018</u>				
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. 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	2,504.9	2,333.8	2,469.6	2,324.0	-0.4
Federal Revenues	6,792.2	10,171.9	16,634.4	16,634.4	63.5
Other Revenues	743.2	890.0	802.0	802.0	-9.9
Fund Balance	97.2	97.2	97.2	97.2	0.0
SOURCES TOTAL	10,137.5	13,492.9	20,003.2	19,857.6	47.2
USES					
Personal Services and Employee Benefits	1,255.4	1,346.0	1,406.1	1,340.6	-0.4
Contractual Services	275.1	308.3	301.3	280.8	-8.9
Other	8,230.4	11,838.6	18,295.8	18,236.2	54.0
TOTAL USES	9,760.9	13,492.9	20,003.2	19,857.6	47.2
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	5.0	5.0	6.0	6.0	20.0
TOTAL FTE POSITIONS	21.0	21.0	22.0	22.0	4.8

AT A GLANCE:

New Mexico was the third most violent state in the nation in 2014, according to the most recent year of crime statistics available, behind Alaska and Tennessee. The state's violent crime rate was 64 percent higher than the national average. The rise in violent crime will necessitate additional victim compensation payments in future years. In FY16, the commission approved \$2 million in payments to victims of crime for costs including hospital stays, funerals, lost wages, and rent and relocation, and approved \$7.7 million in grants to local organizations to provide shelter, counseling, and other assistance.

The Crime Victims Reparation Commission (CVRC) receives federal funds from the federally administered Victims of Crime Act (VOCA), federal Violence Against Women Act, and the federal Sexual Assault Services Formula Grant, allowing the agency to fund almost 150 projects statewide. Federal revenues are expected to increased \$6.5 million, or 63.5 percent, over the FY17 budget with VOCA funds. VOCA funds are passed on to direct services agencies to assist victims of crime.

State law was amended in 2015 to create a mandatory crime victims reparation fee schedule of \$75 per felony conviction and \$50 per misdemeanor. The agency projects the fees will generate \$312 thousand in FY18, about 16 percent of the \$2 million made in payments to victims last year. Revenue generated from fees has grown since the bill was signed, but the commission will continue to educate the courts on fee assessments and rates.

The committee recommendation reduces the general fund 0.4 percent over the FY17 operating level after special session cuts, all in personnel, to reflect actual filled costs. Other costs increased 54 percent to reflect additional federal funds; however, nonfederally funded other costs decreased 1 percent. The committee also recommends the addition of 1 term FTE to help oversee the administration of Victim of Crime Act federal funds.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,504.9	2,333.8	2,469.6	2,324.0	-0.4
Other Revenues	743.2	890.0	802.0	802.0	-9.9
Fund Balance	97.2	97.2	97.2	97.2	0.0
SOURCES TOTAL	3,345.3	3,321.0	3,368.8	3,223.2	-2.9
USES					
Personal Services and Employee Benefits	1,014.9	1,013.5	1,013.5	948.0	-6.5
Contractual Services	224.8	210.5	219.4	198.9	-5.5
Other	1,729.0	2,097.0	2,135.9	2,076.3	-1.0
TOTAL USES	2,968.7	3,321.0	3,368.8	3,223.2	-2.9
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

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Efficiency	Average number of days to process applications	90	90	<90	<90	<90
Outcome	Percent of payment for care and support paid to providers	NEW	65%	65%	65%	65%
* Outcome	Percent of payment for care and support paid to individual victims	NEW	100%	100%	100%	100%

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
Federal Revenues	6,792.2		10,171.9		16,634.4	16,634.4	63.5
SOURCES TOTAL	6,792.2		10,171.9		16,634.4	16,634.4	63.5
USES							
Personal Services and Employee Benefits	240.5		332.5		392.6	392.6	18.1
Contractual Services	50.3		97.8		81.9	81.9	-16.3
Other	6,501.4		9,741.6		16,159.9	16,159.9	65.9
TOTAL USES	6,792.2		10,171.9		16,634.4	16,634.4	63.5
FTE							
Term	5.0		5.0		6.0	6.0	20.0
TOTAL FTE POSITIONS	5.0		5.0		6.0	6.0	20.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Efficiency	Percent of subgrantees who receive compliance monitoring via desk audits	85%	85%	90%	90%	90%
* Efficiency	Percent of site visits conducted	30%	36%	40%	40%	40%
Outcome	Percent of monitored sub-grantees in compliance with quarterly performance measure to provide effective services to victims of crime	NEW	95%	95%	95%	95%

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 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 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. DPS's areas of focus are drunken driving, drug crime, violent crime, and traffic safety.

BUDGET SUMMARY
(dollars in thousands)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 – 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	114,995.5	120,628.4	119,634.4	119,068.8	-1.3
Other Transfers	6,699.4	11,934.6	5,051.5	5,051.5	-57.7
Federal Revenues	7,757.0	13,437.4	13,662.3	13,662.3	1.7
Other Revenues	4,295.8	4,829.4	7,109.4	7,109.4	47.2
Fund Balance	1,000.0	350.0	1,190.0	1,190.0	240.0
SOURCES TOTAL	134,747.7	151,179.8	146,647.6	146,082.0	-3.4
USES					
Personal Services and Employee Benefits	97,111.2	107,070.1	105,851.2	107,362.9	0.3
Contractual Services	4,701.0	6,513.6	4,707.0	4,979.6	-23.6
Other	31,184.4	37,596.1	36,089.4	33,739.5	-10.3
TOTAL USES	132,996.6	151,179.8	146,647.6	146,082.0	-3.4
FTE					
Permanent	1,141.5	1,145.5	1,120.5	1,135.5	-0.9
Term	107.0	104.0	121.0	107.0	2.9
Temporary	24.2	26.2	55.3	25.2	-3.8
TOTAL FTE POSITIONS	1,272.7	1,275.7	1,296.8	1,267.7	-0.6

AT A GLANCE:

General fund appropriations to DPS have increased an average 8 percent per year over the last three fiscal years, even as statewide general appropriations declined. The majority of additional funding reflects continued support of pay increases for state police officers, including \$11.5 million since FY13 for pay and recruit school expansion. Despite the investment, the state continues to experience climbing crime rates and consistently high vacancy rates in critical areas.

The department's budget was not reduced in the 2016 special legislative session; however, the department submitted a budget request before the results of the special session were known. To cope with declining general fund revenue projections statewide, DPS requested reduced funding in critical areas, including officer recruit schools, fleet vehicle maintenance, and no officer pay. However, DPS submitted a revised budget request two days before its budget hearing in November, with its general fund request flat with FY17 with the exception of a transfer to the General Services Department (GSD). The LFC recommendation reallocates funding from vacant positions to fund officer raises.

BUDGET ISSUES:

The DPS general fund request was \$994 thousand, or 0.8 percent, below the FY17 adjusted operating budget. The reduction in general fund revenue was solely due to a transfer of maintenance to GSD. The department requested \$146.7 million overall, including \$119.6 million from the general fund, a \$4.5 million, or 3 percent, decrease from the FY17 appropriation level. The agency increased other revenue and fund balance uses by \$3.1 million, or 60 percent.

DPS has received \$11.5 million over the last four years to address high police officer vacancy rates but the state police force increased by only a handful of officers. Benefits, like competitive retirement plans, are factors in netting more officers. DPS needs 75 additional officers to be fully staffed. The department also struggles recruiting and retaining forensic scientists. While the agency's request leaves officer and scientist funding as intact as possible, reduced funding means fewer critical staff and increased costs, such as that for overtime. The committee recommendation reduces the general fund appropriation by \$1.6 million compared with FY17 operating level adjusted for special session cuts.

Manpower. DPS continues to struggle to recruit and retain police officers, ending FY16 with a 10 percent vacancy rate. Projections from the department show officer manpower is expected to remain stable throughout FY18, when the department is projected to end the year with 671 officers, consistent with actual FY16 year-end totals and FY17 projections. DPS has hired 98 officers since FY15; however, retention issues resulted in a net increase of only 12 officers.

Inadequate manpower affects the entire state. In many areas of New Mexico, DPS is the only law enforcement presence. Besides increased overtime and reduced public safety in some communities, the lack of officers is exacerbated by other police forces relying on the department's services. In FY15, DPS investigated 83 percent of officer-involved shooting cases; of the 35 total cases, only six involved the department directly. Of the 158 crime scenes investigated by DPS, 75 were for other agencies. DPS does not charge for services it provides to other agencies; the implementation of a fee structure, possibly through legislation, could support the costs of these services.

Pay is not the only factor involved in state police officers remaining on the force. The areas in which they are stationed, fringe benefits like signing and anniversary bonuses, and education debt repayment could help. DPS, like other states, has shortened academy length and testing polices to begin hiring officers more quickly.

In FY16, DPS transferred \$132.4 thousand from the personal services and employee benefits category to cover state and federal audit costs. DPS did not request additional officer pay funding for FY18 due to shrinking general fund availability; however, estimates show an additional \$7.1 million is needed to accomplish the plans goals. The recommendation adds \$1.6 million to be used for officer compensation increases and increases vacancy savings by \$600 thousand.

LFC, the Public Employees Retirement Association (PERA), and DPS are evaluating reducing retirement contributions to the public safety retirement plan, allowing DPS to reallocate contribution savings to continued implementation of the officer pay plan. The contribution reduction would automatically expire in five years.

Law Enforcement Support. Vacancy rates among forensic scientists averaged 21 percent in FY16 while dispatchers had a 20 percent vacancy rate and turnover as high as 32 percent. Dispatcher vacancy rates critically impact DPS and public safety, including through missed radio transmissions and abandoned emergency calls. To cope, the department reallocated \$425 thousand of the FY16 operating budget to increase starting pay for dispatchers by 14.4 percent and increase average pay 12.5 percent. DPS now pays in the middle of the market rate for dispatchers. Additionally, the department is consolidating its eight dispatch centers to three centers, allowing for a more centralized workforce.

Further, DPS allocated \$258 thousand from its base budget to provide a 10 percent increase in pay for forensic scientists. The committee recommendation supports continuing the increases in pay for both dispatchers and forensic scientists.

Vacancy rates among forensic scientists contribute to backlogs in case work. Unprocessed cases have increased 427 percent over the last four years, from 1,236 cases to 5,462 cases. The biggest backlogs are in DNA and chemistry cases, which have increased 780 percent and 286 percent, respectively, over the last four years. Notably, the DNA backlog includes about 1,000 sexual assault kits.

Forensic scientists spend large amounts of time traveling to court and testifying, slowing the backlog clearance process. Currently, forensic scientists may not testify via video. Both the New Mexico Constitution and the Sixth Amendment of the U.S. Constitution state "In all criminal prosecution, the accused shall have the right... to be confronted with the witnesses against him." The U.S. Supreme Court rejected a proposed federal rule change, which would have allowed across-the-board use of two-way video testimony, and recently, and recently, in State v. Thomas (2016), the New Mexico Supreme Court ruled that video testimony does not satisfy the confrontation clause. Video testimony is only allowed if the defendant waives their right to the confrontation clause or if a judge decides video testimony is necessary to further an important public policy or if reliability is assured.

The state could label the time and taxpayer dollars spent on scientists on court duty as a significant and expensive impact on public policy and argue that two-way video testimony should be permissible under the confrontation clause, or pass a law allowing video testimony and let the court determine its constitutionality. Allowing scientists to testify via video would increase the amount of time scientists spend in the lab and decrease travel time, allowing the state to save overtime costs, travel costs, contract scientist costs, and improve public safety and justice because they could process crime scene evidence.

The Legislature in 2016 authorized \$7.5 million for the new Santa Fe Crime Lab and Evidence Center: a \$500 thousand severance tax bond for plan and design and a \$7 million general obligation bond for the first phase of construction. The current facility is too small to meet the department's needs, putting it at high risk for evidence cross-contamination. Evidence and records are currently housed in five different facilities, creating further inefficiencies. Currently, space being used for forensic analysis does not meet GSD regulations. The \$500 thousand in severance tax bonds authorized by the Legislature were sold in June.

The department is also transferring responsibility for maintenance and janitorial services at the Santa Fe headquarters, including \$994 thousand and eight employees, to GSD. The Santa Fe campus is one of only two state-owned facilities in Santa Fe not managed by GSD. The agreement with GSD excludes contractual services to maintain campus grounds from spring to fall.

Data Sharing. The department requested \$3.25 million in its information technology request for funding to replace their records management system (RMS) with a new system compatible with its computer-aided dispatch (CAD) system. The new RMS would enable efficient data entry, real-time alerts, and an extensive reporting system, which will be used by state police officers to collect crime and incident data in a way that is easily categorized, retrievable, and managed with complete analytics capabilities built in. In FY17, \$250 thousand was appropriated for request for proposal development.

DPS also requested \$433 thousand for FY18 to implement a record and training management system for the Law Enforcement Training Academy. The system, projected to cost \$161 thousand to maintain and operate per year, would replace a two-decade old system and serve the DPS Law Enforcement Academy, eight satellite academies, 193 law enforcement agencies, and 2,000 telecommunicators. The department believes it could save more than \$250 thousand per year through reduced manual paper processing and increased efficiency.

Laws 2016, Chapter 10, created the criminal records clearinghouse, housed at DPS, to centralize current and comprehensive data for access by law enforcement agencies and the courts. DPS anticipates the clearinghouse will be operational by spring 2017, starting with small, local courts that do not have access to criminal history data. The 2016 legislative session also included \$1.2 million for DPS to begin clearing a backlog of 1,400 untested rape kits within the department's jurisdiction. In October 2016, the department was awarded a \$2 million grant by the U.S. Department of Justice for the remaining amount needed to process the backlog. The grant will fund salaries and supplies for three forensic scientists for three years and provide funds for DPS to create a sexual assault case management database open to the public.

Performance. The department's FY18 performance measures are significantly overhauled compared with FY17. While the LFC, DPS, and Department of Finance and Administration staff worked together to eliminate less useful measures, much work remains. The department needs meaningful measures on manpower, turnover, and graduation rates as well as measures detailing the percent of forensic cases remaining, including the rape kit backlog. All FY18 measures are currently explanatory or about output; there are no outcome measures that reflect DPS' impact on public safety, like rate of DWI deaths, rate of violent crime compared with the national average, or rate of drug crime compared with the national average. While it is good to know the department is performing well on completing certain tasks, most measures give no indication of what the state should be doing to improve outcomes.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the law enforcement program of the department of public safety include ninety-four thousand five hundred dollars (\$94,500) from the weight distance tax identification permit fund. Any unexpended balances in the motor transportation bureau of the law enforcement program of the department of public safety remaining at the end of fiscal year 2018 from appropriations made from the weight distance tax identification permit fund shall revert to the weight distance tax identification permit fund.

The general fund appropriation to the law enforcement program of the department of public safety in the personal services and employee benefits category includes sufficient funding for officer compensation increases.

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	98,910.3	103,233.9	103,186.3	103,864.1	0.6
Other Transfers	4,679.4	6,550.4	3,929.3	3,929.3	-40.0
Federal Revenues	5,221.7	9,024.0	9,248.9	9,248.9	2.5
Other Revenues	1,199.1	2,390.0	2,390.0	2,390.0	0.0
Fund Balance	757.0	0.0	0.0	0.0	
SOURCES TOTAL	110,767.5	121,198.3	118,754.5	119,432.3	-1.5
USES					
Personal Services and Employee Benefits	83,843.8	91,231.9	90,512.7	92,171.1	1.0
Contractual Services	2,851.9	3,837.8	2,579.8	3,579.8	-6.7
Other	23,858.4	26,128.6	25,662.0	23,681.4	-9.4
TOTAL USES	110,554.1	121,198.3	118,754.5	119,432.3	-1.5
FTE					
Permanent	985.5	987.5	962.5	985.5	-0.2
Term	58.0	55.0	65.0	58.0	5.5
Temporary	24.2	25.2	55.3	24.2	-4.0
TOTAL FTE POSITIONS	1,067.7	1,067.7	1,082.8	1,067.7	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of enforcement operations for sales to intoxicated persons	589	581	600	500	550
Explanatory	Number of New Mexico state police crime scenes investigated or processed	NEW	NEW			
Explanatory	Percent of New Mexico state police cadets who graduate per recruit class	NEW	NEW			
Explanatory	Number of alcohol source investigations conducted statewide by special investigation unit agents	NEW	NEW			
* Output	Number of data-driven traffic-related enforcement projects held	NEW	NEW	NEW	1,700	1,700
* Output	Number of driving-while-intoxicated saturation patrols conducted	NEW	NEW	NEW	975	975
Output	Number of tobacco outlets visited during sales enforcement operations by special investigation unit agents	NEW	NEW	NEW	900	900
Explanatory	Number of commercial motor vehicle citations issued annually	NEW	NEW			
Explanatory	Number of criminal investigations conducted by investigation bureau agents	NEW	NEW			
Explanatory	Number of minor compliance and underage enforcement operations conducted annually	NEW	NEW			
Explanatory	Number of crime scenes investigated or processed statewide for other police agencies	NEW	NEW			
Explanatory	Number of drug-related investigations conducted by narcotics agents	NEW	NEW			
Output	Number of proactive criminal suppression operations	NEW	NEW	NEW	200	200
Output	Number of licensed alcohol premises inspections conducted	NEW	NEW	NEW	4,500	4,500
Explanatory	Number of impact investigations conducted by state police officers	NEW	NEW			

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Number of commercial motor vehicle safety inspections conducted	NEW	NEW	NEW	70,000	70,000
* Output	Number of driving-while-intoxicated arrests	NEW	NEW	NEW	2,250	2,250
Output	Number of driving-while-intoxicated checkpoints conducted	NEW	NEW	NEW	200	200
Explanatory	Number of motor carrier safety trainings completed	NEW	NEW			
Explanatory	Commercial motor vehicle out-of-service rate compared with the current national level	NEW	NEW			

STATEWIDE LAW ENFORCEMENT SUPPORT

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)

	<u>FY16 2015-2016 Actuals</u>	<u>FY17 2016-2017 Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,091.7	12,409.7	12,381.1	11,322.7	-8.8
Other Transfers	2,020.0	4,970.0	1,058.0	1,058.0	-78.7
Federal Revenues	730.7	782.2	782.2	782.2	0.0
Other Revenues	3,092.9	2,393.5	4,673.5	4,673.5	95.3
Fund Balance	243.0	0.0	840.0	840.0	
SOURCES TOTAL	17,178.3	20,555.4	19,734.8	18,676.4	-9.1
USES					
Personal Services and Employee Benefits	9,423.5	11,305.7	11,082.2	11,082.2	-2.0
Contractual Services	1,690.6	2,550.5	1,974.9	1,257.5	-50.7
Other	4,678.9	6,699.2	6,677.7	6,336.7	-5.4
TOTAL USES	15,793.0	20,555.4	19,734.8	18,676.4	-9.1
FTE					
Permanent	103.0	105.0	112.0	105.0	0.0
Term	41.0	41.0	47.0	41.0	0.0
Temporary	0.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	144.0	147.0	159.0	147.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Average number of days to issue a concealed carry permit	NEW	NEW	NEW	15	15
* Outcome	Percent of forensic firearm and toolmark cases completed	NEW	NEW	NEW	8%	90%
* Outcome	Percent of forensic latent fingerprint cases completed	NEW	NEW	NEW	5%	90%
Outcome	Percent of sexual assault evidence kits dated prior to July 1, 2015, that are completed	NEW	NEW	NEW	10%	30%
Output	Average number of days to process a civil fingerprint applicant	NEW	NEW	NEW	2	2
Explanatory	Percent of complaint cases reviewed and adjudicated annually by the New Mexico law enforcement academy					
* Outcome	Percent of forensic chemistry cases completed	NEW	NEW	NEW	10%	90%
* Outcome	Percent of forensic biology and DNA cases completed	NEW	NEW	NEW	10%	65%

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,993.5	4,984.8	4,067.0	3,882.0	-22.1
Other Transfers	0.0	414.2	64.2	64.2	-84.5
Federal Revenues	1,804.6	3,631.2	3,631.2	3,631.2	0.0
Other Revenues	3.8	45.9	45.9	45.9	0.0
Fund Balance	0.0	350.0	350.0	350.0	0.0
SOURCES TOTAL	6,801.9	9,426.1	8,158.3	7,973.3	-15.4
USES					
Personal Services and Employee Benefits	3,843.9	4,532.5	4,256.3	4,109.6	-9.3
Contractual Services	158.5	125.3	152.3	142.3	13.6
Other	2,647.1	4,768.3	3,749.7	3,721.4	-22.0
TOTAL USES	6,649.5	9,426.1	8,158.3	7,973.3	-15.4
FTE					
Permanent	53.0	53.0	46.0	45.0	-15.1
Term	8.0	8.0	9.0	8.0	0.0
TOTAL FTE POSITIONS	61.0	61.0	55.0	53.0	-13.1

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of audit findings resolved from the prior fiscal year annual external audit	NEW	100%	90%	90%	90%
Output	Number of site visits made to sub-grantees	NEW	NEW	NEW	6	6

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA 1978 (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)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,504.6	2,598.7	2,750.0	2,598.8	0.0
Other Transfers	0.0	150.8	150.8	150.8	0.0
Federal Revenues	13,366.4	14,840.0	13,701.0	13,701.0	-7.7
Other Revenues	0.0	110.0	110.0	110.0	0.0
SOURCES TOTAL	15,871.0	17,699.5	16,711.8	16,560.6	-6.4
USES					
Personal Services and Employee Benefits	2,002.3	5,265.0	5,196.0	5,196.0	-1.3
Contractual Services	1,096.6	1,807.4	1,495.6	1,484.3	-17.9
Other	7,412.2	10,627.1	10,020.2	9,880.3	-7.0
TOTAL USES	10,511.1	17,699.5	16,711.8	16,560.6	-6.4
FTE					
Permanent	15.0	15.0	16.0	15.0	0.0
Term	45.0	45.0	50.0	45.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	66.0	60.0	0.0

AT A GLANCE:

The Homeland Security and Emergency Management Department's FY18 general fund request was 5.9 percent higher than the FY17 operating budget adjusted for special session cuts. The total request was 5.6 percent below the FY17 adjusted operating budget, a result of a \$1.14 million reduction in federal funds to reflect the department budgeting multi-year federal grants only in the year the grants are being used for operations. The general fund recommendation is flat compared with the FY17 adjusted operating budget level.

BUDGET ISSUES:

The department spent almost \$2.9 million less than their operating budget for personnel in FY16 and transferred \$1.2 million of federal personnel funds to other categories. Department leadership has continued working toward achieving financial management best practices and reorganizing the department. However, the department continues to struggle with recruiting and retaining employees and as of October 2016 has yet to submit its FY15 audit. The 2014 annual audit findings included lack of controls over cash receipts and prepayment of services, a violation of the State Procurement Code. Without the FY15 audit, progress is unknown. The committee recommendation reduces the personnel category 1.3 percent compared with the adjusted FY17 operating level to reflect historic vacancy rates near 30 percent. The recommendation also reduces contractual services and other costs to hold total general fund spending flat with the adjusted FY17 operating level.

Last year, the department lost an appeal to retain the Urban Search and Rescue (US&R) team, a highly specialized team funded with federal revenues. The team was deactivated by the Federal Emergency Management Agency (FEMA) in 2016 for failure to meet operational and financial standards. US&R was listed as at-risk by the federal government in 2007 and was downgraded to nonoperational status in 2014. In most other states, US&R teams are operated by municipal fire departments. In the past, US&R was maintained by the Albuquerque Fire Department and the University of New Mexico; however, those two entities struggled to maintain standards of the federal grant, resulting in the transition to Homeland Security. Federal funding totals \$3.1 million and the US&R team remains inactive.

The Legislature appropriated \$1.75 million in 2014 and 2015 to be used for community mitigation projects, the result of emergency disasters. To date, \$227.9 thousand has been obligated. In 2013, \$4.5 million from the general fund was appropriated for flood damage projects in Lincoln and Otero counties; \$1.2 million has been expended. The balance has been reauthorized twice.

Cash balances related to disaster declarations and mitigation funds are high as a result of long lag times between expenditure and reimbursement from the federal government. The funds are used to distribute resources to communities devastated by natural disasters and many are reimbursed by the federal government or require some state match. Although balances remain high, current department leadership has significantly reduced remaining balances in the different funds. Between 2013 and 2016, HSEM expended \$109.2 million of disaster funds, leaving only 37 percent unexpended; between 2009 and 2012, the department had only expended \$14.5 million. Although operations are improving, progress is slow.

The FY17 adjusted general fund operating level and a FY18 budget flat to the adjusted level can affect federal funding matching. Reductions in federal funds impact the agency's ability to hire for critical positions to provide disaster response, administer department finances, absorb potential future operating expenses, and qualify for federal grants.

In 2010, the Legislature convened a Government Restructuring Task Force (GRTF) that studied how to improve government operations. The GRTF recommended merging the Department of Public Safety, Homeland Security, Enhanced 911 (E-911), and the State Fire Marshal, estimating a potential savings of \$895.8 thousand. The consolidated management of federal funds and emergency response operations has merit and should be considered.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Percent of statewide eligibility compliance for pre- and post-mitigation funding	NEW	NEW	NEW	70%	70%
Outcome	Percent of federal permanent work funding for projects to improve sites affected by disaster	NEW	NEW	NEW	70%	70%
Outcome	Percent of local jurisdictions' emergency communications data entered into federal communication assets database	NEW	NEW	NEW	80%	80%
* Outcome	Percent compliance of all federal grants measuring visits	NEW	NEW	NEW	100%	90%

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)				
			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Transfers	0.0	300.0	3,800.0	3,800.0	1,166.7
Federal Revenues	405,924.3	408,919.8	401,451.8	401,451.8	-1.8
Other Revenues	404,019.0	437,332.0	455,552.0	455,545.8	4.2
Fund Balance	32,929.4	21,001.2	2,000.0	2,000.0	-90.5
SOURCES TOTAL	842,872.7	867,553.0	862,803.8	862,797.6	-0.5
USES					
Personal Services and Employee Benefits	155,641.3	158,654.5	161,580.9	161,580.9	1.8
Contractual Services	384,412.4	392,973.6	386,684.4	386,682.7	-1.6
Other	296,949.7	315,924.9	314,538.5	314,534.0	-0.4
TOTAL USES	837,003.4	867,553.0	862,803.8	862,797.6	-0.5
FTE					
Permanent	2,431.0	2,431.0	2,485.0	2,443.0	0.5
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,487.5	2,487.5	2,541.5	2,499.5	0.5

AT A GLANCE:

The budget for the New Mexico Department of Transportation (NMDOT) consists primarily of two funding sources: state road fund, primarily used for highway maintenance, and federal funding awards, primarily used for construction and debt service payments. The NMDOT request for FY18 within the Modal Program included full implementation of the ports of entry initiative. The Traffic Safety Division will take over 11 active ports of entry by hiring 54 FTE to assist with the permit process and assuming responsibility for maintaining the building and grounds infrastructure. The ports of entry will be funded with \$2 million from state road fund balance and \$3.5 million from the Taxation and Revenue Department's weight distance permit fund revenue and reserve balance.

NMDOT's FY18 appropriation request represented a decrease of less than 1 percent from the FY17 operating budget with projected state road fund (SRF) growth of 2.7 percent and slightly less federal revenue. The department requested \$14 million less from road fund balances and \$5 million less from other restricted fund balances than was included in the FY17 operating budget.

The LFC recommendation fully funds the NMDOT request and adds 19 FTE within the Modal Program, including 7 FTE transferred from other NMDOT programs and 12 FTE transferred from the Department of Public Safety. LFC recommends the requested 42 new FTE be reclassified from existing NMDOT vacant FTE. Over the past several years, NMDOT has requested, and LFC has supported, additional funding in the personal services and employee benefits category to reduce the department's vacancy rate. The LFC recommendation fully funds NMDOT's request for personnel costs, which applies an 8 percent to 10 percent vacancy rate.

BUDGET ISSUES:

NMDOT reports 65 percent of non-interstate highway miles were in good condition in FY16, a decrease from 68 percent in FY15 and 70 percent in FY14. Current road condition data indicate the percent of miles in good condition decreased for interstate and non-interstate roadways but improved for national highway system (NHS) and non-national highway system (non-NHS) roadways. If roadways are not adequately maintained, over time repairs become more costly, with full roadway reconstruction costing an average \$1 million per mile. Revenues continue to stagnate as both state road fund (SRF) and federal highway administration (FHWA) funds have experienced little or no growth in real purchasing power since the recession.

State Revenues. NMDOT projects SRF revenue from all sources, with the exception of gasoline tax and trip tax revenue, will remain flat or increase from FY17 to FY18. The FY18 SRF forecast shows a \$10.76 million increase driven primarily by a \$6.1 million increase in vehicle registration fees, a \$2.1 million increase in special fuels (diesel) tax, and a \$1.7 million increase in the weight distance tax on commercial trucking. NMDOT notes special fuels and weight distance tax revenue is closely related to the state of the national economy, while gasoline tax revenue and vehicle registrations relate to the New Mexico economy. The decrease in gasoline tax revenue is projected at \$100 thousand, or less than 1 percent. Gasoline tax revenue has been virtually stagnant since FY13 because fuel efficiency increases in passenger vehicles has not been offset with population growth. While SRF growth is forecast to be modest at 2.7 percent, the SRF forecasts have been revised upward over each of the past two years.

A 2013 LFC evaluation revealed noncompliance and foregone revenue from weight distance tax and oversize and overweight permits on commercial truckers. In response, NMDOT began working in collaboration with the Department of Public Safety and the Taxation and Revenue Department to increase compliance. In FY15, NMDOT secured a \$1 million federal grant to hire additional staff at ports of entry. For FY18, NMDOT requested authorization of an additional 61 FTE, \$2 million from the road fund, and \$3.5 million from the Taxation and Revenue Department's weight distance permit fund revenue and reserve balance to continue working to increase weight distance tax compliance through maintaining adequate staff and improved processes at ports of entry.

The Legislature worked with the Taxation and Revenue Department (TRD), Department of Public Safety (DPS) and NMDOT to transfer the operation of port of entry facilities from DPS to NMDOT and provide funding necessary to maintain a higher staffing level at port facilities throughout the state. During the 2016 legislative session, NMDOT received budget adjustment authority allowing the department to accept up to \$700 thousand from TRD, up to \$1.3 million from DPS, and up to \$2 million from the state road fund to hire temporary workers to staff port facilities statewide. NMDOT used this authority to hire an additional 42 out of 50 authorized FTE to staff and support operations of the 11 active ports of entry. Though there has been a slight increase in revenue in oversize and overweight and trip tax revenue, NMDOT does not fully attribute the revenue increase to improved enforcement efforts. However, enforcement activity has increased significantly and is largely attributable to motor transit officers spending more time on patrol since the transfer of port operations to NMDOT. Revenue enhancement could be further increased if ports of entry oversize and overweight permit fees were administratively adjusted up to the currently allowed maximum.

Federal Revenues. Federal revenue remained relatively stable over the past five fiscal years. From FY12 to FY15, federal revenues increased by \$5 million, or 1.2 percent. In FY16, actual federal revenues declined by \$2.7 million, less than 1 percent. For FY18, NMDOT requested a decrease of \$7.5 million, or 1.8 percent.

Debt Service. LFC remains concerned with the impact of debt service payments on the ability of NMDOT to provide adequate road construction and maintenance. NMDOT has \$1.6 billion in total outstanding debt to be paid through FY27. For FY18, NMDOT's debt service will grow by a total \$25 million over FY16. The FY18 debt service totals \$157.4 million: \$109.4 million from federal disbursements and \$48 million from the SRF. The increased reliance on debt-financing of infrastructure projects has resulted in a significant restriction of federal and state road funds.

NMDOT will have two balloon payments coming due in FY25 and FY26 that must be paid from the SRF at an annual cost of \$113 million. Current SRF debt service payments averaged \$42 million for the past several fiscal years. The balloon payments will result in a dramatically decreased maintenance budget for FY25 and FY26. NMDOT is considering restructuring Rail Runner and other highway bonds to further extend the debt and reduce the impact to the road fund in FY25 and FY26.

Maintenance and Construction Needs. The FY16 automated, systemwide condition assessment of all 30 thousand lane miles of the New Mexico transportation system showed 65 percent of non-interstate lane miles were rated good, a significant decrease from the department's previous estimate of 84 percent in FY12. The FY15 road assessment showed further deterioration of non-interstate lane miles to 68 percent in good condition from 70 percent in FY14, although national highway system (NHS) and non-national highway system (non-NHS) roadways have improved. The continued deterioration of New Mexico's non-interstate system is notable because maintenance and repair costs increase dramatically as conditions deteriorate. The per-lane-mile cost to maintain a road in good condition is estimated to be \$15 thousand; a road in fair condition costs an average \$180 thousand; and, a road in poor condition requiring major rehabilitation or reconstruction costs between \$500 thousand and \$1.5 million. Because the cost of postponing maintenance increases as the pavement quality decreases, increasing expenditures for road maintenance in the short-term will likely lead to significant long-term savings.

NMDOT estimates the annual cost to maintain all state roadways to be an additional \$133.8 million, of which \$96.3 million is needed for bridge and pavement preservation and maintenance with the remaining amount needed for signage, equipment, and emergency response. NMDOT states with this additional funding, the department would be able to move all roadways onto a 30-year maintenance schedule and keep all existing roads in good condition. Without additional funding for maintenance activities, the condition of New Mexico roads will continue to deteriorate and the total system cost will increase.

NMDOT estimates total highway construction needs to be \$657 million annually; the FY17 operating budget contains \$350 million, leaving a \$307 million funding gap. NMDOT estimated the additional funding needed annually to perform 75 percent of the estimated needed roadway rehabilitation and construction to be \$446 million. The need for bridge replacement and repair is an additional \$210.7 million. While additional funding is needed for bridges, NMDOT conducted an analysis of bridges and pavements in the state system and found that, at the current funding levels, in 10 years, the average road condition in the state will be poor while only 1.7 percent of bridges will be rated structurally deficient.

Operations and Personnel. Following years of persistently high vacancy rates, in FY16 NMDOT achieved the LFC target vacancy rate of 11 percent, reducing its vacancy rate from a peak of 18 percent in FY12. However, in FY17 the vacancy rate has begun to creep up again and is currently at 14.3 percent. NMDOT's success in hiring is centered mostly in the Highway Operations Program and should help NMDOT become more responsive in major storm events and other emergency situations, as well as in summer operations, such as mowing, chip sealing, and crack sealing.

For FY18, NMDOT requested an average vacancy rate of 9 percent across all programs. The request includes a flat budget for personnel costs in all programs except for the Modal Program, which includes an addition of 61 authorized FTE and \$3.2 million to fully implement the port-of-entry initiative with \$2 million in road fund revenue and \$3.5 million from the Taxation and Revenue Department's weight distance permit fund revenue and reserve balance.

Maintaining NMDOT's personnel is important to the department's management strategy, which emphasizes roadway preservation rather than prioritizing the roads in worst condition at the expense of foregoing maintenance on roads in better condition. The decrease in fuel costs, particularly diesel, reduced NMDOT's operational costs, but the department notes, despite the drop in oil prices, the cost of asphalt and emulsion has not decreased.

Project Status. NMDOT received a \$45 million authorization during the 2015 special legislative session for road construction projects statewide, of which \$22 million was moved from the general fund to severance tax bonds during the 2016 special session. The department identified five projects to be completed with the funding: widening of U.S. Highway 82 from Artesia to New Mexico 529, widening of U.S. Highway 64 from Farmington to Bloomfield, improvements on U.S. Highway 68 in Taos, improvements to the New Mexico 6/Interstate 40 Los Lunas bypass, and reconstruction at the Interstate 25/Rio Bravo interchange. All projects are scheduled to be put out for bid between December 2016 and April 2017.

The Statewide Infrastructure Bank (SIB) is administered by NMDOT and provides low interest loans to local governments for qualifying road construction and maintenance projects. The SIB is composed of \$13 million in federal funds and \$7 million in state road funds. To date, few localities have used SIB financing for projects.

The Waste Isolation Pilot Project (WIPP), in collaboration with NMDOT and federal and state Environment Department officials, received \$7.2 million in federal funds to complete the access road to the WIPP site. NMDOT receipt of an additional \$24 million to repair the WIPP route on U.S. 285 is pending federal action.

LFC Recommendation. The LFC recommendation supports NMDOT's request and includes \$3.5 million from the Taxation and Revenue Department's weight distance permit fund revenue and reserve balance to take over the operations and maintenance of 11 ports of entry. The committee encourages the department to reallocate and reclassify some of the 300 vacancies agency wide for the ports of entry initiative.

In FY16, NMDOT budgeted \$32.9 million from state road fund balances, and in FY17, NMDOT budgeted \$21 million from road fund balances. NMDOT projects an \$85.1 million SRF balance at the close of FY17. The LFC recommendation does not budget any additional road fund balance pending statewide solvency concerns to be addressed by the 2017 Legislature. Historically, NMDOT requires approximately \$60 million in fund balance to ensure adequate funding for ongoing projects.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Article 21 of Chapter 6 NMSA 1978, any funds received by the New Mexico finance authority from the department of transportation in fiscal year 2018 as an annual administrative fee for issuing state transportation bonds pursuant to Sections 67-3-59.3 and 67-3-59.4 NMSA 1978, shall not be deposited into the local transportation infrastructure fund.

PROJECT DESIGN AND CONSTRUCTION

The purpose of the project design and construction 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)

			<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 Actuals	<u>FY17</u> 2016-2017 Adj. Budgeted	<u>Agency</u> Request	<u>LFC</u> Recommendation	
SOURCES					
Federal Revenues	402,935.4	374,029.8	366,082.8	366,082.8	-2.1
Other Revenues	125,572.7	142,874.0	160,711.9	160,711.9	12.5
Fund Balance	32,929.4	13,001.2	0.0	0.0	-100.0
SOURCES TOTAL	561,437.5	529,905.0	526,794.7	526,794.7	-0.6
USES					
Personal Services and Employee Benefits	25,295.2	25,729.3	25,468.8	25,468.8	-1.0
Contractual Services	332,433.3	316,915.3	312,376.1	312,380.6	-1.4
Other	197,839.7	187,260.4	188,949.8	188,945.3	0.9
TOTAL USES	555,568.2	529,905.0	526,794.7	526,794.7	-0.6
FTE					
Permanent	367.0	352.0	346.0	346.0	-1.7
Term	36.0	20.0	20.0	20.0	0.0
TOTAL FTE POSITIONS	403.0	372.0	366.0	366.0	-1.6

PERFORMANCE MEASURES

		<u>FY15</u> Actual	<u>FY16</u> Actual	<u>FY17</u> Budget	<u>FY18</u> Request	<u>FY18</u> Recomm
Outcome	Number of non-alcohol-related traffic fatalities	198	223	<200	<220	<200
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	131	133	<140	<133	<133
* Outcome	Percent of projects in production let as scheduled	50%	51%	>70%	60%	>70%
Quality	Ride quality index for new construction	4.3	4.3	>4.0	N/A	>4.3
* Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	2.0%	3.5%	<3%	<3%	<3%
Outcome	Number of pedestrian fatalities	60	72	<55	<72	<60
Outcome	Number of rural traffic fatalities	201	211	<230	<211	<211
Outcome	Number of urban traffic fatalities	130	144	<115	<144	<130
Outcome	Number of rural alcohol-related traffic fatalities	60	67	<80	<70	<65
Outcome	Number of urban alcohol-related traffic fatalities	73	65	<50	<65	<65
* Outcome	Percent of bridges in fair condition or better, based on deck area	95%	95%	>90%	>90%	>95%
* Outcome	Percent of projects completed according to schedule	84%	89%	>85%	85%	>87%

HIGHWAY OPERATIONS

The purpose of the 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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	2,988.9	3,000.0	3,000.0	3,000.0	0.0
Other Revenues	241,459.1	224,794.9	224,794.9	224,794.9	0.0
Fund Balance	0.0	6,000.0	0.0	0.0	-100.0
SOURCES TOTAL	244,448.0	233,794.9	227,794.9	227,794.9	-2.6
USES					
Personal Services and Employee Benefits	105,620.3	104,510.1	104,510.1	104,510.1	0.0
Contractual Services	50,328.6	47,522.6	45,772.6	45,772.6	-3.7
Other	88,499.1	81,762.2	77,512.2	77,512.2	-5.2
TOTAL USES	244,448.0	233,794.9	227,794.9	227,794.9	-2.6
FTE					
Permanent	1,834.0	1,811.0	1,811.0	1,811.0	0.0
Term	16.7	16.7	16.7	16.7	0.0
TOTAL FTE POSITIONS	1,850.7	1,827.7	1,827.7	1,827.7	0.0

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>	
*	Output	Number of statewide pavement lane miles preserved	2,611	2,328	>2,750	>2,500	>2,600
*	Outcome	Percent of non-interstate lane miles rated good or better	68%	68%	>68%	>68%	>68%
	Output	Amount of litter collected from department roads, in tons	6,484	7,599	>7,000	N/A	>7,000
	Outcome	Percent of interstate lane miles rated good or better	93%	90%	>93%	>90%	>92%
	Quality	Customer satisfaction levels at rest areas	99%	99%	>99%	N/A	>99%
*	Outcome	Number of combined systemwide miles in deficient condition	6,652	9,451	<6,000	<9,300	<8,000
	Outcome	Percent of national highway system lane miles rated good or better	86%	89%	>85%	>85%	>86%
	Outcome	Percent of non-national highway system lane miles rated good	61%	65%	>65%	>65%	>65%
	Outcome	Number of interstate miles in deficient condition	246	427	<250	<425	<250
	Outcome	Number of non-interstate miles in deficient condition	6,406	9,024	<7,000	<8,875	<7,000

MODAL

The purpose of the modal program is to provide federal grants management and oversight of programs with dedicated revenues including transit and rail, traffic safety and aviation.

BUDGET SUMMARY (dollars in thousands)					
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	<u>FY18 - 2017-2018</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	0.0	300.0	3,800.0	3,800.0	1,166.7
Federal Revenues	0.0	31,890.0	32,369.0	32,369.0	1.5
Other Revenues	0.0	27,491.2	27,873.3	27,873.3	1.4
Fund Balance	0.0	2,000.0	2,000.0	2,000.0	0.0
SOURCES TOTAL	0.0	61,681.2	66,042.3	66,042.3	7.1
USES					
Personal Services and Employee Benefits	0.0	3,657.6	6,844.5	6,844.5	87.1
Contractual Services	0.0	24,062.9	24,070.7	24,070.7	0.0
Other	0.0	33,960.7	35,127.1	35,127.1	3.4
TOTAL USES	0.0	61,681.2	66,042.3	66,042.3	7.1
FTE					
Permanent	0.0	34.0	95.0	53.0	55.9
Term	0.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	0.0	50.0	111.0	69.0	38.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Annual number of riders on park and ride	291,892	264,221	>310,000	>250,000	>300,000
* Outcome	Percent of airport runways in satisfactory or better condition	53%	53%	>53%	>53%	>53%
Explanatory	Annual number of riders on the rail runner, in millions	1.0	893,768	1.1		1.1
* Outcome	Number of traffic fatalities	331	355	<330	<355	<330
* Outcome	Number of alcohol-related traffic fatalities	133	132	<130	<135	<130

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)

	FY16		FY17		FY18 - 2017-2018		Percent Incr (Decr)
	2015-2016 <u>Actuals</u>		2016-2017 <u>Adj. Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
Other Revenues	36,987.2		42,171.9		42,171.9	42,165.7	0.0
SOURCES TOTAL	36,987.2		42,171.9		42,171.9	42,165.7	0.0
USES							
Personal Services and Employee Benefits	24,725.8		24,757.5		24,757.5	24,757.5	0.0
Contractual Services	1,650.5		4,472.8		4,465.0	4,458.8	-0.3
Other	10,610.9		12,941.6		12,949.4	12,949.4	0.1
TOTAL USES	36,987.2		42,171.9		42,171.9	42,165.7	0.0
FTE							
Permanent	230.0		234.0		233.0	233.0	-0.4
Term	3.8		3.8		3.8	3.8	0.0
TOTAL FTE POSITIONS	233.8		237.8		236.8	236.8	-0.4

PERFORMANCE MEASURES

		FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Budget</u>	FY18 <u>Request</u>	FY18 <u>Recomm</u>
* Quality	Number of external audit findings	2	2	<5	<6	<5
Quality	Percent of prior-year audit findings resolved	100%	100%	>90%	N/A	100%
Efficiency	Percent of invoices paid within thirty days	90%	90%	>90%	>90%	>90%
* Outcome	Vacancy rate in all programs	12%	13.9%	<11%	<10%	<10%
* Output	Number of employee injuries	95	89	<90	<90	<90
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	7	7	7	N/A	7
Output	Number of employee injuries occurring in workzones	27	32	<30	<45	<30

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)				
			<u>FY18 – 2017-2018</u>		Percent Incr (Decr)
	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,879.7	11,065.3	11,065.3	11,065.3	0.0
Other Transfers	25.7	36.0	36.0	36.0	0.0
Federal Revenues	37,269.2	28,075.1	28,075.1	28,075.1	0.0
Other Revenues	4,009.8	4,100.1	4,100.1	4,100.1	0.0
Fund Balance	3,000.0	0.0	0.0	0.0	
SOURCES TOTAL	56,184.4	43,276.5	43,276.5	43,276.5	0.0
USES					
Personal Services and Employee Benefits	19,312.7	19,126.6	18,676.6	18,676.6	-2.4
Contractual Services	20,715.5	20,197.7	20,197.7	20,197.7	0.0
Other	4,026.2	3,952.2	4,402.2	4,402.2	11.4
TOTAL USES	44,054.4	43,276.5	43,276.5	43,276.5	0.0
FTE					
Permanent	145.9	145.9	159.2	145.9	0.0
Term	93.9	93.9	132.5	93.9	0.0
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	240.8	240.8	292.7	240.8	0.0

AT A GLANCE:

The Public Education Department (PED) requested and LFC recommends an operating budget flat with FY17 levels. Since FY16, PED has used revenue appropriated for related recurring "below-the-line" initiatives to fund department personnel costs. Overall achievement and educational outcomes improved slightly in FY16, which the department attributed to its educational reforms; however, limited information is available to legislative agencies to evaluate these efforts. Multiple ongoing lawsuits, a school district and charter school takeover, and federal requirements for a new state education plan have affected the agency's operations in FY17 and may continue to impact operational expenditures in future fiscal years.

BUDGET ISSUES:

PED's budget request and LFC recommendation for FY18 totals \$43.3 million, flat with the FY17 operating budget adjusted for special session reductions but 1.8 percent below FY16 expenditures. PED's budget reflects a \$450 thousand decrease in the personal services and employee benefits category due to increased vacancy savings and a \$450 thousand increase in the other category for the department's new special education results-driven accountability program.

PED's request for the personal services and employee benefits category totaled \$18.7 million, an overall decrease of 2.4 percent from the department's FY17 operating budget and a 3.3 percent decrease from FY16 expenditures. Fiscal year 2016 marked the first year PED used portions of related recurring "below-the-line" appropriations, intended to directly support school districts and charter schools, for department personnel. These amounts do not appear in the department's budget request. In FY17, the department budgeted \$1.2 million in the department's personal services and employee benefits category from below-the-line initiatives, \$441 thousand less than the amount budgeted in FY16. The requested number of FTE, 292.7, is significantly higher than assumed by the Legislature in 2015, resulting in an inflated unfunded vacancy rate. Funding levels appropriated by the Legislature in 2015 assumed 240.8 FTE. Despite commitment from the department to work with the State Personnel Office to eliminate long vacant positions and clean up the department's organizational listing, this has yet to happen. PED's vacancy rate decreased from an annual average of 8 percent in FY15 to 2 percent in FY16 based on 240.8 FTE. The department ended FY16 with a vacancy rate of 3 percent, or approximately nine vacant positions, the lowest rate in recent years. However, the October 2016 organizational listing report showed a sharp decline in agency personnel, with the department only filling 217 FTE. This decrease in personnel costs is reflected in the agency's request but additional vacancies could result in substantial fund reversions and burdens to departmental operations.

The LFC recommendation for the personal services and employee benefits category totals \$18.7 million, in line with the department's request. The recommendation matches the agency's self-imposed vacancy savings rate of 15.5 percent and authorizes 240.8 FTE.

Operations. Hiring freezes in FY16 and increased vacancies in FY17 hindered the department's processing rate for budget adjustment requests; however, PED has intensified the budget review process to ensure school districts and charter schools are spending limited education dollars prudently. The department has made some progress on funding formula and program compliance audits. Despite filling a number of vacant audit staff positions, PED reported only completing six audits of local education agencies between FY14 and FY16. However, in the first two quarters of FY17, PED completed seven audits. Accurate data collection and reporting should be a focus of the department to ensure equitable distribution of the state equalization guarantee and other categorical grant funding and collection of performance measurement data.

Oversight of state-chartered charter schools continues to be a concern, as noted by a National Association of Charter School Authorities (NACSA) evaluation of the New Mexico Public Education Commission (PEC) in FY17. NACSA rated PEC as only "partially or minimally developed" in established and applied practices, such as application review, performance management systems, performance-based accountability, and organizational capacity. NACSA did acknowledge key recommendations from the first PEC evaluation in 2010 have been implemented, including development of a school application toolkit. However, the evaluation notes tension between PEC and PED staff is "so high that it undermines both entities' capacity to make good decisions about charter schools."

Since FY10, annual audits noted inadequate communication between PED and state-chartered charter schools in regard to fiscal management, financial internal controls, and financial structure. The FY15 audit for PED, state-chartered charter schools, and the Division of Vocational Rehabilitation contained 204 findings, raising serious concerns regarding financial practices at many state-chartered charter schools. Of the 59 state-chartered charter schools in the report, six received "disclaimed" opinions, indicating misstatements so pervasive that no opinion could be formed by the auditor. Additionally, the report found 15 schools with missing licensure or background check documentation in personnel files. Many of the findings were repeated from previous fiscal years.

To date, PED has not addressed department-related findings of a 2011 joint evaluation of the funding formula by LFC and the Legislative Education Study Committee, 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. Many of these findings lead to inequitable distribution of formula funding to school districts and charter schools and could easily be addressed by the department.

Education Reform. The department's focus has been on education reforms, including the teacher and school leader evaluation system, an early literacy initiative, school turnarounds, educator preparation programs, and performance pay for teachers. Funding for these initiatives has not always been targeted to improve student achievement, and limited accountability data is available for many of these initiatives. Other initiatives, including appropriations for the parent portal, incentive pay, educator preparation programs, and the educator evaluation system, mostly subsidize professional development rather than direct instruction.

In FY15 and FY16, funding appropriated for the department's keystone early literacy initiative, Reads to Lead, was distributed to 88 school districts and 35 charter schools. PED indicated FY13 reading proficiency gains for Reads to Lead participants were more than twice the statewide proficiency gain of 2.8 percentage points; however, proficiency gains for students at participant school districts and charter schools were only 0.2 percentage points over the statewide gain. In FY17, PED switched to a competitive funding process for Reads to Lead funds.

PED indicates the department has begun developing performance metrics that better connect the early literacy initiative to student outcomes leading to fewer school districts and charter schools qualifying and resulting in discontinuance of reading support services to many districts and schools formerly relying on the program. The department in FY17 also replaced DIBELS, the kindergarten through third-grade literacy assessment, with Istation. The switch to Istation will result in a \$1.3 million savings; however, implementation of the new software program remains a concern.

In FY17, average student proficiency rates increased, resulting in improvements to overall teacher evaluation scores and school grades. While progress has been positive, baseline student proficiency is below national averages and it remains to be seen whether this trend of growth will continue, considering FY17 was the second year of the new Partnership for Assessment of Readiness for College and Careers assessment.

Educator Evaluation System and Licensure Advancement. PED granted level one educators receiving evaluation ratings of ineffective and minimally effective for the 2014-2015 school year a one-year grace period to improve their rating to be able to advance to a level two license. Additionally, the department allowed automatic license advancement for effective level one and level two teachers, bypassing the required professional development dossier. This had an unanticipated impact on many school district and charter school budgets in FY16 and did not comply with department-promulgated regulations that prohibit the cabinet secretary from waiving the professional development dossier.

Legal and Administrative Challenges. Two current legal matters involving PED continue to be costly. First, two consolidated lawsuits filed in 2014 allege overall public education funding levels are insufficient, funding directed to meet the educational needs of low-income children and English language learners is insufficient, and recent expansion of funding for department-controlled education initiatives violates the uniformity provision. Lawsuits similar to these have been filed nationally and have stretched on for more than 20 years, draining significant financial and personnel resources. The consolidated cases have been scheduled for trial in 2017. PED has requested \$3.8 million in special and supplemental appropriations to cover the costs of lawsuits in FY17 and FY18.

Second, PED is still engaged in administrative proceedings with the U.S. Department of Education (USDOE) on its request for a waiver of federal special education maintenance of effort requirements for FY11. Federal law requires the state to make at least as much available for special education students as was made available the previous year or risk future reductions to federal special education funding if the state does not qualify for a waiver. PED made its initial request for a waiver in August 2012 and limited progress has been made to date. A hearing on the merits of the state's argument to allow a waiver has not yet been scheduled, although several unfavorable initial decisions on preliminary matters were made by USDOE in 2014 and 2015. Significant resources are being spent to defend the state's position, including outside contract legal counsel.

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 is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Average processing time for school district budget adjustment requests processed, in days	11.3	11.17	11	11	11
Outcome	Average number of days to process reimbursements to grantees after receipt of complete and verified invoices	26	24	24	24	24
* Output	Number of local education agencies and charter schools audited for funding formula components and program compliance annually	3	2	20	20	20
Outcome	Percent of section four public education special funds reverting annually	TBD	.1%	<1%	<1%	<1%
Outcome	Percent of section four public education special appropriations made to the public education department for the current fiscal year awarded by September 30 annually	NEW	NEW	80%	80%	80%
Explanatory	Number of teachers receiving merit pay awards	NEW	NEW			
Explanatory	Average teacher evaluation ratings for teachers receiving merit pay award	NEW	NEW			
Explanatory	Number of teachers and administrators participating in public education department professional development training	NEW	NEW			
Explanatory	Percent of teachers passing all strands of professional dossiers on the first submittal	75.9%	78%			
Explanatory	Percent of eligible children served in state-funded prekindergarten	29.7%	30.2%			
* Explanatory	Number of eligible children served in state-funded prekindergarten	8,604	5,457			
Explanatory	Percent of eligible children served in kindergarten-three-plus	NEW	NEW			
* Explanatory	Number of eligible children served in kindergarten-three plus	NEW	NEW			
Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills	73%	75%	75%	75%	75%

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.

At a Glance:

Historically funded at a flat rate, RECs receive most of their revenue from federal grants and state-directed activities. A minimal amount of REC budgets are funded through a transfer from PED. LFC recommends a \$35.6 thousand decrease in flow-through funding from PED for FY18 and recommends PED distribute funding by need. RECs offer a wide range of specialized services for each individual region, providing 60 districts and six state institutions with services such as ancillary staffing, financial management, and professional development. Regionally, all school districts except those in the northwest corner of the state are served by an REC; however, a northwest REC has been contemplated by the REC directors since 2014.

Budget Issues:

RECs receive most of their revenue from special education services including, federal grants, federal Title I funds, and state-directed activities. The general fund transfer from PED is intended to alleviate cash flow issues. The Regional Education Cooperatives Associated reports combined cash balances for all nine RECs totaled \$5.5 million at the end of FY15, of which \$3.9 million were restricted and not available to support general operations. Remaining unrestricted cash balances totaled \$1.6 million for all RECs to support operations and provide working capital while reimbursements were outstanding. In addition, \$10.7 million of outstanding requests for reimbursement were due to RECs at the end of FY15, of which \$10.2 million were from state flow-through grants. Delays in reimbursement have significantly impacted REC cash flows, affecting their ability to deliver educational services to the community. If not resolved, these delays could continue to impact REC financial operations in subsequent years. RECs contend the reimbursement basis for services required by the federal Cash Management Improvement Act of 1990 necessitates these cash balances and other funds from state and federal sources are restricted to specified uses, not operational expenditures. According to REC directors, PED has taken up to a year to issue reimbursements in some cases.

Despite extreme variation in authorized appropriations to each REC in recent years, aggregate REC funding authorizations have increased by 10.5 percent since FY15. A recent REC analysis of operational expenditures indicates, on average, RECs spend \$327.7 thousand annually. However, this measure does not account for significant differences in REC operations and expenditures. To address budgetary gaps, RECs contract with other educational institutions and organizations to generate additional revenue. This revenue-generating provision for education-related services has been in statute since 2009.

RECs are expanding their reach and involvement by providing PED trainings and serving as an intermediary between PED and school districts and charter schools. RECs assert that as regional distribution centers, they can assist the PED with effectively transmitting information, keeping contact lists current, and providing training at the local level, which has historically been difficult for the PED to manage with chronically low staffing levels. Additionally, RECs seek support to coordinate services from other agencies such as the Children, Youth and Families Department (CYFD), the Higher Education Department (HED), and institutions of higher education, and to provide technical assistance in support of programs.

For FY17, PED received a flow-through appropriation of \$935.6 thousand to distribute to RECs that adequately justified a need for the allocation, submitted timely quarterly financial reports, complied with state and federal financial reporting requirements, and maintained financial stability. PED generally distributes the appropriation equally among the nine RECs, equating to about \$104 thousand for each REC, and provides half of the appropriation at the beginning of the fiscal year. To receive the full allotment, RECs have to apply for a second allocation in January. PED appears to conduct very limited administrative oversight of RECs, allowing them to act as independent fiscal agents.

LFC recommends \$900 thousand of general fund support be appropriated to PED for transfer to RECs for FY18 and assumes additional cash balances will be used. The recommendation requires PED to allocate funding based on need and performance.

REGIONAL EDUCATION COOPERATIVES

Cooperative	FY16 Actual					FY17 Appropriation					FY18 Request				
	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund ²	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$3,856.7	\$0.0	\$0.0	\$3,856.7	\$0.0	\$3,911.5	\$0.0	\$0.0	\$3,911.5	\$0.0	\$3,500.0	\$0.0	\$400.0	\$3,900.0
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$4,154.1	\$0.0	\$149.4	\$4,303.5	\$0.0	\$3,182.0	\$0.0	\$300.0	\$3,482.0	\$0.0	\$2,782.9	\$0.0	\$300.0	\$3,082.9
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$1,618.9	\$0.0	\$25.9	\$1,644.8	\$0.0	\$1,997.0	\$0.0	\$58.4	\$2,055.4	\$0.0	\$1,122.1	\$0.0	\$0.0	\$1,122.1
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$5,611.6	\$0.0	\$2,363.4	\$7,975.0	\$0.0	\$4,147.0	\$0.0	\$1,082.0	\$5,229.0	\$0.0	\$4,607.0	\$0.0	\$1,429.0	\$6,036.0
Regional Education Cooperative #6 (Clovis)	\$0.0	\$3,013.1	\$0.0	\$459.4	\$3,472.4	\$0.0	\$308.6	\$0.0	\$520.1	\$828.7	\$0.0	\$617.2	\$0.0	\$1,382.3	\$1,999.5
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$2,685.5	\$0.0	\$432.3	\$3,117.8	\$0.0	\$686.1	\$0.0	\$533.2	\$1,219.3	\$0.0	\$650.9	\$0.0	\$573.3	\$1,224.2
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,884.0	\$0.0	\$233.5	\$2,117.5	\$0.0	\$500.0	\$0.0	\$275.0	\$775.0	\$0.0	\$492.0	\$0.0	\$282.0	\$774.0
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$13,551.9	\$0.0	\$2,868.5	\$16,420.3	\$0.0	\$1,789.9	\$0.0	\$129.6	\$1,919.5	\$0.0	\$1,304.0	\$0.0	\$158.0	\$1,462.0
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$2,258.9	\$0.0	\$0.0	\$2,258.9	\$0.0	\$483.0	\$0.0	\$600.0	\$1,083.0	\$0.0	\$1,158.0	\$0.0	\$600.0	\$1,758.0
TOTAL	\$935.6	\$38,634.6	\$0.0	\$6,532.4	\$46,102.6	\$935.6	\$17,005.1	\$0.0	\$3,498.3	\$21,439.0	\$900.0	\$16,234.0	\$0.0	\$5,124.7	\$22,258.7

Source: PED

¹General fund support was directly appropriated to RECs in FY16 and FY17 through the PED special appropriation, item (d). Audits prior to FY16 indicate this appropriation is divided equally among all RECs.

²For FY18, LFC staff recommends a flow-through appropriation of \$900 thousand. Additionally, LFC staff recommends \$21.3 million in other state and federal funds as requested by the agency.

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 PSCOC, 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 PSFA is to support quality public education by encouraging and assisting districts with 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>FY18 – 2017-2018</u>		Percent Incr (Decr)
	<u>FY16</u> 2015-2016 <u>Actuals</u>	<u>FY17</u> 2016-2017 <u>Adj. Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Revenues	6,132.5	6,039.7	6,039.7	5,647.4	-6.5
SOURCES TOTAL	6,132.5	6,039.7	6,039.7	5,647.4	-6.5
USES					
Personal Services and Employee Benefits	4,334.2	4,689.1	4,530.0	4,337.2	-7.5
Contractual Services	114.2	161.2	160.9	109.7	-31.9
Other	1,166.3	1,189.4	1,348.8	1,200.5	0.9
TOTAL USES	5,614.7	6,039.7	6,039.7	5,647.4	-6.5
FTE					
Permanent	53.0	53.0	51.0	51.0	-3.8
Term	3.0	3.0	4.0	4.0	33.3
TOTAL FTE POSITIONS	56.0	56.0	55.0	55.0	-1.8

AT A GLANCE:

PSFA requested a flat budget compared with FY17. The FY18 request included \$175.8 thousand in the other category for eBuilder software, historically paid from the public school capital outlay fund (PSCOF) as a separate item from the operating budget. This increase is offset by a decrease in personnel, partly attributed to the agency request to remove 1 administrative assistant FTE. In FY16, the agency reverted \$517.8 thousand, or 8.4 percent, of the FY16 operating budget. Of that reversion, \$414.7 thousand was from the personal services and employee benefits category. On average, the agency has reverted 7 percent of its annual operating budget since FY12. The LFC recommendation of \$5.6 million is a 6.5 percent decrease from the FY17 operating budget but a 0.6 percent increase from the FY16 expenditure level.

BUDGET ISSUES:

PSFA funds its operations from balances in PSCOF, which derives its revenue from supplemental severance tax bond proceeds. PSCOF is nonreverting and any unexpended funds from appropriations revert to the fund at the end of the fiscal year. Agency operational expenses for core administrative functions are authorized to be paid from the fund but are limited to 5 percent of the three-year average annual grant assistance. Since FY12, the agency has maintained operational expenses at a 3.2 percent average of annual awards. However, PSCOC project awards are projected to decrease from \$150.1 million in FY16 to \$87.5 million in FY20. Lease payment assistance awards, which have grown by 35.3 percent since FY12, are expected to remain flat, and broadband deficiency correction awards are anticipated to decline. Given these conditions, PSFA's operating expenses are projected to exceed authorized limits by FY19, necessitating decreases in operational expenditures.

PSFA reported balances in PSCOF to be more than \$600 million prior to FY12. At the end of FY16, PSCOF balances were about \$418.7 million. During the 2016 special session, the Legislature appropriated \$12.5 million from PSCOF to the instructional material fund in FY17 and authorized the Legislature to appropriate up to \$25 million from PSCOF to the instructional material fund or transportation distribution of the public school fund in future fiscal years.

PSFA requested to discontinue performance reporting on certain performance measures and did not report performance data for explanatory measures. As such, the agency did not request FY18 targets for three performance measures and information is lacking for newer metrics. Although newly proposed performance measures will provide more information related to PSFA initiatives in future fiscal years, LFC staff notes concern over the lack of performance targets due to the increasing use of explanatory measures.

School Condition. Since FY05, PSCOC has awarded approximately \$2.3 billion to fund lease assistance, deficiency-correction, and standards-based projects for school districts, charter schools, the New Mexico School for the Blind and Visually Impaired, and the New Mexico School for the Deaf. During that time, the statewide average facility condition index (FCI) has improved from 66.7 percent to 34.6 percent in FY16. The FCI for state-chartered charter schools is slightly better at 27.9 percent. The FCI reflects a ratio of the cost of repair and improvement against the value of the facility so a lower number reflects a building in better condition. PSFA estimates approximately \$159 million in state spending may be required annually in FY17 through FY20 to maintain the current FCI.

The state uses nine categories to establish the weighted New Mexico condition index (wNMCI), which ranks every facility in terms of relative need from greatest to least. The wNMCI measures both the condition of the building and the facility's educational usefulness as measured by adequacy standards. The average wNMCI for all school districts improved from 40.5 percent in FY05 to 17.1 percent in FY16. The wNMCI for state-chartered charter schools was 9 percent. At the end of FY16, only seven schools had a wNMCI greater than 50 percent. These scores indicate the need for school facility construction and repair has dropped dramatically.

With significant improvement in the condition of school facilities over the last 10 years, focus is shifting to funding improvements that will extend the useful life of a building. Lawmakers during the special session removed certain funding restrictions for building system repair, renovation, or replacement initiatives identified by PSCOC, including a \$15 million cap on expenditures and timeframe for expenditure between FY16 and FY20. Systems initiatives include roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation, and air conditioning systems. PSFA estimates demand for project award funding related to system initiatives will exceed \$15 million in subsequent fiscal years.

Focus has also shifted to ensuring effective maintenance practices decrease instances of deferred maintenance, which can be very costly and increase school wNMCI rankings prematurely. The facility maintenance assessment report (FMAR), a tool introduced in FY13 to measure maintenance effectiveness, indicates the current statewide average maintenance score is 65.7 percent – an improvement from 60 percent in FY13 but still considered less than satisfactory. PSFA estimates approximately 76 percent of schools in New Mexico are getting less than the standard life expectancy out of existing building systems.

The Zuni lawsuit concerning the allocation of public school capital outlay is still active and was reopened in 2014. Gallup McKinley County Schools (GMCS) filed an amended complaint in 2015 and included PSCOC as a defendant. GMCS is primarily concerned that, because of the district's low bonding capacity and high capital needs, the district cannot afford school construction above the technical definition of adequacy for facilities such as teacherages, auxiliary gyms, and additional playing fields. Expansion of the definition of adequacy may have a significant financial impact on the program and should be carefully reviewed before statutory or regulatory changes are made.

Broadband. In addition to school construction, the Legislature established the broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs over the next five years. PSCOC budgeted \$15 million in FY17 for BDCP awards; however, project reversions are expected to be \$7.5 million by the end of the year. PSFA expended \$2.7 million for a study surveying current broadband and network equipment deficiencies in schools and found 85 percent of schools were connected to fiber but 92 percent of schools needed wireless network upgrades. The study also indicated 77 percent of school Internet connection speeds were slower than 100 kilobytes per second (kbps) per user and estimated upgrading every school in New Mexico to that standard would cost up to \$8.6 million over current spending. For context, common dial-up modems in the 1990s provided Internet speeds up to 56 kbps through telephone lines. To reach 1 megabyte per second per user (1,000 kbps), the state would have to spend up to \$130.6 million over current expenditure levels. The report recommends a statewide procurement strategy for broadband services, in conjunction with libraries and healthcare institutions of the state, to flatten prices for school districts and reduce geographic service disparities.

The Federal Communications Commission’s schools and libraries universal service support program, commonly known as the E-rate program, helps schools and libraries obtain affordable broadband. The E-rate program will cover up to 90 percent of the cost of installing fiber optics to schools lacking access if the state matches the remaining 10 percent. Also, E-rate will match up to 85 percent, depending on poverty levels and location, for internal equipment, such as wired and wireless network equipment. Internal equipment funding for schools is limited to \$150 per student, pre-discount, over five years. However, implementation issues such as E-rate funding coordination, project timelines, project prioritization, budget constraints, and roles for public and private entities continue to be a concern. Going forward, PSFA will work with the Public Education Department, the Department of Information Technology, and Education SuperHighway, a nonprofit focused on upgrading internet infrastructure in public schools, to develop cost-effective broadband solutions for schools.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities authority is to oversee public school facilities in all eighty-nine school districts ensuring correct and prudent planning, building and maintenance using state funds and ensuring adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Average cost per square foot of leases funded with lease assistance	NEW	\$10.65	<\$15	<\$15	<\$15
Outcome	Number of months from substantial completion to financial close out	NEW	17	18	18	18
Explanatory	Number of months between initial award to occupancy	NEW	42	42		
Explanatory	Number of months from initial award to commencement of construction	NEW	32	18		
* Explanatory	Average cost per square foot of new construction	NEW	NEW	\$288		
* Explanatory	Statewide public school facility condition index measured on December 31 of prior calendar year	36.2%	36.2%	35%		
* Explanatory	Statewide public school facility maintenance assessment report score measured on December 31 of prior calendar year	59%	60.1%	70.1%		
Explanatory	Average megabits per second per student for schools	NEW	NEW			
Explanatory	Average square foot per student of all schools	NEW	NEW			
Explanatory	Average square foot per student of new construction	NEW	NEW			
Explanatory	Total annual dollar change from initial award state match estimate to actual award state match	NEW	NEW			
Outcome	Percent of total submitted school construction plans reviewed and acted upon within twenty-one days	100%	100%	100%	100%	100%
Outcome	Number of days to disseminate all pertinent documents to school districts for all awards made by the public school capital outlay council	3	6	4	N/A	5
Efficiency	Percent of special charter facility assessments completed within the statutory deadline of forty-five days	100%	100%	100%	N/A	100%
Efficiency	Percent of memorandums of understanding for awarded projects executed within thirty days	92%	66%	100%	N/A	100%

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Sections 21-21K-1 through 21-21K-7 NMSA 1978. As required by Internal Revenue Code 529, ETB is administered by the state of New Mexico. ETB is administratively attached to the Higher Education Department (HED) and administers the education trust fund, which includes all funds received pursuant to college investment agreements as part of the state’s qualified tuition program.

ETB is governed by a five-person board that includes the secretary of the Higher Education Department and appointees of 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:

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>FY16</u> <u>Actuals</u>	<u>FY17 Operating</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>
Sources			
Fund Balance	1,880.8	2,674.2	2,624.6
TOTAL REVENUES	1,880.8	2,674.2	2,624.6
Uses			
Personal Services and Employee Benefits	209.4	200.6	200.8
Contractual Services	1,236.3	1,801.5	1,751.5
Other	435.1	672.1	672.3
Other Financing Uses	0.0	0.0	0.0
TOTAL USES	1,880.8	2,674.2	2,624.6
TOTAL FTE POSITIONS	2.0	2.0	2.0

AT A GLANCE:

The ETB FY18 request is slightly lower than FY17, although it is significantly higher than the FY16 actual level due to an increase in contractual services. The board is increasing marketing efforts and piloting matching and outreach programs to encourage more investors. ETB receives no support from the general fund and its budget is not subject to legislative approval.

BUDGET ISSUES:

ETB manages approximately \$2.3 billion in gross assets in two college savings plans, the Education Plan (TEP) and Scholar’s Edge. Total assets managed by ETB have grown by \$312.8 million, or 16.0 percent, since June 2011. The Education Plan, a direct-sold plan, consists of \$488.1 million (June 2016) in age-based and static portfolio assets, including active-managed funds and index funds. During FY16, TEP assets grew by 0.4 percent, and the number of unique accounts (20.9 thousand) increased 1.0 percent. The Scholar’s Edge, a financial advisor-sold plan, consists of \$1.8 billion (June 2016) in age-based, custom choice, and static portfolios. During FY16, Scholar’s Edge assets decreased by 4.0 percent while the number of active unique accounts (116.3 thousand) decreased by 3.6 percent. Both investment programs include significantly more out-of-state investors than in-state investors.

ETB’s FY18 proposed budget of \$2.6 million is a \$49.6 thousand decrease from the board’s FY17 operating budget; however, the FY18 request is a \$743.9 thousand, or 39.5 percent, increase over FY16 actuals. The board’s operations are funded through fees and dividend revenue; no general fund support is required. Also, the board’s budget does not need legislative approval. The increase from the FY16 actual level is largely caused by an increase in the contractual services category for advertising services.

Currently, the board's budget is established through an annual budget adjustment request and is based on HED's budget authority. Similar to other instrumentalities of the state not included in the General Appropriations Act (GAA) (for example, New Mexico Finance Authority), ETB does not receive state general fund revenues. Given the board's size, functions, revenue sources and restricted uses, and lack of policies and practices consistent with state agencies included in the GAA, LFC recommends the board's budget authority remain outside of the GAA.

As part of the board's five-year contract with Oppenheimer, Oppenheimer will provide ETB with \$500 thousand for a television, radio, and print marketing campaign. Also, Oppenheimer will provide \$150 thousand for ETB use on grassroots marketing initiatives. The ETB FY17 marketing plan increases overall marketing to \$2.5 million. The board is piloting a matching grant program set to launch in winter 2016 as well as an employer outreach plan scheduled to roll out in fall 2016.

To increase savings efforts by New Mexican investors, the board approved a refund of administrative fees to New Mexico residents in the college savings programs in FY14. ETB will continue to waive administrative fees for in-state investors.

STATUTORY AUTHORITY:

Pursuant to Section 21-1-26 NMSA 1978, 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, the Student Loan Act, the 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, New Mexico School for the Deaf, and 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 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)						
	FY16	FY17	<u>FY18 – 2017-2018</u>		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	36,115.5	34,606.0	35,426.8	34,606.0	0.0	
Other Transfers	46,751.4	44,285.7	44,235.7	44,235.7	-0.1	
Federal Revenues	9,862.2	9,527.5	9,527.5	9,576.2	0.5	
Other Revenues	18,403.3	18,998.2	18,907.5	3,383.4	-82.2	
Fund Balance	4,000.0	0.0	0.0	2,126.0		
SOURCES TOTAL	115,132.4	107,417.4	108,097.5	93,927.3	-12.6	
USES						
Personal Services and Employee Benefits	3,474.9	4,206.8	4,036.8	4,036.8	-4.0	
Contractual Services	668.7	1,751.5	2,277.2	1,751.5	0.0	
Other	103,631.6	101,459.1	101,783.5	88,139.0	-13.1	
TOTAL USES	107,775.2	107,417.4	108,097.5	93,927.3	-12.6	
FTE						
Permanent	29.5	29.5	33.0	31.5	6.8	
Term	20.0	20.0	18.0	18.0	-10.0	
TOTAL FTE POSITIONS	49.5	49.5	51.0	49.5	0.0	

AT A GLANCE:

LFC's FY18 recommendation for HED is lower than the HED request for two reasons. First, HED submitted its request prior to the 2016 special legislative session, during which FY17 appropriations to the department were adjusted downward by 5.5 percent. Second, HED's request includes liquor excise tax revenues for the Legislative Lottery Tuition Scholarship program that are scheduled to revert to other funds in FY18.

The department's \$108.1 million request included general fund support of \$35.4 million for its two programs, an \$820.8 thousand, or 2.4 percent, increase over FY17 adjusted operating levels. The increase would support additional contractual services at the department as well as increase budget authority in the other category.

The LFC recommendation of \$93.9 million includes a general fund appropriation of \$34.6 million, flat with the FY17 adjusted operating level. The committee's total recommendation is \$13.5 million, or 12.6 percent, lower than the FY17 operating budget adjusted for 2016 special legislative session reductions primarily due to anticipated reductions in liquor excise tax support for the Legislative Lottery Tuition Scholarship program, set to expire June 30, 2017.

BUDGET ISSUES:

Personnel. HED maintained a vacancy rate of about 20 percent in FY16 and the start of FY17, about 10 percent lower than FY15. Despite successful efforts to retain staff, several key positions remain unfilled. The department requested \$4 million for the personal services and employee benefits category in FY18, a decrease of 4 percent from the FY17 operating level but a 16.2 percent increase over the FY16 actual level. The department emphasized the request was submitted prior to the 2016 special legislative session and, when the request was submitted, HED anticipated funding reductions in the personal services and employee benefits category as the state implemented solvency measures. However, HED took general fund reductions in the contractual services and other categories after the special session. The department reports anticipated personnel costs for FY18 will remain consistent with the FY17 adjusted operating budget level.

LFC recommends \$4 million for the personal services and employee benefits category, which grants the department flexibility to fill five vacant positions above the currently filled level and is an increase of 16.2 percent over the FY16 expenditure level.

Facilities. HED leases office space from a third-party owner at a cost of about \$270 thousand per year. HED has explored the use of state-owned space; however, the General Services Department was unable to find available space suitable for the department. Continued exploration of state-owned space in FY18 should be a priority for the department to help reduce costs.

Policy Development and Institutional Financial Oversight Program. The Policy Development and Institutional Financial Oversight program administers a number of statewide programs, including the Proprietary and Private Schools division and adult basic education. The program is also responsible for administration of several grant programs, including the Gear Up grant that pays for high school outreach, as well as development of funding and capital project recommendations.

During FY16 and FY17, HED stepped up efforts to monitor the fiscal health of institutions, including audits of certain institutions that may be out of compliance. In October 2016, one such audit of Luna Community College revealed several issues related to human resources practices, Open Meetings Act compliance, the institution's presidential hiring process, management of inventory, and the overall fiscal health of the institution.

In addition to fiscal monitoring of institutions, the department increased efforts to set statewide postsecondary policy. Toward the end of FY16 and the beginning of FY17, HED convened higher education stakeholders to set a statewide postsecondary attainment goal and begin development of a statewide higher education strategic plan.

HED has also dedicated staff resources in the Policy Development and Institutional Financial Oversight program to focus on three areas aimed at helping students complete degree programs in a timely and efficient manner – articulation and transfer, meta-majors, and the general education core. Meta-majors are clusters of lower-division courses designed around an academic focus, such as business, health sciences, education, or arts and humanities. As part of these efforts, the department established a partnership with the degree mapping program at the University of New Mexico to streamline degree programs for greater ease of navigation.

Although general fund appropriations to the Policy Development and Institutional Financial Oversight program total \$11.7 million in the department's FY17 adjusted operating budget, \$3.1 million is designated as flow-through for various programs outside of HED and \$5.2 million is set aside for adult education.

HED requested general fund support of \$12.7 million for FY18, which would represent a \$1 million, or 8.8 percent, increase over the adjusted FY17 operating level. LFC recommends a general fund appropriation flat with the FY17 operating budget, which would provide a general fund increase of \$330.7 thousand, or 2.9 percent, over the FY16 expenditure level. LFC's recommendation also assumes higher federal revenues for adult basic education consistent with the FY17 budget.

Student Financial Aid. About 80 percent of HED's annual expenditures support student financial aid. Revenue sources for the Student Financial Aid program often exceed uses each year because the department administers several scholarship and loan programs paid out over several years. General fund appropriations to the Student Financial Aid program do not revert, allowing these funds to be budgeted over multiple fiscal years.

For FY18, HED requested \$22.7 million in general fund support for the Student Financial Aid program, a reduction of \$209.8 thousand from the FY17 adjusted operating level. Because appropriations to the program directly support scholarships for students, LFC does not recommend a reduction in general fund support for the program, instead the recommendation is flat with the FY17 adjusted operating budget. In total, LFC recommends \$71.9 million for the Student Financial Aid program, a decrease of 15.8 percent from the FY17 operating total. The recommended decrease is due to the expiration of liquor excise tax revenue support for legislative lottery tuition scholarships on June 30, 2017. Some liquor excise tax revenues are still accounted for in the LFC recommendation for FY18 due to the delay in transferring the revenues to the lottery tuition fund.

Legislative Lottery Tuition Scholarship Program. For FY17, pursuant to the Legislative Lottery Tuition Scholarship Act, HED set scholarship award levels at 90 percent of average tuition rates, the same award percentage as FY16. Lottery scholarship revenues increased \$5.2 million, or 12.7 percent, between FY15 and FY16. The increase is attributable to a run-up of large prize pool ticket sales around the middle of the fiscal year. Revenues remained relatively flat during the rest of the year. The increase in FY16 is not expected to continue with any regularity in future years, as spikes in large prize pool ticket sales are unpredictable. Total revenues to the lottery tuition fund in FY16 were about \$61.8 million, according to HED's monthly revenue tracking documents.

While current year scholarship award levels are set at 90 percent of average tuition rates, award amounts may decline by 19.4 percent in FY18 after the distribution of liquor excise tax to the lottery tuition fund expires on June 30, 2017. LFC estimates about \$47 million will be available for lottery tuition scholarships in FY18. Assuming a 3 percent increase in tuition rates and flat enrollment, FY18 scholarship amounts are estimated at 70.6 percent of average tuition rates. These assumptions include use of \$2.1 million in lottery tuition fund balance and \$2.9 million, or two months of liquor excise tax revenues, due to delays in transferring the tax revenue to the lottery tuition fund.

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, with 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.

For the Higher Education Department. The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the other category includes five million two hundred thirty-five thousand nine hundred dollars (\$5,235,900) to provide adults with education services and materials and access to high school equivalency tests; one hundred thirty-eight thousand three hundred dollars (\$138,300) for workforce development programs at community colleges that primarily educate and retrain recently displaced workers; four hundred sixty-one thousand one hundred dollars (\$461,100) for the high skills program, ninety-two thousand six hundred dollars (\$92,600) for English-language learner teacher preparation and one hundred eighty-three thousand nine hundred dollars (\$183,900) to the tribal college dual credit program fund.

The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the contractual services category includes six hundred ninety-six thousand one hundred dollars (\$696,100) for an adult literacy program.

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)						
	FY16	FY17	FY18 - 2017-2018		Percent Incr (Decr)	
	2015-2016 <u>Actuals</u>	2016-2017 <u>Adj. Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	11,372.3	11,703.0	12,733.6	11,703.0	0.0	
Other Transfers	427.3	285.7	235.7	235.7	-17.5	
Federal Revenues	9,462.2	9,489.8	9,489.8	9,538.5	0.5	
Other Revenues	314.9	548.8	458.1	458.1	-16.5	
SOURCES TOTAL	21,576.7	22,027.3	22,917.2	21,935.3	-0.4	
USES						
Personal Services and Employee Benefits	3,474.9	4,206.8	4,036.8	4,036.8	-4.0	
Contractual Services	668.7	1,751.5	2,277.2	1,751.5	0.0	
Other	16,913.6	16,069.0	16,603.2	16,147.0	0.5	
TOTAL USES	21,057.2	22,027.3	22,917.2	21,935.3	-0.4	
FTE						
Permanent	29.5	29.5	33.0	31.5	6.8	
Term	20.0	20.0	18.0	18.0	-10.0	
TOTAL FTE POSITIONS	49.5	49.5	51.0	49.5	0.0	

PERFORMANCE MEASURES

		<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>
Outcome	Percent of unemployed adult education students obtaining employment	NEW	39.4%	42.0%	40.0%	40.0%
* Outcome	Percent of adult education high school equivalency test-takers who earn a high school equivalency credential	NEW	82.4%	76.0%	83.0%	83.0%
Output	Average time for the private and proprietary schools division to approve or reject a license or registration applicant	NEW	25 Days	2 Days	20 Days	20 Days
Explanatory	Percent of fiscal watch program quarterly reports from institutions submitted to the department of finance and administration and the legislative finance committee	100%	100%	100%		
Efficiency	Agency performance rate on annual loss prevention and control audit conducted by the general services department	NEW	NEW	NEW	96%	96%
Explanatory	Percent of New Mexico's workforce population, ages 25 through 64, with a postsecondary credential	NEW	NEW			
Explanatory	Average number of credit hours accrued in the attainment of a bachelor's degree by students graduating from state-funded higher education institutions	NEW	NEW			
Outcome	Percent of high school equivalency graduates entering postsecondary degree or certificate programs	NEW	33%	NEW	38%	38%
Explanatory	Average number of credit hours accrued in the attainment of an associate's degree by students graduating from state-funded higher education institutions	NEW	NEW			
Explanatory	Percent of first-time, full-time, degree-seeking students, from the most recently available cohort, at state-funded universities who graduated within four-years of their initial enrollment	NEW	NEW			
Explanatory	Percent of first-time, full-time, degree-seeking students, from the most recently available cohort, at state-funded community colleges who graduated within two-years of their initial enrollment	NEW	NEW			

STUDENT FINANCIAL AID PROGRAM

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)

	FY16 2015-2016 <u>Actuals</u>	FY17 2016-2017 <u>Adj. Budgeted</u>	FY18 - 2017-2018		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	24,743.2	22,903.0	22,693.2	22,903.0	0.0
Other Transfers	46,324.1	44,000.0	44,000.0	44,000.0	0.0
Federal Revenues	400.0	37.7	37.7	37.7	0.0
Other Revenues	18,088.4	18,449.4	18,449.4	2,925.3	-84.1
Fund Balance	4,000.0	0.0	0.0	2,126.0	
SOURCES TOTAL	93,555.7	85,390.1	85,180.3	71,992.0	-15.7
USES					
Other	86,718.0	85,390.1	85,180.3	71,992.0	-15.7
TOTAL USES	86,718.0	85,390.1	85,180.3	71,992.0	-15.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of eligible state loan-for-service applicants receiving funds	NEW	41%	52%	55%	55%
* Outcome	Percent of eligible state loan repayment applicants receiving funds	NEW	NEW	NEW	40%	40%

Student Financial Aid Program Detail (Dollars in Thousands)	FY16 Actual*	FY17 Adjusted OpBud	FY18 HED Request	FY18 LFC Rec
Student Access and Achievement				
Lottery Scholarship				
Other Transfer	\$46,324.1	\$42,000.0	\$42,000.0	\$42,000.0
Other Revenues	\$17,979.0	\$18,449.4	\$18,449.4	\$2,925.3
Fund Balance	\$2,000.0	\$0.0	\$0.0	\$2,126.0
Total	\$66,303.1	\$60,449.4	\$60,449.4	\$47,051.3
Student Incentive Grant				
General Fund	\$10,961.8	\$11,108.0	\$11,108.0	\$11,108.0
College Affordability Endowed Scholarships				
Other Transfer	\$2,000.0	\$2,000.0	\$2,000.0	\$2,000.0
Work-Study				
General Fund	\$5,142.1	\$5,142.1	\$5,142.1	\$5,142.1
Vietnam Veterans Scholarship				
General Fund	\$100.0	\$100.0	\$80.0	\$0.0
NM Scholars				
General Fund	\$300.0	\$150.0	\$0.0	\$0.0
Legislative Endowment Fund				
Other Revenues	\$109.4	\$0.0	\$0.0	\$0.0
Peace Officer and Fire Fighter Fund				
General Fund	\$25.0	\$25.0	\$25.0	\$25.0
Merit-based Scholarships				
General Fund	\$0.0	\$0.0	\$0.0	\$0.0
Veterans Scholarship				
General Fund	\$0.0	\$0.0	\$0.0	\$0.0
Wartime Veterans Scholarship				
General Fund	\$117.1	\$117.1	\$100.0	\$180.0
Total Student Access and Achievement	\$85,058.5	\$79,091.6	\$78,904.5	\$65,506.4
Healthcare Workforce Development				
Nursing Student Loan for Service				
General Fund	\$720.0	\$420.0	\$500.0	\$500.0
Nurse Educator Loan For Service				
General Fund	\$65.0	\$65.0	\$65.0	\$65.0
Medical Student Loan Prog.				
General Fund	\$375.0	\$362.0	\$200.0	\$200.0
Primary Care Physician Tuition Waiver				
General Fund	\$150.0	\$0.0	\$125.0	\$125.0
Allied Health				
General Fund	\$244.0	\$48.0	\$201.6	\$201.6
Health Professional Loan Repayment				
General Fund	\$1,061.9	\$1,111.9	\$1,011.9	\$1,011.9
Federal Funds	\$200.0	\$0.0	\$0.0	\$0.0
Total	\$1,261.9	\$1,111.9	\$1,011.9	\$1,011.9
Dentistry Loan for Service				
General Fund	\$43.2	\$21.6	\$0.0	\$0.0
Dental Residency Program				
General Fund	\$1,000.0	\$750.0	\$750.0	\$750.0
Total Healthcare Workforce Development Programs	\$3,859.1	\$2,778.5	\$2,853.5	\$2,853.5

Student Financial Aid Program Detail (Dollars in Thousands)	FY16 Actual*	FY17 Adjusted OpBud	FY18 HED Request	FY18 LFC Rec
Statewide Priority Professional Development				
Teacher Loan-for-Service				
General Fund	\$24.0	\$10.0	\$20.0	\$0.0
Teacher Loan Repayment				
General Fund	\$60.0	\$60.0	\$60.0	\$289.8
Graduate Scholarship				
General Fund	\$619.0	\$619.0	\$600.0	\$600.0
Minority Doctoral Assistance				
General Fund	\$75.0	\$75.0	\$75.0	\$75.0
WICHE Loan-for-Service				
General Fund	\$2,267.5	\$2,091.6	\$2,091.6	\$2,091.6
Public Service Law Loan Repayment				
General Fund	\$281.2	\$173.7	\$135.0	\$135.0
John R. Justice Loan Repayment				
Federal Funds	\$200.0	\$37.7	\$37.7	\$37.7
Social Worker Loan for Service				
General Fund	\$450.0	\$450.0	\$400.0	\$400.0
Total Statewide Priority Professional Development	\$3,976.7	\$3,517.0	\$3,419.3	\$3,629.1
Financial Aid Administration				
General Fund	\$5.0	\$3.0	\$3.0	\$3.0
GENERAL FUND TOTAL	\$24,086.8	\$22,903.0	\$22,693.2	\$22,903.0
GRAND TOTAL	\$92,899.3	\$85,390.1	\$85,180.3	\$71,992.0

*HED'S FY16 actual general fund allocation included \$30 thousand to the Legislative Lottery Tuition Scholarship. The department reports this was reflected in the department's budget documents in error.

FY18 GENERAL FUND APPROPRIATIONS
(in thousands)

	FY17 Adjusted Opbud	FY18 HED Request	FY18 LFC Rec.
INSTRUCTION and GENERAL			
INSTITUTIONAL I&G FUNDING			
Percent of I&G Formula Based on Outcomes	2.0%	4.0%	4.0%
Percent of "New Money"	0.00%	0.00%	0.00%
Amount of "New Money" over FY16 Formula Funding	\$0.0	\$0.0	\$0.0
FY18 I&G Base Year			
Prior Year I&G	\$615,250.7	\$570,279.4	\$570,279.4
Base Adjustment Rate	-2.0%	4.0%	4.0%
Base Adjustment Amount	(\$12,305.0)	(\$22,811.2)	(\$22,811.2)
FY18 Core Funding Level	\$602,945.7	\$547,468.2	\$547,468.2
Outcomes Funding			
Operating Base Adjustment	-	-	-
Hold Harmless	*	-	-
Hold-Harmless+ Funds	*	-	-
Workload Outcomes (Course Completion)	\$3,076.3	\$5,702.8	\$5,702.8
Statewide Outcomes Measures			
Total Formula Certificates and Degrees	\$3,445.4	\$6,387.1	\$6,387.1
Total Workforce Certificates and Degrees	\$1,661.2	\$3,079.5	\$3,079.5
Total At-Risk Certificates and Degrees	\$1,661.2	\$3,079.5	\$3,079.5
Subtotal Statewide Outcomes Measures	\$6,767.8	\$12,546.1	\$12,546.1
Mission-Differentiated Measures			
Research Universities	\$1,360.6	\$2,522.3	\$2,522.3
Comprehensive Institutions	\$293.8	\$509.6	\$509.6
Community Colleges	\$806.6	\$1,530.4	\$1,530.4
Subtotal Mission-Differentiated Measures	\$2,461.0	\$4,562.3	\$4,562.3
Total Outcomes Funding	\$12,305.0	\$22,811.2	\$22,811.2
I&G Base Adjustments	-\$44,971.1	\$14,036.0	\$12,299.5
Stop/Loss			
Rounding Adjustments		(\$0.2)	(\$0.2)
Total Formula Funding	\$570,279.6	\$584,315.2	\$582,578.7
UNM HEALTH SCIENCE CENTER I&G FUNDING	\$57,775.6	\$60,675.2	\$61,888.9
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$628,055.2	\$644,990.4	\$644,467.6
Dollar Change from Prior Year Operating Budget	-\$49,527.1	\$16,935.2	\$16,412.4
Percent Change from Prior Year Operating Budget	-7.3%	2.7%	2.6%
OTHER CATEGORICAL			
Special Schools (I&G only)	\$6,146.6	\$6,146.6	\$6,146.6
Athletics	\$13,205.4	\$13,205.4	\$12,573.6
Public Television	\$3,212.6	\$3,212.6	\$3,060.9
Healthcare Workforce (incl. medical residencies, undergraduate & graduate nursing education, dental programs)	\$9,815.8	\$1,675.2	\$0.0
Other Research and Public Service Projects	\$91,825.6	\$83,009.2	\$81,022.1
Compensation and Other Adjustments			
Total RPSP (Excl. Special Schools I&G)	\$118,059.4	\$101,102.4	\$96,656.6
OTHER CATEGORICAL SUBTOTAL	\$124,206.0	\$107,249.0	\$102,803.2
Dollar Change from Prior Year Operating Budget	-\$10,388.5	-\$16,957.0	-\$21,402.8
Percent Change from Prior Year Operating Budget	-7.7%	-13.7%	-17.2%
TOTAL GAA SECTION 4 INSTITUTIONS FY16	\$752,261.2	\$752,239.4	\$747,270.8
HIGHER EDUCATION DEPARTMENT	FTE: 49.5	FTE: 51	FTE: 49.5
Operating Budget and Flow-Through Programming	\$11,703.0	\$12,733.6	\$11,703.0
Student Financial Aid	\$22,903.0	\$22,693.2	\$22,903.0
Sanding			
HIGHER EDUCATION DEPARTMENT TOTAL	\$34,606.0	\$35,426.8	\$34,606.0
Dollar Change from Prior Year Operating Budget	(\$1,727.1)	\$820.8	\$0.0
Percent Change from Prior Year Operating Budget	-4.8%	2.4%	0.0%
TOTAL HIGHER EDUCATION	\$786,867.2	\$787,666.2	\$781,876.8
Dollar Change from Prior Year Operating Budget	(\$56,561.5)	\$799.0	(\$4,990.4)
Percent Change from Prior Year Operating Budget	-6.7%	0.1%	-0.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY17	FY18		FY18		LFC Rec \$ Change	LFC Rec % Change
	FY17 Special Session Approp.	FY18 HED Request (without RPSP Rollup)	FY18 HED Request (includes RPSP Rollup)	LFC Rec (without RPSP Rollup)	LFC Rec (includes RPSP Rollup)		
UNIVERSITY OF NEW MEXICO							
Instruction and general purposes	\$177,421.6	\$177,768.5	\$180,540.2	\$177,768.5	\$180,361.3	\$346.9	0.2%
Athletics	\$2,643.8	\$2,643.8	\$2,643.8	\$2,577.7	\$2,577.7	(\$66.1)	-2.5%
Educational television and public radio	\$1,091.2	\$1,091.2	\$1,091.2	\$1,063.9	\$1,063.9	(\$27.3)	-2.5%
Gallup Branch - I&G	\$8,566.7	\$8,417.1	\$8,611.1	\$8,417.1	\$8,598.5	(\$149.6)	-1.7%
Gallup - nurse expansion	\$194.0	\$194.0	I&G Rollup	\$181.4	I&G Rollup	(\$12.6)	-6.5%
Los Alamos Branch - I&G	\$1,736.7	\$1,718.7	\$1,718.7	\$1,718.7	\$1,718.7	(\$18.0)	-1.0%
Valencia Branch - I&G	\$5,184.6	\$5,189.5	\$5,346.9	\$5,189.5	\$5,336.7	\$4.9	0.1%
Valencia - nurse expansion	\$157.4	\$157.4	I&G Rollup	\$147.2	I&G Rollup	(\$10.2)	-6.5%
Taos Branch - I&G	\$3,296.4	\$3,318.0	\$3,544.1	\$3,318.0	\$3,529.4	\$21.6	0.7%
Taos - nurse expansion	\$226.1	\$226.1	I&G Rollup	\$211.4	I&G Rollup	(\$14.7)	-6.5%
Research & Public Service Projects:							
Judicial selection	\$21.3	\$21.3	I&G Rollup	\$19.9	I&G Rollup	(\$1.4)	-6.6%
Ibero-American education	\$84.0	\$84.0	I&G Rollup	\$78.5	I&G Rollup	(\$5.5)	-6.5%
Manufacturing engineering program	\$520.8	\$520.8	I&G Rollup	\$486.9	I&G Rollup	(\$33.9)	-6.5%
Wildlife law education	\$89.3	\$89.3	I&G Rollup	\$83.5	I&G Rollup	(\$5.8)	-6.5%
Morrissey hall programs	\$44.1	\$22.7	I&G Rollup	\$22.7	I&G Rollup	(\$21.4)	-48.5%
Disabled student services	\$177.8	\$177.8	I&G Rollup	\$166.2	I&G Rollup	(\$11.6)	-6.5%
Minority student services	\$898.5	\$898.5	I&G Rollup	\$840.1	I&G Rollup	(\$58.4)	-6.5%
Community-based education	\$527.1	\$527.1	I&G Rollup	\$492.8	I&G Rollup	(\$34.3)	-6.5%
Cornie Wolf children's law center	\$159.3	\$159.3	I&G Rollup	\$148.9	I&G Rollup	(\$10.4)	-6.5%
Student mentoring program	\$270.9	\$270.9	I&G Rollup	\$253.3	I&G Rollup	(\$17.6)	-6.5%
Southwest research center	\$1,053.9	\$1,053.9	\$1,053.9	\$1,053.9	\$1,053.9	\$0.0	0.0%
Substance abuse program	\$68.8	\$68.8	\$68.8	\$68.8	\$68.8	\$0.0	0.0%
Resource geographic information system	\$61.5	\$61.5	\$61.5	\$61.5	\$61.5	\$0.0	0.0%
Southwest Indian law clinic	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$0.0	0.0%
Geospatial and population studies/bureau of business and economic research	\$356.5	\$356.5	\$356.5	\$356.5	\$356.5	\$0.0	0.0%
New Mexico historical review	\$44.5	\$44.5	\$44.5	\$44.5	\$44.5	\$0.0	0.0%
Uton transboundary resources center	\$321.0	\$321.0	\$321.0	\$321.0	\$321.0	\$0.0	0.0%
Land grant studies	\$122.2	\$122.2	\$122.2	\$122.2	\$122.2	\$0.0	0.0%
College degree mapping	\$69.5	\$69.5	\$69.5	\$69.5	\$69.5	\$0.0	0.0%
Total UNM	\$205,602.0	\$205,786.4	\$205,786.4	\$205,476.6	\$205,476.6	(\$125.4)	-0.1%
UNM HEALTH SCIENCES CENTER							
Instruction and general purposes	\$57,775.6	\$57,775.6	\$60,675.2	\$55,753.5	\$61,888.9	(\$2,022.1)	-3.5%
Nurse expansion	\$1,022.6	\$1,022.6	I&G Rollup	\$956.1	I&G Rollup	(\$66.5)	-6.5%
Graduate nurse education	\$1,530.0	\$1,530.0	I&G Rollup	\$1,430.6	I&G Rollup	(\$99.4)	-6.5%
Native American health center	\$254.6	\$254.6	I&G Rollup	\$238.1	I&G Rollup	(\$16.5)	-6.5%
Native American suicide prevention	\$92.4	\$92.4	I&G Rollup	\$86.4	I&G Rollup	(\$6.0)	-6.5%
Office of medical investigator	\$4,754.8	\$4,754.8	\$4,754.8	\$4,754.8	\$4,754.8	\$0.0	0.0%
Children's psychiatric hospital	\$6,759.8	\$6,759.8	\$6,759.8	\$6,759.8	\$6,759.8	\$0.0	0.0%
Carrie Tingley hospital	\$4,938.2	\$4,938.2	\$4,938.2	\$4,938.2	\$4,938.2	\$0.0	0.0%
Newborn intensive care	\$3,105.4	\$3,105.4	\$3,105.4	\$3,105.4	\$3,105.4	\$0.0	0.0%
Pediatric oncology	\$1,208.2	\$1,208.2	\$1,208.2	\$1,208.2	\$1,208.2	\$0.0	0.0%
Poison and drug information center	\$1,471.0	\$1,471.0	\$1,471.0	\$1,471.0	\$1,471.0	\$0.0	0.0%
Cancer center	\$2,494.5	\$2,494.5	\$2,494.5	\$2,494.5	\$2,494.5	\$0.0	0.0%
Hepatitis community health outcomes	\$1,987.1	\$1,987.1	\$1,987.1	\$1,857.9	I&G Rollup	(\$129.2)	-6.5%
Internal medicine residencies	\$990.4	\$990.4	\$990.4	\$926.0	I&G Rollup	(\$64.4)	-6.5%
Psychiatry residencies	\$373.9	\$373.9	\$373.9	\$349.6	I&G Rollup	(\$24.3)	-6.5%
General surgery/family community medicine residencies	\$310.9	\$310.9	\$310.9	\$290.7	I&G Rollup	(\$20.2)	-6.5%
Total UNM/HSC	\$89,069.4	\$89,069.4	\$89,069.4	\$86,620.8	\$86,620.8	(\$2,448.6)	-2.7%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY17	FY18					
	FY17 Special Session Approp.	FY18 HED Request (without RPSP Rollup)	FY18 HED Request (includes RPSP Rollup)	LFC Rec (without RPSP Rollup)	LFC Rec (includes RPSP Rollup)	LFC Rec \$ Change	LFC Rec % Change
NEW MEXICO STATE UNIVERSITY							
Instruction and general purposes	\$110,543.7	\$110,534.5	\$113,531.7	\$110,534.5	\$113,336.8	(\$9.2)	0.0%
Athletics	\$3,149.1	\$3,149.1	\$3,149.1	\$3,070.4	\$3,070.4	(\$78.7)	-2.5%
Educational television and public radio	\$1,016.9	\$1,016.9	\$1,016.9	\$991.5	\$991.5	(\$25.4)	-2.5%
Alamogordo Branch - Instruction and general purposes	\$7,181.1	\$7,033.6	\$7,033.6	\$7,033.6	\$7,033.6	(\$147.5)	-2.1%
Carlsbad Branch - Instruction and general purposes	\$3,914.3	\$3,883.8	\$4,212.6	\$3,883.8	\$4,191.3	(\$30.5)	-0.8%
Carlsbad manufacturing sector development program	\$218.8	\$218.8	I&G Rollup	\$204.6	I&G Rollup	(\$14.2)	-6.5%
Carlsbad - nurse expansion	\$110.0	\$110.0	I&G Rollup	\$102.9	I&G Rollup	(\$7.1)	-6.5%
Dona Ana Branch - Instruction and general purposes	\$21,624.4	\$21,582.4	\$21,985.9	\$21,582.4	\$21,959.7	(\$42.0)	-0.2%
Dona Ana - dental hygiene program	\$208.1	\$208.1	I&G Rollup	\$194.6	I&G Rollup	(\$13.5)	-6.5%
Dona Ana - nurse expansion	\$195.4	\$195.4	I&G Rollup	\$182.7	I&G Rollup	(\$12.7)	-6.5%
Grants Branch - Instruction and general purposes	\$3,379.8	\$3,327.5	\$3,327.5	\$3,327.5	\$3,327.5	(\$52.3)	-1.5%
<i>Department of Agriculture</i>	<i>\$11,067.1</i>	<i>\$11,067.1</i>	<i>\$11,067.1</i>	<i>\$11,067.1</i>	<i>\$11,067.1</i>	<i>\$0.0</i>	<i>0.0%</i>
<i>Agricultural Experiment Station (AES)</i>	<i>\$13,648.5</i>	<i>\$13,648.5</i>	<i>\$13,648.5</i>	<i>\$13,648.5</i>	<i>\$13,648.5</i>	<i>\$0.0</i>	<i>0.0%</i>
<i>Cooperative Extension Service (CES)</i>	<i>\$12,617.6</i>	<i>\$12,617.6</i>	<i>\$12,617.6</i>	<i>\$12,617.6</i>	<i>\$12,617.6</i>	<i>\$0.0</i>	<i>0.0%</i>
Research & Public Service Projects:							
STEM alliance for minority participation	\$305.4	\$305.4	I&G Rollup	\$285.5	I&G Rollup	(\$19.9)	-6.5%
Mental health nurse practitioner	\$650.5	\$650.5	I&G Rollup	\$608.2	I&G Rollup	(\$42.3)	-6.5%
Indian resources development	\$277.2	\$277.2	I&G Rollup	\$259.2	I&G Rollup	(\$18.0)	-6.5%
Manufacturing sector development program	\$511.0	\$511.0	I&G Rollup	\$477.8	I&G Rollup	(\$33.2)	-6.5%
Arrowhead center for business development	\$313.4	\$313.4	I&G Rollup	\$293.0	I&G Rollup	(\$20.4)	-6.5%
Nurse expansion	\$707.3	\$707.3	I&G Rollup	\$661.3	I&G Rollup	(\$46.0)	-6.5%
Economic development doctorate	\$92.4	\$92.4	I&G Rollup	\$86.4	I&G Rollup	(\$6.0)	-6.5%
Alliance teaching & learning advancement	\$140.0	\$140.0	I&G Rollup	\$130.9	I&G Rollup	(\$9.1)	-6.5%
Water resource research institute	\$574.0	\$621.8	\$621.8	\$621.8	\$621.8	\$47.8	8.3%
College assistance migrant program	\$201.9	\$201.9	\$201.9	\$201.9	\$201.9	\$0.0	0.0%
Clean drinking water technology	\$47.8	Combined with WIRRI	Combined with WIRRI	Combined with WIRRI	Combined with WIRRI	(\$47.8)	
Total NMSU	\$192,695.7	\$192,414.2	\$192,414.2	\$192,067.7	\$192,067.7	(\$628.0)	-0.3%
NEW MEXICO HIGHLANDS UNIVERSITY							
Instruction and general purposes	\$26,299.8	\$26,317.2	\$27,404.4	\$26,317.2	\$27,133.8	\$17.4	0.1%
Athletics	\$1,988.5	\$1,988.5	\$1,988.5	\$1,938.8	\$1,938.8	(\$49.7)	-2.5%
Research & Public Service Projects:							
Advanced placement	\$213.8	\$213.8	I&G Rollup	\$0.0	I&G Rollup	(\$213.8)	-100.0%
Minority student services	\$519.6	\$519.6	I&G Rollup	\$485.8	I&G Rollup	(\$33.8)	-6.5%
Forest and watershed institute	\$292.7	\$292.7	I&G Rollup	\$273.7	I&G Rollup	(\$19.0)	-6.5%
Nurse expansion	\$61.1	\$61.1	I&G Rollup	\$57.1	I&G Rollup	(\$4.0)	-6.5%
Total NMHU	\$29,375.5	\$29,392.9	\$29,392.9	\$29,072.6	\$29,072.6	(\$302.9)	-1.0%
WESTERN NEW MEXICO UNIVERSITY							
Instruction and general purposes	\$16,117.6	\$16,198.5	\$17,399.9	\$16,198.5	\$17,321.8	\$80.9	0.5%
Athletics	\$1,759.7	\$1,759.7	\$1,759.7	\$1,715.7	\$1,715.7	(\$44.0)	-2.5%
Research & Public Service Projects:							
Instructional television	\$73.2	\$73.2	\$73.2	\$0.0	\$0.0	(\$73.2)	-100.0%
Pharmacy and phlebotomy programs	\$57.8	\$57.8	I&G Rollup	\$54.0	I&G Rollup	(\$3.8)	-6.6%
Web-based teacher licensure	\$130.6	\$130.6	I&G Rollup	\$122.1	I&G Rollup	(\$8.5)	-6.5%
Child development center	\$195.6	\$195.6	I&G Rollup	\$182.9	I&G Rollup	(\$12.7)	-6.5%
Nurse expansion	\$817.4	\$817.4	I&G Rollup	\$764.3	I&G Rollup	(\$53.1)	-6.5%
Total WNMU	\$19,151.9	\$19,232.8	\$19,232.8	\$19,037.5	\$19,037.5	(\$114.4)	-0.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY17	FY18					
	FY17 Special Session Approp.	FY18 HED Request (without RPSP Rollup)	FY18 HED Request (includes RPSP Rollup)	LFC Rec (without RPSP Rollup)	LFC Rec (includes RPSP Rollup)	LFC Rec \$ Change	LFC Rec % Change
EASTERN NEW MEXICO UNIVERSITY							
Instruction and general purposes	\$25,805.7	\$25,915.7	\$27,039.2	\$25,915.7	\$26,966.2	\$110.0	0.4%
Athletics	\$1,987.3	\$1,987.3	\$1,987.3	\$1,937.6	\$1,937.6	(\$49.7)	-2.5%
Educational television and public radio	\$1,031.3	\$1,031.3	\$1,031.3	\$1,005.5	\$1,005.5	(\$25.8)	-2.5%
Roswell Branch - Instruction and general purposes	\$11,135.9	\$11,057.6	\$11,239.9	\$11,057.6	\$11,228.1	(\$78.3)	-0.7%
Roswell - nurse expansion	\$69.2	\$69.2	I&G Rollup	\$64.7	I&G Rollup	(\$4.5)	-6.5%
Airframe mechanics	\$55.9	\$55.9	I&G Rollup	\$52.3	I&G Rollup	(\$3.6)	-6.4%
Special services program	\$57.2	\$57.2	I&G Rollup	\$53.5	I&G Rollup	(\$3.7)	-6.5%
Ruidoso Branch - Instruction and general purposes	\$1,961.7	\$1,949.7	\$1,949.7	\$1,949.7	\$1,949.7	(\$12.0)	-0.6%
<i>Research & Public Service Projects:</i>							
Blackwater draw site and museum	\$88.7	\$88.7	\$88.7	\$88.7	\$88.7	\$0.0	0.0%
Student success programs	\$421.3	\$421.3	I&G Rollup	\$393.9	I&G Rollup	(\$27.4)	-6.5%
Nurse expansion	\$331.4	\$331.4	I&G Rollup	\$309.9	I&G Rollup	(\$21.5)	-6.5%
At-risk student tutoring	\$226.9	\$226.9	I&G Rollup	\$212.2	I&G Rollup	(\$14.7)	-6.5%
Allied health	\$143.9	\$143.9	I&G Rollup	\$134.5	I&G Rollup	(\$9.4)	-6.5%
Total ENMU	\$43,316.4	\$43,336.1	\$43,336.1	\$43,175.8	\$43,175.8	(\$140.6)	-0.3%
NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY							
Instruction and general purposes	\$25,762.8	\$25,797.1	\$26,065.4	\$25,797.1	\$25,862.1	\$34.3	0.1%
Athletics	\$193.8	\$193.8	\$193.8	\$189.0	\$189.0	(\$4.8)	-2.5%
<i>Research & Public Service Projects:</i>							
Science and engineering fair	\$198.8	\$198.8	I&G Rollup	\$0.0	I&G Rollup	(\$198.8)	-100.0%
Aerospace internship program	\$69.5	\$69.5	I&G Rollup	\$65.0	I&G Rollup	(\$4.5)	-6.5%
Bureau of mine safety	\$315.2	\$315.2	\$315.2	\$315.2	\$315.2	\$0.0	0.0%
Bureau of geology and mineral resources	\$3,928.0	\$3,928.0	\$3,928.0	\$3,928.0	\$3,928.0	\$0.0	0.0%
Petroleum recovery and research center	\$1,859.8	\$1,859.8	\$1,859.8	\$1,859.8	\$1,859.8	\$0.0	0.0%
Geophysical research center	\$1,084.1	\$1,084.1	\$1,084.1	\$1,084.1	\$1,084.1	\$0.0	0.0%
Energetic materials research center	\$788.7	\$788.7	\$788.7	\$788.7	\$788.7	\$0.0	0.0%
Institute for complex additive systems analysis	\$799.8	\$799.8	\$799.8	\$799.8	\$799.8	\$0.0	0.0%
Cave and karst research	\$359.0	\$359.0	\$359.0	\$359.0	\$359.0	\$0.0	0.0%
Homeland security center	\$518.7	\$518.7	\$518.7	\$518.7	\$518.7	\$0.0	0.0%
Total NMIMT	\$35,878.2	\$35,912.5	\$35,912.5	\$35,704.4	\$35,704.4	(\$173.8)	-0.5%
NORTHERN NEW MEXICO COLLEGE							
Instruction and general purposes	\$9,888.6	\$9,720.5	\$10,210.1	\$9,720.5	\$10,048.6	(\$168.1)	-1.7%
Athletics	\$249.1	\$249.1	\$249.1	\$124.6	\$124.6	(\$124.5)	-50.0%
<i>Research & Public Service Projects:</i>							
Nurse expansion	\$235.3	\$235.3	I&G Rollup	\$220.0	I&G Rollup	(\$15.3)	-6.5%
STEM	\$138.7	\$138.7	I&G Rollup	\$0.0	I&G Rollup	(\$138.7)	-100.0%
Veterans center	\$115.6	\$115.6	I&G Rollup	\$108.1	I&G Rollup	(\$7.5)	-6.5%
Total NNMC	\$10,627.3	\$10,459.2	\$10,459.2	\$10,173.2	\$10,173.2	(\$454.1)	-4.3%
SANTA FE COMMUNITY COLLEGE							
Instruction and general purposes	\$9,243.8	\$9,306.7	\$9,702.3	\$9,306.7	\$9,676.6	\$62.9	0.7%
<i>Research & Public Service Projects:</i>							
Automechanics	\$46.4	\$46.4	I&G Rollup	\$43.4	I&G Rollup	(\$3.0)	-6.5%
Nurse expansion	\$256.5	\$256.5	I&G Rollup	\$239.8	I&G Rollup	(\$16.7)	-6.5%
Radiography technician program	\$92.7	\$92.7	I&G Rollup	\$86.7	I&G Rollup	(\$6.0)	-6.5%
Small business development centers	\$4,096.6	\$4,096.6	\$4,096.6	\$4,096.6	\$4,096.6	\$0.0	0.0%
Total SFCC	\$13,736.0	\$13,798.9	\$13,798.9	\$13,773.2	\$13,773.2	\$37.2	0.3%
CENTRAL NM COMMUNITY COLLEGE							
Instruction and general purposes	\$53,094.8	\$53,602.1	\$53,783.6	\$53,602.1	\$53,771.8	\$507.3	1.0%
Nurse expansion	\$181.5	\$181.5	I&G Rollup	\$169.7	I&G Rollup	(\$11.8)	-6.5%
Total CNM	\$53,276.3	\$53,783.6	\$53,783.6	\$53,771.8	\$53,771.8	\$495.5	0.9%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY17	FY18					
	FY17 Special Session Approp.	FY18 HED Request (without RPSP Rollup)	FY18 HED Request (includes RPSP Rollup)	LFC Rec (without RPSP Rollup)	LFC Rec (includes RPSP Rollup)	LFC Rec \$ Change	LFC Rec % Change
LUNA COMMUNITY COLLEGE							
Instruction and general purposes	\$6,873.7	\$6,723.5	\$7,529.2	\$6,723.5	\$7,166.7	(\$150.2)	-2.2%
Athletics	\$386.3	\$386.3	\$386.3	\$193.2	\$193.2	(\$193.1)	-50.0%
<i>Research & Public Service Projects:</i>							
Nurse expansion	\$269.7	\$269.7	I&G Rollup	\$252.2	I&G Rollup	(\$17.5)	-6.5%
Student retention and completion	\$536.0	\$536.0	I&G Rollup	\$191.0	I&G Rollup	(\$345.0)	-64.4%
Total LCC	\$8,065.7	\$7,915.5	\$7,915.5	\$7,359.9	\$7,359.9	(\$705.8)	-8.8%
MESALANDS COMMUNITY COLLEGE							
Instruction and general purposes	\$3,942.8	\$3,863.4	\$3,977.5	\$3,863.4	\$3,970.1	(\$79.4)	-2.0%
Athletics	\$139.1	\$139.1	\$139.1	\$135.6	\$135.6	(\$3.5)	-2.5%
<i>Research & Public Service Projects:</i>							
Wind training center	\$114.1	\$114.1	I&G Rollup	\$106.7	I&G Rollup	(\$7.4)	-6.5%
Total MCC	\$4,196.0	\$4,116.6	\$4,116.6	\$4,105.7	\$4,105.7	(\$90.3)	-2.2%
NEW MEXICO JUNIOR COLLEGE							
Instruction and general purposes	\$5,206.5	\$5,213.2	\$5,690.0	\$5,213.2	\$5,659.0	\$6.7	0.1%
Athletics	\$448.1	\$448.1	\$448.1	\$436.9	\$436.9	(\$11.2)	-2.5%
<i>Research & Public Service Projects:</i>							
Oil & gas management program	\$163.3	\$163.3	I&G Rollup	\$152.7	I&G Rollup	(\$10.6)	-6.5%
Nurse expansion	\$285.8	\$285.8	I&G Rollup	\$267.2	I&G Rollup	(\$18.6)	-6.5%
Lea county distance education consortium	\$27.7	\$27.7	I&G Rollup	\$25.9	I&G Rollup	(\$1.8)	-6.5%
Total NMJC	\$6,131.4	\$6,138.1	\$6,138.1	\$6,095.9	\$6,095.9	(\$35.5)	-0.6%
SAN JUAN COLLEGE							
Instruction and general purposes	\$22,884.5	\$22,680.9	\$23,036.5	\$22,680.9	\$23,013.4	(\$203.6)	-0.9%
<i>Research & Public Service Projects:</i>							
Dental hygiene program	\$155.2	\$155.2	I&G Rollup	\$145.1	I&G Rollup	(\$10.1)	-6.5%
Nurse expansion	\$200.4	\$200.4	I&G Rollup	\$187.4	I&G Rollup	(\$13.0)	-6.5%
Total SJC	\$23,240.1	\$23,036.5	\$23,036.5	\$23,013.4	\$23,013.4	(\$226.7)	-1.0%
CLOVIS COMMUNITY COLLEGE							
Instruction and general purposes	\$9,212.1	\$9,159.5	\$9,435.2	\$9,159.5	\$9,417.3	(\$52.6)	-0.6%
Nurse expansion	\$275.7	\$275.7	I&G Rollup	\$257.8	I&G Rollup	(\$17.9)	-6.5%
Total CCC	\$9,487.8	\$9,435.2	\$9,435.2	\$9,417.3	\$9,417.3	(\$70.5)	-0.7%
NEW MEXICO MILITARY INSTITUTE							
Instruction and general purposes	\$1,319.0	\$1,319.0	\$1,319.0	\$1,319.0	\$1,319.0	\$0.0	0.0%
Athletics	\$260.6	\$260.6	\$260.6	\$254.1	\$254.1	(\$6.5)	-2.5%
Knowles legislative scholarship program	\$1,291.1	\$1,291.1	\$1,291.1	\$1,291.1	\$1,291.1	\$0.0	0.0%
Total NMMI	\$2,870.7	\$2,870.7	\$2,870.7	\$2,864.2	\$2,864.2	(\$6.5)	-0.2%
NM SCHOOL FOR BLIND & VISUALLY IMPAIRED							
Instruction and general purposes	\$989.0	\$989.0	\$989.0	\$989.0	\$989.0	\$0.0	0.0%
Early childhood center	\$363.8	\$363.8	\$363.8	\$363.8	\$363.8	\$0.0	0.0%
Low vision clinic programs	\$111.6	\$111.6	\$111.6	\$111.6	\$111.6	\$0.0	0.0%
Total NMSBV	\$1,464.4	\$1,464.4	\$1,464.4	\$1,464.4	\$1,464.4	\$0.0	0.0%
NM SCHOOL FOR THE DEAF							
Instruction and general purposes	\$3,838.6	\$3,838.6	\$3,838.6	\$3,838.6	\$3,838.6	\$0.0	0.0%
Statewide outreach services	\$237.8	\$237.8	\$237.8	\$237.8	\$237.8	\$0.0	0.0%
Total NMSD	\$4,076.4	\$4,076.4	\$4,076.4	\$4,076.4	\$4,076.4	\$0.0	0.0%
TOTAL GENERAL FUND	\$786,867.2	\$787,666.2	\$787,666.2	\$781,876.8	\$781,876.8	(\$4,990.4)	-0.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY17	FY18					
	FY17 Special Session Approp.	FY18 HED Request (without RPSP Rollup)	FY18 HED Request (includes RPSP Rollup)	LFC Rec (without RPSP Rollup)	LFC Rec (includes RPSP Rollup)	LFC Rec \$ Change	LFC Rec % Change
SUMMARY BY INSTITUTION (DFA Code)							
New Mexico Institute of Mining & Technology (962)	\$35,878.2	\$35,912.5	\$35,912.5	\$35,704.4	\$35,704.4	(\$173.8)	-0.5%
New Mexico State University (954)	\$192,695.7	\$192,414.2	\$192,414.2	\$192,067.7	\$192,067.7	(\$628.0)	-0.3%
UNM Total (Less FY16 Reductions) (952)	\$294,671.4	\$294,855.8	\$294,855.8	\$292,097.4	\$292,097.4	(\$2,574.0)	-0.9%
University of New Mexico (952)	\$205,602.0	\$205,786.4	\$205,786.4	\$205,476.6	\$205,476.6	(\$125.4)	-0.1%
UNM Health Sciences Center (952)	\$89,069.4	\$89,069.4	\$89,069.4	\$86,620.8	\$86,620.8	(\$2,448.6)	-2.7%
Eastern New Mexico University (960)	\$43,316.4	\$43,336.1	\$43,336.1	\$43,175.8	\$43,175.8	(\$140.6)	-0.3%
New Mexico Highlands University (956)	\$29,375.5	\$29,392.9	\$29,392.9	\$29,072.6	\$29,072.6	(\$302.9)	-1.0%
Northern New Mexico College (964)	\$10,627.3	\$10,459.2	\$10,459.2	\$10,173.2	\$10,173.2	(\$454.1)	-4.3%
Western New Mexico University (958)	\$19,151.9	\$19,232.8	\$19,232.8	\$19,037.5	\$19,037.5	(\$114.4)	-0.6%
Central NM Community College (968)	\$53,276.3	\$53,783.6	\$53,783.6	\$53,771.8	\$53,771.8	\$495.5	0.9%
Clovis Community College (977)	\$9,487.8	\$9,435.2	\$9,435.2	\$9,417.3	\$9,417.3	(\$70.5)	-0.7%
Luna Community College (970)	\$8,065.7	\$7,915.5	\$7,915.5	\$7,359.9	\$7,359.9	(\$705.8)	-8.8%
Mesalands Community College (972)	\$4,196.0	\$4,116.6	\$4,116.6	\$4,105.7	\$4,105.7	(\$90.3)	-2.2%
New Mexico Junior College (974)	\$6,131.4	\$6,138.1	\$6,138.1	\$6,095.9	\$6,095.9	(\$35.5)	-0.6%
San Juan College (976)	\$23,240.1	\$23,036.5	\$23,036.5	\$23,013.4	\$23,013.4	(\$226.7)	-1.0%
Santa Fe Community College (966)	\$13,736.0	\$13,798.9	\$13,798.9	\$13,773.2	\$13,773.2	\$37.2	0.3%
Subtotal - Universities and Community Colleges	\$743,849.7	\$743,827.9	\$743,827.9	\$738,865.8	\$738,865.8	(\$4,983.9)	-0.7%
New Mexico Military Institute (978)	\$2,870.7	\$2,870.7	\$2,870.7	\$2,864.2	\$2,864.2	(\$6.5)	-0.2%
New Mexico School for the Deaf (980)	\$4,076.4	\$4,076.4	\$4,076.4	\$4,076.4	\$4,076.4	\$0.0	0.0%
NM School for the Blind & Visually Impaired (979)	\$1,464.4	\$1,464.4	\$1,464.4	\$1,464.4	\$1,464.4	\$0.0	0.0%
Subtotal - Special Schools	\$8,411.5	\$8,411.5	\$8,411.5	\$8,405.0	\$8,405.0	(\$6.5)	-0.1%
Grand Total Universities and Special Schools	\$752,261.2	\$752,239.4	\$752,239.4	\$747,270.8	\$747,270.8	(\$4,990.4)	-0.7%
New Mexico Higher Education Department (950)	\$34,606.0	\$35,426.8	\$35,426.8	\$34,606.0	\$34,606.0	\$0.0	0.0%
TOTAL GENERAL FUND	\$786,867.2	\$787,666.2	\$787,666.2	\$781,876.8	\$781,876.8	(\$4,990.4)	-0.6%
SUMMARY BY MAJOR FUNCTION							
University I&G (NNMC included eff. FY08)	\$391,839.8	\$392,252.0	\$402,190.9	\$392,252.0	\$401,030.6	\$412.2	0.1%
Community College I&G	\$178,439.8	\$178,027.2	\$182,124.3	\$178,027.2	\$181,548.1	(\$412.6)	-0.2%
UNM/HSC I&G	\$57,775.6	\$57,775.6	\$60,675.2	\$55,753.5	\$61,888.9	(\$2,022.1)	-3.5%
Special schools I&G	\$6,146.6	\$6,146.6	\$6,146.6	\$6,146.6	\$6,146.6	\$0.0	0.0%
Medical residencies	\$1,675.2	\$1,675.2	\$1,675.2	\$1,566.3	I&G Rollup	(\$108.9)	-6.5%
Nursing programs	\$7,777.3	\$7,777.3	I&G Rollup	\$7,271.9	I&G Rollup	(\$505.4)	-6.5%
Dental programs (incl residencies)	\$363.3	\$363.3	I&G Rollup	\$339.7	I&G Rollup	(\$23.6)	-6.5%
Athletics	\$13,205.4	\$13,205.4	\$13,205.4	\$12,573.6	\$12,573.6	(\$631.8)	-4.8%
Educational Television	\$3,212.6	\$3,212.6	\$3,212.6	\$3,060.9	\$3,060.9	(\$151.7)	-4.7%
NMHED - Policy Dev. & Institutional Fin. Oversight	\$11,703.0	\$12,733.6	\$12,733.6	\$11,703.0	\$11,703.0	\$0.0	0.0%
NMHED - Student Financial Aid	\$22,903.0	\$22,693.2	\$22,693.2	\$22,903.0	\$22,903.0	\$0.0	0.0%
Other programs	\$91,825.6	\$91,804.2	\$83,009.2	\$90,279.1	\$81,022.1	(\$1,546.5)	-1.7%
TOTAL GENERAL FUND	\$786,867.2	\$787,666.2	\$787,666.2	\$781,876.8	\$781,876.8	(\$4,990.4)	-0.6%
HIGHER EDUCATION DEPARTMENT:							
Policy Development and Institutional Financial Oversight (P505)							
Personal Service and Employee Benefits (200)	\$2,635.9	\$2,584.8	\$2,584.8	\$2,538.8	\$2,538.8	(\$97.1)	-3.7%
Contractual Services (300)	\$821.0	\$1,796.1	\$1,796.1	\$821.0	\$821.0	\$0.0	0.0%
Other (400)	\$8,246.1	\$8,352.7	\$8,352.7	\$8,343.2	\$8,343.2	\$97.1	1.2%
P505 Subtotal	\$11,703.0	\$12,733.6	\$12,733.6	\$11,703.0	\$11,703.0	\$0.0	0.0%
Student Financial Aid (P506)							
Other (400)	\$22,903.0	\$22,693.2	\$22,693.2	\$22,903.0	\$22,903.0	\$0.0	0.0%
P506 Subtotal	\$22,903.0	\$22,693.2	\$22,693.2	\$22,903.0	\$22,903.0	\$0.0	0.0%
HED total	\$34,606.0	\$35,426.8	\$35,426.8	\$34,606.0	\$34,606.0	\$0.0	\$0.0
HED 300 Category Flow-Throughs							
Adult Literacy (Language)	\$696.1	\$637.7	\$637.7	\$696.1	\$696.1	\$0.0	0.0%
Total	\$696.1	\$637.7	\$637.7	\$696.1	\$696.1	\$0.0	0.0%
HED 400 Category Flow Throughs							
High Skills (Language)	\$461.1	\$487.9	\$487.9	\$461.1	\$461.1	\$0.0	0.0%
ABE Workforce (Language)	\$138.3	\$146.4	\$146.4	\$138.3	\$138.3	\$0.0	0.0%
Adult Basic Education (Language)	\$5,235.9	\$5,540.6	\$5,540.6	\$5,235.9	\$5,235.9	\$0.0	0.0%
MESA pass through to NMMT	\$1,251.9	\$1,278.8	\$1,278.8	\$1,251.9	\$1,251.9	\$0.0	0.0%
ENLACE	\$927.7	\$1,001.3	\$1,001.3	\$927.7	\$927.7	\$0.0	0.0%
Tribal college dual credit (Language)	\$183.9	\$194.6	\$194.6	\$183.9	\$183.9	\$0.0	0.0%
English Language Learner Teacher Prep (Language)	\$92.6	\$98.0	\$98.0	\$92.6	\$92.6	\$0.0	0.0%
Total	\$8,291.4	\$8,747.6	\$8,747.6	\$8,291.4	\$8,291.4	\$0.0	0.0%
Department of Agriculture Flow Throughs							
SNAP Purchases in Farmers' Markets (Language)	\$370.8			\$370.8	\$370.8	\$0.0	0.0%
Total	\$370.8			\$370.8	\$370.8	\$0.0	0.0%

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.

AT A GLANCE:

The nearly \$3 billion in appropriations for higher education institutions and special schools is based on state general fund revenues, other state funds, and federal funds. The general fund appropriation supports instruction and general (I&G) and other expenditure categories, including athletics and research and public service projects. The wide variance from year to year in general fund revenues to higher education institutions points to the need for institutions to diversify revenue sources and contain costs to better focus on instruction.

Because institutions have had several years to implement the I&G funding formula, the Higher Education Department (HED) request and the LFC recommendation do not contain the same “soft-landing” components of previous years, resulting in some institutions receiving more than a 1 percent I&G reduction in FY18. However, in the request and the recommendation, the highest percentage decrease any institution would receive between FY17 and FY18 is 2.2 percent.

HED requested, and LFC recommends, folding certain instruction-related appropriations into I&G appropriations in FY18 to provide greater flexibility in the administration of austere institutional budgets and to provide a more equitable environment for institutions to compete for I&G funding. Because institutions would receive greater flexibility and may achieve cost savings by combining programs, the LFC recommendation reduced these appropriations by 6.5 percent. The LFC recommendation also targets 2.5 percent in cost savings in programs with access to alternative revenue sources, including educational television and public radio and athletics.

BUDGET ISSUES:

Institutional Revenue Sources, Cost Containment, and Duplication. Although higher education institutions were subject to general fund appropriation reductions in FY16 and FY17, several institutions benefited from increased land grant permanent fund and land maintenance fund revenues over the last five years. Revenues to postsecondary institutions and special schools from these funds are projected to grow 31.2 percent in FY18 compared with the FY13 level.

In many cases, general fund revenues comprise only a portion of total revenues received by institutions. Other revenue sources may include tuition and fees, federal or private grants and contracts, local mill levy, and land grant permanent fund and land maintenance fund revenues. The Higher Education Department analyzed FY15 revenues institutions received to better understand college and university revenue sources. While some institutions have diversified their revenue streams – New Mexico Junior College receives 20.4 percent of its annual budget from state sources – other institutions are heavily dependent on state support, such as Mesalands Community College, which receives 61.3 percent of its annual revenues from state government.

The uncertainty of the fiscal landscape in higher education, along with heavy dependence on general fund revenues at some institutions, signals the need to review educational efforts spread across the state's 25 publicly funded postsecondary educational institutions and reduce duplication wherever possible. This becomes especially important as the state moves forward with the performance-based I&G funding formula. As colleges and universities face the possibility of general fund reductions due to a lack of performance, those institutions should look to strengthen partnerships with other institutions to ensure services to students continue. Institutional downsizing should occur through strategic planning rather than attrition.

During FY17, LFC staff are reviewing cost-containment opportunities among New Mexico's institutions of higher learning to recommend some potential ways New Mexico can deliver high quality postsecondary instruction with limited fiscal resources.

Instruction and General Funding Formula. Since FY12, the state has awarded a portion of I&G funding based on a formula that rewards outcomes, such as degree awards, course completion, and measures specific to an institution's mission. Since its inception, the formula has changed each year in response to stakeholder input. The formula also had in place several “soft-landings” to limit funding reductions to certain institutions. These soft-landings required the state to find additional revenue, which became difficult as state general fund revenues declined in recent years. In FY17, for example, funding for the soft-landing was provided through a nonrecurring appropriation. The soft-landings included a stop-loss feature that prevented any institution from losing more than 1 percent from one year to the next as well as a “hold harmless” measure that rewarded institutions that improved degree awards over time but lost funding in the formula because they did not perform as well as other institutions.

The department's process to develop the annual formula generally brings together stakeholders from each sector of higher education – research institutions, comprehensive institutions, branch campus community colleges, and independent community colleges – to discuss proposed changes and levels of performance funding. However, for FY18 the department called for stability in the formula, only bringing together a defined group of stakeholders to reconcile certain technical issues. As a result, the department's FY18 request includes a funding formula largely the same as FY17, with two key caveats.

First, the department's request did not include the soft-landings funding seen in previous versions of the funding formula. As FY18 will be the seventh year in which the New Mexico has employed a performance-based funding formula to calculate I&G appropriations, institutions should be well-positioned to anticipate funding changes due to performance and adjust operations as necessary. In addition, it is important to note both HED's request and LFC's recommendation limit overall performance funding to 4 percent of I&G appropriations, and consequently the highest percentage decrease any institution would receive between FY17 and FY18 would be 2.2 percent.

Second, the department changed the formula to move certain instruction-related research and public service projects to I&G appropriations. In addition to I&G appropriations, New Mexico's colleges and universities received about \$118 million in separate appropriations to support a variety of programs and initiatives. Some of these programs may relate to the institution's mission and statutory duties, such as the New Mexico Department of Agriculture funded through New Mexico State University; however, other research and public service appropriations support functions that should be covered by I&G funds, such as tutoring, mentoring, services for disabled students, and retention efforts. Meanwhile, some research and public service project appropriations can be as little as \$21.3 thousand.

The process for determining the appropriation levels of these projects begins with a request to HED, which is then included in HED's annual request to the Legislature and the Department of Finance and Administration. Although HED has improved this process, New Mexico has not conducted a thorough review of all research and public service projects in several years. Further, while many institutions submit substantive and detailed information providing supporting evidence for their requests, some institutions provide minimal information, making it difficult to assess appropriate funding levels. The same is true for performance metrics necessary to understand a program's intended impact; some institutions go to great lengths to measure project performance, while others include no data documenting success.

HED's request to combine some of these projects with I&G appropriations has two positive effects. First, it improves institutional efficiency by removing requirements for institutions to track separate appropriations and allocate funds based on restrictions in the General Appropriation Act. As institutions work to balance budgets, combining appropriations provides them the flexibility necessary to make budgetary decisions at the institutional level. The Legislature provided similar, although limited, flexibility during the 2016 legislative special session, so the department's request is in keeping with existing practices.

Second, by including instruction-related appropriations for research and public service projects in I&G appropriations, competition for funding through the I&G funding formula occurs on a more even playing field. More specifically, some institutions appear to have an advantage not afforded to others when they receive both increased I&G appropriations due to large numbers of degree awards to at-risk students and research and public service project appropriations to provide academic services to those same at-risk students. By folding these projects into the I&G funding formula, more institutions are able to compete for those earmarked dollars.

LFC's recommendation for FY18 endorses HED's request for \$22.8 million, or 4 percent, of I&G funding to be used to reward performance. LFC also supports HED's request to combine some research and public service project appropriations with I&G appropriations; however, the LFC recommendation reduces these appropriations 6.5 percent to reflect cost savings associated with increased administrative flexibility and reduced burden of managing programs separately.

University of New Mexico Health Sciences Center. In addition to I&G formula funding rewarding the University of New Mexico (UNM) for the degrees the institution awards in health-related fields, the Legislature appropriates an additional \$57.8 million to the UNM Health Sciences Center (HSC) for I&G purposes. Although the HED request reflected I&G funding flat with the FY17 general fund level for UNM HSC adjusted for the 2016 special legislative session reductions, along with combining some research and public service projects with I&G appropriations, LFC recommends a 3.5 percent reduction to UNM HSC's I&G appropriation and a 6.5 percent reduction to instruction-related research and public service projects, commensurate with similar reductions for projects at other institutions. The LFC recommendation does not expect HSC to shoulder this reduction on its own; UNM's main campus must continue to ensure high-quality services and instruction by working with HSC to maximize efficiencies where possible and by leveraging the significant resources on both campuses.

While HED requested funding for four research and public service projects to be combined with the I&G appropriation, LFC recommends Hepatitis Community Health Outcomes, commonly known as Project ECHO, and all medical residencies also be folded into the I&G appropriation.

Research and Public Service Projects. HED requested funding flat with the adjusted FY17 level for all research and public service projects, with the exception of one program at UNM that did not submit a request for FY18. In addition to the 6.5 percent reduction to instruction-related projects, LFC recommends certain other research and public service projects be reduced due to a number of factors, including the opportunity to generate other revenues, incomplete application documentation, duplication with kindergarten through grade 12 public school functions, or high carry-forward balances and high institutional support allocations. LFC further recommends a 2.5 percent reduction to educational television and public radio and athletic programs due to the alternative revenue sources available to these programs.

Special Schools. HED requested \$8.4 million for New Mexico's special schools, flat with the FY17 adjusted budget. LFC endorses this request, with the exception of New Mexico Military Institute's athletics program, recommended to be reduced by 2.5 percent, consistent with recommended athletic appropriations at other institutions. The LFC recommendation also includes an appropriation of \$100 thousand from the aviation services fund to the New Mexico School for the Blind and Visually Impaired to support aviation services for students.

Performance. The LFC recommendation includes new performance measures created in collaboration with the Department of Finance and Administration. The new performance measures allow for comparability across institutions to better understand trends in graduation rates, degree awards, retention, and revenue sources. Additional measures provide insight on performance of research and public service projects receiving more than \$1 million in annual general fund support. Although the new measures will help legislators and stakeholders better understand year-to-year performance, LFC recommends institutions provide detailed performance information on a more frequent basis; existing measures only allow for data to be provided twice a year.

RECOMMENDED LANGUAGE:

For University of New Mexico Health Sciences Center. The other state funds appropriation to the health sciences center of the university of New Mexico includes two million seven hundred forty-five thousand six hundred dollars (\$2,745,600) from the tobacco settlement program fund.

For New Mexico Institute of Mining And Technology. The general fund appropriation to the bureau of geology and mineral resources of the New Mexico institute of mining and technology includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	47.6%	49.0%	48.0%	48.5%	49.0%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	5,700	5,700
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	4.9	4.9
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	22.5	22.5
Output	Six-year athlete graduation rate	NEW	NEW	NEW	41%	41%
Output	Total public television local broadcast production hours	NEW	NEW	NEW	17,254	17,254
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	79.9%	79.9%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$57.0	\$127.9

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	64%	64%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	237	237
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	11.5	11.5
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.8	\$1.8
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4.1	4.0
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	39	39
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	6.7%	7.6%	10.0%	8.5%	10.0%

UNM LOS ALAMOS BRANCH

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PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree or certificate seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	12.3%	17.9%	57.0%	11.0%	12.3%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	45%	45%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	58	58
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	4.2	4.2
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$3.5	\$3.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	3.6	3.6

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	9.3%	9.4%	9.5%	7.0%	10.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	65%	65%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	240	240
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	22	22
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.9	\$1.9
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	2	2
Outcome	Total number of nursing degrees awarded	NEW	NEW	NEW	16	16

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	11.3%	7.0%	14.0%	6.3%	10.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	49.8%	49.8%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	122	122
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	9	9
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$2.8	\$2.8
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4.3	4.3
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	5	5

UNM HEALTH SCIENCES CENTER

The purpose of the instruction and general program at the university of New Mexico health sciences center is to provide educational, clinical and research support for the advancement of health of all New Mexicans.

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of human poisoning exposures treated safely at home after New Mexico poison and drug information center contacted by a caller in a non-healthcare setting	NEW	81%	66%	80%	81%
Outcome	External revenue for research from federal or nongovernmental sources, in millions	NEW	NEW	NEW	\$83	\$83
* Output	Pass rate of medical school students on United States medical licensing examination, step two clinical skills exam on first attempt	98%	96%	98%	>97%	97%
* Outcome	Percent of nursing graduates passing the requisite licensure exam on first attempt	72.6%	79.8%	90.0%	80.0%	83.0%
Output	Turnaround time for autopsy reports at the office of the medical investigator	NEW	NEW	NEW	<58 days	<58 days
Explanatory	Number of children's psychiatric hospital outpatient and community-based visits	NEW	NEW			
Outcome	Number of days to the next available appointment for orthopedic patients at Carrie Tingley hospital	NEW	NEW	NEW	1	1
Outcome	Average length of stay in newborn intensive care	NEW	NEW	NEW	15 days	15 days
Output	Percent of eligible patients entered on National Cancer Institute-approved therapeutic clinical trials in pediatric oncology	NEW	NEW	NEW	95%	95%
Explanatory	Number of New Mexico clinicians and staff attending hepatitis community health outcomes educational events	NEW	NEW			
Output	Percent of university of New Mexico-trained primary care residents practicing in New Mexico three years after completing residency	NEW	NEW	NEW	N/A	38.5%

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Number of university of New Mexico cancer center clinical trials	NEW	NEW	NEW	360	360
Output	American nurses credentialing center family nurse practitioner certification exam first attempt pass rate	NEW	NEW	NEW	80%	80%
Output	Pass rate of doctor of pharmacy graduates on the North American pharmacist licensure examination on first attempt	92.0%	74.0%	95.0%	88.0%	88.0%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	46%	42%	47%	47%	47%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	3,420	3,420
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$300	\$300
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	4.9	4.9
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	30	30
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	160	160
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	75%	75%
Output	Total public television local broadcast production hours	NEW	NEW	NEW	175	175
Outcome	Total dollars of grants and contracts leveraged by agricultural experiment station faculty and researchers, in millions	NEW	NEW	NEW	\$18	\$18
Output	Number of clientele contacts with the public by the cooperative extension service	NEW	NEW	NEW	650,000	650,000
Output	Total number of inspections completed by the standards and consumer services division of the New Mexico department of agriculture	NEW	NEW	NEW	170,000	170,000
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	75%	75%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	9.7%	8.3%	14%	14%	14%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	55%	55%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	180	180
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	18	18
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.0	\$1.0
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	3	3

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	5.9%	10.0%	10.0%	10.0%	10.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	57%	57%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	120	120
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	13	13
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$6.4	\$6.4
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4.3	4.3
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	27	27

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	12.5%	11.4%	15.0%	11.0%	12.5%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	63%	63%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	1,375	1,375
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	23	23
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.7	\$1.7
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4.4	4.4
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	20	20

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	13.0%	12.9%	20.0%	>12.0%	14.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	53%	53%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	90	90
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	13.5	13.5
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.4	\$1.4
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4	4

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	18.3%	17.9%	20.0%	20.0%	20.0%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	760	812
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$15.1	\$15.1
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	4.7	4.7
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	21	21
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	55	55
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	24%	24%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	53.0%	53.0%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	427	500
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	5	5
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	11	11
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	33	33
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	23%	23%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	56.2%	56.2%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$2.1	\$2.1
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	20.9%	25.0%	25.0%	17.5%	25.0%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	900	900
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	5	5
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	25	25
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	55	55
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	35%	35%
Output	Total public television local broadcast production hours	NEW	NEW	NEW	175	175
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	64.5%	64.5%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$6.0	\$6.0
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	27.1%	30.7%	32.0%	35.0%	35.0%

ENMU ROSWELL BRANCH

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PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	22.7%	25.5%	20.0%	18.0%	23.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	55.5%	55.5%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	550	550
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	31	31
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$4.9	\$4.9
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	3.6	3.6
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	24	24

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	16.2%	17.2%	20.0%	17.0%	18.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	35.4%	35.4%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	126	126
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	17	17
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.6	\$1.6
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	3	3

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	45.1%	49.0%	48.0%	48.0%	49.0%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	NEW	330	330
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	5	5
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	19	19
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	48%	48%
Output	Number of active hydrogeological assessment projects at the bureau of geology and mineral resources	NEW	NEW	NEW	70 to 80	75
Outcome	Public-to-private petroleum recovery research center cost-sharing ratio	NEW	NEW	NEW	2	2:1
Outcome	Ratio of external research funding from non-state government sources compared with state support at the geophysical research center	NEW	NEW	NEW	2:1	2:1
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	78.8%	75.1%	77.0%	77.0%	77.0%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$65.0	\$65.0

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	66.5%	66.5%
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who completed a baccalaureate program within one hundred fifty percent of standard graduation time	15%	15%	25%	25%	25%
Output	Total number of unduplicated degree awards in the most recent academic year, reported by baccalaureate, masters and doctorate degrees	NEW	NEW	NEW	70	163
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$11.5	\$11.5
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	NEW	6.5	6.5
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	20	20
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	25	25
Outcome	Six-year athlete graduation rate	NEW	NEW	NEW	25%	25%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	9.6%	11.1%	11.0%	11.0%	12.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	50%	50%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	650	665
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	10	10
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$2.5	\$2.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	5	5
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	30	30
Output	Cost per job created or saved by the small business development centers	NEW	NEW	NEW	\$5,000	\$3,000

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	11.4%	13.3%	13.0%	16.5%	16.5%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	61.1%	61.1%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	6,200	6,200
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	24	24
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$3.3	\$3.3
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	3.4	3.4
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	221	221

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	18.6%	16.7%	20.0%	20.0%	20.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	35.5%	35.5%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	146	154
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	14	14
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$1.6	\$1.6
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	2.5	2.5
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	22	22
Output	Three-year athlete graduation rate	NEW	NEW	NEW	25%	25%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	39.3%	35.1%	40.0%	36.5%	39.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	61.5%	61.5%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	190	190
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	42	42
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$0.2	\$0.2
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4.6	4.6
Outcome	Three-year athlete graduation rate	NEW	NEW	NEW	55%	55%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	14.4%	17.1%	33.0%	30.0%	30.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	70%	70%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	300	300
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	20	20
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$3	\$3
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	No Request	3
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	30	30
Output	Three-year athlete graduation rate	NEW	NEW	NEW	75%	75%

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	13.9%	13.7%	15.0%	15.5%	15.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	61%	61%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	1,280	1,280
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	14.2	14.2
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$4	\$4
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	4	4
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	50	50

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree- or certificate-seeking community college students who complete an academic program within one hundred fifty percent of standard graduation time	10.1%	24.1%	14.0%	25.0%	25.0%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	NEW	55%	55%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	NEW	390	487
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	NEW	14	14
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	NEW	NEW	NEW	\$2.5	\$2.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	NEW	<3.7	3.7
Output	Total number of nursing degrees awarded	NEW	NEW	NEW	50	50

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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	96%	96%	96%	96%	96%
* Outcome	Average American college testing composite scores for graduating high school seniors	22.4	22.4	22.5	22.0	22.5
* Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	59.2	59.2	60.0	60.0	60.0
Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	56.9	56.9	57	56	57
Outcome	Percent of a cohort of first-time, full-time junior college freshmen who graduated within one hundred percent of standard graduation time	NEW	NEW	NEW	29%	29%
Output	Number of students graduating with a high school diploma or an associate degree	NEW	NEW	NEW	168	168
Output	Three-year athlete graduation rate	NEW	NEW	NEW	55%	55%

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired 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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Outcome	Number of school districts that have established a memorandum of understanding requesting mentorship support services for visually impaired professionals entering the field	36	18	40	40	40
* Output	Number of New Mexico teachers who complete a personnel preparation program to become a teacher of the visually impaired	NEW	NEW	10	11	11
Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	NEW	NEW	NEW	95%	95%
Outcome	Rate of graduate transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment	NEW	NEW	NEW	100%	100%

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf 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>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
*	Outcome	Rate of transition to post-secondary education, vocational-technical training school, junior colleges, work training or employment for graduates based on a three-year rolling average	100%	93.1%	100.0%	100.0%
	Outcome	Percent of local education agency staff satisfied with educational services from the center for educational consultation and training	NEW	NEW	NEW	90%
	Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	95%	95%
	Outcome	Percent of students kindergarten through grade twelve with individualized education plan goals in reading or math demonstrating progress as documented by quarterly individualized education plan progress reports	NEW	NEW	NEW	90%
*	Outcome	Percent of first-year signers who demonstrate improvement in American sign language based on fall or spring assessments	NEW	NEW	NEW	100%
	Outcome	Percent of parents indicating that programs from the center for educational consultation and training have increased their ability to understand their child's language and communication access needs	NEW	NEW	NEW	85%
	Outcome	Percent of Individuals with Disabilities Education Act part c early intervention performance indicators that are met	NEW	NEW	NEW	95%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY18
(dollars in thousands)

School Year 2016-2017 Preliminary Unit Value = \$4,040.24					
	FY16 OpBud	FY17 OpBud	PED Request	FY18 Staff Recommendation	
School Year 2016-2017 Estimated Final Unit Value = \$3,979.63					
1	PROGRAM COST	\$2,544,811.0	\$2,569,331.1	\$2,550,192.4	\$2,550,192.4
2	<u>UNIT CHANGES</u>				
3	Enrollment Growth Units	\$5,171.7	\$2,756.2		
4	Eliminate Enrollment Growth Units for New Programs	(\$2,924.2)			
5	Other Projected Net Unit Changes		\$1,960.3		(\$3,183.7)
6	At-Risk Unit Increase: FY16 Laws 2014, Chapter 55	\$12,561.0			
7	<u>UNIT VALUE CHANGES</u>				
8	Insurance	\$4,351.0	\$3,500.0		
9	Fixed Costs	\$5,000.0	\$5,000.0		
10	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	(\$309.4)			
11	Increase Level Two and Level Three Minimum Salaries (\$2 thousand)		\$5,444.8		
12	Increase Level One Minimum Teacher Salaries (FY16 \$34 thousand; PED FY17 \$36 thousand; LFC FY17 \$35 thousand)	\$6,670.0			
13	PARCC Standards-Based Assessments (English Language Arts and Math)	(\$6,000.0)			
14	Early Literacy Initiatives				\$10,000.0 ⁵
15	Laws 2016, Chapter 11, Section 10 Reduction	(\$15,805.3) ¹			
16	Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)		(\$37,800.0)		
17	SUBTOTAL PROGRAM COST	\$2,553,525.8	\$2,550,192.4	\$2,550,192.4	\$2,557,008.7
18	Dollar Increase/Decrease Over Prior Year Appropriation		(\$3,333.4)	\$0.0	\$6,816.3
19	Percentage Increase		-0.1%	0.0%	0.3%
20	LESS PROJECTED CREDITS (FY15 Actuals \$72.2 million)	(\$56,000.0)	(\$64,000.0)	(\$58,000.0)	(\$64,624.0) ¹⁰
21	LESS OTHER STATE FUNDS (From Driver's License Fees)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)
22	STATE EQUALIZATION GUARANTEE	\$2,492,525.8	\$2,481,192.4	\$2,487,192.4	\$2,487,384.7
23	Dollar Increase/Decrease Over Prior Year Appropriation		(\$11,333.4)	\$6,000.0	\$6,192.3
24	Percentage Increase		-0.5%	0.2%	0.2%
25	CATEGORICAL PUBLIC SCHOOL SUPPORT				
26	TRANSPORTATION - School District (PED Request Includes District and Charter)				
27	Maintenance and Operations	\$77,113.5	\$76,726.1 ¹	\$66,753.0	\$64,381.4 ⁶
28	Fuel	\$11,786.2	\$11,092.9	\$9,531.1	\$11,092.9
29	Rental Fees (Contractor-Owned Buses)	\$8,865.8	\$8,771.4	\$1,481.4 ^{6,8}	\$8,771.4
30	TRANSPORTATION - State-Chartered Charter School (with language)		\$965.1 ¹		\$809.8 ⁶
31	Rental Fees (Contractor-Owned Buses)		\$210.0		\$210.0
32	Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)		(\$12,500.0) ²		
33	SUBTOTAL TRANSPORTATION	\$97,765.5	\$85,265.5	\$77,765.5	\$85,265.5
34	SUPPLEMENTAL DISTRIBUTIONS				
35	Out-of-State Tuition	\$300.0	\$300.0	\$300.0	\$300.0
36	Emergency Supplemental	\$2,000.0 ⁴	\$1,500.0 ³	\$2,000.0	\$1,000.0
37	INSTRUCTIONAL MATERIAL FUND	\$21,900.0	\$3,150.0 ^{2,4}	\$3,150.0 ^{6,7}	\$1,000.0 ⁶
38	Dual Credit Instructional Materials	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0
39	PARCC Standards-Based Assessments (English Language Arts and Math)	\$6,000.0	\$6,000.0	\$6,000.0	\$6,000.0
40	INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6	\$1,824.6 ¹¹
41	TOTAL CATEGORICAL	\$130,790.1	\$99,040.1	\$92,040.1	\$95,390.1
42	TOTAL PUBLIC SCHOOL SUPPORT	\$2,623,315.9	\$2,580,232.5	\$2,579,232.5	\$2,582,774.8
43	Dollar Increase/Decrease Over Prior Year Appropriation		(\$43,083.4)	(\$1,000.0)	\$2,542.3
44	Percentage Increase		-1.6%	0.0%	0.1%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY18
(dollars in thousands)

School Year 2016-2017 Preliminary Unit Value = \$4,040.24		FY16 OpBud	FY17 OpBud	PED Request	FY18 Staff Recommendation
School Year 2016-2017 Estimated Final Unit Value = \$3,979.63					
RELATED REQUESTS: RECURRING					
45	Regional Education Cooperatives Operations	\$935.6	\$935.6	\$935.6	\$900.0
46	K-3 Plus Fund	\$23,700.0	\$23,700.0	\$23,700.0	\$23,700.0
47	Public Pre-Kindergarten Fund	\$21,000.0 ⁷	\$21,000.0 ⁸	\$21,000.0 ⁸	\$21,000.0 ⁸
48	Early Reading Initiative	\$15,000.0	\$15,000.0	\$15,000.0	\$6,000.0 ⁵
49	Breakfast for Elementary Students	\$1,924.6	\$1,924.6	\$1,924.6	\$1,824.6
50	After School and Summer Enrichment Programs	\$350.0	\$350.0	\$350.0	\$325.0
51	Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment, and Retention	\$6,645.0 ¹	\$6,000.0	\$5,250.0	
52	Teaching Support in Schools with a High Proportion of Low-Income Students	\$500.0	\$500.0	\$500.0	\$100.0
53	NMTEACH Evaluation System	\$5,000.0	\$4,600.0	\$4,000.0	\$2,425.0 ⁹
54	STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$2,400.0	\$2,400.0	\$1,900.0	\$1,900.0
55	Next Generation School Teacher and School Leader Preparation Programs	\$4,145.5	\$4,145.5	\$3,196.5	\$3,100.0
56	New Mexico Cyber Academy (IDEAL-NM)	\$250.0	\$250.0	\$250.0	
57	College Preparation, Career Readiness, and Dropout Prevention	\$2,901.0	\$2,901.0	\$2,450.0	\$1,900.0
58	Advanced Placement	\$875.0	\$875.0	\$875.0	\$825.0
59	Interventions and Support for Students, Struggling Schools, and Parents	\$10,500.0	\$10,500.0	\$10,000.0	\$9,000.0
60	Parent Portal	\$1,196.7	\$1,100.0	\$600.0	
61	New Mexico Grown Fruits and Vegetables	\$364.3	\$250.0		
62	Black Student Union	\$30.0			
63	GRADS – Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0	\$200.0
64	Teacher Mentorship - Teachers Pursuing Excellence	\$1,000.0	\$1,000.0	\$1,000.0	\$900.0
65	Stipends for Teachers in Hard to Staff Areas (Sp. Ed., Bilingual, STEM, etc.)	\$1,500.0	\$1,500.0	\$1,500.0	
66	Teacher Supplies			\$2,000.0	
67	Laws 2016 (2nd S.S.), Chapter 6 (SB9) Reductions		(\$22,000.0)		
68	TOTAL RELATED APPROPRIATIONS: RECURRING	\$100,417.7	\$99,131.7	\$96,631.7	\$74,099.6
69	Dollar Increase/Decrease Over Prior Year Appropriation		(\$1,286.0)	(\$2,500.0)	(\$25,032.1)
70	Percentage Increase		-1.3%	-2.5%	-25.3%
71	SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,723,733.6	\$2,679,364.2	\$2,675,864.2	\$2,656,874.4
72	Dollar Increase/Decrease Over Prior Year Appropriation		(\$44,369.4)	(\$3,500.0)	(\$22,489.8)
73	Percentage Increase		-1.6%	-0.1%	-0.8%
74	PUBLIC EDUCATION DEPARTMENT	\$11,879.7 ¹	\$11,065.3	\$11,065.3	\$11,065.3
75	Dollar Increase/Decrease Over Prior Year Appropriation		(\$814.4)	\$0.0	\$0.0
76	Percentage Increase		-6.9%	0.0%	0.0%
77	GRAND TOTAL	\$2,735,613.3	\$2,690,429.5	\$2,686,929.5	\$2,667,939.7
78	Dollar Increase/Decrease Over Prior Year Appropriation		(\$45,183.8)	(\$3,500.0)	(\$22,489.8)
79	Percentage Increase		-1.7%	-0.1%	-0.8%

¹The GAA of 2016 included language directing PED to calculate two transportation distributions (with one separate distribution for charter schools), which was vetoed by the governor.

²Laws 2016 (2nd S.S.), Chapter 6 (SB9) reductions totaled \$30 million.

³Any remaining balances of the \$2 million appropriated in Section 4 and the \$2 million appropriated in Section 5 of the GAA of 2015 were reauthorized for use in FY17.

⁴Laws 2016 (2nd S.S.), Chapter 2 (SB4) appropriations included a \$12.5 million nonrecurring appropriation to the Instructional Material Fund from the Public School Capital Outlay Fund for use in FY17.

⁵The FY18 staff recommendation shifts \$10 million of Early Reading Initiative funding to "above-the-line" funding formula.

⁶Laws 2016 (2nd S.S.), Chapter 2 (SB4) authorized up to \$25 million for appropriation to the Instructional Material Fund and Transportation Distribution from the Public School Capital Outlay Fund from FY18 to FY22. The FY18 staff recommendation includes the \$25 million.

⁷The PED request includes \$7.5 million for contractor rental fees in the transportation distribution and \$17.5 million for instructional materials from the Public School Capital Outlay Fund. The FY18 staff recommendation includes \$12.5 million each for instructional materials and the transportation distribution.

⁸The GAA of 2015 and 2016 included \$3.5 million in TANF funds for prekindergarten. The FY18 staff recommendation continues this transfer.

⁹The FY18 staff recommendation includes use of \$500 thousand in other state funds from balances realized from educator licensure fees.

¹⁰The FY18 staff recommendation includes \$624 thousand in federal Impact Aid credit assumed for charter schools.

¹¹The FY18 staff recommendation includes \$675.4 thousand of other state funds from the Indian Education Fund balance.

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.

AT A GLANCE:

The committee recommendation for public education funding totals \$2.657 billion, an overall decrease in general fund spending of \$22.5 million, or 0.8 percent. The recommendation gives attention to school operational needs in light of declining revenues and budget reductions and prioritizes discretionary funding to initiatives that have demonstrated improvements in early learning and student outcomes. The program cost recommendation includes a \$3.2 million reduction to account for net unit changes but adds \$10 million for early literacy, resulting in a \$6.8 million – or 0.3 percent – increase. The recommendation increases the state equalization guarantee appropriation by \$6.2 million, or 0.2 percent, while decreasing initiative funding by \$25 million, or 25.3 percent. General fund transportation funding is flat with the FY17 operating budget but includes an additional \$12.5 million in supplemental severance tax bond proceeds from the Public School Capital Outlay Fund (PSCOF), returning the FY18 appropriation to FY16 funding levels. The committee recommends making separate transportation distributions for school districts and state-chartered charter schools. The recommendation uses \$12.5 million in supplemental severance tax bond proceeds from the PSCOF for instructional materials. Altogether, the committee recommends \$2.583 billion in total public school support “above the line” appropriations, a \$2.5 million, or 0.1 percent, increase from FY17. The recommendation maintains flat funding for the prekindergarten and K-3 Plus extended school year program but reduces total funding to other initiatives, or “below the line” appropriations, by \$25 million.

BUDGET ISSUES:

Action during the special legislative session reduced FY17 public school support funding by \$67.8 million, or 2.5 percent, and provided schools with budgetary flexibility to use prior-year restricted balances based on local priorities. The Legislature decreased support for the state equalization guarantee by \$37.8 million, categorical public school support by \$30 million, and related recurring initiative appropriations by \$22 million; however, the governor vetoed the \$22 million reduction to initiative funding. According to the governor’s veto message, the Public Education Department (PED) was directed to reduce “below-the-line” spending by \$4.5 million, consistent with reductions to other agencies across state government. The FY18 LFC recommendation revisits reductions to initiative funding, given historical challenges in expending these appropriations and limited accountability for performance or outcomes.

PED’s FY18 request for public schools totaled \$2.675 billion, a \$3.5 million, or 0.1 percent decrease from FY17 appropriations. PED’s request included an increase of \$6 million, or 0.2 percent, for the state equalization guarantee distribution, and grew the share for formula funding from 92.6 percent to 92.9 percent. The department’s general fund request for categorical programs decreased \$7 million, or 7.1 percent, shrinking the share of categorical spending from 3.7 percent to 3.4 percent. However, the department’s request includes \$25 million from PSCOF, effectively increasing categorical spending by \$5.5 million, or 4.9 percent, over FY17 adjusted levels. The request for initiatives decreased \$2.5 million, or 2.5 percent, essentially leaving the share for below-the-line spending the same.

The LFC recommendation for public schools totals \$2.657 billion, a \$22.5 million, or 0.8 percent, decrease from FY17 general fund appropriations. The committee recommends an increase of \$6.2 million, or 0.2 percent, for the state equalization guarantee distribution, and grows the share for formula funding from 92.6 percent to 93.6 percent. The committee recommends a \$3.7 million, or 3.7 percent, general fund decrease for categorical programs, keeping the share of categorical spending relatively flat. The committee recommendation also includes \$25 million from PSCOF, which effectively increases categorical spending by \$8.9 million, or 7.9 percent, over FY17 adjusted levels. The LFC recommendation for initiatives decreases below-the-line spending by \$25 million, or 25.3 percent, shrinking the share of initiative spending from 3.7 percent to 2.8 percent.

Program Cost and State Equalization Guarantee Distribution. PED uses the state equalization guarantee (SEG), also known as the “funding formula,” to distribute money to public schools. About 90 percent of school district and charter school 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 regardless of 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 to generate 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 school district’s or charter school’s distribution, 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 school district. School districts and charter schools may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

PED's request was flat with the adjusted FY17 funding level. PED's FY18 request reflected a funding level for program cost consistent with actions taken by the Legislature in the 2016 special legislative session. The department's request assumed \$58 million in local and federal revenue credits, including \$43 million from federal impact aid, \$12 million from the local 0.5 mill levy, and \$3 million from federal forest reserve funds. Credits assumed by PED's request have been conservative for the past few years. In FY16, \$100.5 million in local and federal revenues were received at the school district level, resulting in \$75.4 million in credits, \$19.4 million more than assumed in the FY16 budget. An additional credit of \$5 million from drivers' license fees was also assumed. PED receives \$3 from each driver's license issued to distribute to public schools through the SEG to provide defensive driving instruction to students. PED indicated \$5 million from drivers' license fees will not be used in FY17. Adjusted for credits, PED's SEG general fund request was \$2.487 billion, an increase of \$6 million, or 0.2 percent from the FY17 appropriation.

The recommendation for program cost totals \$2.557 billion, an increase of \$6.8 million, or 0.3 percent from the adjusted FY17 funding level. The LFC recommendation for program cost includes a reduction of \$3.2 million for projected program unit decreases in FY17 and a \$10 million increase for early literacy initiatives. The LFC recommendation assumes \$64.6 million in local and federal revenue credits and \$5 million in recurring revenue received from driver's license fees. The recommendation for federal credits should be reconsidered during the 2017 legislative session when more current information is available. Adjusted for credits, the committee's SEG general fund recommendation is \$2.487 billion, an increase of \$6.2 million, or 0.2 percent, over the FY17 appropriation.

Unit Changes. Formula funding is statutorily based on the average of enrollment reported on the second and third reporting dates (December and February) for the previous year except for schools – primarily charter schools – implementing new programs. Furthermore, school districts and charter schools growing more than 1 percent are entitled to additional program units to mitigate large annual increases in enrollment not captured under a prior-year funding model. Typically, during budget development, units are assumed to remain flat year-over-year regardless of projected changes. This results in a dilution of the unit value if the number of units increases or an inflation of the unit value if the number of units decreases. Prior to the 2015 legislative session, other net unit changes, such as new charter school units or a change in size units, were not historically considered during budget development.

For FY18, the committee recommendation considers projected program unit changes and includes a \$3.2 million reduction to account for a projected decline of 800 units. (See "Public Education Funding Formula: Student Membership and Program Unit History and FY18 Budget Assumptions," Volume III), primarily because of projected decreases in the units for teacher qualifications, known as the training and experience (T&E) index. Between FY07 and FY17, the T&E index decreased from 1.109 to 1.080, resulting in a decline of about 10 thousand units. Because the T&E index is multiplied against the majority of program units, such changes can significantly impact the total units generated.

PED's request did not consider projected FY18 program unit changes. However, since FY03, almost \$122 million has been included in the formula for projected program unit changes. Much of the limited annual increase in enrollment growth units has been the result of charter schools phasing in grades over time. Enrollment for these grades is generally based on current year enrollment, rather than prior-year enrollment; however, charter schools also have been historically able to count these students toward enrollment growth units, resulting in additional funding for charter schools.

Insurance. The New Mexico Public School Insurance Authority (NMPSIA) provides self-insured group insurance coverage for 88 school districts and all charter schools, including those in Albuquerque; Albuquerque Public Schools (APS) also self-insured and administered separately. NMPSIA's request for the employer share of insurance premiums increases totaled almost \$19 million for FY18 – \$16.6 million for healthcare benefits and \$2.3 million for the risk program (for a more detailed analysis of the NMPSIA request, see the discussion for agency 342). APS is not requesting additional funds in FY18 due to significant accumulation of fund balance. PED's request did not consider additional funds for insurance costs in FY18. The LFC recommendation assumes both APS and NMPSIA will budget fund balance if available to offset any premium increases for schools and employees.

Federal Special Education Maintenance of Effort. Federal law requires the state to make at least as much available for special education students as was made available the previous year or risk future reductions to federal special education funding if the state does not qualify for a waiver. Since the U.S. Department of Education alleged New Mexico fell short of satisfying maintenance of effort (MOE) requirements starting in FY10, deliberations on waiving or settling on MOE shortfalls have been ongoing. However, to date, an agreement has not been formally reached and it is unclear if the provisions of a negotiated settlement framework proposed by PED in early 2016 exist.

Categorical Public School Support. PED requested \$92 million in general fund revenues for categorical expenditures – including funding for transportation, instructional materials, supplemental distributions, Indian education, and the Partnership for Assessment of Readiness for College and Careers test – a decrease of \$7 million, or 7.1 percent, from FY17 general fund appropriations. LFC recommends \$95.4 million, a decrease of \$3.7 million, or 3.7 percent. Action during the special session authorized the Legislature to appropriate \$12.5 million in supplemental severance tax bond proceeds from the public school capital outlay fund (PSCOF) to the instructional material fund for FY17 and appropriate up to \$25 million for the instructional material fund or transportation distribution of the public school fund each fiscal year from FY18 to FY22. The PED request included and LFC recommendation includes the \$25 million transfer from PSCOF. This supplemental severance tax bond “swap” effectively increases overall funding to categorical expenditures from FY17 levels by \$5.5 million, or 4.9 percent, based on PED’s request and \$8.9 million, or 7.9 percent, based on the committee recommendation.

Transportation. 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 three- and four-year-old special education students enrolled in public school programs. PED requested \$77.8 million in general fund appropriations, a decrease of \$7.5 million, or 8.8 percent, to cover bus maintenance and operations, fuel, and rental fees for contractor-owned buses. The department’s request did not include a capital outlay or special appropriation request of \$17.3 million to replace 204 school buses. The PED request included \$7.5 million from PSCOF for bus rental fees, bringing overall funding levels flat with FY17. LFC recommends \$85.3 million, flat with FY17 general fund levels, and makes two separate allocations – one for school districts and one for state-chartered charter schools. The LFC recommendation includes \$12.5 million from PSCOF for transportation, returning overall funding to FY16 funding levels. Previously, the Legislative Education Study Committee (LESC) noted state-chartered charter schools often receive transportation allocations much larger than needed, resulting in large cash balances, and a joint LFC and LESC workgroup recommended making two separate allocations. The committee recommends any cash balance remaining in a state-chartered charter school’s annual allocation be deposited in the transportation emergency fund. Additionally, the Legislature should review the transportation funding formula during the 2017 interim and make recommendations to address existing inequities.

Instructional Materials. The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas and is set by PED. Social studies and New Mexico Native American art and culture materials for kindergarten through 12th grade are scheduled for replacement in FY18. Costs of each annual adoption cycle vary widely depending on the subjects being adopted and the number of grades included, resulting in significantly different pressures on the general fund from year to year. Costs for this replacement cycle may be lower compared with other cycles due to less expensive instructional materials and fewer offerings of social studies and Native American art and culture classes. 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 appropriation funds materials for state-supported schools and adult basic education centers. The New Mexico Supreme Court recently prohibited instructional materials appropriations from being used to support private school students. Previous LFC evaluations of instructional materials noted large cash balances maintained by school districts and charter schools, growing 22.8 percent from FY13 to FY14, from \$8 million to \$9.8 million. The PED request included \$3.2 million from the general fund for instructional materials, supplemented with \$17.5 million from PSCOF. The committee recommends \$12.5 million from PSCOF for instructional materials and assumes school districts and charter schools will use cash reserves to make up any FY18 shortfall.

Indian Education. PED requested a total of \$2.5 million for Indian education in FY18. Balances in the fund have been used annually for several years for a number of recurring initiatives; however, limited outcome data is provided to assess effectiveness of allocations. The PED request included and LFC recommendation includes a general fund appropriation of \$1.8 million and \$675.4 thousand in Indian education fund balance.

Emergency Supplemental. PED requested \$2 million for FY18 categorical emergency supplemental funding and \$4 million in a special appropriation for FY17 and FY18. In FY16 and FY17, 15 school districts and state-chartered charter schools received emergency supplemental appropriations to meet operational needs. In recent years, emergency supplemental funding has been recurring for some small or micro school districts. Recurring emergency supplemental appropriations have also been supplemented with nonrecurring special and supplemental appropriations. In FY17, \$1.2 million in special emergency supplemental appropriations were carried over from FY16. PED should work with school districts with recurring emergency supplemental appropriations to address recurring shortfalls and consider organizational realignment to achieve administrative efficiencies. The committee recommends \$1 million for FY18 categorical emergency supplemental funding.

Related Recurring Appropriations. Earmarked related recurring “below-the-line” appropriations, appropriated to PED and not through the funding formula, may 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, these initiatives may also more effectively target school appropriations to improve performance, accountability, and transparency. Concerns still exist about the department’s ability to effectively administer the 20 earmarked appropriations totaling more than \$117 million in FY17. Timeliness of allocations remains a concern, though PED has worked diligently over the past few years to notify school districts and charter schools of grant programs and make awards much earlier in the year. However, \$18.1 million of unspent FY16 below-the-line general fund appropriations was carried forward into FY17. PED continues to provide limited data to legislative agencies to evaluate the effectiveness of many appropriations.

PED’s request for initiatives totaled \$96.6 million, a decrease of \$2.5 million, or 2.5 percent, from FY17 appropriations. The LFC general fund recommendation for initiatives totals \$74.1 million, a decrease of \$25 million, or 25.3 percent. This decrease is mitigated by a \$4.5 million spending reduction directed by the governor and use of the educator licensure fund to supplant the general fund request for teacher evaluations. The LFC recommendation prioritizes early childhood education programs, programs improving educator quality, school improvement efforts, and services directly supporting students. The recommendation transfers \$10 million of PED’s early literacy initiative funding to the SEG. With the exception of early childhood programs, the recommendation decreases general fund appropriations to most initiatives with large unspent balances and limited evidence of improving or directly affecting student outcomes.

Early Childhood Education. The committee continues to support early childhood care and education by maintaining funding levels for initiatives that improve literacy and numeracy skills of young students. The return on investment for money spent on early childhood programs can be sizeable if programs are high-quality and targeted.

Prekindergarten. Four-year-olds enrolled in prekindergarten demonstrate improved kindergarten readiness and the program is producing meaningful impacts on early language, literacy, and math development. The committee recommendation for prekindergarten totals \$21 million from the general fund, flat with FY17 levels, and includes a recurring transfer of \$3.5 million in Temporary Assistance for Needy Families (TANF) funding. The recommendation also continues the extended full-day prekindergarten pilot as interest in extended-day prekindergarten continues to grow. For FY17, 1,346 students were funded to participate in extended-day prekindergarten, an increase of 291 students over FY16. School districts continue to indicate they have the capacity to serve more students and that increased student interest exists, though some districts might be limited by available classroom space in the near future.

K-3 Plus. K-3 Plus adds 25 instructional days before the beginning of the school year for economically disadvantaged and low-performing students and demonstrates success in improving math and reading skills, closing the achievement gap. Since making the program permanent in 2012, the Legislature has increased funding by \$18.4 million, or almost 350 percent. More than 21 thousand students participated in the summer 2015 K-3 Plus program. While the state has made great progress expanding access to the program, there is still a large unmet need and implementation could improve. Interest in the program continues to grow and recruitment of students and educators willing to devote summer weeks to schools continues to rise. An increasing number of school districts have K-3 Plus in each of their qualifying elementary schools while a number of school districts offer K-3 Plus at every qualifying grade in every qualifying school. The LFC recommendation allows PED to pilot an extension of funding to fourth- and fifth-grade students in those qualifying schools or school districts that choose to implement a mandatory 205-day school year for all students.

Early Literacy. LFC recommends moving \$10 million of PED’s early literacy initiative, New Mexico Reads to Lead, to the funding formula, given the initiative’s historical funding methodology, lack of results, and program demand. In two of three years, PED has made a set distribution, based on student membership, to every school district and charter school that submitted an early literacy plan, regardless of the at-risk and proficiency status of each recipient’s students. Data from FY13 showed positive gains for most participating schools; however, gains achieved by those students only minimally exceeded gains achieved statewide. No performance data has been provided by PED for subsequent years, restricting evaluation of the program’s effectiveness. However, demand remains for reading support services, and some districts are continuing programmatic efforts despite not qualifying for Reads to Lead funds.

Educator Quality. School teachers and leaders can significantly impact student learning. Collaborative partnerships between PED, higher education institutions, schools districts, and other organizations have resulted in innovative principal preparation programs and leveraged some best practices for turning around chronically failing schools. PED reports New Mexico's own school turnaround program, Principals Pursuing Excellence (PPE), has shown some success with over 60 percent of participating cohorts improving school grades by one or more letter grades within one or two years. Additionally, PED reports FY16 math proficiency increased 4.2 percentage points and reading proficiency increased 4.9 percentage points for PPE schools, compared with the state average math proficiency score increase of 2.5 percentage points and reading proficiency score increase of 1.3 percentage points. LFC and LESC staffs note further data is necessary to validate these claims. Significant appropriations were made in FY16 to improve educator quality. However, \$5.9 million for teacher and school leader training, preparation, recruitment, and retention initiatives, \$3 million for school turnaround programs, and \$4.7 million for school turnaround and intervention programs were not spent in FY16 and carried forward into FY17. The committee recommendation decreases allocations to these initiatives, given historical spending levels and new federal guidance on Title II fund uses for similar purposes. The U.S. Department of Education released guidance in FY17 on \$2 billion in Title II funds for teacher support, preparation, and training. The guidance encourages states and districts to use Title II funds to give bonuses and pay incentives for recruiting teachers to high-needs schools, reduce class sizes, create training and preparation programs for teachers and principals, and develop teacher evaluation systems. States can now reserve up to 2 percent of their total Title II funds at the state level to help prepare teachers and principals, and they can also reserve up to 3 percent of school districts' allocations for principal support. The federal Every Student Succeeds Act provides new flexibility with Title II funds to attract, prepare, support, and retain effective teachers and administrators serving high-poverty, minority students. States may also use Title II funding to develop, implement, and enhance their evaluation systems. In FY15, New Mexico local education agencies received \$17 million in Title II funds.

School Improvement and Student Support. The committee recommendation is an overall general fund decrease from FY17 levels but prioritizes allocations to programs demonstrating progress in student outcomes and spending funds timely, including the regional education cooperatives; breakfast for elementary students; after-school and summer enrichment programs; teaching support in schools with a high proportion of low-income students; the science, technology, engineering, and mathematics (STEM) initiative; teacher and school leader preparation programs; college preparation, career readiness, and dropout prevention; advanced placement; interventions and supports for students, struggling schools, and parents; teen pregnancy prevention; and teacher mentorship. These appropriations fund after-school and summer programs, early college high school and workforce readiness program initiatives, career technical student organizations, college advisors, advanced placement, the early warning system, professional development for educators, truancy and dropout prevention, instructional audits, participation in the University of Virginia School Turnaround Specialist Program, high school counselors, and middle school social workers. The funding will allow the department to continue these efforts across the state.

RECOMMENDED LANGUAGE:

State Equalization Guarantee Distribution. 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 2017-2018 school year and then, on verification of the number of units statewide for fiscal year 2018, but no later than January 31, 2018, the secretary of public education may adjust the program unit value.

The budget of a first-year charter school shall use current year membership in the calculation of program units.

The general fund appropriation to the state equalization guarantee distribution includes funding to implement targeted early literacy interventions and remediation, including reading coaches, reading specialists and teacher professional development to support kindergarten through third-grade students who are not proficient in reading. Each school district and charter school shall submit to the public education department a plan within their budget on how incremental early literacy funding will be implemented to provide targeted early literacy interventions and remediation for kindergarten through third grade students who are not proficient in reading.

For fiscal year 2018, if the program cost made available is insufficient to meet the level of state support required by the special education maintenance of effort requirements of Part B of the federal Individuals with Disabilities Education Act, the public education department shall reduce the state equalization guarantee distribution in an amount that equals the projected shortfall and distribute that amount to school districts and charter schools in the same manner and on the same basis as the state equalization guarantee distribution to meet the level of support required by Part B of the federal Individuals with Disabilities Education Act for fiscal year 2018 and shall reset the final unit value to account for the reduction.

A school district or charter school that allows early dismissal during the school week shall not add incremental time to each school day to make up those lost hours but shall add those hours to the end of the school year in the form of additional school days.

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.

Funds appropriated from the general fund to the state equalization guarantee distribution or any cash balances derived from appropriations from the general fund to the state equalization guarantee distribution in any year shall not be used to fund any litigation against the state unless or until a court issues a final decision in favor of a plaintiff school district or charter school and all legal remedies have been exhausted.

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 federal Mineral Leasing Act receipts otherwise unappropriated.

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 to school districts and charter schools commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL874 funds."

The other state funds appropriation is from the balances received by the public education department pursuant to Section 66-5-44 NMSA 1978.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2018 from appropriations made from the general fund shall revert to the general fund.

School District Transportation Distribution. The appropriation to the school district transportation distribution shall only be allocated to school districts. The public education department shall calculate an adjustment factor for school districts and shall calculate the distribution for school districts from the school district transportation distribution using the school district adjustment factor pursuant to the provisions of Sections 22-8-29.1 and 22-8-29.4 NMSA 1978. Rental fees for contractor-owned buses providing transportation services to a school district shall be paid out of the school district transportation distribution.

The other state funds appropriation is from the public school capital outlay fund.

State-Chartered Charter School Transportation Distribution. The appropriation to the state-chartered charter school transportation distribution shall only be allocated to state-chartered charter schools. The public education department shall calculate an adjustment factor for state-chartered charter schools and shall calculate the distribution for state-chartered charter schools from the state-chartered charter school transportation distribution using the state-chartered charter school adjustment factor pursuant to the provisions of Sections 22-8-29.1 and 22-8-29.4 NMSA 1978. Rental fees for contractor-owned buses providing transportation services to a state-chartered charter school shall be paid out of the state-chartered charter school transportation distribution.

Notwithstanding the provisions of Section 22-8-26 NMSA 1978, a state-chartered charter school that receives a transportation allocation that exceeds the amount required to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation and vocational education transportation during fiscal year 2018 shall deposit one hundred percent of the remaining balance in the transportation emergency fund at the end of fiscal year 2018.

The other state funds appropriation is from the public school capital outlay fund.

Categorical Distributions. The secretary of public education shall not distribute any emergency supplemental funds to a school district or charter school that is not in compliance with the Audit Act or that has 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 2018 from appropriations made from the general fund shall revert to the general fund.

The appropriation to the instructional material fund is made from federal Mineral Leasing Act receipts.

The other state funds appropriation to the instructional material fund is made from the public school capital outlay fund.

The public education department shall not calculate, allocate or withhold any entitlement or distribution for private school students or private schools from the instructional material fund consistent with the decision in *Moses v. Skandera*, 2015-NMSC-036.

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.

Any unexpended balances in the dual-credit instructional materials distribution remaining at the end of fiscal year 2018 from appropriations made from the general fund shall revert to the general fund.

The general fund appropriation to the Indian education fund of the public education department includes four hundred thousand dollars (\$400,000) for a national nonprofit organization that recruits recent college graduates and professionals who have demonstrated a record of achievement to teach in low-income urban and rural public schools to provide teaching support in schools with a high proportion of Native American students.

The other state funds appropriation is from the Indian education fund.

Public Education Department Special Appropriations. The internal service funds/interagency transfers appropriation to the public prekindergarten fund of the public education department is from the federal temporary assistance for needy families block grant.

Notwithstanding the provisions of Article 23 of Chapter 32A NMSA 1978 or other substantive law, the appropriations to the public prekindergarten fund of the public education department include sufficient funding to continue the established extended-day pre-kindergarten pilot program during the 2017-2018 school year.

In setting the reimbursement amount for the summer 2017 k-3 plus program, the secretary of public education shall use the final unit value set for the 2016-2017 school year as the basis for funding June, July and August 2017 k-3 plus programs.

The general fund appropriation to the k-3 plus fund of the public education department includes sufficient funds to pilot k-3 plus in fourth and fifth grades pursuant to Section 22-13-28.2 NMSA 1978.

The general fund appropriation to the public education department for teaching support for low-income students is for a nonprofit organization that recruits college graduates and professionals who have demonstrated a record of achievement to teach in low-income urban and rural public schools to provide 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 enrolled students eligible for free or reduced-fee lunch.

The general fund appropriation to the public education department for teacher and school leader preparation includes five hundred thousand dollars (\$500,000) to be allocated to the university of New Mexico and New Mexico state university for a collaborative school principal turnaround leadership program.

Except for money in the appropriations for college preparation, career readiness and dropout prevention; interventions and supports for students, struggling schools and parents; and stipends for teachers in hard-to-staff areas that is for use by the public education department to provide services or support, the appropriations are contingent on being distributed by the department to school districts and charter schools based on proposals submitted by school districts and charter schools and approved by the department.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2018 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>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Request</u>	<u>FY18</u> <u>Recomm</u>	
*	Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	23.7%	25%	45%	30%	30%
*	Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	18.5%	23.1%	45%	30%	30%
*	Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	22.8%	25.7%	51%	30%	30%
*	Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	9.1%	19.2%	43%	30%	30%
	Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading	24.9%	24.1%	54%	30%	30%
	Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics	25.2%	29.9%	54%	30%	30%
	Outcome	Truancy rate among students in elementary, middle and high school	NEW	NEW	NEW	<10%	<10%
	Quality	Current five-year cohort graduation rate using shared accountability	71.4%	71%	80%	80%	80%
*	Quality	Current four-year cohort graduation rate using shared accountability	NR	69.3%	75%	75%	75%
	Outcome	Percent of dollars budgeted by districts with fewer than seven hundred fifty members for instructional support, budget categories one thousand, two thousand one hundred and two thousand two hundred.	74%	74%	75%	75%	75%
	Outcome	Percent of dollars budgeted by districts with seven hundred fifty members or greater for instructional support, budget categories one thousand, two thousand one hundred and two thousand two hundred.	74%	74%	75%	75%	75%
	Outcome	Percent of dollars budgeted by charter schools for instructional support, budget categories one thousand, two thousand one hundred and two thousand two hundred.	67%	67%	68%	67%	67%
	Outcome	Percent of public schools rated A and B	35.8%	38%	>42%	40%	>42%
	Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	11.8%	13.9%	30%	20%	20%
	Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	16.2%	19.1%	50%	20%	20%
	Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	17.5%	19%	41%	20%	20%
	Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	13.6%	17.4%	35%	20%	20%
*	Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	43.3%	NR	<35%	NR	<35%

PERFORMANCE MEASURES

		<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Budget</u>	<u>FY18 Request</u>	<u>FY18 Recomm</u>
Explanatory	Number of students in dual-credit programs within New Mexico public high schools and postsecondary institutions	17,331	NR			
Explanatory	Number of dual-credit courses students enroll in within New Mexico public high schools and postsecondary institutions	38,462	NR			
Outcome	Change in percent of students on early reading benchmark at the beginning of year to end of year in kindergarten through third grade	12%	12%	20%	58%	58%
Outcome	Percent of minority economically disadvantaged students taught by teachers with a rating of effective or higher	NEW	NEW	NEW	TBD	50%
Outcome	Percent of schools increasing their letter rating by one or more letter grade	29%	33.2%	>30%	>30%	>30%
Outcome	Percent of schools decreasing their letter rating by one or more letter grade	44%	31%	5%	5%	5%
Outcome	Percent of third-grade native American students who achieve proficiency or above on standards based assessment in reading	NEW	NEW	NEW	TBD	45%
Outcome	Current four-year cohort graduation rate for native American students using shared accountability	NEW	NEW	NEW	TBD	75%
Outcome	Percent of teachers rated effective or above	NEW	NEW	NEW	TBD	50%
Explanatory	Number of teachers rehired with an evaluation rating of effective or higher	NEW	NEW			
Explanatory	First time passing rate on the national evaluation series teacher competency exam	NEW	NEW			

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, 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 NMFA are governed by an 11-member board, nine of whom are appointed by the governor. NMFA administers 12 programs managed through rules, policies, and public and private partnerships. NMFA 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 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. NMFA meets its statutory mandate for financing state and local projects, including meeting its obligation to both the executive and legislative bodies.

TOTAL ASSETS:

NMFA oversees approximately \$2 billion in total gross assets consisting of invested cash and loans receivable. Assets include NMFA assets (approximately \$1.8 billion) and assets formerly known as Governor Richardson's Investment Partnership program or GRIP in the amount of (approximately \$101.1 million), which NMFA manages for the New Mexico Department of Transportation. Gross assets increased by \$136.5 million between FY15 and FY16 as of June 30, 2016. 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 FY17 is approximately \$153.8 million. Nonoperational expenditures from bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service total \$105.2 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA's general operating budget for FY17 totals nearly \$8.8 million, a 3.7 percent decrease compared with FY16 budget. Actual expenditures in FY16 totaled \$8.3 million, or 5.6 percent less than the approved operating budget. Budgeted positions increased from 40 to 42, of which five are vacant. NMFA pays 95 percent of employee medical premiums and 100 percent of other benefits (dental, vision, life policy, and employee assistance programs). A money purchase retirement plan (401A) is provided with a mandatory 3 percent paid by the employee and a 15 percent match paid by NMFA. Approximately 50 percent of the authority's operational costs are related to the public project revolving loan fund (PPRF). NMFA projects a higher volume of loans from the PPRF in FY16 resulting in increased processing fees and interest revenue.

As an instrumentality of the state, NMFA is subject to the State Audit Act. REDW Business and Financial Resources, LLC, is on track to meet the internal deadline of November 2, 2016, for submittal of the audit to the Office of the State Auditor. The Authority has filled the compliance officer position and has recently filled a vacant chief financial officer position. The NMFA governing board and the staff continue to be actively engaged in strengthening the fiscal oversight and compliance with laws and rules governing their audits and financial activities.

PROGRAMS:

NMFA currently administers 12 finance programs, the most significant infrastructure loan program is the PPRF capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT), \$28.1 million in FY16. NMFA leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds. The fund 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 NMFA to offer a variety of program enhancements to its borrowers. 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, \$30.3 million in a contingent liquidity account fund and \$30.3 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio. The cash balance for loans from the PPRF varies month-to-month from under \$5 million when the PPRF \$100 million line-of-credit may be used to as much as \$65 million depending on the PPRF bond issuance schedule. PPRF bonds either reimburse NMFA for loans already made or allow loans of \$10 million or more to be funded and closed simultaneously with PPRF bonds. In the first quarter of FY17, NMFA closed 35 loans for \$130.9 million compared to the same three months a year ago when 19 loans closed for \$87.8 million. Loan volume is up significantly due to large loans to the City of Rio Rancho (\$53.8 million), City of Alamogordo (\$17.5 million), and the city of Santa Fe (\$44.9 million), all with significant refunding components. In October 2016, Standard & Poor's Rating Agency maintained a previous 'AAA' rating to 2016F senior-lien PPRF bonds and affirmed its 'AAA' rating on senior-lien bonds outstanding and its 'AA+' rating on subordinate-lien bonds. The Moody's Rating Agency assigned an 'Aa1' rating to senior lien PPRF bonds, series 2016F totaling \$39.4 million. In the same period, Moody's maintained the 'Aa1' senior and 'Aa2' subordinate lien PPRF ratings on \$909.8 million and \$273.7 million in previously issued debt, respectively.

NEW MEXICO FINANCE AUTHORITY

Budget for Fiscal Years 2016 thru 2017

<u>REVENUES</u>	<u>Budget FY16</u>	<u>Actual FY16</u>	<u>Budget FY17</u>	<u>Budget FY17 to Actual FY16</u>	<u>Budget FY16 to Budget FY17</u>
Administration fee revenue	3,939,407	3,532,578	3,697,400	4.7%	-6.1%
Interest revenue bonded loans	47,970,000	48,745,502	49,955,000	2.5%	4.1%
Interest on equity loans	2,810,650	2,989,052	2,055,500	-31.2%	-26.9%
Interest income from investments	990,100	1,548,383	1,575,900	1.8%	59.2%
Appropriation revenue	41,569,000	33,127,880	38,849,900	17.3%	-6.5%
Grant revenue	62,426,632	56,602,985	57,650,000	1.8%	-7.7%
Total Revenues	159,705,789	146,546,379	153,783,700	4.9%	-3.7%
<u>EXPENDITURES</u>					
Operating Expenses					
Personnel services	4,966,146	4,515,207	4,915,065	8.9%	-1.0%
Professional services	2,741,100	2,693,081	2,594,200	-3.7%	-5.4%
Operating costs	1,410,298	1,104,879	1,268,470	14.8%	-10.1%
Total - Operating Expenses	9,117,544	8,313,167	8,777,735	5.6%	-3.7%
Non-Operating Increases (Decreases)					
Capital Outlay	(14,300,000)	(19,100,000)	(16,200,000)	-15.2%	13.3%
Grants to others	(55,378,969)	(44,860,328)	(61,810,089)	37.8%	11.6%
Transfers to other agencies	(5,805,000)	(11,727,594)	(9,535,000)	-18.7%	64.3%
New loans	(25,237,677)	(11,776,862)	(7,202,018)	-38.8%	-71.5%
Bond/Loan interest Expense	(48,366,599)	(51,154,490)	(48,258,858)	-5.7%	-0.2%
Bond Issuance Expense	(1,500,000)	(1,525,161)	(2,000,000)	31.1%	33.3%
Net other increases (decreases)	(150,588,245)	(140,144,435)	(145,005,965)	3.5%	-3.7%
Excess (deficit) revenues over expenses	\$ -	\$ (1,911,223)	\$ -		

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975, the New Mexico Mortgage Finance Authority (MFA) 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.

MFA is governed by a seven-member board that includes the lieutenant governor, state treasurer, and state attorney general. The authority develops its own budget approved by the board of directors and does not require legislative approval. The MFA Legislative Oversight Committee approves rules and regulations formulated by MFA and are empowered to monitor and oversee the operations of the authority. The Land Title Trust Fund Advisory Committee 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. The Low-Income Housing Tax Credit Allocation Review Committee reviews staff tax credit award recommendations, hears appeals to the awards, and makes final recommendations to the MFA Board.

MISSION:

MFA provides innovative policies, products, education, and services in collaboration with strategic partners to finance the purchase, construction, and preservation of quality affordable housing to strengthen the social and economic development of New Mexico.

MANAGED GROSS ASSETS:

MFA manages approximately \$2.5 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, mortgage loans receivable, federal grant programs, low-income housing tax credit (LIHTC) properties, and Housing and Urban Development (HUD) Section 8 properties. As an instrumentality of the state, MFA is subject to the State Audit Act.

BUDGET ISSUES:

MFA is not a state agency and does not receive an annual recurring appropriation for operations. Instead, the state mandates the authority generate its own funding to maintain operations and to carry out its duties. The primary program funding resources available to MFA to carry out its statewide housing mission are private activity bond volume cap and federal housing programs, including LIHTCs, U.S. Department of Energy weatherization program funding, HUD project-based Section 8 Contract Administration funding, HOME Investment Partnership, National Housing Trust Fund, and state Low Income Home Energy Assistance Program (LIHEAP). MFA also provides affordable loan funding through the Housing Opportunity Fund, an internal revolving loan fund, and through partnerships with Wells Fargo Bank, the Small Business Investment Corporation, and USDA Rural Development. Currently, about 1 percent of the authority's program resources are funded through state nonrecurring special appropriations and state tax credits issued to qualified contributors through vouchers from the state Taxation and Revenue Department.

MFA operates on the federal fiscal year ending on September 30. MFA's operating budget for FY17 estimates revenue at \$16.5 million, an increase of \$1.2 million, or 8 percent, over projected FY16 actual revenue. This is an increase of \$1.8 million, or 12 percent, over prior-year budgeted revenue. The expense budget is projected at \$13.3 million, an increase of \$2.8 million, or 26 percent, over projected FY16 actual expenses and an increase of \$2.5 million, or 24 percent, over prior-year budgeted expenses. The FY17 budgeted excess revenue over expenses before purchased servicing and capital outlay is \$3.1 million and will be used for MFA's internal revolving loan fund and meeting rating agency reserve requirements. The decrease in excess revenues is a result of the implementation of the Mortgage Operations servicing expansion model, as well as the addition of 6 FTE positions to support program growth and expansion. The capital budget is projected at \$2.7 million, an increase of \$2 million or 322 percent over the FY16 actual budget and an increase of \$1.3 million or 94 percent over the prior-year budget; it is primarily used to support the servicing expansion in Mortgage Operations. The total net budget, including capital items, is \$470 thousand. In FY17, MFA budgeted funds received from the state of New Mexico for regional housing authority oversight in the amount of \$191 thousand.

MFA reports it will request a recurring appropriation in the 2017 legislative session to support the oversight of the regional housing authorities (\$300 thousand) and the Affordable Housing Act (\$250 thousand). In addition, MFA has requested housing trust fund (\$5 million) and low-income residential energy conservation funding (\$2 million) through the Infrastructure Capital Improvements Plan (ICIP) process.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET FY16, FY17 AND FY18 PROJECTED (dollars in thousands)

	FY16 2015-2016 <u>Budget</u>	FY16 2015-2016 Projected Actuals (Unaudited)	FY17 2016-2017 Budget (Board Approved September 2016)	FY18 2017-2018 <u>Projected Budget</u>
SOURCES:				
Interest on Loans	\$ 4,418,000	\$ 3,795,000	\$ 5,856,000	\$ 6,065,000
Housing Program Income & Admin. Fees	3,410,000	2,893,000	3,533,000	3,441,000
Bond Administrative Fees	2,224,000	2,803,000	2,561,000	2,674,000
Interest on Cash/Investments	1,718,000	1,652,000	1,739,000	1,717,000
Transaction Fees	2,048,000	3,988,000	1,370,000	1,875,000
Loan Servicing Income	604,000	368,000	1,050,000	1,633,000
TOTAL OPERATING REVENUE	14,422,000	15,499,000	16,109,000	17,405,000
TOTAL NON-OPERATING REVENUE	234,000	(248,000)	356,000	294,000
TOTAL REVENUE	\$ 14,656,000	\$ 15,251,000	\$ 16,465,000	\$ 17,699,000
USES:				
Compensation (Salaries & Benefits)	\$ 6,162,000	\$ 5,801,000	\$ 6,850,000	7,193,000
Travel & Public Information	428,000	406,000	409,000	429,000
Office Expenses	805,000	818,000	674,000	708,000
Other Operating Expenses	2,191,000	2,381,000	4,497,000	4,824,000
TOTAL OPERATING EXPENSES	9,586,000	9,406,000	12,430,000	13,154,000
TOTAL NON-OPERATING EXPENSES (T&TA, Program Development, Capacity Building)	1,199,000	1,160,000	901,000	946,000
TOTAL EXPENSES	10,785,000	10,566,000	13,331,000	14,100,000
EXCESS REVENUE OVER EXPENSES	3,871,000	4,685,000	3,134,000	3,599,000
CAPITAL OUTLAY	\$ 1,372,000	\$ 631,000	\$ 2,664,000	\$ 2,166,000
TOTAL INCLUDING CAPITALIZED ITEMS	\$ 2,499,000	\$ 4,054,000	\$ 470,000	\$ 1,433,000
TOTAL FTE POSITIONS	66.75	71.25	72.75	72.75

PERFORMANCE MEASURES (dollars in millions)

	FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Projected</u>	FY17 <u>Budget</u>
Average financial assets	\$1,229,385,000	\$1,090,640,000	\$994,829,000	\$949,848,000	\$948,454,000
Average assets under management	\$2,687,314,000	\$2,583,285,000	\$2,564,577,000	\$2,464,911,000	\$2,463,517,000
Funds disbursed through:					
Federal and state programs	\$47,174,000	\$42,223,000	\$44,031,000	\$49,376,000	\$49,376,000
MFA programs	\$5,814,000	\$6,804,000	\$8,625,000	\$8,730,000	\$9,990,000
General fund non-operating	\$476,000	\$1,920,000	\$1,479,000	\$1,160,000	\$901,000
Single-family first mortgage Loans:					
Number of units purchased	1,143	939	1,188	2,100	1,850
Dollar of loans purchased	\$141,817,000	\$114,276,000	\$153,207,000	\$285,500,000	\$250,000,000
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	1,750	975	782	1,082	1,000
Dollar of loans and subsidies	\$77,762,000	\$13,939,000	\$33,184,000	\$22,417,000	\$39,000,000
Housing programs:					
Homeless persons served	11,134	6,925	6,394	6,300	6,300
Single family homeowner rehab (units)	1,070	1,108	978	1,505	1,520

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 postsecondary 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 NMLA to present its budget to DFA and LFC by December 1. The lottery is not a state agency, and the act provides that LFC has oversight over the operations of NMLA. The act also requires LFC to periodically review and evaluate the success with which NMLA is accomplishing its duties and operating the lottery. 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 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. NMLA reports this increased transfer requirement strained its ability to operate effectively and meet its statutory requirements. The authority has asserted New Mexico is one of few states specifying a mandatory transfer of revenue and ranks 38th out of 42 states that sell instant prize tickets, such as scratchers, while states without a required transfer rank much higher in per capita sales. However, data from the North American Association of State and Provincial Lotteries shows the FY14 median amount of lottery revenues transferred to cover state priorities, such as scholarships, was 27 percent of gross lottery sales, while New Mexico mandates 30 percent. During the 2015 and 2016 legislative sessions, the Legislature considered bills to replace the 30 percent transfer requirement with a measure requiring transfers of net revenue on a monthly basis, with an annual minimum amount established by a prior year baseline; however, the bills did not pass.

The 2015 legislation to replace the mandatory transfer requirement also would have allowed the purchase of lottery tickets with a debit card. Although the bill did not pass, in July 2016 NMLA announced it was testing a pilot program to allow players who purchase gas with a debit card to make lottery purchases at the pump at 13 retailers. The purchases are subject to limitations, including a \$75 weekly limit and a \$20 daily limit per debit card. The initiative also includes third-party age verification procedures. Only one lottery game purchase transaction can be made per fueling transaction, and players must purchase fuel in order to make a lottery purchase. In recent years NMLA has made a push to increase revenue by making ticket sales more convenient, with a particular focus on younger individuals who tend to use debit cards instead of cash, are more likely to use technology to make purchases, and value convenience.

Gross lottery revenues in FY16 were significantly higher than in previous years. While the authority reports gross revenue declined from \$148.8 million in FY07 to \$137.1 million in FY15, FY16 gross revenue totaled \$154.3 million. The FY16 increase is attributable to a 56.3 percent increase in Powerball sales, which saw a record prize pool of \$1.6 billion in January 2016. One other game, Roadrunner Cash, experienced a significant sales increase of about 18.5 percent, while the Hot Lotto experienced a sales decline of 28.6 percent. All other products sold through NMLA were relatively flat between FY15 and FY16. Overall, total lottery sales in FY16 increased 12.6 percent over FY15. NMLA does not anticipate these gains to be long-term – the authority's FY17 operating budget anticipates a 6.7 percent decline in revenue compared with the FY16 actual level. While scholarship expenditures have been increasing, revenue transfers from the lottery over time have been relatively flat, averaging \$42.7 million since FY12, with a peak of \$46.3 million in FY16.

Legislative action provided temporary support for the lottery tuition fund in recent years through nonrecurring general fund appropriations -- \$2.9 million in FY14 and \$11.5 million in FY15 -- and by channeling about \$18 million in liquor excise tax revenue to the fund each year through FY17. A statute change in 2014 attempted to reduce lottery scholarship expenditures by reducing the number of scholarship semesters from eight to seven and requiring incoming recipients to enroll in 15 credit hours. In the event of insufficient funds for full awards, the awards are reduced to pay a uniform percentage of average tuition per sector – research, comprehensive, and community college. Despite the increase in lottery sales for FY16 and declines in enrollment, the lottery scholarship continues to pay 90 percent of sector average tuition. According to the Higher Education Department, the scholarship payout was not increased for FY17 due to increases in tuition at 15 New Mexico institutions.

NEW MEXICO LOTTERY AUTHORITY

FY16 Consolidated Income Statement and FY17 Original Annual Budget

	2016	2017
	<u>Consolidated Income Statement</u>	<u>Consolidated Original Annual Budget</u>
OPERATING REVENUES		
Instant ticket sales	\$ 83,105,873	\$ 82,987,500
Powerball sales	43,321,879	35,916,500
Mega Millions sales	10,509,262	8,999,500
Roadrunner Cash sales	7,394,565	6,399,500
Pick 3 sales	4,891,153	4,899,500
New Game sales	-	1,999,500
Hot Lotto sales	4,283,277	1,999,500
New Game 2 sales	-	399,500
Quickster sales	691,531	299,500
Lucky Numbers Bingo sales	147,228	99,500
Monopoly Millionaires' Club sales	-	-
Net ticket sales	<u>154,344,768</u>	<u>144,000,000</u>
Retailer fees	14,720	12,000
Bad debts	(21,000)	(24,000)
Total operating revenues	<u>154,338,488</u>	<u>143,988,000</u>
NON-OPERATING REVENUES		
Other income	47,173	-
Interest income	17,141	12,000
Total non-operating revenues	<u>64,314</u>	<u>12,000</u>
GROSS REVENUES	<u>154,402,802</u>	<u>144,000,000</u>
GAME EXPENSES		
Prize expense	84,754,383	77,126,000
Retailer commissions	10,035,060	9,660,000
On-line vendor fees	4,284,035	5,171,000
Advertising	2,053,906	2,300,000
Ticket vendor fees	1,314,494	1,431,000
Shipping and postage	276,853	334,000
Retailer equipment	182,538	370,000
Promotions	116,770	197,000
Responsible gaming	69,999	75,000
Game membership	56,878	116,000
Drawing game	-	-
Total game expenses	<u>103,144,916</u>	<u>96,780,000</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	2,609,094	2,802,000
Utilities and maintenance	313,846	308,000
Professional fees	229,908	260,000
Depreciation and amortization	225,958	220,000
Leases, property taxes, and insurance	145,591	130,000
Other	54,878	98,000
Materials and supplies	48,743	100,000
Travel	24,607	66,000
Operational reserve fund expense	1,241,000	-
Total operating expenses	<u>4,893,625</u>	<u>3,984,000</u>
OPERATING INCOME	<u>46,299,947</u>	<u>43,224,000</u>
NON-OPERATING EXPENSE		
Interest expense	40,104	36,000
Total non-operating expense	<u>40,104</u>	<u>36,000</u>
Net income	<u>46,324,157</u>	<u>43,200,000</u>
Gross Revenue Percentage Return	<u>30.00%</u>	<u>30.00%</u>

Source: NMLA

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority Act, Section 62-16A-1 through 62-16A-16 NMSA 1978, established 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.

RETA, a quasi-governmental agency, is governed by a seven-member board and has oversight from the New Mexico Finance Authority Oversight Committee. 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 Treasurer or designee and the secretary of the Energy, Minerals and Natural Resources Department (EMNRD), a nonvoting member. RETA is 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.

MISSION:

RETA's primary focus is on developing renewable-energy-related transmission infrastructure. When the Renewable Energy Transmission Authority Act was passed, EMNRD cited the lack of transmission capacity as the most significant factor limiting wind development in the West. Through 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 alternative energy sources, and increasing economic development opportunities for businesses and landowners.

AT A GLANCE:

Initially, RETA's budget was composed of prior-year general fund appropriations to EMNRD and transferred to the agency's nonreverting renewable energy transmission authority operating fund, with the intent that the agency become self-supporting through project fee revenue. RETA received general fund appropriations in FY14 and FY15 to support operations but a \$200 thousand special appropriation for FY16 was vetoed. However, RETA secured a commitment for funding from one of its project partners. From FY10 to FY16, RETA received \$958 thousand in private funding.

RETA intends to request a \$100 thousand special appropriation for FY18. In addition to projected commercial revenue of \$80 thousand, this would support \$160 thousand for contracts for administrative, audit, and accounting services, provide \$2.5 thousand for other operating costs, and allow RETA to end FY18 with a balance of \$17.5 thousand.

As a quasi-governmental entity, RETA must receive funding through a state agency. LFC staff recommends RETA work with EMNRD and the Department of Finance and Administration on a special appropriation request.

BUDGET ISSUES:

A total of \$1.5 million was appropriated from the general fund through EMNRD for FY08 and FY09, which essentially constituted start-up funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10 and \$250 thousand appropriated from the general fund as a special appropriation for each of FY13, FY14, and FY15.

RETA and Clean Line Energy have worked for years to develop the Western Spirit Line, a 200-mile transmission project to carry up to 1,500 megawatts of renewable power developed in east-central New Mexico to northwestern New Mexico for delivery to markets in other western states.

In 2016, the Federal Energy Regulatory Commission (FERC) issued an order authorizing Clean Line Energy to charge negotiated rates for the Western Spirit line. The order notes RETA will own and jointly develop the project with Clean Line. This high voltage transmission project is planned to be 140 miles, originating in Tarrant or Guadalupe counties and running to PNM's Rio Puerco substation outside Albuquerque, and to have a capacity of 1,000 megawatts. Clean Line anticipates development and construction costs of approximately \$150 million and to facilitate over \$1 billion of investment in electricity generation that otherwise could not be built due to existing grid limitations. The project is estimated to be completed and placed in service as early as the fourth quarter of 2018.

Prior to 2015, RETA was working to develop a number of other projects, including the Lucky Corridor from Taos to Gladstone and the Centennial West project, a planned 900 mile transmission line from northeastern New Mexico to California. However, investors were reluctant to continue working to develop projects following the veto of funding to support RETA's operations, and projects other than Western Spirit have been placed on hold.

While RETA does not pay for the development of transmission lines, private project partners receive a number of benefits, including exemptions from Public Regulation Commission jurisdiction and certain state taxes. With these incentives, investors have been willing to enter into lease agreements with RETA. By statute, any lease revenues in excess of what is needed for debt service payments on bonds issued for transmission construction are transferred to RETA's operational fund. Once complete, RETA estimates the Western Spirit Clean Line project could generate \$2 million in lease payments annually, far in excess of what is needed for operations. Amendments to the Renewable Energy Transmission Authority Act could direct this surplus revenue to the general fund.