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LEGISLATING FOR RESULTS: APPROPRIATION RECOMMENDATIONS

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January, 2018

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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY17 2016-2017 Actuals	FY18 Operating Budget	FY19		
			Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY18
111 Legislative Council Service	5,152.2	5,660.0	5,750.0	5,750.0	1.6%
112 Legislative Finance Committee	3,875.4	4,100.3	4,223.3	4,181.2	2.0%
114 Senate Chief Clerk	862.4	1,130.3	1,141.0	1,141.0	0.9%
115 House Chief Clerk	864.3	1,097.7	1,097.7	1,097.7	0.0%
117 Legislative Education Study Committee	1,180.3	1,233.4	1,251.9	1,251.9	1.5%
119 Legislative Building Services (GAA)	3,955.8	4,054.9	4,117.7	4,117.7	1.5%
131 Legislative Information Systems	850.8	850.8	873.4	873.4	2.7%
131 Interim Committee Expenses	641.5	884.6	884.6	884.6	0.0%
131 Pre-Session Expenses	397.3	397.3	397.3	397.3	0.0%
131 Legislative Internship Program	28.0	46.6	46.6	46.6	0.0%
131 Senate Rules Interim Committee	10.4	19.1	19.1	19.1	0.0%
131 National Dues & Membership Fees	290.1	272.6	361.7	361.7	32.7%
TOTAL	\$18,108.5	\$19,747.6	\$20,164.3	\$20,122.2	1.9%

NON-RECURRING

2018 Legislature	**\$5,654.5
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 2018 30-day legislative session will be made by the Legislature in January 2018. The budgeted amount of \$5,654.5 is an estimated cost made by the Legislative Finance Committee.

Appropriation for the 2019 60-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.

*LIS special appropriation of \$850.8 is recorded as an FY17 expense. And recommendation for LIS of \$873.4 assumes an FY18 expense.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,507.6	1,507.6	1,538.5	1,507.6	0.0
Other Revenues	1.3	2.2	1.5	1.5	-31.8
SOURCES TOTAL	1,508.9	1,509.8	1,540.0	1,509.1	0.0
USES					
Personal Services and Employee Benefits	659.7	674.8	689.0	674.8	0.0
Contractual Services	32.4	44.9	41.5	41.0	-8.7
Other	814.6	790.1	809.5	793.3	0.4
TOTAL USES	1,506.7	1,509.8	1,540.0	1,509.1	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 a general fund increase of 2 percent for FY19. The request fully funded all FTE and included the judiciary’s workforce investment plan salary increases. The library requested a reduction in contractual services and an increase in the other category to pay for subscriptions and dues. Fees collected from copying services are projected to decrease for FY19 due to free online access from the library.

The committee recommends general fund appropriations consistent with the FY18 operating budget. The LFC recommendation keeps the personal services and employee benefits category flat and in line with FY17 expenditures.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Quality	Percent of updated titles	79%	71%	80%	80%	80%
Output	Number of website hits	34,186	72,449	35,000	35,000	35,000
* Output	Number of research requests	15,258	TBD	12,000	12,000	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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</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	1,259.4	1,259.4	1,185.0	1,185.0	-5.9	
Fund Balance	0.0	194.0	268.4	267.5	37.9	
SOURCES TOTAL	1,659.4	1,853.4	1,853.4	1,852.5	0.0	
USES						
Personal Services and Employee Benefits	484.2	532.4	532.4	532.0	-0.1	
Contractual Services	947.3	1,177.0	1,177.0	1,176.5	0.0	
Other	129.7	144.0	144.0	144.0	0.0	
TOTAL USES	1,561.2	1,853.4	1,853.4	1,852.5	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 request was flat with the FY18 operating budget but increased the use of fund balance by 37.9 percent. The agency estimates a continued decline in enterprise revenue in FY19, necessitating the use of fund balances. Although the commission operates without direct general fund appropriations, it receives a \$400 thousand transfer from the Legislature. In agency operating budgets statewide affect revenue generated through subscriptions for print and electronic materials from the commission and will likely result in less enterprise revenue.

The LFC recommendation holds the Compilation Commission budget mostly flat with the FY18 operating budget. Savings in audit costs and in the other costs category amounted to a \$900 reduction in recommended fund balance use. LFC recommends the commission develop a long-term plan that addresses how advances in technology affect the operations of the commission with policy and operating recommendations. The plan will be especially important as policymakers address the declining enterprise revenue in future years.

NEW MEXICO COMPILATION COMMISSION

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

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,266	\$1,230	\$1,300	\$1,185	\$1,300

STATUTORY AUTHORITY:

An amendment to Article VI, Section 32, of the New Mexico Constitution created the Judicial Standards Commission to provide a means for disciplining judges at all levels of the judiciary. The commission consists of 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)						
			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	818.3	818.3	832.6	822.3	0.5	
SOURCES TOTAL	818.3	818.3	832.6	822.3	0.5	
USES						
Personal Services and Employee Benefits	686.2	685.6	687.7	685.6	0.0	
Contractual Services	22.4	19.4	22.5	22.5	16.0	
Other	109.0	113.3	122.4	114.2	0.8	
TOTAL USES	817.6	818.3	832.6	822.3	0.5	
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 received or addressed 209 complaints in FY17, and 149 were disposed, four of which were tried before the Supreme Court in confidentiality. The commission met six times in person during FY17 and has one vacancy awaiting governor appointment. The commission has committed to working with LFC to improve performance measures for FY20.

The commission requested a 1.7 percent increase from the FY18 operating budget. Although the personal services and employee benefits category remained flat, the contractual services category and the other category were increased to accommodate the expiration of the current building lease at the end of FY18, and increased audit costs. The lease expiration could necessitate moving costs or increased lease costs.

The LFC recommendation increases general fund revenue 0.5 percent above the FY18 operating budget. Savings requested by the commission along with small reductions in the contractual services and other categories to match FY17 expenditures buffered the added costs for the audit. The LFC also recommends one-time moving costs should be requested through a supplemental appropriation.

JUDICIAL STANDARDS COMMISSION

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

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	2	5	3	3	3
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	0	3	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,661.9	5,718.5	6,130.4	5,749.6	0.5
Other Transfers	21.1	0.0	0.0	0.0	
Other Revenues	0.7	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,683.7	5,719.5	6,131.4	5,750.6	0.5
USES					
Personal Services and Employee Benefits	5,141.0	5,258.8	5,641.1	5,289.9	0.6
Contractual Services	25.3	17.9	25.3	17.6	-1.7
Other	467.8	442.8	465.0	443.1	0.1
TOTAL USES	5,634.1	5,719.5	6,131.4	5,750.6	0.5
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 FY17, the New Mexico Court of Appeals had a disposition rate of 90 percent, a 3 percent increase from a record low in recent years. Despite also having low numbers of new cases filed, the low disposition rate resulted in the highest backlog of cases since 2011. The Court of Appeals' request for FY19 include \$152 thousand to fill two vacant attorney positions and \$99.6 thousand to implement the court's share of the workforce improvement plan's pay raises, a priority of the judicial unified budget.

The committee recommendation is an increase of \$31.1 thousand, or 0.5 percent from the FY18 operating budget. The recommendation includes General Services Department and Department of Information Technology rate increases through savings realized by the court in FY17 in the other category. The recommendation also includes funding for judge pay increases of 2 percent.

COURT OF APPEALS

The purpose of the court of appeals 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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Cases disposed as a percent of cases filed	87%	90%	100%	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of legal opinions written	NEW	566	600		

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,229.3	3,302.0	3,645.0	3,484.5	5.5
SOURCES TOTAL	3,229.3	3,302.0	3,645.0	3,484.5	5.5
USES					
Personal Services and Employee Benefits	3,117.5	3,246.3	3,427.5	3,422.3	5.4
Contractual Services	7.0	7.3	17.1	7.0	-4.1
Other	103.2	48.4	200.4	55.2	14.0
TOTAL USES	3,227.7	3,302.0	3,645.0	3,484.5	5.5
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 several statewide priorities for its FY19 judicial unified budget: adequate base budget increases, implementation of the remaining workforce investment plan, maintenance and updates of the judiciary's information technology statewide, and increases in pretrial services. The Supreme Court, with support from the Administrative Office of the Courts, has been key in shaping the dockets and workloads of the judiciary in recent years, with rules regarding case management and pretrial release and detention. For its own budget, the Supreme Court requested a general fund revenue increase of 10.4 percent. The request included \$181.2 thousand to implement the Judicial Compensation Commission recommendation of increased pay and \$161.8 thousand within contractual services and other categories for rate increases and other court priorities.

LFC, in agreement with DFA, recommends appropriating expenditures in one line item -- operations -- to judicial entities, instead of the existing four-category budget layout, following a successful pilot last year. This will allow the judiciary to have more control and flexibility over budgets in exchange for more robust quarterly reporting. The committee recommendation is a 5.5 percent increase from the FY18 operating budget and includes minor adjustments for GSD rate increases and a 2 percent judge pay increase.

LFC also recommends consolidating appropriations in the General Appropriations Act for Supreme Court agencies that have consolidated leadership to save on costs. Consolidated agencies include the Supreme Court, the Supreme Court Building Commission, and the Supreme Court Law Library.

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 fee fund.

The general fund appropriations to the supreme court include sufficient funding to support the operations of the supreme court building commission and the supreme court law library.

The general fund appropriations to all courts includes sufficient funding for a two percent pay increase for judges.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	94%	92%			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180

STATUTORY AUTHORITY:

The Supreme Court Building Commission is 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>FY19 – 2018-2019</u>						
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>	
SOURCES						
General Fund Transfers	930.7	930.7	1,038.2	930.7	0.0	
SOURCES TOTAL	930.7	930.7	1,038.2	930.7	0.0	
USES						
Personal Services and Employee Benefits	723.9	747.1	791.0	747.1	0.0	
Contractual Services	7.0	7.3	25.5	7.0	-4.1	
Other	191.0	176.3	221.7	176.6	0.2	
TOTAL USES	921.9	930.7	1,038.2	930.7	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:

The Supreme Court building houses the Supreme Court, Court of Appeals, law library, and some divisions of the Administrative Office of the Courts. For FY19, the commission requested an 11.6 percent general fund increase from the FY18 operating budget. The request included an increase to the personal services and employee benefits category to fully fund all positions and increases to the contractual services and other costs categories.

The LFC recommends a flat general fund expenditure level. Cost adjustments were made to align the recommendation with the FY17 expenditure level in the other category, including vehicle maintenance, supplies, and building and grounds maintenance.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Quality	Accuracy of fixed-assets inventory records	95%	TBD	100%	100%	100%
Quality	Facilities condition index of the supreme court building	NEW	NEW	NEW	70%	40%

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>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	48,564.8	51,026.5	56,398.2	53,156.9	4.2
Other Transfers	2,245.9	2,532.8	2,310.9	2,211.6	-12.7
Federal Revenues	726.2	837.9	829.6	829.6	-1.0
Other Revenues	9,655.5	10,390.0	10,390.0	10,390.0	0.0
Fund Balance	1,222.8	735.6	536.5	536.5	-27.1
SOURCES TOTAL	62,415.2	65,522.8	70,465.2	67,124.6	2.4
USES					
Personal Services and Employee Benefits	30,847.9	31,209.5	34,780.5	32,519.4	4.2
Contractual Services	11,367.3	12,646.5	13,121.4	12,529.8	-0.9
Other	19,641.3	20,111.6	21,008.1	20,520.2	2.0
Other Financing Uses	1,774.1	1,555.2	1,555.2	1,555.2	0.0
TOTAL USES	63,630.6	65,522.8	70,465.2	67,124.6	2.4
FTE					
Permanent	379.3	386.8	389.8	386.8	0.0
Term	73.5	67.5	68.5	67.5	0.0
TOTAL FTE POSITIONS	452.8	454.3	458.3	454.3	0.0

AT A GLANCE:

The Administrative Office of the Courts (AOC) requested an overall general fund increase of 10.5 percent or \$5.4 million over the FY18 operating budget. The largest requested general fund increase -- \$1.7 million or 46.5 percent -- was for the statewide Judicial Automation Program. The Magistrate Courts Program requested a 9.4 percent general fund increase, or \$2.6 million more than the FY18 operating budget. In the Administrative Support Program, the agency requested additional funding primarily to reduce the vacancy rate and to implement pay raises following the workforce investment plan. 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 \$2.1 million, or 4.2 percent, over the FY18 operating budget and includes fully funding magistrate court leases, court-appointed attorney costs, and a 2 percent pay increase for judges.

BUDGET ISSUES:

At the beginning of FY18, all court clerks were reclassified following a compensation study performed in 2014 and approved by AOC in 2015, which was required to take effect at the end of FY17 under the judiciary's personnel rules. The reclassification took effect on July 1, 2017, effectively providing an average raise of \$1.50 per hour, or 10 percent. The raises were not directly funded by the Legislature but were required by court rules that mandated the raise take effect two years following the compensation plan. The LFC recommendation in personal services and employee benefits includes sufficient funding for salaries at the increased hourly rates.

The Administrative Support Program requested a 3.4 percent general fund increase over the FY18 operating budget. Of the requested increase, \$7.4 thousand was for paying increased General Services Department (GSD) rates for health insurance premiums and the remaining \$331.8 thousand was for pay raises and vacancy rate reductions in compliance with the judiciary's unified budget priorities. The LFC recommendation includes a 1.5 percent increase for vacancy rate reduction and health insurance rates.

The Statewide Judicial Automation Program, also known as Judicial Automation Division (JID), requested a general fund increase of \$1.7 million, or 46.5 percent, over the FY18 operating budget. The majority of the increase was in the personal services and employee benefits category to fully fund all positions and for 3 additional FTE. The increase is to reduce reliance on the Supreme Court automation fee (SCAF) revenue, which has fallen from a high of \$5.4 million annually in FY11 to \$3.8 million annually in FY17. The LFC recommendation includes funding to fill existing vacant positions and employee benefit rate increases but does not include funding for 3 new FTE. LFC does not recommend reducing SCAF use.

The Magistrate Court Program requested a \$2.6 million, or 9.4 percent, general fund increase over the FY18 operating budget. The majority of the increase was for personnel costs to reduce the vacancy rate, pay for employee benefit rate increases, and to implement the Workforce Investment Plan and a pay increase for judges. In total, the requested increase for personnel was \$1.3 million. At the time of the budget submission, the program had 53 vacancies, or a 15.4 percent vacancy rate. Yet, the court's implementation of the court clerk raises has increased the unfunded vacancy rate for the Magistrate Courts Program to 17.8 percent. In the other category, the agency requested \$550 thousand for lease costs. The LFC recommendation includes full funding for personnel with a 14 percent vacancy rate and includes sufficient funding for a 2 percent pay increase for judges. The LFC recommendation also includes full funding for the Magistrate Courts Program lease costs.

The Special Court Services Program requested a 7.7 percent general fund increase, or \$762.8 thousand more than the FY18 operating budget. The request included \$300 thousand for water rights adjudication and \$462.8 thousand for court-appointed attorneys. The LFC recommendation includes additional funding of \$250 thousand for court-appointed attorneys and assumes sufficient other funding for water rights adjudication.

BASE EXPANSION:

AOC requested \$244.9 thousand for 3 FTE in the Statewide Judicial Automation Program to help alleviate current workloads.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the magistrate court program of the administrative office of the courts includes three hundred thousand dollars (\$300,000) from the local DWI grant fund. Any unexpended balances from appropriations made from the local DWI grant fund remaining at the end of fiscal year 2019 shall revert to the local DWI grant fund.

The internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts includes one million three hundred thousand dollars (\$1,300,000) 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 2019 shall revert to the local DWI grant fund.

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 they can effectively administer the New Mexico court system.

BUDGET SUMMARY						
(dollars in thousands)						
	FY17	FY18	<u>FY19 - 2018-2019</u>		Percent	
	2016-2017	2017-2018	Agency	LFC	Incr	
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>	
SOURCES						
General Fund Transfers	8,949.7	9,895.3	10,234.5	10,042.3	1.5	
Other Transfers	148.0	310.9	310.9	310.9	0.0	
Federal Revenues	726.2	837.9	829.6	829.6	-1.0	
Other Revenues	1,999.5	2,125.0	2,125.0	2,125.0	0.0	
SOURCES TOTAL	11,823.4	13,169.1	13,500.0	13,307.8	1.1	
USES						
Personal Services and Employee Benefits	4,331.0	4,217.0	4,442.3	4,364.0	3.5	
Contractual Services	947.7	1,396.0	1,408.4	1,408.4	0.9	
Other	7,315.4	7,556.1	7,649.3	7,535.4	-0.3	
TOTAL USES	12,594.1	13,169.1	13,500.0	13,307.8	1.1	
FTE						
Permanent	40.3	46.8	46.8	46.8	0.0	
Term	9.0	3.0	3.0	3.0	0.0	
TOTAL FTE POSITIONS	49.3	49.8	49.8	49.8	0.0	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Efficiency	Average cost per juror	\$67.44	\$59.72	\$55	\$55	\$55
Explanatory	Number of jury trials for district and metro courts	NEW	NEW			
Efficiency	Average interpreter cost per session	NEW	NEW	\$100	\$100	\$100

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,520.6	3,629.5	5,317.1	4,102.9	13.0
Other Revenues	4,465.9	4,895.4	4,895.4	4,895.4	0.0
Fund Balance	856.6	312.1	312.1	312.1	0.0
SOURCES TOTAL	8,843.1	8,837.0	10,524.6	9,310.4	5.4
USES					
Personal Services and Employee Benefits	5,182.7	5,179.2	6,203.0	5,652.6	9.1
Contractual Services	503.3	980.0	971.3	965.0	-1.5
Other	2,786.1	2,677.8	3,350.3	2,692.8	0.6
Other Financing Uses	100.0	0.0	0.0	0.0	
TOTAL USES	8,572.1	8,837.0	10,524.6	9,310.4	5.4
FTE					
Permanent	44.5	44.5	47.5	44.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	53.5	53.5	56.5	53.5	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Efficiency	Average time to resolve automation calls for assistance, in hours	16.2	79.6	10	10	10

MAGISTRATE COURT

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

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	26,450.3	27,557.5	30,139.6	28,817.5	4.6
Other Transfers	350.0	300.0	300.0	300.0	0.0
Other Revenues	3,190.1	3,369.6	3,284.6	3,284.6	-2.5
Fund Balance	0.0	106.5	166.9	166.9	56.7
SOURCES TOTAL	29,990.4	31,333.6	33,891.1	32,569.0	3.9
USES					
Personal Services and Employee Benefits	20,639.9	21,062.2	23,479.8	21,847.4	3.7
Contractual Services	297.5	532.2	522.2	505.2	-5.1
Other	9,485.9	9,739.2	9,889.1	10,216.4	4.9

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
FTE TOTAL USES	30,423.3	31,333.6	33,891.1	32,569.0	3.9
Permanent	289.0	289.0	289.0	289.0	0.0
Term	54.5	55.5	55.5	55.5	0.0
TOTAL FTE POSITIONS	343.5	344.5	344.5	344.5	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Cases disposed as a percent of cases filed	102%	101%	TBD	100%	100%
Explanatory	Number of jury trials for magistrate courts	NEW	NEW	TBD		
Explanatory	Number of active cases pending	NEW	NEW	TBD		
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180

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 2018 - 2019

	<u>FY17 2016- 2017 Actuals</u>	<u>FY18 2017-2018 Budgeted (rev)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General fund transfers	9,644.2	9,944.2	10,707.0	10,194.2	5.7%
Other transfers	1,921.9	1,921.9	1,700.0	1,600.7	-16.7%
Other Program Revenues	0.0	0.0	85.0	85.0	N/A
Fund balance	317.0	317.0	57.5	57.5	-81.9%
TOTAL REVENUE	\$11,883.1	\$12,183.1	\$12,549.5	\$11,937.4	-2.0%
USES					
(a) Court-appointed Special Advocates	1,396.7	1,356.70	1,356.7	1,356.7	0.0%
(b) Supervised Visitation	881.1	881.1	881.1	881.1	0.0%
(c) Water Rights	938.9	938.9	700.0	693.2	-26.2%
(d) Court-appointed Attorneys	5,537.1	5,787.10	6,249.9	5,787.1	0.0%
(e) Children's Mediation	226.4	276.4	276.4	276.4	0.0%
(f) Judge Pro Temp	30.3	30.3	30.3	30.3	0.0%
(g) Access to Justice	124.7	124.7	124.7	124.7	0.0%
(h) Statewide Alternative Dispute Resolution	3.3	3.3	3.3	3.3	0.0%
(i) Drug Court	2,744.6	2,784.60	2,784.6	2,784.6	0.0%
(j) Magistrate Mediation	0.0	0.00	142.5	0.0	0.0%
TOTAL EXPENDITURES	\$11,883.1	12,183.10	\$12,549.5	\$11,937.4	-2.0%

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Output	Number of monthly supervised child visitations and exchanges conducted	1,399	1,102	1,250	1,250	1,250
* Outcome	Recidivism rate for drug-court participants (statewide)	14%	16%	12%	12%	12%
Outcome	Three year intent-to-treat recidivism rate of drug court program participants (statewide)	29%	19%	25%	25%	25%
Outcome	Employment rate of adult drug court program graduates for current fiscal year (statewide)	91%	92%	90%	90%	90%
Outcome	Education rate of juvenile drug court program graduates for current fiscal year (statewide)	100%	99%	100%	100%	100%
* Outcome	Recidivism rate for driving-while-intoxicated-court participants (statewide)	NEW	5.6%	12%	12%	12%
Explanatory	Graduation rate for drug court participants (statewide)	NEW	59%			
Explanatory	Graduation rate for driving-while-intoxicated-court participants (statewide)	NEW	71%			
Explanatory	Cost per client per day for all drug court participants	NEW	\$23.25			
Outcome	Time to legal permanency in abuse and neglect cases with an assigned court-appointed attorney, in months	NEW	NEW	22	22	22
Explanatory	Number of cases to which court-appointed special advocate volunteers are assigned	NEW	NEW			

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 nine 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 people 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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	73,395.2	74,586.0	81,856.2	75,774.9	1.6
Other Transfers	6,572.5	6,430.7	6,425.8	6,424.6	-0.1
Federal Revenues	135.5	204.4	414.9	414.9	103.0
Other Revenues	3,450.4	3,878.9	4,156.1	4,156.1	7.1
Fund Balance	867.5	942.3	839.8	844.8	-10.3
SOURCES TOTAL	84,421.1	86,042.3	93,692.8	87,615.3	1.8
USES					
Personal Services and Employee Benefits	71,971.5	74,834.9	81,308.4	76,262.7	1.9
Contractual Services	5,973.3	6,386.6	7,026.7	6,549.9	2.6
Other	5,490.9	4,820.8	5,357.7	4,802.7	-0.4
TOTAL USES	83,435.7	86,042.3	93,692.8	87,615.3	1.8
FTE					
Permanent	986.8	986.8	986.8	986.8	0.0
Term	96.1	95.1	95.1	95.1	0.0
Temporary	0.0	0.0	0.0	0.0	0.0
TOTAL FTE POSITIONS	1,082.8	1,081.8	1,081.8	1,081.8	0.0

AT A GLANCE:

The FY19 district courts' request included a \$7.3 million general fund increase, or 9.7 percent, to implement priorities set in the judiciary's unified budget request. Priorities included vacancy rate reductions, employee benefit rate increases, the workforce investment plan, and judicial compensation increases. LFC recommends increasing funding for the district courts by \$1.6 million, or on average 1.8 percent, from the FY18 operating budgets.

At the beginning of FY18, all court clerks were reclassified following a compensation study performed throughout the judiciary in 2014. The study resulted in a compensation plan, approved by the Administrative Office of the Courts (AOC) director in 2015 and required to take effect at the end of FY17. The reclassification took effect on July 1, 2017, effectively raising pay by an average of \$1.50 per hour, or 10 percent. Although the raises were not directly funded by the Legislature, courts are paying for the reclassification through vacancy and cost savings. The LFC recommendation does not include additional funding to directly address clerk raises but does include sufficient funding for base personnel costs.

BUDGET ISSUES:

The district courts continue to implement cost-saving efforts, such as reducing mileage reimbursements for staff, jurors, and interpreters. The implementation of the Odyssey case management system also has produced cost savings and efficiencies. Although the courts have implemented electronic filing for civil cases, efficiency gains remain to be realized in implementing electronic filing for criminal cases.

Additionally, reducing the number of bailiffs has helped to cut costs. Currently more than half the district courts have as many bailiffs as judges, although the 6th and 12th district courts have reduced bailiffs to one per two judges to reduce costs. Employing court monitors instead of court reporters also reduces expenses in the district courts. The average annual salary of a court monitor is \$35.1 thousand compared with a \$58.3 thousand for a court reporter.

The courts report FY17 case filings were down 5 percent from FY16, mainly driven by a decrease in cases filed in the 2nd Judicial District.

The committee recommends increasing general fund appropriations to the district courts by \$1.6 million, or on average 1.7 percent, from the FY18 operating budgets. The LFC recommendation includes three components in accordance with the judiciary's unified budget priorities. First, the LFC recommendation includes funding for personnel needs, vacancy rate reductions, and reducing caseloads. Second, the LFC recommendation fully funds employee benefit rate increases at a cost of \$497.2 thousand for the district courts. Lastly, the LFC recommendation includes 2 percent pay increases for judges, at a total cost of \$414.7 thousand. The last change in judge pay was enacted in 2014 and increased salaries by 5 percent. New Mexico judges rank last in judicial pay for general jurisdiction courts out of the 50 states and the District of Columbia. When adjusted for cost of living, New Mexico judges rank 49th out of 51.

During the FY18 budget process, in response to legislative and judicial concerns of judicial budget independence, LFC piloted a restructured budget that appropriated funds in one item called "operations," as opposed to four separate line items. The committee recommends continuing the pilot for FY19. The budget pilot highlights the judiciary's unique budget organization and budgeting process. 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, the Supreme Court has superintending control over all lower courts, which includes policy oversight and financial controls through the unified budget process.

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	6,814.8		6,904.2		7,462.5	6,985.2	1.2
Other Transfers	631.6		677.7		648.3	648.3	-4.3
Other Revenues	352.2		464.4		464.4	464.4	0.0
SOURCES TOTAL	7,798.6		8,046.3		8,575.2	8,097.9	0.6
USES							
Personal Services and Employee Benefits	6,806.4		7,106.4		7,565.1	7,187.3	1.1
Contractual Services	421.5		524.5		490.8	490.8	-6.4
Other	494.0		415.4		519.3	419.8	1.1
TOTAL USES	7,721.9		8,046.3		8,575.2	8,097.9	0.6
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	101.4%	92.8%	TBD	100%	100%
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	22,329.0	22,721.8	25,504.5	23,028.1	1.3
Other Transfers	1,369.4	1,211.8	1,290.3	1,290.3	6.5
Federal Revenues	57.4	88.4	414.9	414.9	369.3
Other Revenues	2,067.1	2,445.8	2,507.1	2,507.1	2.5
Fund Balance	625.9	625.9	483.2	483.2	-22.8
SOURCES TOTAL	26,448.8	27,093.7	30,200.0	27,723.6	2.3
USES					
Personal Services and Employee Benefits	23,717.9	24,816.7	27,446.7	25,282.0	1.9
Contractual Services	686.3	674.4	844.1	844.1	25.2
Other	1,422.7	1,602.6	1,909.2	1,597.5	-0.3
TOTAL USES	25,826.9	27,093.7	30,200.0	27,723.6	2.3
FTE					
Permanent	328.5	328.5	328.5	328.5	0.0
Term	55.0	54.0	54.0	54.0	0.0
TOTAL FTE POSITIONS	383.5	382.5	382.5	382.5	0.0

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Cases disposed as a percent of cases filed	105%	100%	TBD	100%	100%
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	6,387.6		6,471.4		7,090.4	6,627.8	2.4
Other Transfers	769.6		860.8		816.1	816.1	-5.2
Other Revenues	195.9		176.7		211.7	211.7	19.8
Fund Balance	0.0		11.0		11.0	11.0	0.0
SOURCES TOTAL	7,353.1		7,519.9		8,129.2	7,666.6	2.0
USES							
Personal Services and Employee Benefits	6,237.2		6,453.6		6,977.1	6,610.0	2.4
Contractual Services	666.7		775.7		861.9	775.7	0.0
Other	415.7		290.6		290.2	280.9	-3.3
TOTAL USES	7,319.6		7,519.9		8,129.2	7,666.6	2.0
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		93.5		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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	99%	93%	TBD	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	2,273.1	2,302.9	2,436.5	2,329.0	1.1
Other Transfers	156.5	156.5	157.7	156.5	0.0
Other Revenues	21.1	20.0	35.0	35.0	75.0
Fund Balance	2.1	5.0	0.0	0.0	-100.0
SOURCES TOTAL	2,452.8	2,484.4	2,629.2	2,520.5	1.5
USES					
Personal Services and Employee Benefits	2,133.5	2,178.8	2,279.6	2,227.1	2.2
Contractual Services	195.2	193.6	209.5	181.4	-6.3
Other	123.1	112.0	140.1	112.0	0.0
TOTAL USES	2,451.8	2,484.4	2,629.2	2,520.5	1.5
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	95%	98.5%	TBD	100%	100%
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,442.8	6,555.5	7,015.5	6,658.5	1.6
Other Transfers	492.1	495.7	497.6	497.6	0.4
Other Revenues	161.1	125.0	188.0	188.0	50.4
SOURCES TOTAL	7,096.0	7,176.2	7,701.1	7,344.1	2.3
USES					
Personal Services and Employee Benefits	6,052.0	6,209.6	6,523.6	6,334.5	2.0
Contractual Services	490.4	585.9	765.5	603.6	3.0
Other	486.2	380.7	412.0	406.0	6.6
TOTAL USES	7,028.6	7,176.2	7,701.1	7,344.1	2.3
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

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Cases disposed as a percent of cases filed	95%	97%	TBD	100%	100%
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,187.8	3,229.6	3,375.5	3,272.1	1.3
Other Transfers	161.5	227.5	229.2	229.2	0.7
Other Revenues	20.0	22.0	21.0	21.0	-4.5
Fund Balance	8.9	12.0	24.0	24.0	100.0
SOURCES TOTAL	3,378.2	3,491.1	3,649.7	3,546.3	1.6
USES					
Personal Services and Employee Benefits	2,520.8	2,725.5	2,868.0	2,768.1	1.6
Contractual Services	578.7	603.6	618.5	615.0	1.9
Other	279.1	162.0	163.2	163.2	0.7
TOTAL USES	3,378.6	3,491.1	3,649.7	3,546.3	1.6
FTE					
Permanent	38.0	38.0	38.0	38.0	0.0
TOTAL FTE POSITIONS	38.0	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

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Cases disposed as a percent of cases filed	95%	95%	TBD	100%	100%
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,317.2	2,347.6	2,529.5	2,377.6	1.3
Other Transfers	374.1	400.2	400.6	400.6	0.1
Other Revenues	19.5	25.0	35.0	35.0	40.0
Fund Balance	0.0	5.0	0.0	5.0	0.0
SOURCES TOTAL	2,710.8	2,777.8	2,965.1	2,818.2	1.5
USES					
Personal Services and Employee Benefits	2,147.6	2,260.4	2,442.7	2,295.8	1.6
Contractual Services	314.3	364.6	369.6	369.6	1.4
Other	228.1	152.8	152.8	152.8	0.0
TOTAL USES	2,690.0	2,777.8	2,965.1	2,818.2	1.5
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

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Cases disposed as a percent of cases filed	94%	91%	TBD	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil case	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	2,916.2		2,954.4		3,153.1	3,038.4	2.8
Other Transfers	169.5		169.5		170.6	170.6	0.6
Other Revenues	42.7		106.0		106.0	106.0	0.0
Fund Balance	15.6		0.0		33.7	33.7	
SOURCES TOTAL	3,144.0		3,229.9		3,463.4	3,348.7	3.7
USES							
Personal Services and Employee Benefits	2,335.4		2,502.4		2,605.2	2,586.5	3.4
Contractual Services	606.8		585.8		687.7	620.5	5.9
Other	194.0		141.7		170.5	141.7	0.0
TOTAL USES	3,136.2		3,229.9		3,463.4	3,348.7	3.7
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

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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	95%	98%	TBD	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	3,322.1		3,365.7		3,773.8	3,428.7	1.9
Other Transfers	694.2		697.6		698.8	698.8	0.2
Other Revenues	85.8		70.5		72.4	72.4	2.7
SOURCES TOTAL	4,102.1		4,133.8		4,545.0	4,199.9	1.6
USES							
Personal Services and Employee Benefits	3,700.6		3,806.7		4,205.5	3,869.8	1.7
Contractual Services	128.3		131.6		136.7	134.6	2.3
Other	232.3		195.5		202.8	195.5	0.0
TOTAL USES	4,061.2		4,133.8		4,545.0	4,199.9	1.6
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	100%	94%	TBD	100%	100%
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	899.2		911.0		989.0	931.2	2.2
Other Revenues	5.8		12.5		11.5	11.5	-8.0
Fund Balance	27.8		30.3		33.3	33.3	9.9
SOURCES TOTAL	932.8		953.8		1,033.8	976.0	2.3
USES							
Personal Services and Employee Benefits	711.1		764.5		785.0	784.7	2.6
Contractual Services	53.9		93.1		136.8	93.1	0.0
Other	133.8		96.2		112.0	98.2	2.1
TOTAL USES	898.8		953.8		1,033.8	976.0	2.3
FTE							
Permanent	10.0		10.0		10.0	10.0	0.0
TOTAL FTE POSITIONS	10.0		10.0		10.0	10.0	0.0

TENTH JUDICIAL DISTRICT 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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	89%	92%	TBD	100%	100%
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	6,273.0	6,355.3	7,093.4	6,464.1	1.7
Other Transfers	710.2	710.2	712.4	712.4	0.3
Other Revenues	150.3	137.0	137.0	137.0	0.0
Fund Balance	12.1	12.0	12.0	12.0	0.0
SOURCES TOTAL	7,145.6	7,214.5	7,954.8	7,325.5	1.5
USES					
Personal Services and Employee Benefits	5,936.9	6,106.4	6,844.1	6,233.8	2.1
Contractual Services	683.5	770.2	772.4	753.8	-2.1
Other	521.6	337.9	338.3	337.9	0.0
TOTAL USES	7,142.0	7,214.5	7,954.8	7,325.5	1.5
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	94%	99%	TBD	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,326.1	3,369.7	3,675.8	3,425.7	1.7
Other Transfers	117.6	121.4	118.1	118.1	-2.7
Other Revenues	42.9	48.0	72.0	72.0	50.0
Fund Balance	66.2	60.2	61.7	61.7	2.5
SOURCES TOTAL	3,552.8	3,599.3	3,927.6	3,677.5	2.2
USES					
Personal Services and Employee Benefits	2,924.6	3,094.7	3,446.1	3,196.0	3.3
Contractual Services	205.6	211.0	196.9	196.9	-6.7
Other	351.6	293.6	284.6	284.6	-3.1
TOTAL USES	3,481.8	3,599.3	3,927.6	3,677.5	2.2
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	106%	102%	TBD	100%	100%
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	6,906.3		7,096.9		7,756.7	7,208.5	1.6
Other Transfers	926.2		701.8		686.1	686.1	-2.2
Federal Revenues	78.1		116.0		0.0	0.0	-100.0
Other Revenues	286.0		226.0		295.0	295.0	30.5
Fund Balance	108.9		180.9		180.9	180.9	0.0
SOURCES TOTAL	8,305.5		8,321.6		8,918.7	8,370.5	0.6
USES							
Personal Services and Employee Benefits	6,747.5		6,809.2		7,319.7	6,887.1	1.1
Contractual Services	942.1		872.6		936.3	870.8	-0.2
Other	608.7		639.8		662.7	612.6	-4.3
TOTAL USES	8,298.3		8,321.6		8,918.7	8,370.5	0.6
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Output	Cases disposed as a percent of cases filed	114%	98%	TBD	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Explanatory	Number of jury trials	NEW	NEW			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	22,855.2	23,011.8	24,815.9	23,195.8	0.8
Other Transfers	0.0	494.9	459.5	459.5	-7.2
Federal Revenues	0.0	587.3	457.4	457.4	-22.1
Other Revenues	0.0	2,266.6	2,247.7	2,247.7	-0.8
Fund Balance	0.0	110.4	91.5	91.5	-17.1
SOURCES TOTAL	22,855.2	26,471.0	28,072.0	26,451.9	-0.1
USES					
Personal Services and Employee Benefits	20,148.6	20,392.8	22,252.5	20,632.4	1.2
Contractual Services	2,724.8	3,031.9	2,777.4	2,777.4	-8.4
Other	2,835.8	3,041.3	3,037.1	3,037.1	-0.1
Other Financing Uses	0.0	5.0	5.0	5.0	0.0
TOTAL USES	25,709.2	26,471.0	28,072.0	26,451.9	-0.1
FTE					
Permanent	299.0	299.0	299.0	299.0	0.0
Term	37.0	41.8	41.5	41.5	-0.6
TOTAL FTE POSITIONS	336.0	340.8	340.5	340.5	-0.1

AT A GLANCE:

Bernalillo County Metropolitan Court requested a 7.8 percent general fund increase over the FY18 operating budget. In line with judicial unified budget priorities, \$931.7 thousand of the request was to reduce the vacancy rate. The court also requested \$80.8 thousand for employee benefit rate increases. Lastly, the court requested \$791.6 thousand for judge and employee pay increases, following the priorities of the judicial unified budget.

In FY17, the Metropolitan Court experienced a 16.2 percent decline in new and reopened cases filed from FY16. Criminal filings dropped by 8.1 thousand cases, while civil filings rose by 1.7 thousand cases. The decline in case filings for the Metropolitan Court was the largest of any court in New Mexico.

The LFC recommendation increases the general fund appropriation by \$184 thousand, or 0.8 percent, over the FY18 operating budget to reduce the vacancy rate, fully fund information technology rates and insurance, and for a 2 percent pay increase for judges.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Cases disposed as a percent of cases filed	117%	111%	TBD	100%	100%
Efficiency	Cost per client per day for adult drug-court participants	\$20	\$18	\$13	\$13	\$13

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Quality	Recidivism of driving-while-intoxicated drug-court graduates	6.5%	5.3%	5.5%	5.5%	5.5%
Explanatory	Number of active cases pending	13,921	13,847	14,000		
Output	Number of driving-while-intoxicated drug-court graduates	114	94	150	150	150
Explanatory	Graduation rate of drug-court participants	84.4%	79.0%			
Outcome	Fees and fines collected as a percent of fees and fines assessed	151%	149%	100%	100%	100%
Outcome	Number of days to disposition for criminal cases	NEW	NEW	NEW	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	NEW	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	NEW	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	NEW	180	180
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>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	61,129.9	62,637.5	72,744.6	64,910.1	3.6
Other Transfers	826.5	1,082.0	1,028.8	1,028.8	-4.9
Federal Revenues	804.0	1,352.2	1,253.1	1,253.1	-7.3
Other Revenues	837.0	832.2	809.2	809.2	-2.8
Fund Balance	448.2	518.0	53.5	53.5	-89.7
SOURCES TOTAL	64,045.6	66,421.9	75,889.2	68,054.7	2.5
USES					
Personal Services and Employee Benefits	58,801.2	62,148.4	69,981.7	63,716.4	2.5
Contractual Services	692.9	525.3	897.9	530.6	1.0
Other	4,843.1	3,748.2	5,038.8	3,807.7	1.6
Other Financing Uses	0.0	0.0	0.8	0.0	
TOTAL USES	64,337.2	66,421.9	75,919.2	68,054.7	2.5
FTE					
Permanent	896.0	896.0	914.0	896.0	0.0
Term	55.0	58.0	53.0	58.0	0.0
Temporary	0.0	0.0	3.0	0.0	
TOTAL FTE POSITIONS	951.0	954.0	970.0	954.0	0.0

AT A GLANCE:

District attorneys requested substantial FY19 general fund increases due to the growing number of cases referred in most districts. In particular, the 2nd Judicial District Attorney's Office faces unique challenges including a higher violent crime rate and the case management order. The LFC recommends increased general fund appropriations to the district attorneys to meet the challenges.

BUDGET ISSUES:

In total, the district attorneys requested an increase of \$10.1 million, or 16.1 percent, from the FY18 operating budget. The 2nd Judicial District Attorney requested an increase of \$5.4 million, or 29.5 percent, while the 13 other district attorneys in the state collectively requested \$4.7 million, or 10.7 percent. General fund revenue for all district attorneys increased by 7.3 percent from FY14 to FY18 as fund balances and federal grants have dwindled in most offices.

In the last few years, New Mexico experienced a significant increase in serious crime across the state. As crime increases, the number of cases referred to district attorneys statewide also rises. Excluding the 2nd Judicial District, cases referred to all district attorneys increased by 3.5 percent in FY17. For the same time period, cases referred to the 2nd District Attorney's Office fell 4.8 percent, but referrals are expected to spike in FY18 and FY19, as local administrations prioritize law enforcement. Further driving costs in the 2nd Judicial District is the implementation of the case management order. Implemented in 2015, the case management order requires the 2nd Judicial District Attorney to expedite case disposition, which has increased workloads in the district. The 2nd Judicial District Attorney's Office receives 32.2 percent of referrals in the state.

According to annual performance results, the annual average attorney caseload for FY17 was 315, a 3 percent decrease from FY16. Though not all referrals go to trial, every referral must be screened. According to AODA, in FY17, an average 13.9 percent of referred cases were screened out before trial, with a high of 36.8 percent in the 1st district and a low of 5.1 percent in the 9th district.

To better understand how criminal behavior and changes in criminal procedures have affected the criminal justice system, the Legislative Finance Committee studied the work of the district attorneys during the 2017 interim and recommended prioritizing efficiency through the use of data-driven prosecution and funding to reduce workloads, among other steps.

The LFC budget recommendation increased the general fund appropriation to the district attorney's by \$2.3 million, or 3.6 percent, compared with the FY18 operating budget. The recommendation is distributed based on caseload and personnel needs as reported by the district attorneys. 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.

LFC also recommends the district attorneys adopt improved performance measures that better reflect workloads and performance outcomes. Such measures should include the number of pretrial detention motions made, the percentage of detention motions granted, and the percentage of cases that make it to trials that end in conviction.

BUDGET SUMMARY
(dollars in thousands)

	FY19 – 2018-2019					Percent Incr (Decr)
	FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	5,213.2	5,307.1	5,546.2	5,458.4	2.9	
Other Transfers	189.4	183.5	183.5	183.5	0.0	
Federal Revenues	124.6	120.1	120.1	120.1	0.0	
SOURCES TOTAL	5,527.2	5,610.7	5,849.8	5,762.0	2.7	
USES						
Personal Services and Employee Benefits	5,044.0	5,184.9	5,424.0	5,336.2	2.9	
Contractual Services	24.7	22.8	22.8	22.8	0.0	
Other	434.6	403.0	403.0	403.0	0.0	
TOTAL USES	5,503.3	5,610.7	5,849.8	5,762.0	2.7	
FTE						
Permanent	71.0	71.0	72.0	71.0	0.0	
Term	4.0	5.0	4.0	5.0	0.0	
TOTAL FTE POSITIONS	75.0	76.0	76.0	76.0	0.0	

BASE EXPANSION LISTING
FY19 - 2018-2019

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Program Specialist (1 FTE)	(P251)	64.1	0.0
TOTAL			64.1	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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Efficiency	Average time from filing of charges to final disposition for adults, in months	6	6	8	8	6
* Efficiency	Average attorney caseload	287	255	TBD	280	280
* Explanatory	Number of cases referred for screening	7,609	6,874			
Output	Number of cases handled per attorney	164	149	185	185	185
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	114	127	150	150	150
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	65%	65%	65%
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	1.75	1.75	1.75

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	17,830.8	18,192.4	23,555.8	19,100.8	5.0
Other Transfers	159.8	158.3	158.3	158.3	0.0
Federal Revenues	183.2	186.9	186.9	186.9	0.0
Other Revenues	558.1	537.5	562.5	562.5	4.7
Fund Balance	214.2	0.1	0.0	0.0	-100.0
SOURCES TOTAL	18,946.1	19,075.2	24,463.5	20,008.5	4.9
USES					
Personal Services and Employee Benefits	17,750.6	17,938.7	22,183.0	18,847.0	5.1
Contractual Services	157.2	119.1	251.2	144.1	21.0
Other	1,002.1	1,017.4	2,029.3	1,017.4	0.0
TOTAL USES	18,909.9	19,075.2	24,463.5	20,008.5	4.9
FTE					
Permanent	283.0	283.0	283.0	283.0	0.0
Term	10.0	10.0	11.0	10.0	0.0
Temporary	0.0	0.0	3.0	0.0	
TOTAL FTE POSITIONS	293.0	293.0	297.0	293.0	0.0

SECOND JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Efficiency	Average attorney caseload	236	264	TBD	230	230
* Explanatory	Number of cases referred for screening	25,087	24,376			
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	66	116	180	180	180
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	85%	85%	85%
Output	Number of cases handled per attorney	NEW	NEW	175	175	175
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	3	3	2
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	NEW	9	9	6

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	4,648.8		4,678.8		5,147.0	4,825.3	3.1
Other Transfers	0.0		168.4		168.4	168.4	0.0
Federal Revenues	0.0		417.6		417.6	417.6	0.0
Other Revenues	0.0		147.0		0.0	0.0	-100.0
Fund Balance	0.0		95.2		53.5	53.5	-43.8
SOURCES TOTAL	4,648.8		5,507.0		5,786.5	5,464.8	-0.8
USES							
Personal Services and Employee Benefits	4,808.9		5,214.2		5,493.9	5,177.1	-0.7
Contractual Services	22.8		19.0		18.8	18.8	-1.1
Other	487.1		273.8		273.8	268.9	-1.8
TOTAL USES	5,318.8		5,507.0		5,786.5	5,464.8	-0.8
FTE							
Permanent	63.0		63.0		63.0	63.0	0.0
Term	11.0		12.0		10.0	12.0	0.0
TOTAL FTE POSITIONS	74.0		75.0		73.0	75.0	0.0

THIRD JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Efficiency	Average time from filing of charges to final disposition for adults, in months	6	7	6	6	6
* Explanatory	Number of cases referred for screening	5,716	5,760			
* Efficiency	Average attorney caseload	272	349	TBD	250	250
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	150	102	140	140	140
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	90%	90%	90%
Output	Number of cases handled per attorney	NEW	NEW	200	200	200
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	3	3	2

BUDGET SUMMARY
(dollars in thousands)

	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,032.0	3,098.3	3,360.7	3,222.2	4.0
SOURCES TOTAL	3,032.0	3,098.3	3,360.7	3,222.2	4.0
USES					
Personal Services and Employee Benefits	2,711.5	2,910.6	3,173.0	3,034.5	4.3
Contractual Services	29.3	29.3	29.3	29.3	0.0
Other	286.4	158.4	158.4	158.4	0.0
TOTAL USES	3,027.2	3,098.3	3,360.7	3,222.2	4.0
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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Explanatory	Number of cases referred for screening	1,927	2,181			
Efficiency	Average time from filing of charges to final disposition for adults, in months	5	5	6	6	6
* Efficiency	Average attorney caseload	257	312	TBD	230	230
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	26	37	36	36	36
Output	Number of cases handled per attorney	NEW	NEW	200	200	200
Output	Number of cases prosecuted as a percent of cases referred for screening	NEW	76%	77%	77%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	2.5	6.0	6.0	2.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,829.2	4,931.7	5,503.2	5,095.2	3.3
Other Transfers	0.0	128.3	128.3	128.3	0.0
Federal Revenues	0.0	198.0	198.0	198.0	0.0
Fund Balance	0.0	57.5	0.0	0.0	-100.0
SOURCES TOTAL	4,829.2	5,315.5	5,829.5	5,421.5	2.0
USES					
Personal Services and Employee Benefits	4,580.9	5,050.5	5,529.3	5,156.5	2.1
Contractual Services	58.1	25.6	25.6	25.6	0.0
Other	414.2	239.4	274.6	239.4	0.0
TOTAL USES	5,053.2	5,315.5	5,829.5	5,421.5	2.0
FTE					
Permanent	69.0	69.0	76.0	69.0	0.0
Term	3.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	72.0	73.0	80.0	73.0	0.0

BASE EXPANSION LISTING
FY19 - 2018-2019

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Public Safety in the 5th District (6 FTE)	(P255)	422.7	0.0
2	Victim Services (1 FTE)	(P255)	56.0	0.0
TOTAL			478.7	0.0

FIFTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Efficiency	Average time from filing of charges to final disposition for adults, in months	6.0	6.5	6.0	6.0	6.0
* Efficiency	Average attorney caseload	347	346	TBD	280	280
* Explanatory	Number of cases referred for screening	7,617	7,794			
Output	Number of cases handled per attorney	347	306	200	200	200
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	111	103	115	115	115
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	4	2	2
Output	Number of cases prosecuted as a percent of cases referred for screening	NEW	NEW	80%	80%	85%

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	2,741.1		2,847.4		2,951.3	2,928.1	2.8
Other Transfers	99.1		93.4		93.4	93.4	0.0
Federal Revenues	127.4		93.6		93.6	93.6	0.0
Fund Balance	160.6		53.5		0.0	0.0	-100.0
SOURCES TOTAL	3,128.2		3,087.9		3,138.3	3,115.1	0.9
USES							
Personal Services and Employee Benefits	2,686.5		2,885.1		2,934.4	2,911.2	0.9
Contractual Services	23.2		18.2		19.3	19.3	6.0
Other	206.6		184.6		184.6	184.6	0.0
TOTAL USES	2,916.3		3,087.9		3,138.3	3,115.1	0.9
FTE							
Permanent	35.0		35.0		35.0	35.0	0.0
Term	5.0		5.0		5.0	5.0	0.0
TOTAL FTE POSITIONS	40.0		40.0		40.0	40.0	0.0

SIXTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Efficiency	Average time from filing of charges to final disposition for adults, in months	5.0	4.6	5.0	5.0	5.0
* Efficiency	Average attorney caseload	325	318	TBD	210	210
* Explanatory	Number of cases referred for screening	2,928	2,860			
Output	Number of cases handled per attorney	243	318	220	250	250
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	21	24	30	25	25
Output	Number of cases prosecuted as a percent of cases referred for screening	NEW	87%	95%	95%	95%
Output	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	2.0	2.0	2.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,410.2	2,475.0	2,525.1	2,527.3	2.1
SOURCES TOTAL	2,410.2	2,475.0	2,525.1	2,527.3	2.1
USES					
Personal Services and Employee Benefits	2,179.0	2,306.9	2,359.8	2,362.0	2.4
Contractual Services	13.5	12.9	14.2	14.2	10.1
Other	195.4	155.2	151.1	151.1	-2.6
TOTAL USES	2,387.9	2,475.0	2,525.1	2,527.3	2.1
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	34	44	35	35	35
Output	Number of cases handled per attorney	NEW	NEW	200	200	200
Output	Number of cases prosecuted as percent of those referred for screening	NEW	NEW	80%	80%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	6.0	6.0	2.0
Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	NEW	7.5	7.5	6.0
* Efficiency	Average attorney caseload	198	206	TBD	150	150
* Explanatory	Number of cases referred for screening	1,882	1955			

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,593.2	2,682.5	2,797.6	2,762.1	3.0
SOURCES TOTAL	2,593.2	2,682.5	2,797.6	2,762.1	3.0
USES					
Personal Services and Employee Benefits	2,356.9	2,525.6	2,640.7	2,605.2	3.2
Contractual Services	19.2	16.8	16.8	16.8	0.0
Other	175.9	140.1	140.1	140.1	0.0
TOTAL USES	2,552.0	2,682.5	2,797.6	2,762.1	3.0
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

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Explanatory	Number of cases referred for screening	2,186	2,152			
* Efficiency	Average attorney caseload	273	273	TBD	210	210
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	74	165	90	100	100
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	80%	75%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	6.0	6.0	2.0
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	NEW	9.0	9.0	6.0
Output	Number of cases handled per attorney	NEW	NEW	200	100	100

BUDGET SUMMARY
(dollars in thousands)

	FY19 – 2018-2019					Percent Incr (Decr)
	FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	2,824.5	2,957.3	3,277.6	3,048.0		3.1
Fund Balance	0.0	24.6	0.0	0.0		-100.0
SOURCES TOTAL	2,824.5	2,981.9	3,277.6	3,048.0		2.2
USES						
Personal Services and Employee Benefits	2,633.2	2,826.9	3,121.3	2,893.3		2.3
Contractual Services	26.8	21.7	21.8	21.8		0.5
Other	157.5	133.3	133.7	132.9		-0.3
Other Financing Uses	0.0	0.0	0.8	0.0		
TOTAL USES	2,817.5	2,981.9	3,277.6	3,048.0		2.2
FTE						
Permanent	39.0	39.0	39.0	39.0		0.0
Term	0.0	0.0	2.0	0.0		
TOTAL FTE POSITIONS	39.0	39.0	41.0	39.0		0.0

BASE EXPANSION LISTING
FY19 - 2018-2019

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Pre-trial Detention Hearings (2 FTE)	(P259) 164.0	0.0
TOTAL		164.0	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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Explanatory	Number of cases referred for screening	3,451	3,451			
* Efficiency	Average attorney caseload	406	363	TBD	350	350
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	118	126	100	100	115
Efficiency	Average time from filing of petition to final disposition for juveniles , in months	NEW	NEW	<3.0	3.0	2.0
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	NEW	<8.0	8.0	6.0
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	82%	82%	85%
Output	Number of cases handled per attorney	NEW	NEW	283	283	283

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,202.4	1,248.9	1,347.7	1,286.3	3.0
SOURCES TOTAL	1,202.4	1,248.9	1,347.7	1,286.3	3.0
USES					
Personal Services and Employee Benefits	1,067.8	1,141.4	1,211.7	1,158.4	1.5
Contractual Services	20.3	15.9	15.9	15.9	0.0
Other	112.0	91.6	120.1	112.0	22.3
TOTAL USES	1,200.1	1,248.9	1,347.7	1,286.3	3.0
FTE					
Permanent	14.0	14.0	14.0	14.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

TENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Efficiency	Average attorney caseload	408	366	TBD	350	350
* Explanatory	Number of cases referred for screening	1,021	914			
Output	Number of cases handled per attorney	370	336	350	250	250
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	15	27	15	15	15
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	80%	90%	90%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	4.0	4.0	2.0
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	NEW	9.0	9.0	6.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,878.7	3,913.7	4,474.6	4,038.1	3.2
Other Transfers	153.0	134.0	137.7	137.7	2.8
Federal Revenues	108.7	112.7	112.6	112.6	-0.1
Fund Balance	73.4	251.5	0.0	0.0	-100.0
SOURCES TOTAL	4,213.8	4,411.9	4,724.9	4,288.4	-2.8
USES					
Personal Services and Employee Benefits	3,865.0	4,121.5	4,422.2	4,020.5	-2.5
Contractual Services	30.0	63.2	40.7	40.7	-35.6
Other	265.7	227.2	262.0	227.2	0.0
TOTAL USES	4,160.7	4,411.9	4,724.9	4,288.4	-2.8
FTE					
Permanent	55.0	55.0	61.0	55.0	0.0
Term	10.0	7.0	4.0	7.0	0.0
TOTAL FTE POSITIONS	65.0	62.0	65.0	62.0	0.0

BASE EXPANSION LISTING
FY19 - 2018-2019

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Senior Trial Attorney	(P261)	99.7	0.0
2	Legal Secretary	(P261)	46.0	0.0
3	Prosecution Specialist	(P261)	65.4	0.0
TOTAL			211.1	0.0

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Explanatory	Number of cases referred for screening	4,498	4,592			
* Efficiency	Average attorney caseload	281	328	TBD	250	250
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	134	127	135	135	135
Output	Number of cases handled per attorney	NEW	NEW	200	200	200
Output	Number of prosecuted as a percent of those referred for screening	NEW	NEW	80%	80%	85%
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	NEW	<8.0	8.0	6.0
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	<6.0	6.0	6.0

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	2,151.0		2,268.0		2,375.5	2,338.2	3.1
Federal Revenues	0.0		99.0		0.0	0.0	-100.0
Other Revenues	112.4		0.0		99.0	99.0	
SOURCES TOTAL	2,263.4		2,367.0		2,474.5	2,437.2	3.0
USES							
Personal Services and Employee Benefits	2,020.8		2,210.8		2,344.1	2,276.8	3.0
Contractual Services	8.8		14.9		14.9	14.9	0.0
Other	119.7		141.3		145.5	145.5	3.0
TOTAL USES	2,149.3		2,367.0		2,504.5	2,437.2	3.0
FTE							
Permanent	34.0		34.0		34.0	34.0	0.0
Term	2.0		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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Efficiency	Average attorney caseload	333	394	TBD	300	300
Output	Number of cases handled per attorney	NEW	NEW	200	200	200
* Explanatory	Number of cases referred for screening	2,494	2,562			
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	9	8	15	15	15
Output	Number of cases prosecuted as a percent of those referred to screening	NEW	NEW	80%	75%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	NEW	3.0	7.0	2.0
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	NEW	9.0	9.0	6.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,900.9	3,041.7	3,744.6	3,128.2	2.8
Other Transfers	172.4	163.3	159.2	159.2	-2.5
Federal Revenues	260.1	124.3	124.3	124.3	0.0
Fund Balance	0.0	35.6	0.0	0.0	-100.0
SOURCES TOTAL	3,333.4	3,364.9	4,028.1	3,411.7	1.4
USES					
Personal Services and Employee Benefits	2,898.4	3,159.5	3,716.6	3,161.8	0.1
Contractual Services	49.0	44.4	104.1	44.6	0.5
Other	355.6	161.0	207.4	205.3	27.5
TOTAL USES	3,303.0	3,364.9	4,028.1	3,411.7	1.4
FTE					
Permanent	41.0	41.0	45.0	41.0	0.0
Term	10.0	10.0	8.0	10.0	0.0
TOTAL FTE POSITIONS	51.0	51.0	53.0	51.0	0.0

BASE EXPANSION LISTING
FY19 - 2018-2019

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Changing Term Attorney and Sprt Staff to Perm	(P262)	134.6	0.0
2	Add 1 Senior Trial Attorney and 1 Sprt Staff	(P262)	134.6	0.0
TOTAL			269.2	0.0

TWELFTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Efficiency	Average attorney caseload	441	315	TBD	250	250
* Explanatory	Number of cases referred for screening	4,635	4,089			
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	94	70	125	100	100
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	4.0	4.0	2.0
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	NEW	12.0	12.0	6.0
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	80%	80%	85%
Output	Number of cases handled per attorney	NEW	NEW	150	150	150

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 Actuals		2017-2018 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	4,873.9		4,994.7		6,137.7	5,151.9	3.1
Other Transfers	52.8		52.8		0.0	0.0	-100.0
Other Revenues	166.5		147.7		147.7	147.7	0.0
SOURCES TOTAL	5,093.2		5,195.2		6,285.4	5,299.6	2.0
USES							
Personal Services and Employee Benefits	4,197.7		4,671.8		5,427.7	4,775.9	2.2
Contractual Services	210.0		101.5		302.5	101.8	0.3
Other	630.3		421.9		555.2	421.9	0.0
TOTAL USES	5,038.0		5,195.2		6,285.4	5,299.6	2.0
FTE							
Permanent	80.0		80.0		80.0	80.0	0.0
Term	0.0		3.0		3.0	3.0	0.0
TOTAL FTE POSITIONS	80.0		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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Efficiency	Average attorney caseload	195	233	TBD	190	190
* Explanatory	Number of cases referred for screening	5,936	5,944			
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	84	60	110	110	110
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	NEW	85%	85%	85%
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	NEW	3.0	3.0	2.0
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	NEW	9.0	9.0	6.0
Output	Number of cases handled per attorney	NEW	NEW	175	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>FY19 – 2018-2019</u>					
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,188.8	2,238.8	2,937.1	2,261.2	1.0
Other Transfers	11.9	8.4	0.0	0.0	-100.0
Other Revenues	259.0	260.9	261.0	261.0	0.0
Fund Balance	157.0	0.0	0.0	0.0	
SOURCES TOTAL	2,616.7	2,508.1	3,198.1	2,522.2	0.6
USES					
Personal Services and Employee Benefits	1,286.0	1,357.5	1,695.1	1,372.0	1.1
Contractual Services	280.5	297.7	328.3	297.3	-0.1
Other	861.0	852.9	1,174.7	852.9	0.0
TOTAL USES	2,427.5	2,508.1	3,198.1	2,522.2	0.6
FTE					
Permanent	15.0	15.0	18.0	15.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	19.0	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. AODA provides continuing legal education events throughout the year for district attorneys, staff, and other lawyers in the state.

AODA requested a general fund increase of 31.2 percent, or \$698.3 thousand, over the FY18 operating budget, including funding for a deputy district attorney, a program specialist, and a network specialist. The largest requested category increase was in the other category, 36.8 percent, or \$321.8 thousand, for information technology software network security and hardware such as copiers and scanners. The committee recommendation increases AODA by \$22.4 thousand, or 1 percent from the FY18 budget, providing for insurance rate increases.

BASE EXPANSION LISTING
FY19 - 2018-2019

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Deputy DA (Expansion)	(P264)	108.6	0.0
2	Program Specialist (Expansion)	(P264)	64.2	0.0
3	<u>IT Network Specialist (Expansion)</u>	<u>(P264)</u>	<u>81.5</u>	<u>0.0</u>
TOTAL			254.3	0.0

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Output	Number of victim notifications and escapes reported, monthly	106,006	10,358	80,000	7,000	7,000
Efficiency	Average time to resolve information technology calls for assistance, in hours	135	165	16	7	7
Output	Number of legal education hours provided by the administrative office of the district attorneys	5,165	4,877	5,300	5,300	5,300

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	47,389.9	48,574.7	54,681.0	50,032.0	3.0
Other Revenues	423.8	275.0	275.0	275.0	0.0
SOURCES TOTAL	47,813.7	48,849.7	54,956.0	50,307.0	3.0
USES					
Personal Services and Employee Benefits	28,355.0	29,652.9	33,599.2	30,924.5	4.3
Contractual Services	13,017.4	13,762.2	15,284.5	13,890.2	0.9
Other	5,817.8	5,434.6	6,072.3	5,492.3	1.1
TOTAL USES	47,190.2	48,849.7	54,956.0	50,307.0	3.0
FTE					
Permanent	439.0	439.0	488.0	439.0	0.0
TOTAL FTE POSITIONS	439.0	439.0	488.0	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 caseload assignments by declining new clients in the 12th and 5th judicial districts in FY17 and FY18, arguing it could not fulfill its constitutional requirement to provide adequate representation. The Supreme Court dismissed the PDD's related appeals for court-mandated solutions and ruled the PDD must continue to try all cases it is assigned.

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 to reduce the costs of contracting with private attorneys and provide better performance oversight. The LFC recommendation increases the general fund appropriation by \$1.3 million, or 3 percent, over the FY18 appropriation. The recommendation prioritizes personnel funding to fill vacant attorney positions and lower attorney caseloads. The LFC recommendations follows a 16 percent increase in funding from the general fund that the Public Defender Department has received since FY14, despite total general fund growth of 3 percent for that same period.

BUDGET ISSUES:

PDD continues to face chronically high caseloads, claims of inadequate defense, expensive contract attorney representation, and the refusal of cases in areas in the state with few attorneys. 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.

In October 2016, PDD began refusing cases in Hobbs in the 5th judicial district. The department contended a lack of attorneys did not allow the department to provide adequate constitutional representation to clients. The department asserted that no financial solution was possible due to limited resources and sought the implementation of a special master appointed by the Supreme Court through a case taken up in July 2017. The role of the special master was to recommend solutions for reducing the caseload per attorney and to mitigate what it called a constitutional crisis. In October 2017, the Supreme Court dismissed these arguments in *Shoobridge v. Baur*, and ruled the PDD must continue to try all cases it is assigned.

PDD's FY19 request was \$6.4 million, or 11.2 percent, over the FY18 operating budget and included five expansion items. The first of the five expansions was \$1.9 million to add 25 attorney positions and bring per attorney caseloads down to National Advisory Committee (NAC) maximums. The LFC recommendation does not include expansion of FTE but rather increases the personal services and employee benefits category by \$1.3 million to fill existing positions, lower the vacancy rate, and reduce attorney caseloads.

The second expansion was \$1.3 million to meet the new workload requirements of the pretrial release and detention reforms enacted in FY18. The Public Defender Department reports hearings have increased dramatically because of the pretrial amendment that took effect on July 1, 2017. LFC recommends implementing new performance measures to study how the new pretrial practices are affecting workloads for public defenders. LFC does not recommend an expansion for this priority.

The third expansion requested was \$527 thousand to create an alternate defense division within the agency to save contracting costs and ensure better quality representation. PDD estimated an alternate defender division would save \$600 thousand in contracts and has begun to organize resources internally to accomplish this priority. While LFC supports the initiative of the department, it does not recommend additional funding at this time for the new division.

The fourth was a \$946 thousand increase so that hourly rates could be paid to contract counsel in the most difficult cases, rather than the typical flat rate. The hourly rates would be capped at \$30 thousand per case. Included in the \$946 thousand request was \$250 thousand to pay double and triple amounts to contract defenders in designated counties. LFC included language in the FY18 appropriation that allowed for hourly rates to be paid to difficult cases as a pilot for this initiative. LFC recommends continuing the use of language to allow for the pilot to continue in FY19 but does not recommend additional funding for the expansion until the results of the pilot can be studied.

The fifth requested expansion was to increase the other category by \$150 thousand for the development of training program materials to improve client services and employee retention. LFC does not recommend funding this expansion.

In the 2017 interim, the committee voted to support a \$50 thousand special appropriation for the Public Defender Department to match external funding for a workload study.

RECOMMENDED LANGUAGE:

The public defender department shall not expend more than one million dollars (\$1,000,000) in hourly rates for contract attorneys and may only pay hourly rates for capital cases or first degree felonies. The public defender department shall report to the legislative finance committee on cost-containment efforts for contracted hourly rates and on standards of indigence and court appointments of public defendants.

**BASE EXPANSION LISTING
FY19 - 2018-2019**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Caseload Reduction	(P850)	1,939.0	0.0
2	Pre Trial Detention Hearings	(P850)	1,284.1	0.0
3	Alternate Defenders	(P850)	527.2	0.0
4	Hourly Rates for Contract Attorneys (pilot)	(P850)	946.9	0.0
5	<u>Training Program</u>	<u>(P850)</u>	<u>150.0</u>	<u>0.0</u>
TOTAL			4,847.2	0.0

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	34%	71%	70%	70%	70%
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	57%	82%	TBD	80%	80%
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	51%	69%	TBD	70%	70%

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Output	Number of alternative sentencing treatment placements in felony, misdemeanor and juvenile cases	NEW	8,760	2,400	5,000	5,000
Explanatory	Percent of total cases taken by contract attorneys reported by county	NEW	37%			
Output	Average number of cases assigned to attorneys yearly	NEW	NEW	TBD	330	330
Output	Average time to case disposition, in days	NEW	NEW	TBD	240	240

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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	8,978.5	10,600.4	15,423.8	12,550.4	18.4
Other Transfers	7,055.5	8,360.7	3,000.0	5,743.4	-31.3
Federal Revenues	3,568.6	3,518.4	2,858.6	2,858.6	-18.8
Other Revenues	0.0	0.0	917.4	917.4	
SOURCES TOTAL	19,602.6	22,479.5	22,199.8	22,069.8	-1.8
USES					
Personal Services and Employee Benefits	16,236.7	18,896.8	17,827.2	17,827.2	-5.7
Contractual Services	997.4	704.6	1,090.4	960.4	36.3
Other	2,768.5	2,878.1	3,282.2	3,282.2	14.0
TOTAL USES	20,002.6	22,479.5	22,199.8	22,069.8	-1.8
FTE					
Permanent	0.0	189.0	177.0	177.0	-6.3
Term	0.0	1.0	18.0	18.0	1,700.0
Temporary	0.0	22.0	6.0	6.0	-72.7
TOTAL FTE POSITIONS	0.0	212.0	201.0	201.0	-5.2

AT A GLANCE:

New Mexico Attorney General's (NMAG) budget request increased revenue from the general fund to offset a decrease in the use of consumer settlement fund revenue in the operating budget. Additionally, the FY19 request included an elimination of 15 FTE as a cost-saving measure. The LFC recommendation includes the requested decrease in personal services and employee benefits to eliminate 15 unfilled FTE positions. The LFC recommendation also includes a general fund increase of \$2.1 million, or 19.6 percent, to replace depleted balances of the consumer settlement fund. Still, the LFC recommendation assumes \$1.7 million more in consumer settlement fund balance use than the Attorney General's request, and should that amount fail to materialize, then the office will be forced to implement cost-saving measures and a higher vacancy rate.

BUDGET ISSUES:

NMAG requested a total general fund increase of \$4.8 million, or 45.5 percent, over the FY18 operating budget to offset a decrease in consumer settlement fund revenue and depletion of fund balance. From all sources, the requested increase was \$279.7 thousand less than the FY18 operating budget, or a 1.2 percent decrease. The majority of the decrease was in the personal services and employee benefits category, which increased the vacancy rate and eliminated 15 FTE positions.

For FY15, the consumer settlement fund received \$11.1 million of settlements and ended with a \$23.3 million fund balance. For FY19, the consumer settlement fund will no longer receive an annual \$2 million distribution from the Pojoaque settlement agreement, which resulted in the Attorney General requesting total settlement revenue for FY19 at \$3 million and with an ending fund balance of \$252.8 thousand. In the Legal Services program, NMAG requested a \$4.7 million, or 47.6 percent, increase from the general fund to replace consumer settlement fund use. The LFC recommendation increases general fund revenue by \$2 million, or 20.1 percent, and reduces consumer settlement fund use by \$3.6 million for the Legal Services program.

In the Medicaid Fraud Program, NMAG requested a general fund increase of \$80 thousand, or 12.5 percent, to receive a 75 percent federal match. In FY16, the Medicaid Fraud Program recovered \$5.6 million of total Medicaid spending in the state, ranking New Mexico 43rd in the nation for the percent recovered of total spending. National recoveries have not yet been released for FY17, but Medicaid Fraud recoveries decreased in New Mexico to \$1.3 million. LFC recommends the \$80 thousand increase from the general fund and \$240.3 thousand increase in federal funds.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the legal services program of the attorney general includes four million seven hundred forty-three thousand four hundred dollars (\$4,743,400) from the consumer settlement fund of the attorney general's office and one million dollars (\$1,000,000) from the mortgage regulatory fund of the department of finance and administration. Any unexpended balance in the legal services program of the attorney general remaining at the end of fiscal year 2019 from appropriations made from the consumer settlement fund shall revert to the consumer settlement fund.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,338.5	9,960.4	14,703.8	11,830.4	18.8
Other Transfers	7,042.8	8,359.5	3,000.0	5,743.4	-31.3
Federal Revenues	1,579.2	1,598.1	698.0	698.0	-56.3
Other Revenues	0.0	0.0	917.4	917.4	
SOURCES TOTAL	16,960.5	19,918.0	19,319.2	19,189.2	-3.7
USES					
Personal Services and Employee Benefits	14,290.6	16,929.1	15,541.7	15,541.7	-8.2
Contractual Services	830.8	695.6	925.9	795.9	14.4
Other	2,239.1	2,293.3	2,851.6	2,851.6	24.3
TOTAL USES	17,360.5	19,918.0	19,319.2	19,189.2	-3.7
FTE					
Permanent	0.0	168.0	152.0	152.0	-9.5
Term	0.0	1.0	18.0	18.0	1,700.0
Temporary	0.0	22.0	6.0	6.0	-72.7
TOTAL FTE POSITIONS	0.0	191.0	176.0	176.0	-7.9

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of registrants at presentations conducted throughout the state and online	NEW	NEW	NEW	20,690	20,690
Output	Number of administrative prosecutions on professional licenses	NEW	NEW	NEW	100	100
Output	Number of investigations and prosecutions involving child victims	NEW	NEW	NEW	365	365
Output	Number of public corruption and first- or second-degree felony matters accepted for investigation, prosecution, or both that do not involve child victims	NEW	NEW	NEW	30	30
Outcome	Percent of investigations for noncompliance with the Open Meetings Act and Inspection of Public Records Act initiated within thirty days of referral	100%	100%	100%	100%	100%
* Outcome	Percent of consumer and constituent complaints resolved within sixty days of formal complaint or referral receipt	71%	72%	65%	80%	80%

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Average time from filing to final disposition in criminal cases, in months	NEW	NEW	18		
Explanatory	Number of cases reviewed for prosecution	NEW	NEW	50		

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	640.0	640.0	720.0	720.0	12.5
Other Transfers	12.7	1.2	0.0	0.0	-100.0
Federal Revenues	1,989.4	1,920.3	2,160.6	2,160.6	12.5
SOURCES TOTAL	2,642.1	2,561.5	2,880.6	2,880.6	12.5
USES					
Personal Services and Employee Benefits	1,946.1	1,967.7	2,285.5	2,285.5	16.2
Contractual Services	166.6	9.0	164.5	164.5	1,727.8
Other	529.4	584.8	430.6	430.6	-26.4
TOTAL USES	2,642.1	2,561.5	2,880.6	2,880.6	12.5
FTE					
Permanent	0.0	21.0	25.0	25.0	19.0
TOTAL FTE POSITIONS	0.0	21.0	25.0	25.0	19.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$5,654	\$1,316			
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 case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt	56%	51%	65%	65%	65%
Efficiency	Percent of referrals from the department of human services where medicaid fraud control unit responds within fifteen days	NEW	NEW	85%	85%	85%

STATUTORY AUTHORITY:

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

MISSION:

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

	BUDGET SUMMARY (dollars in thousands)				
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,690.4	2,690.4	3,170.3	2,677.0	-0.5
Other Revenues	527.2	450.0	450.0	480.0	6.7
Fund Balance	126.8	305.0	188.1	301.9	-1.0
SOURCES TOTAL	3,344.4	3,445.4	3,808.4	3,458.9	0.4
USES					
Personal Services and Employee Benefits	2,835.8	2,960.9	3,030.2	3,030.2	2.3
Contractual Services	47.9	46.8	176.8	46.8	0.0
Other	460.4	437.7	601.4	381.9	-12.7
TOTAL USES	3,344.1	3,445.4	3,808.4	3,458.9	0.4
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 FY19 request from the State Auditor (OSA) was an increase over the FY18 operating level. The agency reduced its use of fund balance due to depleted balances and increased general fund revenue. In total, the agency requested a general fund increase of \$479.9 thousand, or 17.8 percent, above FY18 operating levels. The agency request includes funding to fill one vacancy in its financial audit program and to provide technical assistance for audits of small political subdivisions.

Overall, the LFC recommendation is 13.5 thousand, or 0.4 percent, above the FY18 operating budget. The recommendation reduces general fund revenue but offsets this with increased enterprise revenue. The committee supports the agency request to fill an auditor position and expects enterprise revenue will increase.

BUDGET ISSUES:

Since OSA reorganized, appropriation levels from fund balances increased substantially and the office projects it will have only \$200 thousand of fund balance remaining by the end of FY19. Limited funding for OSA is affecting its ability to provide grants to small political subdivisions to meet audit requirements and allocations for this were reduced from \$140 thousand to \$20 thousand between FY17 and FY18.

Premium Tax Audit. OSA managed an audit of insurance premium tax revenue between July 2017 and September 2017, a follow up on an audit conducted in September 2016 that revealed \$193 million in potential underpayments to the state by insurance companies. This new audit was executed by Examination Resources, of Atlanta, Georgia, for \$600 thousand. The cost was paid by the Office of Superintendent of Insurance (OSI). The audit firm found 12 health companies, 35 life companies, and 25 property and casualty companies may have underpaid taxes to the state. However, preliminary reports show the collectible balance is less than the \$193 million initially reported last year by OSA.

Findings Report. The State Auditor FY16 findings report, summarizing 461 financial audits from FY16 found 435, or 94 percent, of them received "unmodified" opinions, meaning the auditor concluded, based on test work, that the financial statements fairly presented the financial condition of the entity. No findings were found in 136, or 30 percent, of the audits. Total findings decreased 4 percent from 1,819 in FY15 to 1,748 in FY16. About 37 percent of all findings were repeated from FY15, many of which originated in FY09 or earlier.

Of state agencies, the Public Education Department had the most findings with 184, including 49 repeat findings in FY16, followed by the Office of Superintendent of Insurance with 31, including nine repeat findings. The most common finding is a lack of policies, procedures, and internal controls and state law compliance.

Land Grant Permanent Fund Duplicate Reporting and the Comprehensive Annual Financial Report (CAFR). In April 2017, the State Auditor sent a letter to Governor Martinez regarding duplicate reporting of over \$765 million in land grant permanent fund (LGPF) assets. The issue stems from eight LGPF beneficiary agencies that continued to report LGPF investments as assets in the agency-level financial statements. As a result, the inconsistency resulted in a double accounting of significant LGPF assets between the beneficiaries and the state as a whole.

In June 2017, the Department of Finance and Administration (DFA) acknowledged the reporting issues and adjusted reporting guidelines. Some of the guideline changes, among others, are transfers to beneficiaries from the Commissioner of Public Lands are now reported as assets; the State Investment Council is now the sub-entity responsible for managing the LGPF as an asset within a governmental fund; and the state's CAFR shall now be prepared by aggregating the sub-entity financial statements. DFA reports this will produce consistent division-level and statewide CAFR financial statements that are relevant and support assigned accountability for these assets.

Anti-Fraud Efforts. Over the past year, OSA has identified significant sums of misused money. Some highlights include \$200 thousand in funds taken from Northern New Mexico College, \$500 thousand embezzled from La Promesa charter school, \$850 thousand in stolen funds from the Otis Mutual domestic water and sewer association, and others. OSA notes not all misused funds will be recovered by the state; however, stopping theft and misuse of funds is important to prevent loss of limited public resources, which state and local governments have to make up in other appropriations.

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

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Amount of audit fees generated	\$432,310	\$527,241	\$450,000	\$450,000	\$480,000
* Explanatory	Percent of audits completed by regulatory due date	87%	84%			
Output	Number of training sessions performed	38	33	19	19	35
* Outcome	Percent of statutory reviews of audit reports completed within ten days	88%	93%	90%	90%	94%
Output	Number of working paper reviews of independent public accountants	46	45	45	43	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>FY19 – 2018-2019</u>		Percent Incr (Decr)
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	51,271.7	44,701.7	51,595.8	51,096.8	14.3
Other Transfers	542.6	6,620.6	0.0	0.0	-100.0
Federal Revenues	1,517.6	1,723.3	1,584.8	1,584.8	-8.0
Other Revenues	30,586.6	26,985.6	30,437.9	30,437.9	12.8
Fund Balance	8,676.6	1,420.5	0.0	1,265.5	-10.9
SOURCES TOTAL	92,595.1	81,451.7	83,618.5	84,385.0	3.6
USES					
Personal Services and Employee Benefits	54,094.5	56,693.8	56,240.9	57,312.9	1.1
Contractual Services	9,139.7	8,446.9	12,660.4	11,773.3	39.4
Other	14,345.8	14,890.5	14,717.2	14,033.3	-5.8
Other Financing Uses	7,765.6	1,420.5	0.0	1,265.5	0.0
TOTAL USES	85,345.6	81,451.7	83,618.5	84,385.0	3.6
FTE					
Permanent	1,048.5	1,038.5	1,034.5	1,028.5	-1.0
Term	28.0	28.0	29.0	29.0	3.6
Temporary	11.3	11.3	9.3	9.3	-17.7
TOTAL FTE POSITIONS	1,087.8	1,077.8	1,072.8	1,066.8	-1.0

AT A GLANCE:

For FY19, the agency requested \$51.6 million in general fund revenues, an increase of 15.4 percent above the FY18 appropriation levels. The increase is to reverse reductions implemented by the Legislature during the 2017 regular session to maintain state solvency. The request also included the transfer of the Oil and Natural Gas Administration and Revenue Database (ONGARD) service center to the State Land Office (SLO) and an expansion to implement a new business tax credit bureau.

There are concerns about the department's interpretation and implementation of the tax code, tax protest backlogs, and experience and qualifications of leadership staff. The department also lacks robust performance measures and targets. Additionally, over the past year, the department provided responses to legislative staff information requests; however, not all requests have received responses.

BUDGET ISSUES:

The overall agency request was \$83.6 million, an increase of \$2.2 million, or 2.7 percent, over FY18 appropriation levels. Most of the requested increase used other state funds in the contractual services category within the Motor Vehicle Division (MVD) for post-implementation support and maintenance of the Tapestry IT system. Additionally, the request increased funding for the Property Tax Program to fill all remaining vacancies.

The committee recommendation for general fund revenue is \$51.1 million, a 14.3 percent increase above the FY18 operating budget, and it discontinues a \$6 million transfer from the state road fund as the Legislature winds down solvency measures taken during 2017. The recommendation supports the request to implement a new business tax credit bureau, reduce vacancy rates throughout the agency, and transfer the ONGARD service center to SLO.

Laws 2017, Chapter 60, allowed the Department of Transportation (DOT), Department of Public Safety (DPS), and TRD to receive funds from the weight distance tax identification permit fund. The committee recommendation includes transfers of \$1.3 million from weight distance tax identification permit revenue that the agency requested to retain as unbudgeted revenue to DOT and DPS.

Performance. The LFC recommendation includes additional performance measures for the department along with increased targets for existing measures. The department reports on the number of tax protest cases resolved but not on the outcome of the resolution; new recommended performance measures address this concern. Additional performance measures include reporting on collections of outstanding tax balances that are less than 24 months old, time taken to resolve questionable refunds, number of credit requests denied compared with total received, time MVD field offices do not provide services due to IT system downtime, and the turnover rate of tax fraud investigators. The current performance measures do not provide a full picture of services provided by the department nor do they demonstrate a full picture for the use of public funds.

TRD faces substantial tax policy challenges due largely to lack of leadership and low employee morale, according to a report presented to the Council on State Taxation (COST). The report states, "Practitioners and taxpayers uniformly agree that the department is more dysfunctional [now] than at any time in at least the last 25 years." Included in the report are a variety of issues concerning TRD, including aggressive audits relying on changing interpretations of the law, an unpredictable approach to various tax incentives, and backlogs of administrative protests. Additionally, the report points out vacancies or lack of tax policy experience in key leadership positions, including the department secretary, chief counsel, director of tax policy, and department legal staff. This leads to what the report calls a "key problem" in the last few years where "there does not seem to have been top down tax policy review and policy control over department decisions at all levels." As a result, the report indicates TRD has largely over-relied on de facto tax policy guidance from its auditors, rather than establishing a clear policy direction. The report concludes that "apparent lack of priorities for tax enforcement and administration" results in significant inefficiencies that "substantially increase costs for taxpayers and substantially delay resolution of tax disputes in New Mexico, including collection of tax revenue."

REAL ID. In June 2017, the Department of Health (DOH) estimated 300 thousand New Mexicans would seek a new birth certificate, more than double the 135 thousand the previous year. This high demand is creating wait times as long as 2.5 hours in vital records offices. Additionally, DOH expanded staff in Albuquerque, adding two temporary workers to the two-person existing staff. The department also opened new vital records offices at public health offices in Las Vegas, Gallup, and Socorro.

Every applicant for a REAL ID must prove identity and legal citizenship by having consistent documentation when applying for a driver's license. Often, individual's names do not match birth certificates and social security cards, leading them to be denied a REAL ID and forcing some to legally change their names so the documents match. Consequently, there was an uptick in name change requests across district courts statewide. Each petition for a name change is \$132 for a filing fee plus the cost of publishing the name change in the newspaper for two weeks, bringing the individual's costs to around \$200 and eight to 16 weeks of a wait time.

For October 2016, the Department of Health (DOH) reported it issued 5,315 birth certificates; this was one month before REAL ID implementation. For the month of January 2017, DOH reported issuing 9,558 birth certificates. In February 2017 that number again increased to 11,653 birth certificates, an increase of 119 percent between October 2016 and February 2017.

Premium Tax Collections Transition. The 2017 General Appropriation Act called for TRD and the Office of Superintendent of Insurance (OSI) to prepare a plan to transfer the function of collecting premium insurance taxes and present it to appropriate interim legislative committees. In December 2017, both TRD and OSI presented a logistical and budgetary plan for making the transition to the Revenue Stabilization and Tax Policy Committee. The proposed transfer would occur on January 1, 2019, allowing agencies sufficient time to prepare. OSI will continue with operations as normal and TRD will create a new tax program within its "GenTax" reporting system.

Property Tax. The Association of Counties in late 2016 began raising concerns about some centrally assessed property being significantly undervalued or omitted from the tax rolls, notably in Eddy County. The Association of Counties asserts nonreporting or underreporting by oil and natural gas companies is affecting property valuations. The current system requires companies to self-report their original or acquisition costs along with size, age, type and lengths of pipelines and other appurtenances for gathering and transportation lines. However neither the state nor counties have the staff necessary to audit the reporting practices of over 130 different companies. Property values in Eddy, Rio Arriba, and other counties are lagging. An Eddy County consultant, Total Assessments Solution Corporation (TASC), reported 56.9 miles of pipelines installed in Eddy County from 2004 and 2008 were never reported. This translates to about \$1.6 million in lost revenue. As of July 2017, TASC mapped oil and gas assets on about 200 miles, or 25 percent of the county, and estimated the amount of uncollected tax dollars to be approximately \$2.1 million.

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 state funds appropriation to the motor vehicle program of the taxation and revenue department in the other financing uses category includes ninety-four thousand five hundred dollars (\$94,500) from the weight distance tax identification permit fund for the law enforcement program of the department of public safety and one million one hundred seventy-one thousand dollars (\$1,171,000) from the weight distance tax identification permit fund for the modal program of the department of transportation.

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)

		<u>FY19 - 2018-2019</u>				
		<u>FY17</u>	<u>FY18</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2016-2017</u>	<u>2017-2018</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	20,507.4	20,471.3	20,971.3	20,971.3	2.4
	Federal Revenues	1,331.5	1,506.8	1,506.8	1,506.8	0.0
	Other Revenues	6,726.3	7,865.9	7,365.9	7,365.9	-6.4
	SOURCES TOTAL	28,565.2	29,844.0	29,844.0	29,844.0	0.0
USES						
	Personal Services and Employee Benefits	22,815.9	24,274.2	24,067.4	24,274.2	0.0
	Contractual Services	244.8	236.4	292.4	236.4	0.0
	Other	5,156.0	5,333.4	5,484.2	5,333.4	0.0
	TOTAL USES	28,216.7	29,844.0	29,844.0	29,844.0	0.0
FTE						
	Permanent	461.5	460.5	461.5	460.5	0.0
	Term	26.0	26.0	26.0	26.0	0.0
	Temporary	9.3	9.3	9.3	9.3	0.0
	TOTAL FTE POSITIONS	496.8	495.8	496.8	495.8	0.0

PERFORMANCE MEASURES

		<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY19</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Average return on investment of all funds for every dollar invested in the audit and compliance division	10.7:1	10.4:1	11:1	11:1	DELETE
Explanatory	Percent of electronically filed returns for personal income tax and combined reporting system	85.4%	86.1%			
Explanatory	Percent of taxpayer correspondence requests answered in an average of ten working days	100%	N/A			
* Outcome	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	19.3%	18.4%	19%	18%	35%
* Outcome	Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year	42.9%	58%	60%	60%	70%

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Percent of personal income tax returns filed on time	NEW	87%			
Explanatory	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed	1.5%	1.5%			
Output	Average return on investment of all funds for collections for every dollar invested in the audit and compliance division	NEW	NEW	NEW	N/A	11:1
* Explanatory	Number of personal income tax returns flagged as questionable	NEW	NEW			
* Explanatory	Percent of credit requests denied of total credit requests received	NEW	NEW			
* Explanatory	Number of personal income tax returns processed, in millions	NEW	NEW			
* Explanatory	Number of questionable personal income tax returns stopped	NEW	NEW			
Output	Average time to resolve questionable refunds, in days	NEW	NEW	NEW	N/A	15
* Outcome	Collections as a percent of collectible outstanding balances aged less than twenty-four months	NEW	NEW	NEW	N/A	50%

MOTOR VEHICLE

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>FY19 - 2018-2019 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	11,158.5	4,811.4	10,811.4	10,508.2	118.4
	Other Transfers	0.0	6,000.0	0.0	0.0	-100.0
	Federal Revenues	186.1	216.5	78.0	78.0	-64.0
	Other Revenues	17,573.9	14,217.4	18,007.3	18,007.3	26.7
	Fund Balance	8,676.6	1,420.5	0.0	1,265.5	-10.9
	SOURCES TOTAL	37,595.1	26,665.8	28,896.7	29,859.0	12.0
USES						
	Personal Services and Employee Benefits	14,749.3	15,330.8	15,185.5	15,330.8	0.0
	Contractual Services	4,669.9	4,268.5	7,854.3	7,551.1	76.9
	Other	6,229.1	5,646.0	5,856.9	5,711.6	1.2
	Other Financing Uses	7,765.6	1,420.5	0.0	1,265.5	0.0
	TOTAL USES	33,413.9	26,665.8	28,896.7	29,859.0	12.0
FTE						
	Permanent	342.0	336.0	335.0	335.0	-0.3
	Term	2.0	2.0	3.0	3.0	50.0
	Temporary	2.0	2.0	0.0	0.0	-100.0
	TOTAL FTE POSITIONS	346.0	340.0	338.0	338.0	-0.6

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of registered vehicles with liability insurance	92.4%	88%	93%	92%	93%
* Efficiency	Average call center wait time to reach an agent, in minutes	6:07	4:53	<5:00	<5:00	<5:00
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	13:14	22:56	<15:00	<19:00	<15:00

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	2.0	1.3	1.0	1.0	1.0
Quality	Percent of customers rating customer service as good or higher	98.5%	98.4	>95%	>90%	>98%
Explanatory	Web transactions as a percent of total transactions	33.1%	24%			
Output	Percent of scheduled uptime the tapestry system is available during state office business hours	NEW	NEW	NEW	N/A	99.5%

PROPERTY TAX

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>Agency Request</u>	<u>FY19 - 2018-2019 LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	Other Revenues	5,106.3	3,796.6	4,031.4	4,031.4	6.2
	SOURCES TOTAL	5,106.3	3,796.6	4,031.4	4,031.4	6.2
USES						
	Personal Services and Employee Benefits	2,247.1	2,505.9	2,669.3	2,669.3	6.5
	Contractual Services	316.3	628.0	668.0	668.0	6.4
	Other	524.9	662.7	694.1	694.1	4.7
	TOTAL USES	3,088.3	3,796.6	4,031.4	4,031.4	6.2
FTE						
	Permanent	41.0	39.0	39.0	39.0	0.0
	TOTAL FTE POSITIONS	41.0	39.0	39.0	39.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held	94%	100%	92%	92%	DELETE
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$11.6	\$12.3	\$11.6	\$11.6	\$13.0
* Output	Number of delinquent property tax sales held	NEW	NEW	NEW	N/A	33
Outcome	Percent of total delinquent property taxes recovered	NEW	NEW	10%	10%	25%

COMPLIANCE ENFORCEMENT

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>Agency Request</u>	<u>FY19 - 2018-2019 LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	1,566.2	1,555.3	1,555.3	1,555.3	0.0
	Other Revenues	0.2	0.0	0.0	0.0	
	SOURCES TOTAL	1,566.4	1,555.3	1,555.3	1,555.3	0.0
USES						

BUDGET SUMMARY
(dollars in thousands)

FY19 - 2018-2019

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
Personal Services and Employee Benefits	1,167.0	1,282.5	1,282.4	1,282.4	0.0
Contractual Services	3.9	7.6	6.8	6.8	-10.5
Other	209.2	265.2	266.1	266.1	0.3
TOTAL USES	1,380.1	1,555.3	1,555.3	1,555.3	0.0
FTE					
Permanent	22.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	22.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	88%	67%	85%	60%	85%
Explanatory	Successful tax fraud prosecutions as a percent of total cases prosecuted	98%	98%			
Outcome	Percent of internal investigations completed within sixty days	93%	100%	90%	80%	90%
* Explanatory	Turnover rate of tax fraud investigators	NEW	NEW			

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)

FY19 - 2018-2019

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	18,039.6	17,863.7	18,257.8	18,062.0	1.1
Other Transfers	542.6	620.6	0.0	0.0	-100.0
Other Revenues	1,179.9	1,105.7	1,033.3	1,033.3	-6.5
SOURCES TOTAL	19,762.1	19,590.0	19,291.1	19,095.3	-2.5
USES					
Personal Services and Employee Benefits	13,115.2	13,300.4	13,036.3	13,756.2	3.4
Contractual Services	3,904.8	3,306.4	3,838.9	3,311.0	0.1
Other	2,226.6	2,983.2	2,415.9	2,028.1	-32.0
TOTAL USES	19,246.6	19,590.0	19,291.1	19,095.3	-2.5
FTE					
Permanent	182.0	182.0	178.0	173.0	-4.9
TOTAL FTE POSITIONS	182.0	182.0	178.0	173.0	-4.9

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Number of tax protest cases resolved	1,897	1,524	1,400	1,400	1,500
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	100%	100%	100%
Output	Percent of internal audit recommendations implemented	93.1%	91%	90%	90%	90%

PERFORMANCE MEASURES

		FY16 Actual	FY17 Actual	FY18 Budgeted	FY19 Request	Fy19 Recomm
Explanatory	Number of days after the close of a reporting period that financial reports are available	NEW	NEW			
Explanatory	Financial report error rate	NEW	NEW			
* Explanatory	Amount of general fund revenue pending from unresolved tax protest cases, in millions	NEW	NEW			

STATUTORY AUTHORITY:

The State Investment Council (SIC) was created by Section 6-8-2 NMSA 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	56,859.0	52,231.8	61,513.5	54,873.7	5.1
SOURCES TOTAL	56,859.0	52,231.8	61,513.5	54,873.7	5.1
USES					
Personal Services and Employee Benefits	3,566.2	3,843.4	4,153.1	3,843.4	0.0
Contractual Services	44,460.8	47,746.4	56,685.8	50,388.3	5.5
Other	567.9	642.0	674.6	642.0	0.0
TOTAL USES	48,594.9	52,231.8	61,513.5	54,873.7	5.1
FTE					
Permanent	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	31.0	31.0	31.0	31.0	0.0

AT A GLANCE:

For FY19, SIC requested a 17.8 percent increase from the FY18 operating budget, largely to fund increases in contractual services for asset management fees and additional funding for two vacant unfunded positions. The committee recommendation holds the budget flat for the personal services and employee benefits category and the other category but supports a 5.5 percent increase in contracts for asset management fees.

BUDGET ISSUES:

The market value of the funds invested by the State Investment Council (SIC) increased 10.6 percent during FY17, from about \$20.2 billion at the end of June 2016 to over \$22.3 billion at the end of June 2017. For FY19, SIC requested a \$9.3 million increase from the FY18 operating budget. For the personal services and employee benefits category, the requested increases cover costs for group insurance and retirement and funds two additional positions in addition to the current 2.5 vacant but funded positions in its FY18 budget. SIC requested an \$8.8 million increase in contractual services, largely for asset management fees above the targeted rate of return in the event the agency outperforms its targets. SIC's request also includes increased training and accreditation costs for newly hired employees, increased travel expenses, and expected equipment and network upgrades.

SIC currently has a 19.4 percent vacancy rate (6 FTE) and is actively recruiting for two analyst positions. For the personal services and employee benefits category, the LFC recommendation is flat with the FY18 operating budget, which includes 2.5 funded vacancies. The request and recommendation also factor in a substantial pay adjustment made in FY18 for one of the agency's investment directors due to pay equity issues, which may include claims for back pay in addition to an ongoing salary increase. A pay equity claim is likely to increase SIC's public liability insurance rates in FY20, because the rate for FY19 has already been determined. The recommendation keeps the other category flat with the FY18 operating budget, which provides sufficient room above FY17 actual expenses to cover increased costs for employee training and accreditations and planned IT upgrades.

Recognizing above-average investment returns in FY17, the LFC recommendation supports a 5.5 percent increase in contractual services to provide room for growth in asset management fees above the targeted rate of return in the event the agency outperforms its targets. SIC's long-term targeted rate of return is 7 percent for LGPF and 6.75 percent for STPF; the LGPF portfolio returned 13 percent in FY17 and STPF returned 12.8 percent.

Like many investment agencies, SIC seeks to maximize investment returns by hiring active fund managers. External investment management requires additional contracts and increased fees. Some asset classes, such as equities and fixed income assets, offer little opportunity for investment gains through active management, and indexing (passive management) is less costly. However, potential exists for investment returns due to manager skill in certain asset classes, such as private equity and real assets. In FY17, about 75 percent of the LGPF and STPF portfolios were actively managed. However, despite a high percentage of active management, the permanent funds do not consistently perform above the median for public funds of similar size. Notably, SIC FY17 performance documents indicate private equity managers, which collect the highest amount of management and performance fees, detracted the most from performance in missing their benchmarks by nearly 400 basis points, or 4 percent, in FY17.

The committee recommendation supports SIC's request for \$2.5 million in legal contracts for the agency's ongoing pay-to-play litigation. The case was expected to go to trial in November 2017; however, the trial was delayed due to delegation of a new judge for the case. The agency reports recovery efforts total approximately \$37.1 million, some of which has been deposited in SIC accounts and some of which is in escrow. The largest settlement amount is \$24.3 million from Vanderbilt, currently in escrow because of separate legal claims pursued by a qui tam plaintiff. Qui tam lawsuits are a type of whistleblower lawsuit that rewards the whistleblower in successful cases where the government recovers funds lost to fraud. Questions remain on the full details of the pay-to-play impact on the state's permanent funds. For several years, LFC has requested the agency to release the findings of Paul Hastings, an international law firm that SIC contracted with for \$5 million in 2010 to investigate the pay-to-play scheme. SIC claims the report cannot be shared because the findings are still part of ongoing litigation and many of the findings will be introduced at trial.

In August 2017, the council voted to issue sanctions on four of its members for refusal to sign the council's code of conduct. The motion passed with seven in favor and two opposed, with two members absent for the vote. The sanctions – imposed on the state land commissioner, state treasurer, and two Legislative Council appointees – bar the four members from attending closed session meetings and from voting on matters discussed during closed sessions. Although the code of conduct is updated annually and presented to the council, this is the first year in which signatures were required. Several updates to the code were included in this newest iteration, including the requirement that council members not take a position that could be considered in an adverse interest to the fund, requirements that council members not discuss with third parties any matters divulged in closed sessions, and the ability of the council to sanction other members. With two of the sanctioned members being legislative appointees, LFC is concerned the sanctions curtail legislative participation on the council in important legal and governance issues.

In October 2017, SIC took action to allow advisory members of its subcommittees to become voting members in those committees. Currently, SIC has three subcommittees (investment, audit, and governance) with one advisory member appointed to each. The motion passed with six in favor and three opposed. In discussion on the issue, council members stated the policy change was intended to show that advisory members' input is valued on these subcommittees. In opposition, some board members pointed out that allowing advisory members to vote, even if only on subcommittees, elevates their status to that of a council member and could give advisory members influence over the council if their vote brings an issue before the council that would not have otherwise been considered.

SIC submitted a budget adjustment request mid-November 2017 to transfer \$249 thousand from contractual services to the personal services and employee benefits category. The request includes \$128.2 thousand to fund salary increases for 13 employees, including the general counsel, deputy general counsel, chief financial officer, and communications director. The raises range from 5.3 percent to 25.5 percent, with an average increase of 13.5 percent. The request also includes \$70 thousand to fund a vacant investment accounting position, plus an additional \$50.8 thousand for the cost of associated employee benefits.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	-80	26	>12.5	>12.5	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	63	53	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points	-69	11	>12.5	>12.5	>12.5
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe	71	46	<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.

MISSION:

The mission of the Administrative Hearings Office is to adjudicate administrative hearings held pursuant to the Tax Administration Act, the Property Tax Code, the Implied Consent Act, and the Motor Vehicle Code consistent with applicable legal authority in a fair, efficient, and impartial manner.

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,505.9	1,503.7	1,503.7	1,503.7	0.0
Other Revenues	100.0	155.0	195.7	155.0	0.0
SOURCES TOTAL	1,605.9	1,658.7	1,699.4	1,658.7	0.0
USES					
Personal Services and Employee Benefits	1,214.6	1,377.0	1,417.7	1,377.0	0.0
Contractual Services	24.1	22.9	22.9	22.9	0.0
Other	270.8	258.8	258.8	258.8	0.0
TOTAL USES	1,509.5	1,658.7	1,699.4	1,658.7	0.0
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 FY19 AHO general fund request was flat with FY18 appropriations. However, the agency requested an increase of \$40.7 thousand, or 26.3 percent, from motor vehicle suspense fund revenue to fill its only vacant administrative law judge position. All "lawyer" positions were recently reclassified to "administrative law judge" with a higher pay band. AHO has nearly \$75 thousand in vacancy savings, enough to fill the vacant lawyer position. The committee recommendation does not support the increased use of this fund and recommends a flat budget for FY19.

At the end of FY17, AHO conducted and ruled on about 3,670 hearings, including 3,255 implied consent cases, 375 tax protest cases, and 40 Motor Vehicle Code hearings. In FY17, the office had nine hearing officers with an average caseload of about 408 cases each. AHO reports an estimated average time from filing to final disposition of cases to be about 175 days and as of October 2017 the agency had 218 tax protest case hearings scheduled through 2018 and into the 2019 calendar year.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the administrative hearings office includes one hundred fifty-five thousand dollars (\$155,000) from the motor vehicle suspense fund.

ADMINISTRATIVE HEARINGS

The purpose of the administrative hearings program is to adjudicate tax-, property- and motor-vehicle-related administrative hearings in a fair, efficient and impartial manner independent of the executive agency that is party to the proceedings.

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of hearings for implied consent act cases not held within ninety days due to administrative hearings office error	0.15%	0.0	<0.5%	<0.5%	<0.5%
Outcome	Percent of tax cases not held, including merits and scheduling conference, within ninety days because of administrative hearings office error	NEW	0.3%	<2.5%	<2.5%	<2.5%
Outcome	Number of tax protest or implied consent act trainings conducted annually	4	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)

			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	23,033.6	19,211.4	19,365.6	19,222.5	0.1
Other Transfers	37,000.0	39,000.0	36,000.0	36,000.0	-7.7
Federal Revenues	10,742.1	10,203.3	10,203.3	10,203.3	0.0
Other Revenues	79,267.8	81,114.2	80,974.2	80,974.2	-0.2
Fund Balance	882.6	2,475.8	583.2	583.2	-76.4
SOURCES TOTAL	150,926.1	152,004.7	147,126.3	146,983.2	-3.3
USES					
Personal Services and Employee Benefits	11,072.0	11,634.1	11,823.9	11,823.9	1.6
Contractual Services	6,194.5	6,458.3	6,661.6	6,613.0	2.4
Other	41,022.6	59,832.3	60,610.8	60,516.3	1.1
Other Financing Uses	72,822.3	74,080.0	68,030.0	68,030.0	-8.2
TOTAL USES	131,111.4	152,004.7	147,126.3	146,983.2	-3.3
FTE					
Permanent	129.0	129.0	129.0	129.0	0.0
Term	18.0	18.0	18.0	18.0	0.0
TOTAL FTE POSITIONS	147.0	147.0	147.0	147.0	0.0

AT A GLANCE:

The overall Department of Finance and Administration (DFA) budget request for FY19 was below the FY18 operating budget; however, the general fund request was slightly above FY18 levels. For FY19, the general fund request represented 61.3 percent for agency operating expenses and the remainder for state expenditures or special appropriations that pass through DFA.

The agency requested a \$176.2 thousand general fund increase to reduce vacancy rates in the Financial Control Division (FCD). The request also included a transfer of two special appropriations for professional memberships to other agencies and a general fund increase of \$143.1 thousand for the Land Grant Council. The committee recommendation supports the special appropriation transfers to other agencies, the general fund increase in FCD to reduce vacancies, and flat general fund revenues for pass-through appropriations.

BUDGET ISSUES:

DFA requested an FY19 general fund appropriation of \$19.4 million, \$154.2 thousand, or 0.8 percent, above the FY18 operating budget. The overall budget request for FY19 was \$147.1 million, \$5 million, or 3.2 percent, below FY18 budget levels. The decreased overall request is a result of reduced tobacco settlement revenue of \$3 million and fund balance revenues of \$2 million.

Agency Activities. The FY16 comprehensive annual financial report (CAFR) was submitted on June 12, 2017, a month earlier than the previous year. The state ended FY16 with a net position of \$25.9 billion, a decrease of \$1 billion, or 4 percent, from the previous year. The state's long-term bonded debt decreased a net of \$296 million for both governmental and business-type

activities; principal payment on outstanding debt exceeded debt on new issues. Three prior-year findings were repeated in FY16, with one new finding related to separately issued department-level financial statements of agencies included in the CAFR. Specifically, accounting policies applied in the separately issued department-level financial statements of land grant permanent fund beneficiaries contained in the CAFR, including New Mexico's higher education institutions and special schools, lacked consistency with the accounting policies applied in the state's financial statements.

The state is currently paying a \$5,000 per month fine to Visa for not meeting payment card industry data security standards. These fines are paid by noncompliant agencies proportionate to the level of noncompliance. For example, the Secretary of State pays \$900 per month for having 109 identified risks that have not yet been addressed. In total, 23 agencies are noncompliant with 488 identified risks that require attention. During the 2017 legislative session, the Legislature approved a \$750 thousand special appropriation to the Department of Finance and Administration to address these issues. In June 2017, DFA initiated its contract with Risk Sense to conduct system security audits and provide feedback to agencies for meeting industry standards. The total contract is for \$600 thousand, and the remainder of the appropriation may be used to help state agencies with necessary system improvements. The contract timetable shows completion of most steps by December 31, 2017.

In July 2017, the Board of Finance sold \$75.8 million severance tax refund bonds (STB) at a rate of 1.74 percent, with the winning bid awarded to Morgan Stanley. The board also sold \$307.6 million of general obligation bonds (GOB) at a rate of 1.56 percent, with the winning bid awarded to Citigroup Global Market. The GOB sale included \$154 million of refunding bonds with an initial present value savings of \$10.3 million, or 6.3 percent; however, the 2015 bonds were not eligible for bond repayment, a critical oversight, and nearly all savings was lost. The board moved quickly to remedy the error.

Community Development Programs. The Local DWI Grant Council awards counties annual grants and distributions from the liquor excise tax. For FY18, the 33 counties requested \$3.1 million for grant awards. The council awarded \$1.9 million for grants to counties, \$60.5 thousand, or 3.1 percent, less than FY17 levels. Statutory distributions were also reduced from \$18.9 million in FY17 to \$13.8 million for FY18, a reduction of 27 percent overall. During the 2016 special session, the Legislature swept \$3.6 million from the local DWI grant fund, reducing available funds for distribution to counties.

The Community Development Council received 23 grant applications and made 17 awards totaling \$10.8 million. This is a \$1.8 million increase over the prior-year allocation of \$8.9 million for 18 applicants. Allocations ranged between \$363 thousand and \$750 thousand. A rule change was implemented to allow funding requests up to \$750 thousand if the request contained certified cost estimates; other requests remain capped at the original \$500 thousand level. Key awards included a water system for the town of Bernalillo, a water system for Eagle Nest, street drainage for Ruidoso Downs, and a sidewalk for Santa Clara.

In July 2017, DFA awarded \$3.7 million in civil legal service contracts for low-income citizens, about \$200 thousand less than FY17 awards. The Civil Legal Services Commission is bringing more transparency and accountability for contracts awarded by the state. Other agencies that award grants for civil legal services include the Crime Victims Reparation Commission, Aging and Long-Term Services Department, Developmental Disabilities Planning Commission, Commission for the Blind, and the Children Youth and Families Department.

Special Appropriations. The committee recommends general fund transfers for DFA special appropriations of \$5.1 million, a reduction of \$165.1 thousand, or 3.1 percent, below the FY18 operating budget. The total recommendation for DFA special appropriations is \$24.3 million, an increase of \$4.8 million, or 24.4 percent, from FY18 budget levels. This total includes an increase of nearly \$5 million, or 35.2 percent, from the law enforcement protection fund.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the community development, local government assistance and fiscal oversight program of the department of finance and administration include eleven million eight hundred seventy-one thousand eight hundred dollars (\$11,871,800) from the 911 enhancement fund, eighteen million seven hundred thirty thousand dollars (\$18,730,000) from the local DWI grant fund, including one million six hundred thousand dollars (\$1,600,000) for local DWI grant program distributions to be transferred to the administrative office of the courts for drug courts, and one million six hundred fifty-seven thousand four hundred dollars (\$1,657,400) from the civil legal services fund.

The internal service funds/interagency transfers appropriation to the fiscal management and oversight program of the department of finance and administration in the other financing uses category includes thirty-six million dollars (\$36,000,000) from the tobacco settlement program fund. Of this amount, eighteen million dollars (\$18,000,000) is contingent on enactment of legislation of the second session of the fifty-third legislature that makes distributions from the tobacco settlement permanent fund to the tobacco settlement program fund.

Notwithstanding the provisions of Section 27-10-3 NMSA 1978, the other state funds appropriation in the other financing uses category of the fiscal management and oversight program of the department of finance and administration includes twenty-nine million six hundred thousand dollars (\$29,600,000) from the county-supported medicaid fund.

On certification by the state board of finance pursuant to Section 6-1-2 NMSA 1978 that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, the secretary of the department of finance and administration is authorized to transfer from the general fund operating reserve to the state board of finance emergency fund the amount necessary to meet the emergency. Such transfers shall not exceed an aggregate amount of two million dollars (\$2,000,000) in fiscal year 2019. 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 department of finance and administration shall not distribute a general fund appropriation made in items (f) through (m) 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,203.5	3,135.7	3,135.7	3,135.7	0.0
SOURCES TOTAL	3,203.5	3,135.7	3,135.7	3,135.7	0.0
USES					
Personal Services and Employee Benefits	2,751.7	2,934.2	2,934.2	2,934.2	0.0
Contractual Services	65.5	83.7	83.7	83.7	0.0
Other	88.4	117.8	117.8	117.8	0.0
TOTAL USES	2,905.6	3,135.7	3,135.7	3,135.7	0.0
FTE					
Permanent	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	31.0	31.0	31.0	31.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	General fund reserves as a percent of recurring appropriations	2.4%	TBD	10%	10%	10%
Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and non-gas revenue and corporate income taxes	-5.6%	TBD	(+/-) 3%	(+/-) 3%	(+/-) 3%
* Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	-8.5%	TBD	(+/-) 3%	(+/-) 4%	(+/-) 3%
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	100%	100%	100%
Outcome	Number of formal and informal trainings conducted by the state budget division	NEW	NEW	3	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)

	<u>FY19 - 2018-2019</u>					Percent Incr (Decr)
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,975.5	3,891.4	3,891.4	3,891.4		0.0
Federal Revenues	10,742.1	10,203.3	10,203.3	10,203.3		0.0
Other Revenues	31,556.2	34,124.2	32,259.2	32,259.2		-5.5
Fund Balance	774.2	2,475.8	583.2	583.2		-76.4
SOURCES TOTAL	47,048.0	50,694.7	46,937.1	46,937.1		-7.4
USES						
Personal Services and Employee Benefits	2,803.1	3,105.7	3,118.2	3,118.2		0.4
Contractual Services	3,728.1	3,733.0	3,886.2	3,886.2		4.1
Other	36,365.8	41,956.0	38,032.7	38,032.7		-9.4
Other Financing Uses	1,900.0	1,900.0	1,900.0	1,900.0		0.0
TOTAL USES	44,797.0	50,694.7	46,937.1	46,937.1		-7.4
FTE						
Permanent	23.0	23.0	23.0	23.0		0.0
Term	18.0	18.0	18.0	18.0		0.0
TOTAL FTE POSITIONS	41.0	41.0	41.0	41.0		0.0

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <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	85%	49%	95%	90%	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%	97%	95%	95%	97%
* Output	Percent of county and municipality budgets approved by the local government division of budgets submitted timely	100%	99%	90%	90%	95%
* Outcome	Number of counties and municipalities local government division assisted during the fiscal year to resolve audit findings and diminish poor audit opinions	5	21	5	10	10
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 local government division	NEW	NEW	97%	97%	97%
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	95%	90%	95%
Outcome	Percent of county, municipal, and special districts financial reports submitted timely and completely that are reviewed by local government division budget analysts within forty-five days	NEW	NEW	90%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	6,115.6	5,986.1	6,162.3	6,162.3	2.9
Other Transfers	37,000.0	39,000.0	36,000.0	36,000.0	-7.7
Other Revenues	32,892.3	32,800.0	29,600.0	29,600.0	-9.8
SOURCES TOTAL	76,007.9	77,786.1	71,762.3	71,762.3	-7.7
USES					
Personal Services and Employee Benefits	4,760.8	4,773.9	4,950.1	4,950.1	3.7
Contractual Services	704.2	847.7	847.7	847.7	0.0
Other	380.1	364.5	364.5	364.5	0.0
Other Financing Uses	69,892.3	71,800.0	65,600.0	65,600.0	-8.6
TOTAL USES	75,737.4	77,786.1	71,762.3	71,762.3	-7.7
FTE					
Permanent	64.0	64.0	64.0	64.0	0.0
TOTAL FTE POSITIONS	64.0	64.0	64.0	64.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	12	11			
Explanatory	Date of submitting the annual statewide cost allocation plan for federal approval	03/28	3/31			
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	90%	90%	90%	90%	95%
Explanatory	Percent of contracts rejected due to lack of all required elements for a complete contract	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	976.2	903.0	903.0	903.0	0.0
SOURCES TOTAL	976.2	903.0	903.0	903.0	0.0
USES					
Personal Services and Employee Benefits	751.6	803.4	803.4	803.4	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Contractual Services	67.9	72.1	73.6	73.6	2.1
Other	32.6	27.5	26.0	26.0	-5.5
TOTAL USES	852.1	903.0	903.0	903.0	0.0
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	95.6%	100%	95%	95%	100%
Outcome	Percent of prior-year audit findings resolved	NEW	NEW	80%	80%	80%

**Department of Finance and Administration Non-Operating Appropriations
Budget Summary**
(dollars in thousands)
FY 2019

	FY18 Operating	FY19 Request	FY19 LFC Rec.	% Δ OpBud
SOURCES				
General fund transfers	\$5,295.2	\$5,273.2	\$5,130.1	-3.1%
Other Revenues	\$14,190.0	\$19,115.0	\$19,115.0	34.7%
SOURCES TOTAL	\$19,485.2	\$24,388.2	\$24,245.1	24.4%
USES (General Fund)				
Western Interstate Commission for Higher Education*	\$125.2	\$0.0	\$0.0	Transferred
Education Commission of the States**	\$53.7	\$0.0	\$0.0	Transferred
(a) National Association of State Budget Officers	\$16.4	\$20.2	\$20.2	23.2%
National Conference of State Legislatures ⁺	\$0.0	\$0.0	\$0.0	Transferred
(b) Western Governors' Association	\$31.9	\$36.0	\$36.0	12.9%
National Center for State Courts**	\$0.0	\$0.0	\$0.0	Transferred
National Conference of Insurance Legislators ⁺	\$0.0	\$0.0	\$0.0	Transferred
National Council of Legislators from Gaming States ⁺	\$0.0	\$0.0	\$0.0	Transferred
(c) National Governor's Association	\$77.9	\$83.8	\$83.8	7.6%
(d) Emergency water supply fund	\$104.8	\$104.8	\$104.8	0.0%
(e) Fiscal agent contract	\$1,064.8	\$1,064.8	\$1,064.8	0.0%
Regional housing authority oversight	\$0.0	\$0.0	\$0.0	Vetoed
(f) State planning districts	\$593.0	\$593.0	\$593.0	0.0%
(g) Leasehold community assistance	\$114.1	\$114.1	\$114.1	0.0%
(h) County detention of prisoners	\$2,387.5	\$2,387.5	\$2,387.5	0.0%
(i) Acequia and community ditch education program	\$398.2	\$398.2	\$398.2	0.0%
(j) New Mexico acequia commission	\$88.1	\$88.1	\$88.1	0.0%
(k) Statewide teen court	\$17.7	\$17.7	\$17.7	0.0%
(l) Land grant council	\$221.9	\$365.0	\$221.9	0.0%
TOTAL GENERAL FUND	\$5,295.2	\$5,273.2	\$5,130.1	-3.1%
USES (Non-General Fund)				
(k) Statewide teen court	\$140.0	\$115.0	\$115.0	-17.9%
(m) Law enforcement protection fund	\$14,050.0	\$19,000.0	\$19,000.0	35.2%
TOTAL NON-GENERAL FUND	\$14,190.0	\$19,115.0	\$19,115.0	34.7%
TOTAL APPROPRIATIONS	\$19,485.2	\$24,388.2	\$24,245.1	24.4%

*Transferred to Higher Education Department in FY19

**Transferred to Public Education Department in FY19

⁺Transferred to Legislative Council Service in FY18

^{**}Transferred to Administrative Office of the Courts in FY18

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 medical, 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)				
			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,347.0	1,299.9	1,317.6	1,317.6	1.4
Other Revenues	383,720.9	396,582.7	415,635.5	407,759.1	2.8
Fund Balance	11,009.5	0.0	0.0	0.0	
SOURCES TOTAL	396,077.4	397,882.6	416,953.1	409,076.7	2.8
USES					
Personal Services and Employee Benefits	946.7	985.8	997.9	997.9	1.2
Contractual Services	386,042.5	395,392.6	414,412.6	406,536.2	2.8
Other	241.4	204.3	225.0	225.0	10.1
Other Financing Uses	1,347.0	1,299.9	1,317.6	1,317.6	1.4
TOTAL USES	388,577.6	397,882.6	416,953.1	409,076.7	2.8
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 insurance, covers about 50 thousand teachers and other educational employees, students, volunteers, and others, and insures over \$20 billion in school property values. A staff of 11 FTE oversee a number of insurance servicing and claims administration agreements with third parties. Schools pay premiums for risk coverage based on their own claims experience. Premiums for health benefits are based on the total pool's experience and collected on a per employee basis. NMPSIA covers workers' compensation and liability claims up to \$1 million and property claims up to \$750 thousand and buys excess insurance for larger losses. Assets currently include \$97 million in cash and investments to cover case reserves of \$29 million and incurred but not reported claims estimates of \$60 million.

For FY19, NMPSIA asked for an overall budget increase of \$19.1 million, or 4.8 percent, to cover a number of fee increases for administrative services contracts, medical and pharmacy claims, and risk loss reserves and related expenditures. This would require large increases to the general fund appropriation to public school funding for insurance and from employee health insurance premium increases. The remainder would come from other revenue, including investment income, voluntary premiums, and higher education funding.

LFC recommends an overall increase of \$11.2 million, or 2.8 percent. This would require an increase of \$2.8 million to the general fund appropriation to public school funding to help cover insurance costs for schools covered by NMPSIA and smaller employee health insurance premium increases. The increase also budgets higher amounts from other revenue available and assumes greater savings from efforts to contain rising healthcare costs and reduce the state's exposure to wrongful acts. The recommendation also includes smaller increases for third-party administration agreements for the Benefits Program and excess insurance for the Risk Program.

BUDGET ISSUES:

The original operating budget for FY17 was \$395.4 million and actual spending was \$388.6 million. For FY18, the agency was appropriated \$397.9 million. There were no budget adjustment requests. In FY16 and FY17, there were two transfers totaling \$16 million from the Risk Program to the general fund to help with solvency.

Benefits. In FY17, because of fewer covered lives, the program collected less premium revenue than projected. To make up the difference, fund balance was used to cover the \$11 million shortfall between revenue and expenses. The projected fund balance for FY18 is \$21 million, 25 percent shy of the target. Over the past year, NMPSIA saw medical and drug costs on a per member basis increase \$262 per year, or 5 percent. This was less than the program's actuarial assumption of 8 percent. To minimize cost increases, NMPSIA made plan design changes so high cost claimants share more of the cost of their own healthcare and implemented several drug management programs. Still, despite these changes, NMPSIA's benefit continues to compare favorably with what is available in the marketplace for persons living outside of Albuquerque, which is most of the membership.

The LFC recommendation for the Benefits Program supports the agency's request. Although only a 2.1 percent increase from the FY18 operating budget, LFC recommends an increase of 5.7 percent, approximately \$18 million, from FY17 actual spending levels to cover projections for medical, dental and prescription drug utilization and costs and stop-loss insurance in the event that aggregate claim costs exceed \$1 million. Over time, the program may find the likelihood of claims higher than \$1 million is small from an actuarial outlook and fund reserves are large enough to withstand these rare events without the need to purchase costly stop-loss insurance. Challenges controlling costs also include payment rates that appear to be higher when care is provided out-of-network or out-of-state or by rural facilities and other providers that have little or no competition.

Risk. The Risk Program began FY17 with a negative fund balance of \$5.7 million and began FY18 with a negative fund balance of \$6.5 million. Both fiscal year balances were negative because the program transferred \$16 million to the general fund for solvency and a new actuarial firm increased the amount set aside for incurred-but-not-reported (IBNR) claims estimates by \$14 million from the previous firm's estimates. In FY17, the program collected \$5 million more in premium revenue from schools and other covered entities than budgeted. Actual expenditures in FY17 for general liability, property and workers' compensation claims, excess insurance, third-party claims administration fees and other contractual services fees were close to budgeted amounts.

Although less than requested, LFC recommends an increase of 2.4 percent, or approximately \$2.5 million, over FY17 actual spending levels. LFC uses prior-year averages to project the level of funding needed to cover general liability, property, and workers' compensation payments and associated expenses in FY19. These expenses include fee increases for workers' compensation medical bill review services and loss prevention services to focus on bullying and sexual assault. LFC provides a smaller amount than requested for excess insurance costs, which keeps rising as the pool becomes larger and property values increase. LFC does not include funding for lobbyists.

NMPSIA continues to be concerned about inappropriate behavior with students by adults, protecting student athletes from head injuries, schools arming personnel for more timely response to an active shooter situation, inadequate accommodations for students with disabilities, rising workers' compensation medical and prescription drug costs, and school property claims from improper maintenance. Despite more funding for loss prevention, only two-thirds of schools are in compliance with NMPSIA's loss prevention recommendations for them. To reduce risk, NMPSIA may introduce legislation to stop schools unloading problematic teachers by hiding their misconduct and allow older students access to a phone app to report bullying and sexual assault crimes.

Asset Management. As of June 30, 2017, NMPSIA's assets to cover loss reserve estimates and other liabilities totaled \$98.4 million. Of that amount, \$32 million is invested short-term in the local government investment pool (LGIP) with the State Treasurer and \$25.5 million is invested long-term with the State Investment Council (SIC). NMPSIA also maintains bank accounts to meet its large daily cash requirements. In FY17, interest earned on short- and long-term investments and bank accounts totaled \$4.3 million, compared with \$807 thousand in FY16. Asset management fees paid to LGIP and SIC totaled \$48 thousand. However, NMPSIA also contracts with an asset management firm to provide investment advice and manage the SIC portfolio to maximize returns at a cost of approximately \$27 thousand. For FY19, NMPSIA requested an estimated amount of \$200 thousand from investment earnings. To help hold down risk premium increases for schools, LFC budgets a higher amount.

Program Support. The LFC recommendation for 11 FTE and related costs supports the agency's request, which includes increases for Department of Information Technology rate assessments and facility maintenance.

RECOMMENDED LANGUAGE:

Any expended balances in program support of the New Mexico public schools insurance authority remaining at the end of fiscal year 2019 shall revert in equal amounts 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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	303,725.1	325,783.6	332,680.9	332,680.9	2.1
Fund Balance	11,009.5	0.0	0.0	0.0	
SOURCES TOTAL	314,734.6	325,783.6	332,680.9	332,680.9	2.1
USES					
Contractual Services	314,061.1	325,133.6	332,022.1	332,022.1	2.1
Other Financing Uses	673.5	650.0	658.8	658.8	1.4
TOTAL USES	314,734.6	325,783.6	332,680.9	332,680.9	2.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent change in per-member health claim costs	6.0%	4.5%	<6.0%	<6.5%	<4.0%
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	7	7	7	7	7
* Outcome	Percent change in medical premium as compared with industry average	2%	-6%	<5%	<5%	<4%
Explanatory	Percent change in the number of participants covered by the health plans	NEW	NEW	>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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	79,995.8	70,799.1	82,954.6	75,078.2	6.0
SOURCES TOTAL	79,995.8	70,799.1	82,954.6	75,078.2	6.0
USES					
Contractual Services	71,941.2	70,149.2	82,295.8	74,419.4	6.1
Other Financing Uses	673.5	649.9	658.8	658.8	1.4
TOTAL USES	72,614.7	70,799.1	82,954.6	75,078.2	6.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Quality	Percent of educational entities satisfied with risk insurance claim-processing service	95%	95%	95%	95%	95%

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of schools in compliance with loss control prevention recommendations	54%	63%	60%	65%	75%
* Outcome	Average cost per claim for current fiscal year	\$3,390	\$2,375	<\$3,500	<\$4,000	<\$3,000
Outcome	Percent change in the average cost of worker's compensation claims as compared with self-insured plans in the workers' compensation administration's annual report	4%	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)

		FY19 - 2018-2019				
		<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	Other Transfers	1,347.0	1,299.9	1,317.6	1,317.6	1.4
	SOURCES TOTAL	1,347.0	1,299.9	1,317.6	1,317.6	1.4
USES						
	Personal Services and Employee Benefits	946.7	985.8	997.9	997.9	1.2
	Contractual Services	40.2	109.8	94.7	94.7	-13.8
	Other	241.4	204.3	225.0	225.0	10.1
	TOTAL USES	1,228.3	1,299.9	1,317.6	1,317.6	1.4
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Number of repeat prior-year audit findings	0	0	0	0	0
Efficiency	Percent of employee performance evaluations completed by anniversary date	NEW	NEW	100%	100%	100%

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 healthcare 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 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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,118.3	2,936.8	3,067.2	3,015.2	2.7
Other Revenues	341,026.1	320,065.8	348,098.6	335,507.9	4.8
SOURCES TOTAL	344,144.4	323,002.6	351,165.8	338,523.1	4.8
USES					
Personal Services and Employee Benefits	1,840.8	1,858.8	1,931.5	1,905.1	2.5
Contractual Services	294,658.3	317,636.0	345,570.7	333,017.0	5.8
Other	548.4	571.0	596.4	585.8	2.6
Other Financing Uses	3,118.3	2,936.8	3,067.2	3,015.2	-100.0
TOTAL USES	300,165.8	323,002.6	351,165.8	338,523.1	4.8
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

AT A GLANCE:

NMRHCA receives no general fund revenues for operational expenses but management of this post-employment benefit for public employees and teachers eligible to retire from either the Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB) has a direct impact on general fund revenues, because the state must pay the employer share of contributions and has had to subsidize the trust fund with increased contributions to extend the long-term viability of the program at times.

The health of the NMRHCA trust fund has been slowly improving in recent years. At the end of FY17, the trust fund was \$564 million, compared with \$170 million a decade ago. However, on an actuarial basis, the funding is only sufficient to cover one-tenth of all current and future healthcare liabilities. At present, the program is projected to have a positive fund balance for 18 years, into 2035, in spite of challenges controlling costs for older members combined with shrinking sources of revenue from a smaller workforce and general fund distribution. Nevertheless, the agency requested a substantial increase in other revenue to cover growth in new retirees joining the plan and 7 percent healthcare cost inflation. The committee recommends a more moderate increase.

BUDGET ISSUES:

NMRHCA provides subsidized health insurance premiums for pre-Medicare and Medicare-eligible retirees. Currently, there are 10,490 pre-Medicare and 27,357 Medicare-eligible retirees receiving benefits and their average age is 69. Depending on years of service, pre-Medicare retirees receive a subsidy up to 64 percent, at age 55, unless disabled or a public safety retiree, with the average subsidy \$375 per month. Medicare-eligible retirees receive a subsidy up to 50 percent, with the average subsidy \$136 per month. Despite no payroll contributions for spouses, NMRHCA provides spousal subsidies up to 36 percent depending on the retiree's years of service and if pre-Medicare or Medicare-eligible. Premiums for dependent coverage are 100 percent paid by the retiree as are premiums for dental, vision and life insurance. The NMRHCA board has broad authority to make changes to this optional benefit; but is dependent on the pension systems to include policies that encourage younger, working age potential retirees to continue working to reduce costs for the program. The Legislature sets public employer and public employee statutory contribution rates, now 2 percent and 1 percent of pay, respectively.

For FY19, the agency requested \$351.2 million, a \$28.2 million, or 8.7 percent, increase from the FY18 operating budget. The request for the Healthcare Benefits Administration Program reflects 2 percent membership growth combined with the plan's healthcare cost trend of 7 percent. This trend includes continued growth in specialty prescription drug use and costs and Medicare Advantage rates set by the federal government. The request for Program Support totals \$3.1 million, a \$130 thousand, or 4.4 percent, increase from the FY18 operating budget. The request assumes all 27 authorized positions will be filled and includes increases in the contractual services and other categories from FY18 for actuarial and accounting services and general operating expenses.

For the Health Care Benefits Administration Program, the recommendation provides an increase of \$15.4 million, or 4.8 percent, from the FY18 operating budget for expenses related to growth in membership and assuming lower inflation. For Program Support, the recommendation is approximately \$3 million and includes smaller increases for professional services and operational goods and services to better align with FY17 spending.

Trends. The federal Centers for Medicare and Medicaid Services reports healthcare spending increased 5.8 percent nationwide. This increase is lower than the NMRHCA's inflation request of 7 percent. In the past decade, excluding ancillary benefits and outsourced administration, NMRHCA's medical and prescription drug costs on a per-member basis increased slightly more than general inflation. In 2008, these costs totaled \$165 million, \$3,900 on a per-member basis. This year, they total \$261 million, \$4,900 on a per member basis, an increase of 25 percent, or 2.5 percent per year annualized. If assumptions for growth in participation and inflation hold true, these costs could grow to over \$600 million in the next decade. Based on current contribution rates, \$240 million would come from employee and employer contributions and withholding tax revenue and the remainder from retiree premiums. Still, the funding would be insufficient to cover the amortization period for the unfunded liability. This could contribute to reduced services from state government to cover higher personnel costs.

Funding. In FY17, the state forwarded to NMRHCA \$160 million, from contributions and withholding tax revenue, and retirees paid premiums of \$154 million, which averaged 50 percent of the premium cost, to cover expenses and make investments in the trust fund. This funding covered current-year benefits and included \$28 million to help address long-term liabilities. These liabilities – the cost of benefits, in today's dollars, that will be paid in future years – total \$5.1 billion in 2017, an \$847 million increase from 2016. NMRHCA currently has \$575 million in assets to cover those liabilities, resulting in a funded ratio of 11 percent. The funded ratio is low, because since the plan's inception, the state has not set aside sufficient assets to cover future healthcare costs.

According to a report on other post-employment benefits (OPEB) from the Pew Charitable Trusts, only eight state OPEB retiree healthcare plans have funded ratios over 30 percent. States, such as New Mexico, that provide retirees with a monthly contribution set at a flat percentage of the premium report the largest liabilities – and could face the greatest fiscal challenges because their costs automatically increase with plan premium increases. Conversely, states that provide a small cash subsidy to be applied toward the monthly premium report lower liabilities. Their exposure to inflation is also lower, because the subsidy does not rise with premium increases. Lastly, states that only provide access to a retiree healthcare plan, with no subsidy, report the lowest liabilities. Although these plans do not make an explicit contribution, many offer a reduced premium through a group rate, which is considered by the Governmental Accounting Standards Board (GASB) to be an implicit subsidy.

For the new year, the NMRHCA board may increase retiree premiums 8 percent and 6 percent, for pre-Medicare and Medicare Supplement plans, respectively, the only way the board has to increase revenue in the absence of higher contributions from working employees and the state. The pre-Medicare retiree impact is an increase of \$14 to \$18 per month. The Medicare retiree impact is an increase of \$11 per month for Medicare Supplement plans and \$3 to \$15 per month for Medicare Advantage plans. The board was cautious of additional cost-sharing, despite unnecessary emergency department use, higher cost of hospital-based care, and rising costs and utilization of specialty drugs. To reduce plan costs, the board added a narrower network, reduced the cost of 90-day drug supplies, and is defaulting new members to Medicare Advantage plans. Beginning January 1, retirees will begin paying 25 percent of the \$4 million total cost for basic life insurance for members who retired before 2013. By 2021, the NMRHCA subsidy for basic life insurance will be gone and all retirees will pay 100 percent of the cost.

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 2019 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)					
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	341,026.1	320,065.8	348,098.6	335,507.9	4.8
SOURCES TOTAL	341,026.1	320,065.8	348,098.6	335,507.9	4.8
USES					
Contractual Services	294,107.4	317,091.2	344,989.4	332,450.7	5.8
Other	38.8	37.8	42.0	42.0	11.1
Other Financing Uses	3,118.3	2,936.8	3,067.2	3,015.2	-100.0
TOTAL USES	297,264.5	320,065.8	348,098.6	335,507.9	4.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Minimum number of years of positive fund balance	20	18	20	18	20
Outcome	Number of years of projected balanced spending	5	4	5	5	5
Outcome	Percent of diabetics properly managed according to clinical guidelines	NEW	PENDING	65%	65%	75%
Outcome	Number of emergency room visits per thousand members	NEW	344	200	350	300

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)					
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	3,118.3	2,936.8	3,067.2	3,015.2	2.7
SOURCES TOTAL	3,118.3	2,936.8	3,067.2	3,015.2	2.7
USES					
Personal Services and Employee Benefits	1,840.8	1,858.8	1,931.5	1,905.1	2.5
Contractual Services	550.9	544.8	581.3	566.3	3.9
Other	509.6	533.2	554.4	543.8	2.0
TOTAL USES	2,901.3	2,936.8	3,067.2	3,015.2	2.7
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

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of deposits made within twenty-four hours	100%	100%	100%	100%	100%
Outcome	Percent of payments made within thirty days	99%	99%	99%	99%	99%

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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,084.3	13,827.8	13,827.8	13,553.3	-2.0
Other Transfers	12,418.6	10,383.9	11,818.9	11,818.9	13.8
Other Revenues	434,232.1	471,337.9	470,768.2	458,448.0	-2.7
Fund Balance	14,492.6	5,503.6	0.0	0.0	-100.0
SOURCES TOTAL	474,207.9	501,053.2	496,414.9	483,820.2	-3.4
USES					
Personal Services and Employee Benefits	16,685.3	18,740.7	18,199.7	18,160.8	-3.1
Contractual Services	36,628.0	44,621.1	43,706.0	40,036.8	-10.3
Other	381,226.9	427,307.5	422,690.3	413,803.7	-3.2
Other Financing Uses	12,311.4	10,383.9	11,818.9	11,818.9	13.8
TOTAL USES	446,851.6	501,053.2	496,414.9	483,820.2	-3.4
FTE					
Permanent	309.5	291.5	291.5	291.5	0.0
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	311.5	291.5	291.5	291.5	0.0

AT A GLANCE:

GSD, funded from service fees, insurance premiums, payroll contributions, and other sources outside the general fund, provides a variety of consolidated functions for the state and support services for other governmental entities. The agency manages hundreds of millions of dollars in public works projects; insures hundreds of public entities and tens of thousands of public employees; oversees billions of dollars in contracts for goods and services; and manages millions of square feet of state-owned and leased office space on behalf of most state government. About 3 percent of the agency's annual appropriation for operations is directly from the general fund, mostly for the oversight of capital improvements and the operation and maintenance of state-owned properties.

For FY19, GSD asked for a flat general fund budget and from all revenue sources, a decrease of 9 percent, or \$4.6 million, from the FY18 operating budget. This reduction is primarily reflected in the Transportation Services Program, which temporarily canceled the vehicle replacement and GPS programs and reduced the number of vehicles in the state's fleet as part of the transfer of enterprise funds to the general fund to help the state restore solvency. When compared with actual expenditures in FY17, the request includes an increase of 11 percent, or approximately \$49 million, for a premium increase of 4 percent for the employer share of employee health insurance and risk insurance rate increases for state agencies and other participating public entities.

Although a 3.4 percent decrease overall from the FY18 operating budget, LFC recommends an increase of 8 percent, or approximately \$37 million, from FY17 actual spending primarily to cover healthcare inflation for the Group Health Benefits Program and incurred losses and associated expenses for the Risk Management Program.

BUDGET ISSUES:

In FY16 and FY17, amounts from internal funds were transferred to the general fund for the Risk Management Program, Facilities Management Program, State Purchasing Program and Transportation Services Program that required the agency to revise operating budgets, hold positions vacant, and eliminate or delay planned projects. This contributed to an increased vacancy rate and as a result the agency missed performance targets for the financial position of the risk funds, office space management, and oversight of agency procurement actions.

For FY17, the agency transferred \$728 thousand, 4 percent of its operating budget for personal services and employee benefits, to other areas of the budget, primarily for facility operations and maintenance. For FY18, the operating budget is \$501 million, mostly from revenue sources other than the general fund, to cover expenses for the six divisions, including \$87 million for the self-insured risk funds and \$373 million for the group health self-insurance fund. Three of the divisions receive an annual general fund appropriation, the Facilities Management Division, State Purchasing Division, and the Transportation Services Division, to operate the airplane.

Risk Management. The Risk Management Advisory Board recommended the risk funds maintain a minimum 50 percent reserves, calculated by dividing assets by estimated outstanding losses. The three major risk funds, based on assets of \$85 million and estimated outstanding losses of \$157 million, show the funds in total meet this minimum requirement. The 2017 actuarial report that estimates future liabilities is not available at this time. Therefore, LFC uses prior year averages to project the level of funding needed to cover paid losses and associated expenses in FY19. These expenses include attorneys, investigators, and other services, which are recommended for smaller budgets than requested. The program reports in recent years legal defense expenditures have declined from \$12 million to \$10 million. However, as a percent of claims paid, these costs appear to have increased.

The recommendation for the risk management operating fund, which includes all FTE to operate the division, supports recruitment, replacement of the claims tracking system, and professional development. The recommendation for the risk funds is \$78 million, \$14 million more than FY17 spending. In addition to liability claims, this covers excess insurance increases from a larger property inventory, a new pharmacy benefits manager and billing services for workers' compensation claims, and third-party administrator for the unemployment compensation program. Through loss prevention trainings and agency audits, the program is working to reduce exposure to wrongful acts and increase injured worker return-to-work opportunities. The recommendations for the public property fund and state and local public body unemployment funds supports the request.

Employee Group Health Benefits. The fund continues to be adversely affected by a declining workforce and lower premium revenue. For FY17, the shortfall between revenue and expenditures was \$14.4 million. To control costs, the program promotes the use of a new employee assistance program and employee wellness clinic, for lower cost behavioral and primary health care and urgent care. In cooperation with the Interagency Benefits Advisory Committee (IBAC), GSD is studying cost drivers, such as hospital-based care and specialty drug costs and utilization, and the potential impact to the state's delivery system if patients are steered to providers and hospitals with lower costs and better outcomes. However, despite successfully procuring health benefits as a group, the IBAC agencies continue to administer their programs separately, which increases costs for the state.

Over the last five years, GSD increased premiums 30 percent. However, the increases were imposed after five years of flat premiums and using fund balances. Since then, GSD made small increases in copays, deductibles, and out-of-pocket maximums, and minimal plan changes, when compared with other group coverage. For FY19, GSD proposes a 4 percent premium increase, which may need to be coupled with changes to premium subsidies, plan design, and the way the healthcare delivery system is paid to keep a sufficient fund balance. The recommendation provides funding in agency budgets for a 4 percent employer premium increase, applies a slightly lower inflation adjustment, and provides smaller increases than requested for third-party administration.

Facilities Management. The Facilities Management Program (FMD) oversees occupancy of state-owned buildings, controls all private leases, except for the State Land Office, and manages capital projects for most state agencies. At fiscal-year-end, \$62 million of \$130 million was outstanding for capital projects under FMD. All projects received their authorization in 2016 or earlier. Of the total amount appropriated, \$7.5 million was for immediate statewide needs and half was still unobligated. In September 2017, GSD submitted an infrastructure capital improvement plan that included \$252 million for deferred maintenance and renewals based on 2016 facility condition assessments. This included \$20.7 million for immediate needs, of which \$10 million was for critical fire and security systems. The estimated replacement value for facilities under GSD is \$1.5 billion. The request also included \$2.8 million for properties identified for demolition in Hobbs, Albuquerque, and Los Lunas.

In addition to managing capital projects, FMD is also responsible for 6.9 million square feet (SF) of state-owned space, of which 2.5 million SF is office space, and private leases for office space, storage, and special uses. As of August 2017, GSD reports 296 office leases totaling 2.47 million SF at a cost of \$47.3 million per year, 16 storage leases totaling 28,532 SF at a cost of \$591 thousand per year, and 50 special use leases totaling 198,240 SF at a cost of \$1.7 million per year. Although improvements have been made, such as moving agencies out of leased space into state-owned space and renegotiating leases at the time of renewal for a lower cost, the average space per FTE is 438 SF per FTE, higher than the standard of 215 SF per FTE. In terms of lease costs, the state pays on average \$19 per SF, which for some areas is higher than what is offered to nongovernmental lessees.

For FY19, FMD requested a general fund budget flat with FY18. For FY18, FMD received an increase from the general fund of \$900 thousand to maintain the Department of Public Safety headquarters. The request also includes using the property control reserve fund for the second year to pay property insurance. This amounts to \$692.8 thousand. In FY17, the state swept into the general fund, funds that had been used for reconciling land records, updating tenant agreements, and master planning. LFC reduces the general fund request by 1.4 percent, or \$178 thousand, due to the availability of other funds. This reduction is reflected in less funding for overtime and shift differentials, maintenance service agreements, and projections for utility usage. For FY20, the property control reserve fund may not be available to offset a general fund appropriation and the agency should consider establishing a schedule of building use fees for state agencies occupying space in state-owned buildings.

Procurement Services. The program's core function is purchasing goods and services for executive agencies using competitive bidding processes, and administering the Procurement Code. This year, the program released a policy memo requiring additional approval for requests to use the statewide price agreement above a certain amount. The program has two sources of revenue, the general fund and fees. In recent years, the appropriation from the general fund has decreased by half and the appropriation from fees from contracts based on sales in New Mexico has increased. For FY17, the program collected \$1.9 million in fee-based sales and other charges. For FY19, the agency requested an increase of \$139 thousand from FY17 actual spending to cover FTE expenses, fixed costs, and an increased use of technology for bidding processes, e-signatures, and contract administration.

The LFC recommendation supports a smaller general fund appropriation, due to the availability of other revenues. In the 2016 special legislative session, due to general fund revenues that did not materialize, the balance in the enterprise fund was transferred to the general fund. The fund was being used to cover training costs for certified procurement officers, implement the procurement module in SHARE, and other planned special projects.

Transportation Services. The program is responsible for the state's motor pool, acquiring and redistributing federal and state surplus property, and air transportation for the governor, physicians providing care in remote areas, and students who must travel by air between home and school due to special needs. Since 2014, the Legislature has used general fund revenue to pay airplane expenses so agencies pay just for fuel. In FY17, however, the program only received half of the expected revenue from fuel sales, which suggests the airplane may be underused. The program is in discussions with the Office of the Governor and the New Mexico School for the Blind and Visually Impaired in Alamogordo to begin air transportation services for their students in 2018.

For FY18, \$3.3 million was appropriated from fund balance for GPS monitoring and a vehicle replacement program. However, due to transfers from enterprise funds to the general fund for solvency purposes, these funds are no longer available. The LFC recommendation includes a smaller general fund appropriation for the airplane, and except for some leave payouts, staff relief services, training and travel, supports the request, which included increases from actual spending for expenses related to transporting surplus property and maintaining the fleet.

State Printing and Graphic Services. The program provides centralized printing and graphic design services on a cost-recovery basis to governmental agencies and nonprofit entities. For FY17, the program collected \$343 thousand more in revenue than it expended for operations, due to a 26 percent increase in sales compared with FY15, which also included a 60-day legislative session. More significantly, the program achieved these results with only 7 FTE. With the implementation of a new digital storefront in FY18, the program expects to be able to continue to grow the business without an increase in FTE due to automation. For FY19, the program aligned its appropriation request with projected revenue of \$1.7 million. The LFC recommendation supports the request.

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 37.5 FTE at a cost of \$3.9 million in FY17. The LFC recommendation supports the request, which was effectively flat with FY17 actual spending.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2019 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 2019 shall revert to the public liability fund, public property 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.

Notwithstanding the provisions of Section 15-3B-20 NMSA 1978, the other state funds appropriation to the facilities management program of the general services department includes six hundred ninety-two thousand eight hundred dollars (\$692,800) from the property control reserve 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)		FY19 - 2018-2019		
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Other Revenues	334,667.6	373,196.0	371,696.8	368,458.4	-1.3
	Fund Balance	14,442.4	0.0	0.0	0.0	
	SOURCES TOTAL	349,110.0	373,196.0	371,696.8	368,458.4	-1.3
USES						
	Contractual Services	18,348.6	21,578.0	21,578.0	19,089.6	-11.5
	Other	326,511.9	349,470.0	349,550.0	348,800.0	-0.2
	Other Financing Uses	4,249.5	2,148.0	568.8	568.8	-73.5
	TOTAL USES	349,110.0	373,196.0	371,696.8	368,458.4	-1.3
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of state group prescriptions filled with generic drugs	85.5%	86.8%	90%	90%	90%
* Efficiency	Percent change in state employee medical premium	4.6%	1%	4%	4%	3%
* Outcome	Percent change in the average per-member total healthcare cost	11.9%	5.4%	<7%	<7%	<4%
Outcome	Percent increase in members who choose the stay well health center as their primary care provider	NEW	NEW	NEW	>3%	>3%

RISK MANAGEMENT

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

		BUDGET SUMMARY (dollars in thousands)		FY19 - 2018-2019		
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Other Transfers	8,550.3	6,338.3	7,984.6	7,984.6	26.0
	Fund Balance	0.0	1,755.9	0.0	0.0	-100.0
	SOURCES TOTAL	8,550.3	8,094.2	7,984.6	7,984.6	-1.4
USES						
	Personal Services and Employee Benefits	3,705.1	4,271.1	4,284.2	4,284.2	0.3
	Contractual Services	89.5	150.0	150.0	150.0	0.0
	Other	295.3	378.1	339.6	339.6	-10.2
	Other Financing Uses	3,338.8	3,295.0	3,210.8	3,210.8	-2.6
	TOTAL USES	7,428.7	8,094.2	7,984.6	7,984.6	-1.4

BUDGET SUMMARY
(dollars in thousands)

		<u>FY19 - 2018-2019</u>				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
FTE	Permanent	55.0	55.0	55.0	55.0	0.0
	Temporary	2.0	0.0	0.0	0.0	
	TOTAL FTE POSITIONS	57.0	55.0	55.0	55.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>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	45.8%	5%	10%	10%

RISK MANAGEMENT FUNDS

BUDGET SUMMARY
(dollars in thousands)

		<u>FY19 - 2018-2019</u>				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES	Other Revenues	87,873.5	86,507.1	87,120.2	78,038.4	-9.8
	Fund Balance	50.0	480.0	0.0	0.0	-100.0
	SOURCES TOTAL	87,923.7	86,987.1	87,120.2	78,038.4	-10.3
USES	Contractual Services	17,413.4	22,061.8	21,119.4	19,959.6	-9.5
	Other	42,052.9	60,735.0	58,585.0	50,663.0	-16.6
	Other Financing Uses	4,300.8	4,190.3	7,415.8	7,415.8	77.0
	TOTAL USES	63,767.1	86,987.1	87,120.2	78,038.4	-10.3
FTE	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
*	Efficiency	Projected financial position of the public property fund	365%	468%	50%	50%
*	Efficiency	Projected financial position of the workers' compensation fund	40%	43%	50%	50%
*	Efficiency	Projected financial position of the public liability fund	50%	46%	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)

		<u>FY19 - 2018-2019</u>				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES	Other Revenues	1,651.4	1,160.0	1,665.8	1,665.8	43.6
	SOURCES TOTAL	1,651.4	1,160.0	1,665.8	1,665.8	43.6
USES						

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
Contractual Services	3.9	0.0	100.0	100.0	
Other	827.5	656.7	1,004.3	1,004.3	52.9
Other Financing Uses	50.1	42.2	55.1	55.1	30.6
TOTAL USES	1,308.7	1,160.0	1,665.8	1,665.8	43.6
FTE					
Permanent	14.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	14.0	10.0	10.0	10.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Revenue generated per employee compared with the previous thirty- or sixty-day legislative session	\$181,504	\$236,072	\$175,000	\$180,000	\$180,000
* Outcome	Sales growth in state printing revenue compared with the previous thirty- or sixty-day legislative session	9%	26%	8%	10%	10%
Output	Percent of printing jobs delivered on time	99.3%	99%	98%	98%	98%

FACILITIES MANAGEMENT

The purpose of the facilities management 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,669.0	12,590.5	12,590.5	12,412.1	-1.4
Other Revenues	8.2	692.8	692.8	692.8	0.0
SOURCES TOTAL	11,677.2	13,283.3	13,283.3	13,104.9	-1.3
USES					
Personal Services and Employee Benefits	5,809.0	6,703.7	6,703.7	6,665.7	-0.6
Contractual Services	92.1	270.8	270.8	270.8	0.0
Other	5,524.3	6,109.2	6,108.8	5,968.4	-2.3
Other Financing Uses	94.2	199.6	200.0	200.0	0.2
TOTAL USES	11,519.6	13,283.3	13,283.3	13,104.9	-1.3
FTE					
Permanent	140.0	132.0	132.0	132.0	0.0
TOTAL FTE POSITIONS	140.0	132.0	132.0	132.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Efficiency	Percent of capital projects completed on schedule	NEW	95.1%	90%	90%	95%
Output	Percent of scheduled preventive maintenance requirements completed on time	NEW	97%	90%	95%	95%
* Outcome	Percent of new office space leases achieving adopted space standards	NEW	19%	90%	25%	50%

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)				
				FY19 - 2018-2019		
		FY17 2016-2017	FY18 2017-2018	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	General Fund Transfers	544.3	548.6	548.6	524.0	-4.5
	Other Revenues	8,100.3	8,206.8	8,181.2	8,181.2	-0.3
	Fund Balance	0.0	3,267.7	0.0	0.0	-100.0
	SOURCES TOTAL	8,644.6	12,023.1	8,729.8	8,705.2	-27.6
USES						
	Personal Services and Employee Benefits	2,342.9	2,351.6	2,302.0	2,301.1	-2.1
	Contractual Services	124.1	187.9	192.7	190.7	1.5
	Other	5,205.8	9,056.4	5,937.6	5,915.9	-34.7
	Other Financing Uses	215.7	427.2	297.5	297.5	-30.4
	TOTAL USES	7,888.5	12,023.1	8,729.8	8,705.2	-27.6
FTE						
	Permanent	35.0	33.0	33.0	33.0	0.0
	TOTAL FTE POSITIONS	35.0	33.0	33.0	33.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
*	Efficiency	Average vehicle operation costs per mile, as compared with industry average	\$0.47	\$0.47	<\$0.59	<\$0.59
	Outcome	Percent of leased vehicles used seven hundred fifty miles per month	NEW	51%	95%	60%
	Output	Percent of short-term vehicle use	NEW	NEW	80%	80%

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)				
				FY19 - 2018-2019		
		FY17 2016-2017	FY18 2017-2018	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	General Fund Transfers	851.3	688.7	688.7	617.2	-10.4
	Other Revenues	1,931.1	1,575.2	1,411.4	1,411.4	-10.4
	SOURCES TOTAL	2,782.4	2,263.9	2,100.1	2,028.6	-10.4
USES						
	Personal Services and Employee Benefits	1,619.3	1,935.8	1,712.0	1,712.0	-11.6
	Contractual Services	102.9	76.0	53.0	34.0	-55.3
	Other	176.2	170.5	264.2	211.7	24.2
	Other Financing Uses	62.3	81.6	70.9	70.9	-13.1
	TOTAL USES	1,960.7	2,263.9	2,100.1	2,028.6	-10.4
FTE						
	Permanent	27.0	24.0	24.0	24.0	0.0
	TOTAL FTE POSITIONS	27.0	24.0	24.0	24.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Percent increase in best value procurements	NEW	22%	15%	20%	20%
* Outcome	Percent of executive branch agencies with certified procurement officers	NEW	96%	90%	90%	98%
Outcome	Percent of procurement code violators that receive procurement code training	NEW	68%	90%	90%	90%
* Output	Cost avoidance due to negotiated savings for construction procurements	NEW	NEW	\$200,000	\$300,000	\$300,000

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>FY19 - 2018-2019</u>		<u>Percent Incr (Decr)</u>
				<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	Other Transfers	3,868.3	4,045.6	3,834.3	3,834.3	-5.2
	SOURCES TOTAL	3,868.3	4,045.6	3,834.3	3,834.3	-5.2
USES						
	Personal Services and Employee Benefits	2,781.8	3,017.4	2,691.4	2,691.4	-10.8
	Contractual Services	453.5	296.6	242.1	242.1	-18.4
	Other	633.0	731.6	900.8	900.8	23.1
	TOTAL USES	3,868.3	4,045.6	3,834.3	3,834.3	-5.2
FTE						
	Permanent	38.5	37.5	37.5	37.5	0.0
	TOTAL FTE POSITIONS	38.5	37.5	37.5	37.5	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of audit findings resolved from prior fiscal year excluding findings related to fund solvency	87.5%	66.7%	95%	90%	90%

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; one of which has been vacant for over a year.

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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	29,382.2	29,152.4	32,431.9	31,595.8	8.4
SOURCES TOTAL	29,382.2	29,152.4	32,431.9	31,595.8	8.4
USES					
Personal Services and Employee Benefits	5,172.8	5,575.5	6,624.3	5,864.4	5.2
Contractual Services	23,149.9	22,413.1	24,643.5	24,497.0	9.3
Other	1,059.5	1,163.8	1,164.1	1,234.4	6.1
TOTAL USES	29,382.2	29,152.4	32,431.9	31,595.8	8.4
FTE					
Permanent	68.0	68.0	71.0	70.0	2.9
Term	0.0	0.0	7.0	2.0	
Temporary	0.0	0.0	2.0	2.0	
TOTAL FTE POSITIONS	68.0	68.0	80.0	74.0	8.8

AT A GLANCE:

For FY17, the ERB fund returned 12 percent, net of external management fees, outperforming the investment return target of 7.25 percent. During the fiscal year, the fund grew from \$11.4 billion to \$12.3 billion, with \$389 million in net distributions to cover the shortfall between contributions to the fund and benefits paid. Despite exceeding the new lower investment target, ERB slightly underperformed the comparison benchmark, fell short of the median peer group return of 12.4 percent, and ranked in the bottom half of its peer group. Returns over 10 years also fell short of achieving the 7.25 percent target most time periods, with the five-year time period the exception; however, the fund outperformed the comparison benchmarks and ranked in the top half of peer groups.

During FY17, ERB distributed over \$1 billion in benefits to over 47 thousand retirees and beneficiaries. The number of active members is now 59 thousand, down 3 percent this past decade. The average monthly benefit is \$1,857. In 2013, after the ratio of assets to liabilities dropped to 61 percent, the Legislature passed reforms to the Education Retirement Act that the ERB board said would put the system on a sustainable path. Those reforms increased employee contributions to 10.7 percent, delayed the first cost-of-living adjustment (COLA) to age 67, applied a COLA reduction until the fund was 100 percent funded, and reduced the benefit for some early retirements. Since those reforms, the funded ratio is now only 62.9 percent, the amount of the liability in excess of assets \$7.4 billion, and the time to reach 100 percent funding is 61 years. This was in large part due to the board choosing assumptions for calculating liabilities that differed from actual experience.

BUDGET ISSUES:

The agency requested \$32.4 million, a \$3.3 million increase from the original FY18 operating budget. For FY18, the Department of Finance and Administration (DFA) granted the agency a budget adjustment of \$1 million to reduce vacancies and increase payments for IT system maintenance to implement Laws 2017, Chapter 25 (House Bill 34) that requires the pension systems to pay benefits separately as opposed to with one payment for retirees with reciprocal service credit. In the personal services and employee benefits category, the request included overtime, assumed all positions were filled, and after the adjustment for the budget increase, included \$629.5 thousand for seven temporary employees for a four-year data cleansing project, two

interns for investments, and three additional staff members. For the contractual services category, the request included increases for fees based on projections for growth in assets under management, attorneys, and IT services. In the other category, the request was \$105 thousand higher than FY17 spending for Department of Information Technology (DoIT) rate increases, building maintenance and utilities, office space for the investment division, and other costs.

Data Cleansing. ERB also submitted an IT request of \$490 thousand for the first year of the four-year data cleansing project. The request included personnel, facility rental, and telephone lines, monitors and other technology equipment. The project is to correct contact information for 47 thousand inactive members who paid into the system but no longer work for an ERB-affiliated employer and do not receive a pension. Originally, DFA asked the agency to submit the request to the DoIT project certification committee. Since then, because the majority of the request was to hire temporary employees to track down inactive members and discuss their financial options, LFC has included the request in the base budget. According to ERB, inaccurate membership data distorts demographic information used for its actuarial projections. In addition, the Internal Revenue Service mandates withdrawal of contributions or payment of retirement benefits at age 70½ unless employed.

The committee recommends funding the agency at \$31.6 million. In the personal services and employee benefits category, the recommendation does not include overtime and leave payout due to the availability of vacancy savings, and applies a 5 percent vacancy rate for classified staff, one-half the historic vacancy rate. The recommendation includes personnel for the data-cleansing project in year one with additional FTE to be considered when the project ramps up. Funding for FTE also includes two interns and two new FTE to oversee the project long-term and for the Investment Division. The contractual services category includes smaller increases for attorneys. In the other category, the recommendation includes increases for temporary office space for the data-cleansing project and technologies and systems related to the project and in-house investing.

Sustainability. Every two years, ERB conducts an actuarial experience study to understand the health of the trust fund. ERB's actuaries recommend assumption changes based on the results of these studies. For instance, in 2015, because retirees were living longer, the board updated its mortality assumption and, as a result, the time to reach 100 percent funding -- the amortization period -- increased. Since inflation impacts assumptions for investment returns, wage growth, payroll growth, and cost-of-living adjustments (COLA), the rate of inflation is taken into account when determining assumptions. Because of lower inflation rates in recent years, the new study supported the board reducing the inflation rate built into its assumptions from 3 percent to 2.5 percent, which in turn, decreased the investment return, wage growth, payroll growth and COLA assumptions. Taken together, these board actions further increased the unfunded liability, decreased the funded ratio and extended the amortization period.

Because ERB retirees are living longer, fewer active members and their employers are paying contributions, and assumptions used to calculate liabilities have changed, ERB is examining different plan design elements that may decrease the time to reach a 100 percent funding. Higher contribution rates and reduced benefits are among the options being considered for the 2019 legislative session, although at 10.7 percent, New Mexico teachers already pay among the highest shares in the nation. Other funding impacts include fewer career members retiring under 25 years and members retiring under age 65 with five years eligibilities. Members who retire under age 65 with 5 years are often those who entered the ERB workforce as a second career. These members are associated with a higher cost because their contributions have had less time to earn investment income. To incentivize more career employees, some states have structured their pension multiplier to grow larger the longer one works in public service. Also, under exceptions to ERB's return-to-work program for ERB retirees working part-time and for PERA retirees working for ERB-affiliated employers, the loss to the fund from unpaid contributions attributed to their public service has grown to \$6.5 million annually. Finally, to be an ERB member, the program could consider raising the percentage of a qualifying FTE from 25 percent to 50 percent.

Disclosure and Reporting. ERB is providing data to schools subject to new reporting requirements by the Governmental Accounting Standards Board (GASB). The data includes each school's portion of the plan's total net pension liability (NPL), the amount benefit costs exceeds assets. Prior to this change, liabilities were only recorded at the plan level. For FY16, ERB's total NPL was \$7.2 billion, an increase of \$700 million from FY15, or \$1.5 billion from FY14, the first year the reporting requirements were implemented. GASB also requires reporting of the sensitivity of the NPL to changes in the return assumption, which was 7.75 percent; in particular, calculated using a rate plus or minus 1 percent. With an increase of 1 percent, to 8.75 percent, the NPL decreases to \$5.3 billion; with a decrease of 1 percent, to 6.75 percent, the NPL increases to \$9.5 billion. GASB's goal for the new reporting are increased transparency and improved comparability among participating employers.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Average rate of return over a cumulative five-year period	6.6%	8.7	7.75%	7.25%	7.25%
Outcome	Percent of member 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	27	<50%	<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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	524.6	499.6	499.6	499.6	0.0	
Other Transfers	52.0	52.0	52.0	52.0	0.0	
SOURCES TOTAL	576.6	551.6	551.6	551.6	0.0	
USES						
Contractual Services	572.6	547.6	547.6	547.6	0.0	
Other	3.9	4.0	4.0	4.0	0.0	
TOTAL USES	576.5	551.6	551.6	551.6	0.0	
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 the first quarter of FY18, NMSC had published one report. The commission produces a prison population study and a study on inmates serving parole inside prison on an annual basis, while studies of juvenile justice, judicial branch, state police, and recidivism rates are performed as needed or by request.

The committee recommendation supports the commission’s flat budget request for FY19. The commission requested nonreverting language for general fund appropriations due to past audit findings and ease of making timely payments to their fiscal agent, UNM. The committee does not support nonreverting language.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Percent of criminal justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	14	13	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>FY19 – 2018-2019</u>		
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,261.0	3,260.0	3,260.0	3,226.6	-1.0
	SOURCES TOTAL	3,261.0	3,260.0	3,260.0	3,226.6	-1.0
USES						
	Personal Services and Employee Benefits	2,598.3	2,779.8	2,797.3	2,780.0	0.0
	Contractual Services	53.6	89.8	96.0	86.1	-4.1
	Other	343.8	390.4	366.7	360.5	-7.7
	TOTAL USES	2,995.7	3,260.0	3,260.0	3,226.6	-1.0
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:

For FY17, the office achieved all performance measure targets, including the number of days to answer or refer to the public entity requests for information and the percentage of governor-exempt employees who sign a code of conduct and fill out a financial disclosure form.

The office requested a flat general fund budget for FY19 but included an increase for unused leave payouts. The committee recommends a 1 percent general fund reduction from the FY18 operating budget.

BUDGET ISSUES:

For FY19, the office's general fund request was flat with the FY18 operating budget. The request proposed decreases from the FY18 operating budget for in-state travel, use of the state airplane, and the governor's expense account, and increases for attorney services for Indian gaming negotiations and other issues, Department of Information Technology fees, and some out-of-state travel. The request included \$50 thousand for unused leave payouts; higher than the FY18 operating budget that included \$11.6 thousand for this purpose but comparable with what the office paid out to employees in FY17. The LFC recommendation does not fund increases in the personal services and employee benefits category for unused leave payouts; this is a nonrecurring expense best covered using vacancy savings. For the contractual services and other categories, the recommendation does not fund increases for attorneys, because the office has four attorneys on staff and Indian gaming negotiations are close to being resolved. Other operational goods and services are funded closer to actual spending level.

For the second year, the FY16 audit received a repeat finding for not reverting unspent balances in the governor's expense account on time. Prior to FY15, these appropriations rolled over from year to year and reverted at the end of a governor's final term. For FY16, the office, although it does not believe it is required by law, voluntarily reverted the unexpended balance of the account. The FY16 audit also included a recommendation the office create policies and procedures to ensure all unspent funds revert to the general fund on an annual basis.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of constituent service cases closed within thirty days	90%	90%	92%	90%	90%
Output	Number of business days to process extraditions	NEW	NEW	14	10	10
Output	Number of business days to post videos of public meetings recorded to the website	NEW	NEW	NEW	2	2
Output	Number of business days to acknowledge receipt and determine eligibility for pardon requests	NEW	NEW	10	10	10
Output	Number of business days to post executive orders to the website after being signed by the governor and secretary of state	NEW	NEW	1	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>FY19 – 2018-2019</u>						
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>	
SOURCES						
General Fund Transfers	532.4	532.4	532.4	508.4	-4.5	
SOURCES TOTAL	532.4	532.4	532.4	508.4	-4.5	
USES						
Personal Services and Employee Benefits	401.7	474.9	469.0	445.0	-6.3	
Contractual Services	9.1	14.6	12.8	12.8	-12.3	
Other	44.0	42.9	50.6	50.6	17.9	
TOTAL USES	454.8	532.4	532.4	508.4	-4.5	
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:

For FY17, the office achieved all performance measure targets for constituent service files closed, days in session and presided over, public forums held, and boards and commissions attended.

For FY19, the office's general fund request was flat with the FY18 operating budget and included funding for four filled exempt positions and one legal counsel position vacant since 2015. The filled positions included the lieutenant governor and chief of staff, one policy analyst, and one legislative liaison. The recommendation does not fund the requested increase in the personal services and employee benefits category of \$24 thousand for unused leave payouts; which likely can be covered by vacancy savings. The recommendation reduces the amount of funded vacancies due to the historically high vacancy rate. For the contractual services and other categories, the recommendation supports the request. Despite a reduction from the FY18 operating budget, LFC is about \$54 thousand higher than actual spending in FY17 and should provide sufficient budget flexibility.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of constituent service files closed within thirty days	80%	90%	85%	85%	85%
Output	Number of constituent service mobile office days, townhall meetings and economic forums held	NEW	NEW	4	4	4
Output	On boards and commissions the lieutenant governor sits, percent of meetings held and attended in Santa Fe	NEW	NEW	90%	90%	90%
Output	Percent of days in session and presided over (gavel down)	90%	100%	92%	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.

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)

	<u>FY19 – 2018-2019</u>					Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	885.4	845.1	1,345.1	845.1	0.0	
Other Transfers	16,523.1	8,050.6	12,441.5	12,441.5	54.5	
Federal Revenues	314.9	444.0	0.0	0.0	-100.0	
Other Revenues	61,826.1	57,585.5	62,965.9	60,315.4	4.7	
Fund Balance	8,389.4	0.0	0.0	0.0		
SOURCES TOTAL	87,938.9	66,925.2	76,752.5	73,602.0	10.0	
USES						
Personal Services and Employee Benefits	15,310.3	16,334.0	19,302.3	16,291.5	-0.3	
Contractual Services	17,988.1	11,991.1	12,635.0	12,507.0	4.3	
Other	28,084.2	30,549.5	32,373.7	32,362.0	5.9	
Other Financing Uses	15,702.0	8,050.6	12,441.5	12,441.5	54.5	
TOTAL USES	77,084.6	66,925.2	76,752.5	73,602.0	10.0	
FTE						
Permanent	210.0	203.0	203.0	203.0	0.0	
Term	2.0	3.0	4.0	1.0	-66.7	
TOTAL FTE POSITIONS	212.0	206.0	207.0	204.0	-1.0	

AT A GLANCE:

The department's base budget request was \$76 million in all funds, 14 percent, over the FY18 operating budget. The department indicated the increase was due to higher cost of providing services and increased service utilization. DoIT did not apply a vacancy rate and instead requested full funding for personal services and employee benefits. The base request for general fund revenue of \$845.1 thousand was flat with the FY18 operating budget. The recommendation supports the requested transfer of 20 FTE from Enterprise Services to the Compliance and Project Management Program (CPM). The recommendation for Enterprise Services reduces revenues and expenditures to reflect the transfer of the 20 FTE to CPM. The recommendation increases funding to complete the agency's restructuring of the CPM program to include statewide strategic planning, project management and statewide IT investment, and security oversight. DoIT requested an expansion of 3 FTE and \$500 thousand general fund revenue within CPM to support broadband around the state because federal support for the broadband program ended in 2015. The LFC recommendation does not support the expansion, but funds 17 vacant positions. DoIT submitted equipment replacement plans for FY18 and FY19, and the recommendation supports \$6.2 million for the equipment replacement fund. Finally, DoIT successfully completed the upgrade of the statewide human resources, accounting and management reporting (SHARE) software.

BUDGET ISSUES:

Enterprise Services. In July 2017, the state's IT rate committee approved DoIT-proposed new service rates for information technology and telecommunications to take effect July 1, 2018. The FY19 approved rates are nearly flat with FY18, except for telecommunication and radio service rates. DoIT is maintaining the FY18 SHARE subscription fee at \$385 per FTE for FY19. Concerns remain regarding DoIT's rate-setting process because it 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 cost allocation and rate modeling.

For FY19, DoIT estimates \$63 million in enterprise service revenues will be generated for data processing, central telephone, and other services provided to state agencies. This represents a 1.8 percent increase over FY17 actual revenues and 9.3 percent over FY18 operating budget. The selected rate increases and increased utilization account for the projected increase in revenue. While DoIT moved 20 FTE to the Compliance and Project Management Program (CPM) and 4 FTE to Program Support, it did not move the associated revenues, but rather kept the revenue within the program to fund all vacant positions. The Enterprise Services Program routinely maintains significant vacancy savings, and in FY17, transferred over \$3 million from personal services and employee benefits to the contractual services and other categories primarily to reduce its prior-year expenditures. As a result, for FY18 the agency enters the fiscal year without unpaid liabilities for the first time in more than three years.

DoIT initiated the SHARE upgrade project in FY16 at a cost of \$19.8 million. DoIT successfully upgraded the SHARE software, including the human capital management (HCM) module in FY17 and financials (FIN) modules during the second quarter of FY18. The upgrade improves efficiency and streamlines and standardizes business processes.

Equipment Replacement Funds. For FY19, DoIT requested just over \$6 million in expenditures for the equipment replacement funds (ERF), \$4.5 million for Enterprise Services ERF, and almost \$1.6 million for SHARE ERF. In FY17 and for FY18, DoIT used its budget adjustment request (BAR) authority to increase the SHARE ERF by \$3.4 million and \$5 million, respectively, to increase the contractual services category to complete the SHARE upgrade. ERFs were established to provide the department with a funding mechanism for replacing and updating IT infrastructure in the state, funded by allocating depreciation costs into the rates it charges agencies. An October 2016 LFC evaluation recommended DoIT develop and submit an annual equipment replacement plan to the Department of Finance and Administration and the Legislature. Because an FY18 plan was not submitted in 2016, DoIT submitted two plans in FY18, a plan for FY18 and another for FY19. The plans set priorities for IT expenditures and provide accountability and transparency for DoIT's IT investments. By law, the equipment replacement funds must be spent according to equipment replacement plans.

Compliance and Project Management. DoIT's Compliance and Project Management Program provides guidance and oversight to state agencies and provides support to the Project Certification Committee, the entity responsible for reviewing and approving phased funding for agency IT projects. In FY17, DoIT established the Office of the Chief Information Officer and continues to reorganize the program to improve strategic planning and oversight of all IT investments and security. To complete the reorganization, DoIT requested the transfer of 20 FTE from Enterprise Services, which includes several funded vacant positions. While the LFC recommendation supports the transfer and budget increase, it does not support DoIT's expansion request of 3 FTE and \$500 thousand general fund revenue within the program to support broadband around the state. However, the agency should consider working with the State Personnel Office to reclassify 3 vacant FTE to support the broadband program.

Program Support. The LFC recommendation supports the base budget increase of \$555 thousand associated with the transfer of 4 FTE from the Enterprise Services Program. The transfer aligns billing activities with the program's mission. The FY16 audit was completed on time without any findings and the agency has implemented procurement policies resulting in all payments to vendors at the close of FY17, which will prevent unpaid liabilities in the future.

Information Technology Commission. Laws 2017, Chapter 45, terminated the Information Technology Commission (ITC) on July 1, 2017. Effective July 1, 2018, Section 9-27-7 NMSA 1978 (Laws 2007, Chapter 290, Section 9, as amended) is repealed. The ITC's statutory authority was to provide guidance and independent oversight of the state's multi-million-dollar investments accountability and transparency for decisions for significant IT projects having a statewide impact.

Performance Reporting. The agency will report annually beginning in FY18. DoIT's performance measures for Enterprise Services and Program Support are mostly consistent with other enterprise agencies. In FY18 the department developed measures for the Compliance and Project Management Program to demonstrate effectiveness of its oversight. In addition, DoIT created an IT project dashboard to improve transparency and quarterly reporting on the status of the state's largest and most critical IT projects. Available on DoIT's website, the dashboard provides a comprehensive view of agencies IT projects, including budget, schedule and project risks.

BASE EXPANSION:

BASE EXPANSION LISTING
FY19 - 2018-2019

Agency Rank	(Program)	Agency Request	LFC Recommendation
01	Broadband Expansion (3 FTE)	500.0	0.0
TOTAL		500.0	0.0

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	885.4	845.1	1,345.1	845.1	0.0
Other Transfers	0.0	0.0	2,650.5	2,650.5	
SOURCES TOTAL	885.4	845.1	3,995.6	3,495.6	313.6
USES					
Personal Services and Employee Benefits	653.2	694.4	3,152.9	2,792.6	302.2
Contractual Services	4.3	0.0	128.0	0.0	
Other	33.6	54.0	69.1	57.4	6.3
Other Financing Uses	140.0	96.7	645.6	645.6	567.6
TOTAL USES	831.1	845.1	3,995.6	3,495.6	313.6
FTE					
Permanent	8.0	9.0	28.0	28.0	211.1
Term	0.0	0.0	4.0	1.0	
TOTAL FTE POSITIONS	8.0	9.0	32.0	29.0	222.2

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of information technology professional service contracts reviewed with quality feedback in five business days	NEW	NEW	90%	90%	90%
Outcome	Number of workshops, trainings, events or whitepapers delivered to agencies on IT best practices predicated on department analysis of key IT oversight areas	NEW	NEW	24	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	314.9	444.0	0.0	0.0	-100.0
Other Revenues	61,737.5	57,585.5	62,965.9	60,315.4	4.7
SOURCES TOTAL	62,052.4	58,029.5	62,965.9	60,315.4	3.9
USES					
Personal Services and Employee Benefits	12,094.3	12,898.4	12,854.9	10,204.4	-20.9
Contractual Services	8,189.2	9,059.8	10,821.8	10,821.8	19.4

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Other	27,157.3	28,117.4	27,493.3	27,493.3	-2.2
Other Financing Uses	14,962.0	7,953.9	11,795.9	11,795.9	48.3
TOTAL USES	62,402.8	58,029.5	62,965.9	60,315.4	3.9
FTE					
Permanent	168.0	157.0	133.0	133.0	-15.3
Term	2.0	3.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	170.0	160.0	133.0	133.0	-16.9

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of service desk incidents resolved within the timeframe specified for their priority level	100%	93%	95%	95%	95%
Outcome	Number of perimeter and security-logged devices reporting security metrics to the network operations center	TBD	99%	800	800	800
Explanatory	Number of system enhancements implemented annually in financials and human capital management	NEW	NEW			

EQUIPMENT REPLACEMENT FUND

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	13,389.5	5,000.0	6,184.6	6,184.6	23.7
Other Revenues	68.3	0.0	0.0	0.0	
Fund Balance	8,389.4	0.0	0.0	0.0	
SOURCES TOTAL	21,847.2	5,000.0	6,184.6	6,184.6	23.7
USES					
Contractual Services	9,450.0	2,898.3	1,663.0	1,663.0	-42.6
Other	646.8	2,101.7	4,521.6	4,521.6	115.1
Other Financing Uses	600.0	0.0	0.0	0.0	
TOTAL USES	10,696.8	5,000.0	6,184.6	6,184.6	23.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,133.6	3,050.6	3,606.4	3,606.4	18.2
Other Revenues	20.3	0.0	0.0	0.0	
SOURCES TOTAL	3,153.9	3,050.6	3,606.4	3,606.4	18.2
USES					

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
TOTAL USES	3,153.9	3,050.6	3,606.4	3,606.4	18.2
FTE					
Permanent	34.0	37.0	42.0	42.0	13.5
TOTAL FTE POSITIONS	34.0	37.0	42.0	42.0	13.5

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	90%	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 1978), 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 10-17A-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)				
			FY19 – 2018-2019		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	0.0	0.0	89.1	0.0	
Other Transfers	7.4	0.0	0.0	0.0	
Other Revenues	42,817.5	35,391.7	36,509.0	36,501.6	3.1
SOURCES TOTAL	42,824.9	35,391.7	36,598.1	36,501.6	3.1
USES					
Personal Services and Employee Benefits	6,476.2	6,431.6	6,771.7	6,757.0	5.1
Contractual Services	24,283.9	27,411.0	28,429.6	28,379.6	3.5
Other	1,306.0	1,549.1	1,396.8	1,365.0	-11.9
TOTAL USES	32,066.1	35,391.7	36,598.1	36,501.6	3.1
FTE					
Permanent	84.0	84.0	84.0	84.0	0.0
TOTAL FTE POSITIONS	84.0	84.0	84.0	84.0	0.0

AT A GLANCE:

For FY17, the total PERA fund returned 11.1 percent, net of external asset management fees, and the market value of the fund grew \$1 billion from FY16 after covering the shortfall between contributions to the fund and benefit payments from the fund after expenses. Despite exceeding the new lower investment return target of 7.25 percent, PERA underperformed its peer group and comparison index as the median return was 12.4 percent and the index earned 11.7 percent. Investment returns over 10 years also fell short of the PERA board’s investment goals, with the five-year time period being the exception.

The fund has grown since the worldwide market downturn in 2009 from \$9.2 billion, after losing one quarter of its value, to a record high of \$15 billion, while at the same time distributing \$1 billion annually in payments to beneficiaries. However, funding is still not sufficient to cover all earned retirement benefits. Since 2013, due to reforms to the Public Employees Retirement Association Act that increased employer contributions, reduced benefits for new hires and reduced and delayed cost-of-living adjustments to retiree pensions, the projected funded ratio in 2043 is now 87.6 percent. This is still short of the 100 percent funded goal the PERA board said in 2013 would be attained with pension reform.

BUDGET ISSUES:

The request of \$36.6 million was a 3.4 percent increase from the FY18 operating budget. For FY18, the Department of Finance and Administration (DFA) granted the agency a budget adjustment request of \$600 thousand to fill more positions and repair the service credit calculator. In the personal services and employee benefits category, the request for FY19 applies a 5 percent vacancy rate for classified positions. The request also increased the contractual services category by 3.7 percent based on projections for growth in assets under management and to maintain the retirement information online (RIO) system, and decreased the other category to align operational costs with FY17 spending.

For FY19, PERA's request for RIO included \$3 million to extend the system's life. Since the purchase of RIO for \$11 million in 2002, PERA has received two similar technology appropriations; in 2008 for \$2.2 million and in 2013 for \$2.8 million. In addition, there have been several budget adjustments over the years to accommodate legislative changes to the PERA Act. For FY17, PERA's technology request included \$4.2 million for a data cleansing project and additional functionality. RIO is critically important because it tracks pension contributions from 135 employers for 50 thousand active employees, grants service credit, and pays pension benefits to 36 thousand retirees and beneficiaries with a monthly payroll of about \$100 million. RIO is supported by one outside vendor; servers, storage and hardware must be replaced every five years; and maintenance costs run about \$1 million annually. When eventually replaced, RIO will need to be maintained alongside any new system to avoid any major disruptions.

For the third year, PERA requested an appropriation from the general fund to continue to process requests from employers to link up with social security. The request for FY19 was \$89.1 thousand, an increase from last year's request for \$77 thousand. PERA does not believe the trust fund should be used because many of the requests are from charter schools and others not affiliated with PERA. Over the years, PERA was able to use interest earned on social security and Medicare taxes transmitted by employers to PERA before being transferred to the Internal Revenue Service (IRS). However, federal law has since changed to require employers to transmit those taxes directly to the IRS. The recommendation does not support the request to use general fund for this purpose and suggests DFA take over this function or PERA seek a statutory change to allow fees to be collected from employers.

The committee recommends funding the agency at \$36.5 million. In the personal services and employee benefits category, the recommendation does not fund unused leave payouts and overtime, due to the availability of vacancy savings. In the contractual services and other categories, the recommendation includes increases from FY17 expenditure levels for Department of Information Technology fees, General Services Department insurance, building maintenance and utilities, and rent for the Albuquerque office. The recommendation does not include funding for lobbyists, attorneys providing second opinions to the opinions of the board's legal staff, to reimburse individual board members suing the board or staff for attorney fees, or for out-of-state board member travel for manager selection and due diligence.

Asset Management. In FY17, PERA implemented a new strategic asset allocation to better meet its lower actuarial target of 7.25 percent with less risk. The new allocation reduced the number of portfolios from eight to four and reclassified assets as liquid and illiquid. The four portfolios are global equity, which includes public securities mostly passively invested or indexed, hedged equity, and private equity; risk reduction and mitigation; credit-oriented fixed income; and real assets. In FY17, PERA's best performance was in global equity, with returns of 19.5 percent, slightly outperforming the comparison benchmark. Despite returns as high as 8.1 percent, above the total fund's investment return target, both the credit-oriented fixed income and real assets portfolios underperformed their comparison benchmarks.

Since 2014, PERA has reduced number of managers and fees that have been rising for institutional investors regardless of fund performance. For FY17, PERA paid 39 basis points (bps) in management fees, below the 57 bps national average for similarly sized public funds (a basis point is equal to 0.01 of a percent.) In FY16, PERA paid 36 bps, down from 42 bps in FY15, and 47 bps in FY14. When compared with the other two state investment agencies, the State Investment Council and Educational Retirement Board, PERA consistently pays the lowest management fees in proportion to the overall fund.

Sustainability. Five years after lawmakers put the PERA plan on a path to 100 percent funding in 30 years, PERA is seeing slower than expected growth in the long-term funded ratio. Today, it will take 55 years to pay off the system's \$5 billion in underfunded pension promises. This is partly due to assumptions for payroll, mortality and investment returns that have differed from actual experience. For instance, over the last decade, PERA's investments have earned an average of about 4 percent. To refocus on liabilities, the PERA board conducted several educational sessions this year. The sessions included the impact of being above or below expected returns on the funded status and benefit modeling with lower multipliers and COLAs. The board learned the following: retiree benefits are two-thirds of its total liability, largely due to a compounded, fixed COLA, PERA has fewer active employees to retirees than the average plan, and the plans with the biggest contribution shortfalls are for state general employees and municipal fire employees. PERA will conduct a new study of assumptions next spring that will likely result in changes, including to payroll, mortality and investment return assumptions. Until the study is completed, the board is not recommending changes to improve sustainability.

To enhance the actuarial soundness of the fund, PERA could, with the Educational Retirement Board, close loopholes related to *spiking* which is hiking an employee's pay just before the employee retires, providing a full-time benefit for part-time work, and *double-dipping* which is collecting both a government pension and government salary; lower the pension multiplier and reduce the maximum salary used to calculate a pension benefit; and apply a simple COLA to the base benefit at age 65 or older, when one is less likely to be able to work, but dependent on investment performance. 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.

Governance. PERA’s problems are not only from adverse demographics (fewer workers and retirees living longer), negative net cash flow (more retirees and higher benefit accruals), and the investment returns/assumption gap, but also from weak governance. For instance, the board is intricately involved with investment functions including hiring and firing managers, with trustees participating in manager selection and due diligence monitoring. A new fiduciary counsel advised the board about the relationship between good governance and fund performance and was provided examples of other public funds’ practices that may help reduce risks inherent in PERA’s governance structure. Examples included giving discretionary authority to staff, within specific policy guidelines, to invest and rebalance assets in response to changing market conditions and to hire and fire managers and conduct due diligence monitoring, with a later reporting obligation to the board. Last year’s governance audit cited risks when the board votes on recommendations derived through board member involvement with managers.

Disclosure and Reporting. Since 2015, PERA has provided data to employers subject to new reporting requirements by the Governmental Accounting Standards Board (GASB). The data includes each employer’s portion of the plan’s total net pension liability (NPL), the amount benefit costs exceed assets. Prior to this change, liabilities were only recorded at the plan level. For FY16, PERA’s total NPL was \$6.2 billion, an increase of \$1.9 billion from FY15 and \$2.9 billion from FY14, the first year for the new reporting requirements. GASB also now requires reporting of the sensitivity of the NPL to changes in the return assumption, now a blended 7.48 percent; in particular, calculated using a rate plus or minus 1 percent. With an increase of 1 percent, to 8.48 percent, the NPL decreases to \$4.1 billion; with a decrease of 1 percent, to 6.48 percent, the NPL increases to \$8.7 billion. GASB’s goal for the new reporting rules is increased transparency and improved comparability among participating employers.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the pension administration program of the public employees retirement association in the contractual services and other categories includes fifty thousand dollars (\$50,000) 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 or travel out-of-state for investment manager selection and due diligence.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
* Outcome	Funding period of unfunded actuarial accrued liability, in years	56	TBD	30	30	30
Outcome	Ten-year annualized investment returns to exceed internal benchmark, in basis points	-89	-56	≥10	>30	>30
Outcome	Total investment cost at or below the benchmark cost that adjust for differences in fund size, asset mix and country of origin, in basis points	NEW	NEW	<85	<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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,476.4	2,476.4	2,789.0	2,426.5	-2.0
Federal Revenues	24.5	0.0	32.5	32.5	
Other Revenues	101.5	119.1	154.5	187.0	57.0
Fund Balance	87.0	116.5	0.0	166.5	42.9
SOURCES TOTAL	2,689.4	2,712.0	2,976.0	2,812.5	3.7
USES					
Personal Services and Employee Benefits	2,220.9	2,293.2	2,534.9	2,371.4	3.4
Contractual Services	62.3	60.6	19.5	19.5	-67.8
Other	294.2	358.2	421.6	421.6	17.7
TOTAL USES	2,577.4	2,712.0	2,976.0	2,812.5	3.7
FTE					
Permanent	42.0	37.0	37.0	37.0	0.0
TOTAL FTE POSITIONS	42.0	37.0	37.0	37.0	0.0

AT A GLANCE:

The agency has several funds to support its mission: an operating fund for general fund appropriations and federal funds, an internal service fund for revenue received from charges and fees, a gifts and donations fund budgeted through budget adjustment requests, and an inactive capital outlay fund. For FY19, the agency requested an increase of \$312.6 thousand from the general fund to fully staff the agency and shift some fixed costs from being funded with revenue from other state funds and fund balance to being funded with general fund revenue. The LFC recommendation reduces the agency's general fund appropriation by 2 percent but increases other revenues from the sale of goods and services, fees related to agency rulemaking, and fund balances.

CPR oversees the State Records Center and Archives, which provides state agencies free storage for inactive public records and is the central archive for state government. In FY14, the Legislature appropriated \$600 thousand to plan an expanded records facility. In FY16, CPR obtained conceptual drawings and requested \$13.2 million for the first phase of an estimated \$63 million project cost. LFC was concerned that, without changes to agency record retention practices, the proposed facility could reach full capacity in 20 years. For FY19, CPR requested \$4.6 million, including \$800 thousand to repair the heating, ventilation, and air conditioning (HVAC) system for the historical vaults, \$175 thousand to correct site drainage to eliminate flooding for the Santa Fe facility, and \$3.6 million to construct a mechanical room in anticipation of an expanded Santa Fe facility.

BUDGET ISSUES:

For FY19, the agency's request from the general fund included an increase of \$241.7 thousand to fully fund the agency with archivists, records management analysts, and other support staff. For FY18, the agency eliminated five of 42 positions and received funding to fill all but four positions. The request in other revenues to support operations was \$154.5 thousand and in federal revenues to administer grants to community archival programs was \$32.5 thousand. Contributing to the request for additional funds, were increases related to group health benefits, risk coverage, information technology, and facility rent and operations. At the close of this fiscal year, the projected fund balance for the agency's internal service fund is \$236 thousand after covering some fixed costs.

The LFC recommendation reduces the general fund appropriation by 2 percent from the FY18 operating budget and increases other revenues from charges and fees and fund balance to employ more staff and cover increases in fixed costs. In the personal services and employee benefits category, the recommendation provides an increase of 3.4 percent, or \$78.5 thousand, due to expanded duties under recent changes to the State Records Act for agency rulemaking processes. In the contractual services and other categories, the recommendation supports the request.

In addition to state government, the Commission of Public Records (CPR) provides services to local and tribal governments, educational and research communities, and the general public. These services include public records access and management, administrative rule creation and filing, and preservation of permanent, historical records for New Mexico. According to CPR, these records help document citizenship and family histories, resolve land and water issues, and support the daily operations of state and local governmental agencies.

CPR operates two records centers at full capacity in Santa Fe and Albuquerque. A vault for records with permanent, historical value is also at full capacity so some records remain at agencies. Due to space constraints, CPR is only accepting new records when stored records reach their retention period and are destroyed. As a result, agencies are storing records in basements, hallways, and rented storage units and warehouses. Through better training, CPR hopes to increase the quality of stored information, which over time should reduce the amount of information sent to CPR for storage. In FY17, CPR exceeded its performance target by conducting 44 in-person training events on the proper management of records in compliance with the Public Records Act.

In FY17, in addition to records management training events, CPR staff provided reference assistance to 1,500 on-site visitors and for 400 remote requests, and through funding partners, the Historical Society of New Mexico, University of New Mexico, and Federal government, awarded seven fellowships in archival research and six grants to New Mexico communities, organizations, and pueblos to support their records management programs. In addition, the agency filed 360 rulemaking actions and 10 interstate compacts. During the 2017 legislative session, Chapter 137 (House Bill 58) made major revisions and additions to the State Rules Act to provide clearer guidelines for agency rulemaking processes; including for hearings, public comment, and recordkeeping.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Number of state employee trainings on public records management in compliance with the Public Records Act	NEW	NEW	NEW	24	24
Outcome	Number of driving-while-intoxicated and domestic violence case files available online	NEW	NEW	NEW	15,000	15,000
* Outcome	Number of state employee trainings on filing and publishing a notice of rulemaking and rules in compliance with the State Rules Act	NEW	NEW	NEW	24	24
Outcome	Number of agency educational, research, preservation, and community outreach activities that foster an appreciation and understanding of New Mexico history and culture	NEW	NEW	NEW	25	25
Outcome	Number of days to compile and post all rules on the New Mexico Administrative Code website from their effective date	NEW	NEW	NEW	30	30
Outcome	Percent of requests by records custodians to access public records in the records center within 24 business hours and percent of requests to access archival holdings within two hours of on-site request	NEW	NEW	NEW	100%	100%

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 that 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)					Percent Incr (Decr)
	FY17	FY18	FY19 – 2018-2019			
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	7,233.1	7,233.1	11,388.6	7,780.9	7.6	
Other Transfers	0.0	640.0	0.0	440.0	-31.3	
Other Revenues	35.0	35.0	39.0	35.0	0.0	
SOURCES TOTAL	7,268.1	7,908.1	11,427.6	8,255.9	4.4	
USES						
Personal Services and Employee Benefits	3,353.9	3,695.2	4,275.7	3,492.4	-5.5	
Contractual Services	1,006.6	1,106.2	1,185.8	954.1	-13.7	
Other	3,595.4	3,106.7	5,966.1	3,809.4	22.6	
TOTAL USES	7,955.9	7,908.1	11,427.6	8,255.9	4.4	
FTE						
Permanent	71.0	59.0	59.0	59.0	0.0	
TOTAL FTE POSITIONS	71.0	59.0	59.0	59.0	0.0	

AT A GLANCE:

For FY19, the Secretary of State requested a general fund appropriation of \$11.4 million, an increase of \$4.2 million, or 57.5 percent, above the FY18 operating budget. The increase was mostly in the Elections Program and replaced public election fund revenue with general fund revenue and reduced the agency's vacancy rate to 4 percent. The request included increases for tabulator warranties, maintenance and licensing, ballot and voter guide printing, and equipment rental for the ballot-on-demand system.

Since FY10, general fund appropriations to the Elections Program increased nearly 400 percent because the Legislature appropriated a greater amount of election costs to the base budget. The LFC recommendation for FY19 continues this approach by increasing Elections Program funding by 25.5 percent over the FY18 budget to cover more of the recurring costs, including personnel, IT supplies, and maintenance. The committee recommendation also reduces the use of public election fund revenue by \$200 thousand for operating purposes.

BUDGET ISSUES:

Elections. Despite legislative action taken to curb the cost of elections, including 2011 legislation allowing the consolidation of traditional precincts, election expenses continue to increase. Appropriation growth, though significant, has not kept up with election costs, 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 \$541 thousand in FY16 and \$1.5 million in FY17; no general fund special appropriations were granted in FY18. For FY19, SoS requested \$3 million in supplemental appropriations: \$1.5 million for primary elections costs, \$1.4 million for distribution to candidates from the public election fund, and \$44 thousand to meet payment card industry security standards.

SoS oversees elections every fiscal year, with general and presidential elections occurring in odd-numbered fiscal years and primary elections occurring in even-numbered fiscal years. Historically, general and presidential elections are 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.

The committee recommendation supports funding to maintain all filled positions in the Elections Program. Additionally, with an approaching general election in FY19, the recommendation also includes adequate funding for other costs incurred by the SoS, including tabulator warranties, maintenance and licensing and equipment rental for the ballot-on-demand system.

Administration and Operations. High vacancy rates in the Administration and Operations Program of SoS are likely due, in part to efficiency gains from the consolidation of corporate reporting and filing services that followed the transfer of the corporations division from the Public Regulation Commission in 2013. SoS continues to focus on improving campaign finance through outreach and education and has implemented technological improvements to both the campaign finance information system and the integrated reporting and integrity system. The LFC recommendation provides adequate funding for the Administration and Operations Program to fill an additional two FTE.

Public Election Fund. The LFC recommendation continues the limited use of public election funds to supplement general fund revenues in the Elections Program. The public election fund receives \$1.2 million per year in transfers from the tax suspense fund and \$200 thousand from the Public Regulation Commission (PRC). At the end of FY16 the fund balance was \$2,300, and the FY17 unaudited ending balance of the fund was \$506.4 thousand. Disbursements from the fund are made in even fiscal years. In 2016, the most recent year disbursements were made, a total of \$881.2 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 \$2.7 million from the public election fund. The LFC recommends \$440 thousand from the public election 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, the internal service funds/interagency transfers appropriation to the elections program in the other category of the secretary of state includes four hundred forty thousand dollars (\$440,000) from the public election fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2019 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)						
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	4,157.2	3,735.7	4,305.5	3,392.8	-9.2	
Other Revenues	35.0	35.0	39.0	35.0	0.0	
SOURCES TOTAL	4,192.2	3,770.7	4,344.5	3,427.8	-9.1	
USES						
Personal Services and Employee Benefits	3,353.9	3,196.9	3,427.0	2,854.0	-10.7	
Contractual Services	99.8	146.4	378.1	146.4	0.0	
Other	416.4	427.4	539.4	427.4	0.0	
TOTAL USES	3,870.1	3,770.7	4,344.5	3,427.8	-9.1	
FTE						
Permanent	59.0	47.0	47.0	47.0	0.0	
TOTAL FTE POSITIONS	59.0	47.0	47.0	47.0	0.0	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	N/A	100%
Output	Average number of days to process corporate registration requests	5	2	5	5	2
Output	Average number of days to process partnership registration requests	NEW	NEW	3	3	3

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,075.9	3,497.4	7,083.1	4,388.1	25.5
Other Transfers	0.0	640.0	0.0	440.0	-31.3
SOURCES TOTAL	3,075.9	4,137.4	7,083.1	4,828.1	16.7
USES					
Personal Services and Employee Benefits	0.0	498.3	848.7	638.4	28.1
Contractual Services	906.8	959.8	807.7	807.7	-15.8
Other	3,179.0	2,679.3	5,426.7	3,382.0	26.2
TOTAL USES	4,085.8	4,137.4	7,083.1	4,828.1	16.7
FTE					
Permanent	12.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	12.0	12.0	12.0	12.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of eligible voters registered to vote	80%	86%	80%	80%	90%
Explanatory	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	33	33			
* Outcome	Percent of reporting individuals in compliance with campaign finance reporting requirements	NEW	98%	100%	80%	99%
Outcome	Percent of reporting individuals issued a notice of final determination for noncompliance	NEW	100%	100%	100%	100%
Explanatory	Number of campaign finance training sessions offered each fiscal year	NEW	10			
* Efficiency	Percent of public records requests responded to within the statutory deadline	93%	100%	95%	95%	100%
* Explanatory	Percent of eligible-but-not-registered voters who respond to the annual outreach mailing conducted by the secretary of state	NEW	NEW			
Explanatory	Number of reporting individuals out of compliance with campaign finance reporting requirements	NEW	NEW			

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 on all employee issues including employee classification and compensation, testing and qualifications for professionals, probationary periods, and disciplinary procedures.

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)						
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	3,933.1	3,812.9	3,812.9	3,680.0	-3.5	
Other Transfers	249.0	269.1	269.1	269.1	0.0	
SOURCES TOTAL	4,182.1	4,082.0	4,082.0	3,949.1	-3.3	
USES						
Personal Services and Employee Benefits	3,636.1	3,759.9	3,677.7	3,604.1	-4.1	
Contractual Services	44.8	37.9	44.3	40.0	5.5	
Other	391.5	284.2	360.0	305.0	7.3	
TOTAL USES	4,072.4	4,082.0	4,082.0	3,949.1	-3.3	
FTE						
Permanent	48.0	47.0	48.0	47.0	0.0	
TOTAL FTE POSITIONS	48.0	47.0	48.0	47.0	0.0	

AT A GLANCE:

The State Personnel Office (SPO) requested FY19 revenues equal to its FY18 operating budget; the agency's requested FY19 expenditures were reduced from FY18 levels for personnel but increased for contracts and operating expenditures. The partial implementation of a statewide executive compensation plan has resulted in agencies unilaterally implementing disparate types of pay raises and structural salary adjustments.

The LFC recommendation funds personnel at the reduced level requested by the agency but also reduces funding for an additional FTE requested by the agency. The recommendation does not include any additional general fund revenue to support the agency's human resource consolidation initiative because the initiative was highlighted as a cost-savings mechanism funded with existing resources. SPO's request did not include other departments' FTE and funding for the human resource consolidation initiative, but SPO identified 349 positions, of which 228 are filled, that it proposes to include in the initiative.

BUDGET ISSUES:

SPO requested the same level of revenue for FY19 as in the operating budget for FY18 but requested a 2 percent decrease for the personal services and employee benefits category, a 17 percent increase for contractual services, and a 27 percent increase for operating costs. The requested increases in expenditures are primarily associated with the digitization and modernization IT project and the statewide human resources (HR) consolidation, the centralization of HR functions in SPO. Similar to FY18, the budget request includes \$269.1 thousand in other transfers generated from SPO providing HR services to 17 agencies.

SPO did not achieve several performance targets over the past year. The average new employee compa-ratio (salary divided by salary range mid-point) remained at 97 percent, 5 percent fewer state employees successfully completed their probationary period, and state employees receiving overtime increased from 17 percent to 18 percent. The classified service vacancy rate continued to grow from 15 percent to 18 percent. However, the average number of days to fill a vacant position improved from 69 days to 65 days.

SPO continues to request performance measures without targets or conversion to explanatory measures. LFC recommends previous performance measures be maintained and new measures be added to measure success and provide baseline data over time. 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.

In September 2017, the statewide public employee vacancy rate for all three branches of government was 15 percent, with only 65 percent of new employees completing their probationary period. In FY17, overtime totaled \$29.9 million, although it decreased from \$32.7 million in FY16 and \$41.2 million in FY15. In addition, employee turnover was 15 percent, and SPO noted if the turnover rate were reduced by approximately 50 percent, this could free up millions of dollars to use toward salary increases and pay structure adjustments.

LFC recommends the requested decrease in the personal services and employee benefits category, which included a vacancy rate of 12.9 percent, but also does not recommend funding for an additional FTE requested by the agency. The LFC recommendation does not include the requested additional \$30 thousand in general fund revenue to rent more office space in Albuquerque and \$20 thousand to fund new IT equipment to support the agency's human resource consolidation. SPO testified to LFC in June 2017 that the HR consolidation was intended as a cost-savings and efficiency mechanism to be funded within existing resources in executive agencies.

In FY17, SPO transferred \$146 thousand, or 4 percent, from the personal services and employee benefits category to fund a contractor to serve as project manager for the HR consolidation, to purchase equipment and furniture for personnel moving to SPO, and to pay for electrical, IT, and phones for the HR consolidation at SPO's building in Santa Fe.

In FY18, DFA reports indicate SPO entered into three contracts totaling \$188.3 thousand to provide legal advice and assistance to the SPO director on litigating labor issues, including complaints arising out of collective bargaining agreements. This represents a significant increase over FY17 and the contract funding was not designated in the FY18 operating budget.

Human Resource Consolidation. In January 2017, the executive announced its proposal to consolidate all executive agencies' human resource (HR) functions, personnel, and related HR resources under SPO and located solely in Santa Fe and Albuquerque. The announced implementation date was July 1, 2017, affecting approximately 480 FTE, and with an initial estimate to save over \$6 million. Initial issues included concerns that the proposal lacked clear goals and an implementation plan, state employees would lose their jobs, hiring employees would be delayed, collective bargaining units would be negatively impacted, resolving personnel issues would get more expensive, and agencies would be less efficient and effective.

The HR consolidation was intended to reduce 484 positions to 238 positions, including both HR staff and non-HR staff performing some HR work. Staff reductions were to occur through vacancies, attrition, reallocation, reassignment, and reductions in force (RIF). The executive initially indicated the consolidation would save millions but amended the projection to indicate savings will be generated primarily through efficiencies within agencies' operating budgets in FY18 and FY19.

In August 2017, SPO identified 349 positions to be included in the consolidation, of which 121 were vacant. The consolidation would be implemented using "service level agreements" so the authorized FTE and associated personnel and operational funding would remain within their respective agencies budgets for FY19. In October, SPO reported to LFC that the implementation would be delayed until January 1, 2018, for general fund agencies and until July 1, 2018, for multiple revenue agencies because of difficulties transferring personnel funding, particularly from the Human Services Department, Department of Transportation, and Children, Youth and Families Department. There are concerns that agencies' ability to hire personnel has been impaired by the consolidation initiative because agencies have delayed filling growing numbers of vacant HR positions in anticipation they would be transferred to SPO. SPO conducted two rapid hire events to hire HR staff to assist agencies with backlogs.

Compensation System Adjustments. In 2014, SPO designed an occupation-based salary structure to more accurately reflect the jobs performed by public employees. It replaces the state's single pay plan with one pay line category 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. In 2016, new pay structures were implemented for correctional staff within the Corrections Department and IT staff primarily within the Department of Information Technology. In 2017, another pay structure adjustment for engineers primarily within the Department of Transportation was partially implemented. However, several other agencies including the judiciary and Children, Youth and Families Department have concurrently implemented ad hoc salary increases and pay structure adjustments separate from the SPO-designed occupation-based salary structure. This has resulted in the state personnel system's salary and pay structure lacking equity, cohesion, and uniformity. In its 2016 annual report, SPO notes over 31 percent of the state's job classifications are assigned to alternative pay bands (APBs). APBs are being used in response to the state's inability to adjust and maintain a competitive salary structure. The increased number of APBs is an indicator the state's classified service salary structure has not been maintained and requires further attention.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>	
*	Outcome	Average number of days to fill a position from the date of posting	69	65	55	N/A	55
	Efficiency	Percent of new employees who successfully complete their probation period	70%	64.7%	N/A	N/A	70%
	Explanatory	Percent of classified employees voluntarily leaving state service	14.7%	14.5%			
	Explanatory	Percent of classified employees involuntarily leaving state service	2.1%	1.8%			
	Efficiency	State employee average overtime usage per month, in hours	16.2	15	12	N/A	12
	Outcome	Percent of state employees receiving overtime	17%	18%	17%	N/A	17%
	Explanatory	Percent of departments or agencies with over ninety percent of personnel evaluations completed	83%	85%			
	Explanatory	Percent of new managers and supervisors who successfully complete the management and supervision training sponsored by the state personnel office within three months of date of hire	35%	27%			
*	Explanatory	Statewide classified service vacancy rate	15.2%	18.3%			
*	Efficiency	Average state classified employee compa-ratio	102%	101.4%	N/A	N/A	≥95%
	Explanatory	Average state classified new hire compa-ratio	96.8%	97%			
	Explanatory	Average number of days to fill a position from advertisement closure to issue of employment offer letter	54	43.9			
	Outcome	Average number of days to post position following agency request	6	9.83	9	9	8
	Outcome	Number of human resource rule compliance audits conducted annually	NEW	NEW	22	22	22
	Outcome	Number of human resources trainings offered annually	NEW	NEW	50	50	50
	Outcome	Number of digitized personnel records	NEW	NEW	347	1,000	1,000
	Explanatory	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	95%				

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.

As one of the state's smallest agencies, PELRB serves as the decision-maker of first resort for public employer and labor organization disputes under the Public Employee Bargaining Act (PEBA). The board also ensures local governments operating under a collective bargaining agreement are in compliance with PEBA by monitoring their decisions. This not only protects the public interest but saves both the state and local governments money in the long run by keeping most labor disputes out of court.

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)						
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	213.7	213.7	228.8	228.8	7.1	
Other Revenues	4.7	0.0	0.0	0.0		
SOURCES TOTAL	218.4	213.7	228.8	228.8	7.1	
USES						
Personal Services and Employee Benefits	169.5	165.5	172.0	172.0	3.9	
Contractual Services	5.9	5.8	5.9	5.9	1.7	
Other	43.0	42.4	50.9	50.9	20.0	
TOTAL USES	218.4	213.7	228.8	228.8	7.1	
FTE						
Permanent	2.0	2.0	2.0	2.0	0.0	
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0	

AT A GLANCE:

In FY17, 50 percent of cases were resolved through agreement, mediation, or arbitration prior to hearing, and no board decisions were overturned on appeal. This represented a decrease of cases resolved in FY16. However, the board does not engage beforehand in mediation or settlement negotiations with disputants and has no direct control over their outcome. Therefore, for FY18, the measure was replaced with one related to processing to completion all matters before the board within statutorily mandated guidelines.

For FY19, the agency requested increases for General Services Department insurance, Department of Information Technology fees, and an office lease; otherwise, the request was flat. The recommendation supports the request.

BUDGET ISSUES:

Due to statewide solvency actions that reduced FY17 general fund appropriations, the Board of Finance granted the agency's request for an emergency grant to avoid two weeks of furlough days for the agency's 2 FTE. Spending reductions taken in response to a smaller appropriation include use of teleconferencing, cessation of travel except for proceedings, publishing one public hearing notice covering several months, and rule changes to allow electronic filing. The board also required parties, attorneys, and witnesses to travel to the board's office in Albuquerque for certain proceedings that could not be conducted via teleconference.

For FY19, the agency requested an increase of about \$10 thousand, or 7 percent, from actual spending to cover increases in General Services Department rates for health benefits, Department of Information Technology fees, and per diem and mileage for all board members to attend monthly hearings. As an austerity measure, the board member from Clovis has been attending meetings by telephone, which is not optimal when the board needs to deliberate in closed session on adjudications. The board has also consolidated agenda items to skip a meeting.

The recommendation supports the request, which includes \$22 thousand to cover year three of a five-year amendment to a lease agreement in Albuquerque for board hearing and office space for 2 FTE. Plans to administratively attach and co-locate with the Office of Administrative Hearings (OAH) have stalled, mostly because of conflict of interest concerns if OAH ever had to come before the board. For FY18, the agency might need to develop a contingency plan to avoid another budget shortfall and the Department of Finance and Administration has agreed to continue working with them on funding issues.

PUBLIC EMPLOYEES LABOR RELATIONS BOARD

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

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of decisions overturned on appeal	0%	1%	1%	1%	1%
Outcome	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	NEW	NEW	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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,428.6	3,428.6	3,956.7	3,428.6	0.0
Federal Revenues	4.0	4.0	2.0	2.0	-50.0
Other Revenues	122.3	122.3	122.3	122.3	0.0
SOURCES TOTAL	3,554.9	3,554.9	4,081.0	3,552.9	-0.1
USES					
Personal Services and Employee Benefits	2,713.3	2,794.5	3,239.1	2,818.4	0.9
Contractual Services	407.1	406.0	437.8	380.1	-6.4
Other	393.3	354.4	404.1	354.4	0.0
TOTAL USES	3,513.7	3,554.9	4,081.0	3,552.9	-0.1
FTE					
Permanent	35.0	35.0	35.0	34.0	-2.9
TOTAL FTE POSITIONS	35.0	35.0	35.0	34.0	-2.9

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 FY17, general fund balances gradually fell until revenues stabilized and legislative solvency action began to take effect late in the fiscal year. To ensure the ability to pay the state's bills, STO transferred funds from its core investment portfolio to its liquidity portfolio over the course of FY17 but began shifting funds back to the core portfolio in FY18. At the end of FY17, the core portfolio was 51 percent of the total general fund pool compared with 75 percent at the end of FY16. The core portfolio is primarily intended to maximize return with minimal risk to principal, and the liquidity portfolio is intended to provide day-to-day liquid assets for the operations of state government.

BUDGET ISSUES:

The agency requested increases across all budget categories, most significantly a request for full funding of all vacant positions. The LFC recommendation keeps overall funding flat with the FY18 operating budget but distributes some expected savings in contractual services to increase personnel funding, the agency's highest priority. The recommendation also deletes one position vacant for more than two years.

STO is completing a \$1.9 million project related to SHARE, the statewide human resources, accounting, and management reporting system. The project will create a treasury module in SHARE, bringing STO's accounting system under the statewide accounting software umbrella. This will create contractual service savings for the current QED Financial Systems investment accounting software, but it is temporarily creating additional workload for several staff members as they learn the new system and work with the contractor to review the module for any errors and run both systems side-by-side temporarily. However, this switch should result in overall efficiencies and reduced costs by FY20 at the latest.

General fund balances held by the Treasurer's Office were up \$37 million, or 2.4 percent, year-over-year at the end of FY17 compared with a 21 percent decline the year before. By the end of October 2017, balances were up 48 percent year-over-year and crossed the \$2 billion mark again for the first time since July 2015.

Rumors circulated during and after the 2017 regular legislative session the state could face insolvency without drastic action by the executive branch, including employee furloughs. However, LFC staff worked with STO staff to closely track the monthly low points of the general fund portfolio, including daily reports during the worst of the downturn, and the lowest point was \$828 million in March, after which the monthly low points began increasing significantly. This allowed legislators to recognize and discuss legitimate concerns regarding falling balances and put aside unsubstantiated rumors.

The agency generated an apparently unprecedented loss of \$3.2 million in general fund earnings for FY17 due to market losses as interest rates rose. This was due to \$12.8 million of unrealized losses from required adjustments to account for market valuation changes, and the agency's positive, realized earnings were not substantial enough to offset these losses. Interest rate risk and the average maturity of STO's investment funds are highly correlated, and the agency is maintaining an average general fund portfolio maturity of about one year to minimize this risk, significantly below the standard benchmark of two years. As general fund balances increase and interest rates stabilize, losses should return to gains and then begin to increase sharply before plateauing.

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>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY19</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	5	-2	5	5	5
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	-21	15	0	5	10
Outcome	Maximum number of audit findings	4	2	2	2	2
Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	99%	99%	95%	95%	99%
Explanatory	Forfeiture sale 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. The agency regulates the professional conduct of architects by registering only qualified individuals, investigating complaints and violations, monitoring compliance with continuing education requirements, and by working with other regulatory entities concerned with the built environment.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	47.1	320.0	174.3	171.9	-46.3
Fund Balance	302.5	66.8	218.5	218.5	227.1
SOURCES TOTAL	349.6	386.8	392.8	390.4	0.9
USES					
Personal Services and Employee Benefits	218.1	286.8	292.8	290.4	1.3
Contractual Services	8.5	11.0	11.0	11.0	0.0
Other	75.8	89.0	89.0	89.0	0.0
TOTAL USES	302.4	386.8	392.8	390.4	0.9
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:

Currently 2,228 in-state and out-of-state architects are registered in New Mexico, an increase of 7 percent from FY16. Effective December 2017, the board changed license renewals from biennial to annual; which is expected to increase revenue and provide a more predictable revenue stream. For FY18, the agency projects an ending cash balance of \$555 thousand, and after budgeting fund balance to cover projected expenditures, expects \$337 thousand at the end of FY19.

The agency, primarily funded with application and renewal fees, requested an increase of 1.6 percent, or \$6 thousand, from the FY18 operating budget. The recommendation provides an overall increase of 0.9 percent. In the personal services and employee benefits category, the recommendation does not include funding for leave payouts, which can be covered with vacancy savings that accrue when staff leave, and funds 4 FTE; including one vacant office support worker awaiting approval from the State Personnel Office. In the contractual services and other categories, the recommendation covers expenses related to additional board meetings and more meetings outside of Santa Fe, maintenance of a publicly searchable database of licensed architects, and a new project that will allow architects to renew and make payments online.

During the 2017 regular legislative session, Chapter 107 (House Bill 330) amended the Architectural Act by increasing the civil penalty the board could impose from \$1,000 to \$7,500 as a deterrent for unethical practices that may put public safety at risk. Also, Chapter 52 (House Bill 295) extended the agency's sunset date, from 2017 to 2023, and changed board member qualifications so one of the six architects is from the public sector. At the present time, all of the board appointments are filled.

ARCHITECTURAL REGISTRATION

The purpose of the board of examiners for architects 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of audited registrants who successfully meet continuing education requirements	93%	OFF YEAR	90%	90%	90%
Output	Number of days from the receipt of a complaint to delivery to the enforcement committee	2.75	3.7	5	5	5
Outcome	Percent of reciprocity applicants who successfully complete application process	91%	88%	85%	90%	90%
Efficiency	Percent of cases resolved prior to issuance of notice of contemplated action	80%	100%	70%	70%	80%
Efficiency	Percent of cases where a notice of contemplated action has been issued, but is resolved prior to hearing	90%	NONE ISSUED	85%	85%	90%

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 authority at the international border with Mexico. The Border Authority is mandated to provide leadership in the development of infrastructure on both sides of the border that will support and foster an increase in trade activity at federal ports of entry.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	299.5	299.5	299.5	299.5	0.0	
Other Revenues	31.7	81.8	51.3	51.3	-37.3	
Fund Balance	88.2	120.0	150.5	150.5	25.4	
SOURCES TOTAL	419.4	501.3	501.3	501.3	0.0	
USES						
Personal Services and Employee Benefits	319.2	319.6	323.1	323.1	1.1	
Contractual Services	20.6	52.5	53.0	53.0	1.0	
Other	79.6	129.2	125.2	125.2	-3.1	
TOTAL USES	419.4	501.3	501.3	501.3	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	

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.

LFC fully funds the agency's request for a flat budget for FY19, as well as the agency's request for a fund balance increase of \$30 thousand.

BUDGET ISSUES:

Dona Ana County led the region in 2016 with \$1.6 billion in exports, down 1.5 percent from the previous year but 53 percent of the New Mexico total for the year. The 2016 Dona Ana County export level made it the 111th largest metropolitan statistical area in 2016.

Since 2007, New Mexico has seen exports increase almost 350 percent. In comparison, Texas increased exports to Mexico by 65 percent, California by 46 percent, and Arizona by 75 percent. The rise in New Mexico is due to the export of transportation equipment, accounting for 61.4 percent of exports, electrical equipment and components at 26.4 percent of exports, and computer and electronic products at 20.8 percent of exports.

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 Theresa port, doubling its capacity, with federal funding of \$12 million.

In FY16, Dell Inc. arranged with U.S. Customs and Border Protection to expand hours for southbound commercial traffic at the Santa Teresa port of entry, those hours remain extended today. 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.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	25%	24%	25%	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	400	390	325	325	350
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	Number of commercial and noncommercial vehicles at New Mexico ports	1,589,396	1,571,366	1,545,000	1,550,000	1,570,000

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,815.8	12,615.6	12,615.6	12,615.6	0.0
Other Revenues	3,550.0	4,439.6	4,439.6	4,439.6	0.0
Fund Balance	470.5	0.0	0.0	0.0	
SOURCES TOTAL	16,836.3	17,055.2	17,055.2	17,055.2	0.0
USES					
Personal Services and Employee Benefits	2,902.2	3,328.5	3,463.6	3,463.6	4.1
Contractual Services	1,167.9	1,264.4	1,408.6	1,408.6	11.4
Other	11,951.6	12,462.3	12,183.0	12,183.0	-2.2
Other Financing Uses	300.0	0.0	0.0	0.0	
TOTAL USES	16,321.7	17,055.2	17,055.2	17,055.2	0.0
FTE					
Permanent	44.0	44.0	44.0	44.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	54.0	54.0	54.0	54.0	0.0

AT A GLANCE:

The Legislature has increased advertising funding for the department, which represents two-thirds of the agency total general fund request, more than threefold over the last six years, from \$3 million in FY11 to \$9.2 million in FY16. In FY18, advertising funding was reduced to \$9 million. The Tourism Department's FY19 request reduced advertising funding further to \$8.6 million, a \$300 thousand reduction. The LFC supports the agency's request of \$8.6 million in advertising.

BUDGET ISSUES:

The agency requested and the committee recommends a general fund budget flat with the FY18 operating budget level of \$12.6 million. The Tourism Department's FY18 operating budget allocates 68.8 percent of the \$12.6 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, FY18 was the first year since FY11 the advertising budget was not increased. The LFC recommendation supports the agency's request to hold the advertising budget flat with the FY18 operating budget.

The tourism industry experienced a fifth consecutive year of record visitation in 2016, according to an annual survey by Longwoods International. The report found New Mexico set a new high of 34.4 million travelers, compared with 33.4 million in 2015. Of these trips, 44 percent were overnight trips. The overnight trips generated an estimated \$3.65 billion in spending, increasing 1.2 percent from 2015.

Tourism Development. The Tourism Development Program provides tourism support for communities, regions and other entities around the state by providing capacity-building training, tourism development support, litter prevention support and outreach, cultural heritage outreach, and financial support in the form of competitive grants. The program is funded with \$1 million in general fund revenues and \$1.2 million in other revenues. Within the program are five divisions: Rural Pathway Project, Cultural Heritage, Clean and Beautiful, Keep New Mexico True, and Cooperative Marketing. During FY17 and early FY18, a director was hired for the Tourism Development program as well as three division coordinators. During FY17, the NM Clean and Beautiful grant program awarded 42 communities with \$700 thousand for projects involving litter clean up, recycling, beautification, and youth employment. Tourism Development awarded \$110 thousand in a competitive grant process to Ruidoso, Nambé Pueblo, and Los Alamos. The Cooperative Marketing grant program awarded \$325 thousand to 22 advertising partners around the state.

New Mexico Magazine. Founded in 1923, New Mexico Magazine is the oldest state magazine in the United States and is the third-largest state-owned publication. Circulation declined to 70 thousand in FY17 from 75 thousand in FY16. The number of readers (an estimate of how many readers a publication has, which can include multiple people in one household) also declined from 200 thousand in FY16 to 160 thousand in FY17. The New Mexico Magazine Program continues to focus on a strategic plan for increasing advertising sales revenue and implementing subscriptions for students. The magazine’s sustainability depends on three key revenue sources: circulation (paid subscriptions and single copy newsstand sales), advertising (print and digital sales), and product sales.

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)						
FY19 - 2018-2019						
	FY17	FY18	Agency	LFC	Percent	
	2016-2017	2017-2018	Request	Recommendation	Incr	
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>	
SOURCES						
General Fund Transfers	10,505.7	10,509.2	10,418.0	10,418.0	-0.9	
Other Revenues	24.1	30.0	30.0	30.0	0.0	
SOURCES TOTAL	10,529.8	10,539.2	10,448.0	10,448.0	-0.9	
USES						
Personal Services and Employee Benefits	1,237.7	1,216.4	1,257.2	1,257.2	3.4	
Contractual Services	367.2	342.5	504.1	504.1	47.2	
Other	8,716.5	8,980.3	8,686.7	8,686.7	-3.3	
TOTAL USES	10,321.4	10,539.2	10,448.0	10,448.0	-0.9	
FTE						
Permanent	24.0	24.0	24.0	24.0	0.0	
TOTAL FTE POSITIONS	24.0	24.0	24.0	24.0	0.0	

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Dollar amount spent per visitor per day	\$79	\$80	\$78	\$78	\$79
* Outcome	New Mexico’s domestic overnight visitor market share	1.1%	1.12%	1.1%	1.1%	1.1%
* Outcome	Percent change in New Mexico leisure and hospitality employment	5.0%	2.2%	3%	3%	3%
Output	Percent increase in social media fans	19.0%	21.4%	40%	20%	20%
Outcome	Number of referrals from newmexico.org to partner websites	183,985	145,706	160,000	160,000	160,000

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)						
FY19 - 2018-2019						
	FY17	FY18	Agency	LFC	Percent	
	2016-2017	2017-2018	Request	Recommendation	Incr	
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>	
SOURCES						
General Fund Transfers	983.1	1,032.3	1,040.0	1,040.0	0.7	
Other Revenues	1,080.6	1,230.3	1,230.3	1,230.3	0.0	
Fund Balance	470.5	0.0	0.0	0.0		
SOURCES TOTAL	2,534.2	2,262.6	2,270.3	2,270.3	0.3	
USES						

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
Personal Services and Employee Benefits	249.3	348.5	344.9	344.9	-1.0
Contractual Services	10.1	5.3	3.4	3.4	-35.8
Other	1,974.7	1,908.8	1,922.0	1,922.0	0.7
Other Financing Uses	300.0	0.0	0.0	0.0	
TOTAL USES	2,534.1	2,262.6	2,270.3	2,270.3	0.3
FTE					
Permanent	5.0	5.0	4.0	4.0	-20.0
TOTAL FTE POSITIONS	5.0	5.0	4.0	4.0	-20.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of entities participating in collaborative applications for the cooperative advertising program	191	59	115	60	70
* Outcome	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200
Output	Number of stakeholder meetings/events conducted by tourism department each quarter	NEW	NEW	24	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	2,445.3	3,179.3	3,179.3	3,179.3	0.0
SOURCES TOTAL	2,445.3	3,179.3	3,179.3	3,179.3	0.0
USES					
Personal Services and Employee Benefits	612.1	928.5	925.7	925.7	-0.3
Contractual Services	685.8	836.1	825.5	825.5	-1.3
Other	941.2	1,414.7	1,428.1	1,428.1	0.9
TOTAL USES	2,239.1	3,179.3	3,179.3	3,179.3	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	True adventure guide advertising revenue		\$405,806.28	\$500,000	\$500,000	\$500,000
* Output	Advertising revenue per issue, in thousands	\$53	\$73.75	\$72	\$72	\$73
Output	Collection rate for ads sold in current fiscal year	92%	96%	93%	93%	95%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,327.0	1,074.1	1,157.6	1,157.6	7.8
SOURCES TOTAL	1,327.0	1,074.1	1,157.6	1,157.6	7.8
USES					
Personal Services and Employee Benefits	803.1	835.1	935.8	935.8	12.1
Contractual Services	104.8	80.5	75.6	75.6	-6.1
Other	319.2	158.5	146.2	146.2	-7.8
TOTAL USES	1,227.1	1,074.1	1,157.6	1,157.6	7.8
FTE					
Permanent	11.0	11.0	12.0	12.0	9.1
TOTAL FTE POSITIONS	11.0	11.0	12.0	12.0	9.1

PERFORMANCE MEASURES

Outcome		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Percent of advertising spending on overall agency budget		NEW	NEW	70%	72%	72%

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)					
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	8,564.6	8,544.6	8,544.6	8,454.6	-1.1
SOURCES TOTAL	8,564.6	8,544.6	8,544.6	8,454.6	-1.1
USES					
Personal Services and Employee Benefits	3,554.0	3,609.2	3,609.2	3,569.2	-1.1
Contractual Services	2,442.7	2,456.1	2,456.1	2,421.1	-1.4
Other	2,400.5	2,479.3	2,479.3	2,464.3	-0.6
TOTAL USES	8,397.2	8,544.6	8,544.6	8,454.6	-1.1
FTE					
Permanent	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	50.0	50.0	50.0	50.0	0.0

AT A GLANCE:

The Economic Development Department (EDD) requested a flat base budget for FY19 and maintained flat FTE levels in all programs. The LFC recommends a reduction to the general fund of \$90 thousand, or 1.1 percent.

BUDGET ISSUES:

Local Economic Development Act. EDD has improved some aspects of accountability and performance reporting in FY17, 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 significant decrease in jobs created through department efforts for FY17, only reaching 1,729 jobs compared with 4,140 in FY16. Fourteen LEDA awards were given in FY17, totaling \$15.8 million, including seven projects in rural counties: Grant, Valencia, Dona Ana, Chaves, Sierra, and Lea.

Over the past five years, including FY18, the LEDA program received \$46.4 million from the general fund and \$31.5 million in severance tax bond proceeds and other state funds, for a total of \$77.9 million. As of October 2017, EDD reported \$37 million in other state funds and severance tax bonds is unspent. The Legislature in 2017 appropriated \$7 million for LEDA projects to be spent by June 30, 2018. Unless appropriated as a special appropriation, LEDA unexpended general fund and gross receipts tax (GGRT) balances remaining at the end of a fiscal year do not revert.

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 was also awarded up to \$3 million in JTIP funding. Facebook broke 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 FY17 ranges from as little as \$7,000 to \$200 thousand for jobs at the Facebook data center, although the latter figure does not count construction jobs. Other examples include \$10 thousand per job for El Pinto Foods, \$20 thousand per job for Mount Taylor Manufacturing, and \$50 thousand per job for CSI Aviation. (See "LEDA expenditures for FY17" in the LFC Volume III). The average cost per job for FY17 was \$29 thousand, up from \$10 thousand in FY16.

The Economic Development Department has improved metrics used to evaluate LEDA, for example, it is using a leverage ratio to evaluate private funding versus public funding. In FY17 this ratio was 21:1. Improved metrics can also include addressing the impact to the local payroll in the communities where LEDA awards have been given, and EDD should consider making public the data required of businesses awarded LEDA funds. This will help measure the return on investment and improve transparency with the public, Legislature, and executive, and demonstrate that public money is being spent efficiently.

Job Training Incentive Program. The Legislature appropriated \$10 million in Job Training Incentive Program (JTIP) funds during the 2017 legislative session, one of the highest appropriations in the last eight years. The JTIP board approved 57 businesses for funding in FY17, including 13 in rural communities, for a total of \$12.7 million in awards. Four hundred and twenty-four new jobs were approved in FY17, with an average wage of \$19.90 per hour for urban jobs and \$17.02 for 97 rural jobs. JTIP funds over the past five years, including FY18, total \$30 million. As of August 2017, EDD reported \$6 million in JTIP funds were available. The weighted average of costs per job for JTIP was \$12.6 thousand in FY17, compared with \$11.8 thousand in FY16.

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 four fiscal years. However, over the past fiscal year EDD has significantly improved rural awards, with 22.8 percent awarded in FY17, up from 13.3 percent in FY16 and 14.6 percent in FY15. Because the agency continues to fail to comply with statutory requirements, the Legislature should consider changing or eliminating the rural provision.

NM Film Office. The FY19 request also included 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. This includes consulting with production and emerging media companies regarding the financial aspects of their projects, guiding them through incentives, such as the 25 percent to 30 percent refundable film production tax credit and the Job Training Incentive Program for film and multimedia. The division also provides direction to companies regarding potential locations for films, as well as connecting the productions with crew, vendor services and film liaisons throughout the state. The FY19 LFC recommendation reduces personal services, and employee benefits by \$20 thousand due to vacancy savings. The New Mexico film tax credit has an annual cap of \$50 million. Neither the Taxation and Revenue Department or the Economic Development Department can report the carryforward amount of unclaimed film tax credits.

Local Economic Assistance and Development Support Program. In FY16, the Certified Communities Initiative (CCI) became the LEADS Program. LEADS is a funding program for economic development projects that produce sustainable outcomes; in FY17, 18 LEADS grants were awarded. A goal of the program is to fund projects that can generate an outcome within the same fiscal year funds are provided; of the 18 projects, 14 reached that goal. The projects took place in Cibola, Luna, Rio Arriba, and Otero counties, as well as in Clovis, Artesia, Estancia, Los Alamos, Lovington, Las Vegas, and Raton. Projects included building a community garden and developing a business training program to help community garden participants develop and market their products, attending trade shows and sales missions, assisting members of the community in entrepreneur classes, and the purchase of equipment for a community kitchen.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes one million dollars (\$1,000,000) 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	6,176.0	6,128.9	6,128.9	6,078.9	-0.8
SOURCES TOTAL	6,176.0	6,128.9	6,128.9	6,078.9	-0.8
USES					
Personal Services and Employee Benefits	1,604.9	1,639.9	1,639.9	1,619.9	-1.2
Contractual Services	2,244.3	2,260.6	2,260.6	2,245.6	-0.7
Other	2,206.0	2,228.4	2,228.4	2,213.4	-0.7
TOTAL USES	6,055.2	6,128.9	6,128.9	6,078.9	-0.8
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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Number of workers trained by the job training incentive program	2,238	2,009	1,850	2,000	2,100
* Outcome	Number of jobs created due to economic development department efforts	4,139	1,729	4,500	4,500	4,500
* Outcome	Number of rural jobs created	640	775	1,600	1,600	1,600
Output	Dollars of private sector investment in mainstreet districts, in millions	\$22	\$28	\$11	\$9	\$20
* Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act	16:8	21:1	12:1	12:1	20:1
Output	Number of potential recruitment opportunities submitted by the partnership	NEW	NEW	NEW	84	84
Output	Number of building rehabilitations assisted by mainstreet program	NEW	NEW	NEW	150	150
Outcome	Number of business development projects resulting in job growth, new investment or increased revenue	NEW	NEW	NEW	12	12
Output	Number of technical assistance cases provided to a community that results in a new economic development program or asset	NEW	NEW	NEW	4	4
* Output	Number of jobs created through the use of Local Economic Development Act funds	2,426	530	2,200	2,200	2,200
* Outcome	Number of jobs created through business relocations facilitated by the economic development partnership	NEW	115	2,250	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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	706.5	706.0	706.0	686.0	-2.8	
SOURCES TOTAL	706.5	706.0	706.0	686.0	-2.8	
USES						
Personal Services and Employee Benefits	518.3	544.3	544.3	524.3	-3.7	
Contractual Services	106.9	82.8	82.8	82.8	0.0	
Other	67.5	78.9	78.9	78.9	0.0	
TOTAL USES	692.7	706.0	706.0	686.0	-2.8	
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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of film and media worker days	260,307	448,304	230,000	209,000	300,000
Outcome	Direct spending by film industry productions, in millions	\$387	\$505	\$260	\$220	\$400

PROGRAM SUPPORT

BUDGET SUMMARY (dollars in thousands)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	1,682.1	1,709.7	1,709.7	1,689.7	-1.2	
SOURCES TOTAL	1,682.1	1,709.7	1,709.7	1,689.7	-1.2	
USES						
Personal Services and Employee Benefits	1,430.8	1,425.0	1,425.0	1,425.0	0.0	
Contractual Services	91.5	112.7	112.7	92.7	-17.7	
Other	127.0	172.0	172.0	172.0	0.0	
TOTAL USES	1,649.3	1,709.7	1,709.7	1,689.7	-1.2	
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	

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 is responsible for 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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,343.3	11,967.9	12,199.2	11,922.2	-0.4
Other Transfers	5,330.5	6,813.2	7,076.2	7,852.2	15.2
Federal Revenues	5.4	17.5	17.5	17.5	0.0
Other Revenues	10,746.1	7,742.5	7,606.3	7,315.2	-0.7
Fund Balance	918.0	1,248.0	1,196.1	1,191.7	-4.5
SOURCES TOTAL	29,343.3	27,789.1	28,095.3	28,298.8	3.2
USES					
Personal Services and Employee Benefits	18,634.8	19,964.7	21,122.8	20,330.7	1.8
Contractual Services	818.6	1,211.2	1,109.3	1,109.3	-8.4
Other	2,813.8	4,138.9	3,777.8	3,773.4	-8.8
Other Financing Uses	3,706.7	2,096.3	2,085.4	3,085.4	47.2
TOTAL USES	25,973.9	27,411.1	28,095.3	28,298.8	3.2
FTE					
Permanent	315.9	316.4	313.4	313.4	-0.9
Term	1.0	2.0	2.0	2.0	0.0
Temporary	0.0	2.0	0.0	0.5	-75.0
TOTAL FTE POSITIONS	316.9	320.4	315.4	315.9	-1.4

AT A GLANCE:

Strategic goals for the Regulation and Licensing Department (RLD) include streamlining the licensing and renewal process, encouraging responsible economic development in the alcohol industry, creating a safer environment for securities investment, reducing elderly fraud, continuing outreach to Native American investors, prosecuting unlicensed building contractors, improving turnaround for building permits and inspections, and prosecuting notary public abuses. The agency requested a modest increase in funding overall, including a \$231.3 thousand, or 2 percent, increase in general fund revenues for FY19 to fill 3 FTE to support trust company oversight.

For FY19, the committee recommends a 0.4 percent general fund decrease from the FY18 operating budget. In general, the FY19 LFC recommendation partially funds the agency request for personnel to reduce vacancy rates in key programs. Additionally, the recommendation fully supports the request for the contractual services and other cost categories.

BUDGET ISSUES:

For several years, the Construction Industries Division has been working to increase the number of multiple certifications for state inspectors to increase and improve the efficiency of the inspection process. In FY16, 27 inspectors achieved 41 new inspector certifications recognized nationally; however, due to high vacancy rates and stretched resources, the inspectors were not certified in the state.

In FY17, the Alcohol and Gaming Division issued 314 citations and resolved 443 of them. The resolution of these citations resulted in \$274.3 thousand in fines paid by liquor licensees for violations of the Liquor Control Act. Also, the division received and processed 437 liquor license applications and 3,473 liquor license renewal applications.

RLD is currently operating with a 20.5 percent vacancy rate overall, including an 8.1 percent funded vacancy rate. In FY18, 73 percent of agency funding was going toward personnel costs. The committee recommendation supports an increase of \$366 thousand, or 1.8 percent, to the personal services and employee benefits category allowing the agency to fill several of its vacancies.

The committee supports the request to move the carnival ride and hoisting operators function from the Construction Industries and Manufactured Housing Division to the Boards and Commissions, which total \$51 thousand. The recommendation also includes a \$1 million transfer from the mortgage regulatory fund in the Financial Institutions Division of RLD to the Attorney General for agency operations.

The Legislature swept \$4.9 million from the department's available fund balance into the general fund in FY15 and another \$8.1 million during the 2016 special legislative session. The LFC recommendation for boards and commissions provides the department with flexibility by consolidating most of the FTE and appropriations into one program. The RLD Boards and Commissions summary table details the recommended sources, uses, and FTE for each board.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 9-16-15 NMSA 1978, the internal service funds/interagency transfers appropriation to the financial institutions program of the regulation and licensing department includes seven hundred twenty-five thousand five hundred dollars (\$725,500) from the mortgage regulatory fund for the general operation of the financial institutions program.

Notwithstanding the provisions of Section 9-16-15 NMSA 1978, the internal service funds/interagency transfers appropriation to the financial institutions program of the regulation and licensing department includes one million dollars (\$1,000,000) from the mortgage regulatory fund in the other financing uses category for the legal services program of the attorney general.

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)						
			FY19 - 2018-2019			
	FY17	FY18	Agency	LFC	Percent	
	2016-2017	2017-2018	Request	Recommendation	Incr	
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>	
SOURCES						
General Fund Transfers	7,800.6	7,796.4	7,796.4	7,796.4	0.0	
Other Transfers	245.3	330.0	330.0	330.0	0.0	
Federal Revenues	5.4	17.5	17.5	17.5	0.0	
Other Revenues	1.2	109.1	21.3	21.3	-80.5	
Fund Balance	183.7	128.6	220.8	216.4	68.3	
SOURCES TOTAL	8,236.2	8,381.6	8,386.0	8,381.6	0.0	
USES						
Personal Services and Employee Benefits	6,893.6	7,096.3	7,096.3	7,096.3	0.0	
Contractual Services	216.0	249.8	249.8	249.8	0.0	
Other	1,091.7	1,009.2	1,009.2	1,004.8	-0.4	
Other Financing Uses	12.2	26.3	30.7	30.7	16.7	
TOTAL USES	8,213.5	8,381.6	8,386.0	8,381.6	0.0	
FTE						
Permanent	115.5	115.0	111.0	111.0	-3.5	
Term	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	116.5	116.0	112.0	112.0	-3.4	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request	75%	90%	93%	90%	95%
* Outcome	Percent of commercial plans reviewed within ten working days	90%	85%	90%	90%	90%
* Outcome	Percent of residential plans reviewed within five working days	90%	90%	95%	90%	95%
Efficiency	Percent of all construction inspections performed within three days of inspection request	95%	94%	95%	95%	95%
* Output	Time to final action, referral or dismissal of complaint, in months	NEW	8	8	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,005.4	700.0	900.0	700.0	0.0
Other Transfers	344.0	725.5	725.5	1,725.5	137.8
Other Revenues	1,537.5	1,503.7	1,505.5	1,505.5	0.1
Fund Balance	0.0	60.0	60.0	60.0	0.0
SOURCES TOTAL	2,886.9	2,989.2	3,191.0	3,991.0	33.5
USES					
Personal Services and Employee Benefits	1,896.9	2,391.6	2,591.6	2,391.6	0.0
Contractual Services	3.8	38.5	38.5	38.5	0.0
Other	217.4	446.4	446.4	446.4	0.0
Other Financing Uses	434.9	112.7	114.5	1,114.5	888.9
TOTAL USES	2,553.0	2,989.2	3,191.0	3,991.0	33.5
FTE					
Permanent	34.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	34.0	35.0	35.0	35.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	95%	97%	95%	95%	97%
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	N/A	95%	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)		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	876.4	922.8	972.8	955.8	3.6
	SOURCES TOTAL	876.4	922.8	972.8	955.8	3.6
USES						
	Personal Services and Employee Benefits	784.3	845.8	902.1	885.1	4.6
	Contractual Services	3.7	8.9	2.6	2.6	-70.8
	Other	75.3	68.1	68.1	68.1	0.0
	TOTAL USES	863.3	922.8	972.8	955.8	3.6
FTE						
	Permanent	15.0	15.0	15.0	15.0	0.0
	Temporary	0.0	0.5	0.0	0.5	0.0
	TOTAL FTE POSITIONS	15.0	15.5	15.0	15.5	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	122	124	150	150	120
* Output	Number of days to resolve an administrative citation that does not require a hearing	164	151	100	150	100
* Outcome	Number of days to issue a restaurant beer and wine liquor license	110	139	139	150	100
Output	Number of days to process a small manufacturer license	NEW	NEW	139	150	139

BOARDS AND COMMISSIONS

		BUDGET SUMMARY (dollars in thousands)		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	371.2	445.6	476.9	416.9	-6.4
	Other Transfers	2,703.5	3,426.5	3,650.5	3,426.5	0.0
	Other Revenues	9,004.9	5,093.9	5,411.7	5,120.6	0.5
	Fund Balance	222.7	589.3	458.7	458.7	-22.2
	SOURCES TOTAL	12,302.3	9,555.3	9,997.8	9,422.7	-1.4
USES						
	Personal Services and Employee Benefits	5,227.0	5,622.5	6,380.7	5,805.6	3.3
	Contractual Services	353.2	435.2	427.2	427.2	-1.8
	Other	611.5	1,649.0	1,354.9	1,354.9	-17.8
	Other Financing Uses	3,176.4	1,848.6	1,835.0	1,835.0	-0.7
	TOTAL USES	9,368.1	9,555.3	9,997.8	9,422.7	-1.4
FTE						
	Permanent	92.4	93.4	93.4	93.4	0.0
	Term	0.0	1.0	1.0	1.0	0.0
	Temporary	0.0	1.0	0.0	0.0	-100.0
	TOTAL FTE POSITIONS	92.4	95.4	94.4	94.4	-1.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	NEW	91%	99%	95%	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	92%	99%	95%	99%
Efficiency	Percent of board meeting agendas available to the public 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	94%	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	96%	96%	96%

SECURITIES

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	983.6	811.1	761.1	761.1	-6.2
Other Revenues	202.5	657.8	667.8	667.8	1.5
Fund Balance	511.6	470.1	456.6	456.6	-2.9
SOURCES TOTAL	1,697.7	1,939.0	1,885.5	1,885.5	-2.8
USES					
Personal Services and Employee Benefits	1,350.4	1,348.3	1,398.3	1,398.3	3.7
Contractual Services	3.2	152.7	52.7	52.7	-65.5
Other	241.0	329.3	329.3	329.3	0.0
Other Financing Uses	83.2	108.7	105.2	105.2	-3.2
TOTAL USES	1,677.8	1,939.0	1,885.5	1,885.5	-2.8
FTE					
Permanent	24.0	24.0	24.0	24.0	0.0
TOTAL FTE POSITIONS	24.0	24.0	24.0	24.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt of the completed application	99%	100%	99%	99%	99%
Outcome	Percent of investment adviser registrants examined annually	38%	55%	55%	60%	60%
Output	Percent of all administrative and criminal actions processed annually	N/A	70%	70%	70%	75%
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	83%	80%	83%	75%	83%
* Outcome	Total revenue collected from licensing in millions	NEW	\$22.4	\$24.0	\$23.6	\$25.0

Regulation and Licensing Department Boards and Commissions

BUDGET SUMMARY

(dollars in thousands)

FY 2019

	FY17 Actual	FY18 Operating	FY19 Agency Request	FY19 LFC Recomm- endation	FY19 Pct increase (decrease)
SOURCES					
General fund transfers	366.8	445.6	476.9	416.9	-6.4%
Other transfers	2,703.5	3,426.5	3,650.5	3,426.5	0.0%
Federal revenues	-	0.0	0.0		0.0%
Other revenues	9,004.9	5,093.9	5,411.7	5,120.6	0.5%
Fund balance	222.7	589.3	458.7	458.7	-22.2%
TOTAL REVENUE	\$12,297.9	\$9,555.3	\$9,997.8	\$9,422.7	-1.4%
USES					
Substitute Care Advisory Council	366.8	596.9	596.9	596.9	0.0%
New Mexico Public Accountancy Board	513.7	514.4	514.4	514.4	0.0%
Board of Acupuncture and Oriental Medicine	192.5	244.2	244.2	244.2	0.0%
New Mexico Athletic Commission	134.9	190.5	190.5	190.5	0.0%
Athletic Trainer Practice Board	31.7	27.9	27.9	27.9	0.0%
New Mexico Board of Dental Health Care	503.5	499.8	499.8	499.8	0.0%
Impaired Dentists	15.4	15.0	15.0	15.0	0.0%
Counseling and Therapy Practice Board	458.6	436.7	436.7	436.7	0.0%
Chiropractic Board	217.0	149.1	149.1	149.1	0.0%
Board of Barbers and Cosmetologists	1,102.6	1,073.6	1,073.6	1,073.6	0.0%
Board of Body Art Practitioners	146.8	158.7	158.7	158.7	0.0%
Nutrition and Dietetics Practice Board	40.1	30.4	30.4	30.4	0.0%
Board of Landscape Architects	41.0	27.5	27.5	27.5	0.0%
Interior Design Board	17.4	23.7	23.7	23.7	0.0%
Massage Therapy Board	243.6	254.2	254.2	254.2	0.0%
Signed Language Interpreting Practice Board	68.8	106.0	106.0	106.0	0.0%
Board of Nursing Home Administrators	49.2	50.8	50.8	50.8	0.0%
Board of Examiners for Occupational Therapy	134.9	94.5	94.5	94.5	0.0%
Board of Optometry	102.0	110.1	110.1	110.1	0.0%
Board of Osteopathic Medical Examiners	177.4	177.1	177.1	177.1	0.0%
Board of Pharmacy	2,073.0	1,697.5	2,272.6	1,697.5	0.0%
Physical Therapy Board	270.6	173.2	173.2	173.2	0.0%
Board of Podiatry	41.1	52.0	52.0	52.0	0.0%
Private Investigators and Polygraphers	295.5	256.1	256.1	256.1	0.0%
New Mexico State Board of Psychologists	290.2	203.7	203.7	203.7	0.0%
New Mexico Real Estate Commission	833.8	939.7	939.7	939.7	0.0%
Real Estate Commission Education and Training	39.2	15.8	15.8	15.8	0.0%
Real Estate Commission Recovery	-	50.0	50.0	50.0	0.0%
Advisory Board of Respiratory Care Practitioners	90.4	104.1	104.1	104.1	0.0%
Speech Language Pathology, Audiology, and Hearing Aid Dispensing Practices Board	190.2	175.8	175.8	175.8	0.0%
Board of Thanatopractice	132.6	151.3	151.3	151.3	0.0%
Board of Social Work Examiners	429.9	294.4	294.4	294.4	0.0%
Real Estate Appraisers Board	274.3	389.6	389.6	389.6	0.0%
Carnival Ride Bureau	49.7	93.9	68.5	68.5	-27.1%
Hoisting and Safety	51.0	95.5	69.9	69.9	-26.8%
TOTAL EXPENDITURES	\$9,619.4	\$9,473.7	\$9,997.8	\$9,422.7	-0.5%

**Regulation and Licensing Department Boards and Commissions
FTE Summary
FY 2019**

	FY17 Actual	FY18 Authorized FTE	FY19 Agency Request	FY19 LFC Recomm- endation	FY19 Pct increase (decrease)
Substitute care advisory council	8.0	8.0	8.0	8.0	0.0%
New Mexico accountancy board	5.0	5.0	5.0	5.0	0.0%
Board of pharmacy	14.0	15.0	15.0	15.0	0.0%
New Mexico real estate commission	9.0	9.0	9.0	9.0	0.0%
Flow through	56.4	58.4	57.4	57.4	0.0%
TOTAL FTE	92.4	95.4	94.4	94.4	-1.0%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,306.1	1,292.0	1,292.0	1,292.0	0.0
Other Transfers	2,037.7	2,331.2	2,370.2	2,370.2	1.7
SOURCES TOTAL	3,343.8	3,623.2	3,662.2	3,662.2	1.1
USES					
Personal Services and Employee Benefits	2,482.6	2,660.2	2,753.8	2,753.8	3.5
Contractual Services	238.7	326.1	338.5	338.5	3.8
Other	576.9	636.9	569.9	569.9	-10.5
TOTAL USES	3,298.2	3,623.2	3,662.2	3,662.2	1.1
FTE					
Permanent	35.0	34.0	35.0	35.0	2.9
Temporary	0.0	0.5	0.0	0.0	-100.0
TOTAL FTE POSITIONS	35.0	34.5	35.0	35.0	1.4

PERFORMANCE MEASURES

Outcome		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Percent of prior-year audit findings resolved		67%	80%	75%	75%	80%

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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,666.8	6,666.8	6,666.8	7,261.8	8.9
Other Transfers	6,698.8	5,591.8	73,700.7	72,412.1	1,195.0
Federal Revenues	852.9	953.0	899.8	899.8	-5.6
SOURCES TOTAL	14,218.5	13,211.6	81,267.3	80,573.7	509.9
USES					
Personal Services and Employee Benefits	11,528.6	11,206.8	12,069.1	11,909.5	6.3
Contractual Services	527.2	498.6	930.5	497.4	-0.2
Other	1,849.0	1,506.2	68,267.7	68,166.8	4,425.7
TOTAL USES	13,904.8	13,211.6	81,267.3	80,573.7	509.9
FTE					
Permanent	153.0	153.0	153.0	153.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	154.0	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 continues to have numerous vacancies in the Policy and Regulation Program, creating staffing challenges.

PRC's FY19 budget request increased other revenues from the fire protection fund by \$1.8 million. The increase is in three programs: Policy and Regulation, Public Safety, and Program Support. The LFC recommendation does not support the other revenue increase for Policy and Regulation and Program Support but supports a \$422 thousand increase in fire protection funds for the Public Safety program. The LFC recommendation increases general fund revenue for Policy and Regulation and Program Support by \$595 thousand, or 8.9 percent, mostly to allow the department to fill vacant positions.

BUDGET ISSUES:

The PRC's other transfers include the fire protection fund, which is created by a 3 percent premium tax collection on auto and fire insurance, collected by the Office of the Superintendent of Insurance (OSI). The fees are collected in the insurance suspense fund within OSI and transferred to the fire protection fund at the New Mexico Public Regulation Commission. Other transfers also include pipeline safety fees, which are collected from every operator of a pipeline for the transportation of crude oil, natural gas, or products derived from either and paid to the PRC annually.

Chapter 1, Laws 2017, required all FY17 balances of the fire protection fund, and fire protection grant fund to revert rather than carry forward for spending in FY18 and aligned the funds' revenue with spending during the same fiscal year. The bill temporarily halted spending from the fire protection grant fund, with transfers to resume in FY19 at the current allocation of 40.2 percent of remaining fire protection fund balances. In the Public Safety Program, the FY19 request increases the other transfers by \$65 million. The large increase is the result of the 2017 legislation and the Department of Finance and Administration requirement to PRC to account for the Fire Protection Fund in the State's Financial SHARE system. Prior to this requirement, PRC was not tracking these funds in SHARE, instead using a flow through fund, and the funds were not accounted for in the General Appropriations Act. These transfers are used in the other category for fire protection grants, distributions to fire districts, and the fire marshals operating budget.

Policy and Regulation. The Policy and Regulation Program is the largest within the PRC and includes the five commissioners, hearing examiners, and the Legal, Utility, Consumer Relations, and Transportation divisions. The program's responsibilities include economic regulation of utilities, telecommunications, and motor carriers. The workload in the Policy and Regulation Program has substantially increased over the past two fiscal years due to expanded regulatory oversight and an alarming increase in the complexity of cases before PRC. These cases require specific areas of expertise that the PRC currently does not have, such as that in transmission planning. The LFC recommendation includes an additional \$400 thousand from the general fund for personnel costs and \$145 thousand for utility rate case software and training.

Public Safety. The State Fire Marshal Division is composed of four bureaus; Fire Code Enforcement, Fire Investigation, Fire Services Support, and the New Mexico Firefighters Training Academy. The State Fire Marshal division currently has 16 vacant FTE. PRC requested an increase of \$422.6 thousand in other revenues, which included \$202 thousand for personnel costs, to lower the vacancy rate to 5.8 percent. The PRC request also included \$221 thousand in the other category to align with FY17 expenditures. The LFC recommendation supports the agency's requested increase.

Regulatory Activities. PRC continues to regulate competitive 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 achieve savings.

As part of an abandonment case, the Public Service Company of New Mexico (PNM) committed to file its recommendation on the extent to which the San Juan Generating Station (SJGS) should continue operating beyond 2022, when the current coal supply agreement ends. PNM will make a filing to PRC during the last half of 2018 seeking PRC's review and decision within six months. Abandonment of SJGS is part of PNM's four-year integrated resource plan. PNM intends to close "Unit 2" on December 22, 2017 and "Unit 3" on December 29, 2017, depending on market conditions. PNM has stated the company is currently experiencing high attrition losses and will not need to lay off employees. Four years ago the San Juan Generating station had 410 employees, but currently has approximately 250 employees. The closure of these generating stations will create an immediate impact on property taxes and gross receipt taxes for the Farmington area.

In 2017, Legislative Council staff contracted with the National Regulatory Research Institute to evaluate PRC staffing and budget allocation. The report identified inadequate funding and professional development for technical staff, especially electrical and water engineers, and stated the problem has become more acute because the utility industries are undergoing dramatic changes because of the confluence of market, technological and public policy developments.

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)						
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	6,267.5	5,980.2	5,980.2	6,525.2	9.1	
Other Transfers	846.3	775.4	1,914.2	775.4	0.0	
SOURCES TOTAL	7,113.8	6,755.6	7,894.4	7,300.6	8.1	
USES						
Personal Services and Employee Benefits	6,373.5	6,241.5	6,732.3	6,641.5	6.4	
Contractual Services	84.1	68.2	484.1	68.2	0.0	
Other	587.0	445.9	678.0	590.9	32.5	
TOTAL USES	7,044.6	6,755.6	7,894.4	7,300.6	8.1	
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$173	\$112	\$150	\$150	\$150
Outcome	Percent of written documents filed by staff to the total number of docketed cases in a fiscal year	NEW	26%	50%	50%	50%
Outcome	Percent of total carrier inspections performed by Staff to the total number of regulated carriers in a fiscal year	NEW	NEW	10%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	4,459.3	3,939.4	70,666.9	70,666.9	1,693.8
Federal Revenues	852.9	953.0	899.8	899.8	-5.6
SOURCES TOTAL	5,312.2	4,892.4	71,566.7	71,566.7	1,362.8
USES					
Personal Services and Employee Benefits	3,662.7	3,552.7	3,755.4	3,755.4	5.7
Contractual Services	393.3	394.5	393.3	393.3	-0.3
Other	1,104.1	945.2	67,418.0	67,418.0	7,032.7
TOTAL USES	5,160.1	4,892.4	71,566.7	71,566.7	1,362.8
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	138,284	127,855	140,000	125,200	130,000
Quality	Pass rate for state certification exams administered by the state firefighter academy	65%	79%	87%	87%	80%
* Outcome	Percent of statewide fire districts with insurance service office ratings of eight or better	73%	78%	90%	84%	84%
* Output	Number of pipeline safety inspection, excavation damage prevention and investigation hours performed by the pipeline safety bureau in a fiscal year	3,284	9,307	6,500	7,500	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	399.3	686.6	686.6	736.6	7.3
Other Transfers	1,393.2	877.0	1,119.6	969.8	10.6
SOURCES TOTAL	1,792.5	1,563.6	1,806.2	1,706.4	9.1
USES					
Personal Services and Employee Benefits	1,492.4	1,412.6	1,581.4	1,512.6	7.1
Contractual Services	49.8	35.9	53.1	35.9	0.0
Other	157.9	115.1	171.7	157.9	37.2
TOTAL USES	1,700.1	1,563.6	1,806.2	1,706.4	9.1
FTE					
Permanent	22.0	22.0	22.0	22.0	0.0
TOTAL FTE POSITIONS	22.0	22.0	22.0	22.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u> UNQUAL.	FY17 <u>Actual</u> UNQUAL.	FY18 <u>Budget</u> UNQUAL.	FY19 <u>Request</u> UNQUAL.	FY19 <u>Recomm</u> UNQUAL.
Outcome	Opinion of previous fiscal year independent agency audit					
Outcome	Percent of prior-year audit findings eliminated	90%	100%	95%	95%	95%
Output	Number of public access accounts registered in e-docket in a fiscal year	NEW	NEW	600,000	6,000	6,000

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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	7,803.9	9,004.0	8,013.5	7,103.3	-21.1
Federal Revenues	1,325.3	1,287.2	894.6	894.6	-30.5
Other Revenues	21,529.3	0.0	19,370.8	19,370.8	
Fund Balance	20,749.2	21,739.7	414.4	414.4	-98.1
SOURCES TOTAL	51,407.7	32,030.9	28,693.3	27,783.1	-13.3
USES					
Personal Services and Employee Benefits	6,858.4	7,619.4	7,756.4	7,205.2	-5.4
Contractual Services	1,532.6	1,947.9	1,839.4	1,565.9	-19.6
Other	16,695.7	21,798.5	18,408.5	18,323.0	-15.9
Other Financing Uses	665.1	665.1	689.0	689.0	3.6
TOTAL USES	25,751.8	32,030.9	28,693.3	27,783.1	-13.3
FTE					
Permanent	104.0	85.0	91.3	85.0	0.0
Term	26.0	8.0	1.8	1.8	-78.1
TOTAL FTE POSITIONS	130.0	93.0	93.0	86.8	-6.7

AT A GLANCE:

The Office of Superintendent of Insurance (OSI) requested a decrease of \$3.3 million, or 10.4 percent from the FY18 operating budget. OSI requested a decrease in other revenues of \$2.4 million, anticipating that revenue collected from premium and surtaxes, fines, penalties, and license fees will decline for the FY19 fiscal year. The LFC recommendation reduces funding for the Insurance Policy Program, because expenditures in FY17 were lower than the FY18 operating budget and the agency has significant funded vacancies in FY18.

Laws 2017, Chapter 1, provided for an additional \$2.8 million to revert from the insurance operations fund to the general fund at the end of FY17. Under prior law, any balance in the fund at the end of the fiscal year greater than one half of the fiscal year's appropriation reverts to general fund. The 2017 legislation provides for reversion of all balances remaining at the end of each fiscal year to the general fund.

BUDGET ISSUES:

The agency budget request would fully fund personal services and employee benefits and pay for an additional 7 permanent FTE, an expansion that would cost an additional \$636.7 thousand in other transfers. The LFC recommendation does not support the request for additional positions. The 7 FTE are currently funded from the Affordable Care Act federal grant and through a memorandum of understanding with the New Mexico Health Insurance Exchange. Federal funds might not continue for the FY19 fiscal year. The LFC recommendation supports the agency requests for the patient's compensation fund and reduces the Insurance Policy Program by 6.5 percent, primarily in contractual services.

Premium Tax Collection. During the 2014 legislative session, the Legislature appropriated \$100 thousand to OSI for an audit of premium tax collections. This funding was a special appropriation available for expenditure in FY14-FY15. OSI did not conduct an audit and requested an extension of the funding to provide adequate time to procure and complete an audit. During the 2015 legislative session, the Legislature extended the time period to the end of FY16 and required the audit to be overseen by the Office of the State Auditor.

The State Auditor released its own special audit on premium tax collections in September 2016. The audit findings identified likely underpayments of premium taxes during the audited period in an amount exceeding \$193 million, based on a sample of just 26 percent of the total premium tax collected. Through partnership and oversight with the Office of the State Auditor (OSA), Department of Finance and Administration, and Legislative Finance Committee, OSI issued a request for proposal seeking an independent, external auditor with experience in premium tax examination to review the New Mexico process and statutes for payments, and examine taxpayer returns dating back to 2003. After reviewing several respondents' proposals, OSA selected Examination Resources, an Atlanta-based firm, to conduct the 30 examinations for the OSI.

In October 2017, the State Auditor along with Examination Resources released the special audit of the Office of the Superintendent of Insurance's collection of premium taxes. Of the 30 companies, two were Medicaid only and not subject to premium tax collection; 11 either did not owe the state money or the state underpaid. The audit found the remaining 17 companies owe \$65 million to the state. Companies with the largest amounts owed are Presbyterian Health Plan, \$28.9 million; HSC Mutual (Blue Cross Blue Shield Mutual Reserve), \$8.4 million; Molina Healthcare, \$8.1 million; Amerigroup, \$6.9 million; United Healthcare, \$3.8 million; and Lovelace, \$3.8 million. As of November 2017, OSI has sent invoices to all 17 companies. Once the invoices are received, the company has a 20 day review period with the opportunity to dispute any proposed findings.

Due to the severity of the state's financial situation, given \$65 million in under-collected premium taxes, the committee recommends transferring premium tax collection responsibly to the Taxation and Revenue Department by FY20. The Legislative Finance Committee, Department of Finance and Administration, Taxation and Revenue Department, and the Office of Superintendent of Insurance met regularly during the 2017 interim and expect to bring a proposal to the Legislature in 2018 that would authorize the transfer effective January 1, 2019.

New Mexico Medical Insurance Pool. In 2015, the agency was involved in a decision that will create a substantial negative general fund impact. The board of the New Mexico Medical Insurance Pool (NMMIP), a healthcare coverage option for high-risk patients created before the Affordable Care Act and chaired by the Superintendent of Insurance, voted to add a one-year delay to transition members out of the pool. 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.

The Patient's Compensation Fund. The Patient Compensation Fund (PCF) 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 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 are increasing. As of December 2015, the PCF had a \$30 million actuarial deficit. However, as of September 2016 five additional hospitals joined the PCF, which should result in a significant increase in surcharge revenue for the fund. The committee supports the agency request of \$18.1 million in other revenue. Actuals have ranged from \$13 million in FY13 to \$28 million in FY16 and \$19.5 million in FY17.

New Mexico Mutual. The Legislature created New Mexico Mutual more than 20 years ago to create 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 2016 tax year with a record surplus of \$161 million. The company earned a 2.9 percent return on invested assets and total investments in 2016, up 5.1 percent from 2015. One main factor of the increase was incurred losses and loss adjustment expenses, which were \$50.6 million for 2016. This represents a 5 percent decrease from 2015.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	7,803.9	9,004.0	8,013.5	7,103.3	-21.1
Federal Revenues	1,325.3	1,287.2	894.6	894.6	-30.5
Other Revenues	1.1	0.0	1,205.5	1,205.5	
Fund Balance	1,200.1	0.0	414.4	414.4	
SOURCES TOTAL	10,330.4	10,291.2	10,528.0	9,617.8	-6.5
USES					
Personal Services and Employee Benefits	6,788.5	7,460.7	7,679.4	7,128.2	-4.5
Contractual Services	1,287.3	1,444.0	1,455.0	1,181.5	-18.2
Other	1,057.4	1,386.5	1,393.6	1,308.1	-5.7
TOTAL USES	9,133.2	10,291.2	10,528.0	9,617.8	-6.5
FTE					
Permanent	101.0	84.0	90.3	84.0	0.0
Term	26.0	8.0	1.8	1.8	-78.1
TOTAL FTE POSITIONS	127.0	92.0	92.0	85.8	-6.8

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred and eighty days of filing	96.9%	96.9%	98%	98%	98%
Output	Percent of producer applications, appointments and renewals processed within ten business days	96.9%	92.84%	98%	98%	98%
Output	Number of managed healthcare outreach activities conducted annually	99.2	99.5	120	25	100
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for further adjudication by a competent court, referral to civil division or closure within ninety days	NEW	NEW	80%	80%	80%

PATIENT'S COMPENSATION FUND

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	21,528.2	0.0	18,165.3	18,165.3	
Fund Balance	19,549.1	21,739.7	0.0	0.0	-100.0
SOURCES TOTAL	41,077.3	21,739.7	18,165.3	18,165.3	-16.4
USES					
Personal Services and Employee Benefits	69.9	158.7	77.0	77.0	-51.5
Contractual Services	245.3	503.9	384.4	384.4	-23.7
Other	15,638.3	20,412.0	17,014.9	17,014.9	-16.6
Other Financing Uses	665.1	665.1	689.0	689.0	3.6
TOTAL USES	16,618.6	21,739.7	18,165.3	18,165.3	-16.4
FTE					
Permanent	3.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	3.0	1.0	1.0	1.0	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)					Percent Incr (Decr)
	FY17	FY18	FY19 – 2018-2019			
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	2,155.1	1,820.0	1,916.0	1,832.1	0.7	
Fund Balance	0.0	80.0	80.0	80.0	0.0	
SOURCES TOTAL	2,155.1	1,900.0	1,996.0	1,912.1	0.6	
USES						
Personal Services and Employee Benefits	1,080.9	1,195.0	1,287.0	1,203.1	0.7	
Contractual Services	274.4	338.0	334.0	334.0	-1.2	
Other	360.8	367.0	375.0	375.0	2.2	
TOTAL USES	1,716.1	1,900.0	1,996.0	1,912.1	0.6	
FTE						
Permanent	15.5	16.0	16.0	16.0	0.0	
TOTAL FTE POSITIONS	15.5	16.0	16.0	16.0	0.0	

AT A GLANCE:

The Medical Board’s FY19 budget request added a part-time toxicologist to serve as an expert witness, filled the vacant attorney position, and increased its working hours. The request also made small adjustments to the contractual services and other categories. The total request is a \$96 thousand increase over the FY18 operating budget.

LFC does not recommend adding the toxicologist or filling the vacant attorney position. The board’s contract for expert witness services is \$10 thousand – less than the \$64.1 thousand required to fill the part-time toxicologist position. For the same reason, LFC recommends the board continue contracting attorney services. The recommendation is a slight increase over the FY18 operating budget and fully funds currently filled positions.

The Legislature swept \$1 million from the non-reverting medical board fund to the general fund in FY16 and an additional \$500 thousand in FY17. At the beginning of FY18, the medical board fund contained \$754.2 thousand and the board’s FY18 operating budget and FY19 request included \$80 thousand from the fund. In FY17, revenues exceeded expenditures by \$439 thousand.

According to the Department of Health, 1.7 million opioid prescriptions were written in New Mexico in 2015, enough opioids for each adult in the state to have 800 morphine milligram equivalents, or roughly 30 opioid doses. More recently, the state has reduced the number of opiate prescriptions; however, more work remains. For example, as many as one-third of providers in New Mexico do not check the prescription monitoring program (PMP) even though they are required to under Section 21-1-16.1 NMSA 1978. While the board does not administer the PMP, it does regulate providers and their use of the program, and the board could take a more central role. In 2016, the board did not have any audit findings and met nearly all performance targets.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of entities provided with information through written license verification and website access	1,340,913	1,715,975	1,400,000	1,400,000	1,700,000
* Output	Number of triennial physician licenses issued or renewed	3,744	4,116	3,850	3,850	4,100
* Output	Number of biennial physician assistant licenses issued or renewed	451	455	450	450	450
Output	Number of complaints closed within the fiscal year	212	266	230	240	270
Output	Number of participants in monitored treatment programs	46	54	125	60	60
Outcome	Number of days to issue a physician license	41	47	40	45	45

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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	0.0	0.0	36.2	0.0	
Other Revenues	1,845.5	1,892.5	2,324.8	1,972.4	4.2
Fund Balance	151.9	183.3	64.2	183.3	0.0
SOURCES TOTAL	1,997.4	2,075.8	2,425.2	2,155.7	3.8
USES					
Personal Services and Employee Benefits	1,304.2	1,576.2	1,842.0	1,656.1	5.1
Contractual Services	81.6	37.2	46.0	37.2	0.0
Other	614.4	462.4	465.8	391.0	-15.4
Other Financing Uses	0.0	0.0	71.4	71.4	
TOTAL USES	2,000.2	2,075.8	2,425.2	2,155.7	3.8
FTE					
Permanent	22.0	22.3	25.0	22.3	0.0
Term	0.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	22.0	23.3	25.0	23.3	0.0

AT A GLANCE:

The board requested a sizeable increase in licensing fee revenues to support increased spending. With most vacancies recently filled, the board requested 2 additional FTE and a \$265.8 thousand increase for personnel costs. The board's request would maintain spending levels on contracts and other costs but would make two transfers from the nurse excellence fund to the Higher Education Department and other entities. The transfers are a new FY18 requirement related to changes to Section 61-3-10.5 NMSA 1978 for underserved areas' nurse loan repayment.

The board recently raised licensing fees with initial license fees increasing from \$110 to \$150 and license renewals increasing from \$93 to \$110. The board's ending fund balance in FY17 was about \$500 thousand. The LFC recommendation for FY19 assumes a smaller increase in other revenues and recommends maintaining Board of Nursing fund balance revenue.

LFC's recommendation would allow the board to fill one additional vacancy but does not support the requested increase for 2 additional FTE because the board's performance measures need improvement and do not justify adding FTE. LFC recommends the board transfer nurse excellence revenue to the Higher Education Department and other entities as required by law.

Starting in January 2018, staffing New Mexico's hospitals with nurses will likely become more difficult with enactment of the Enhanced Nurse Licensing Compact, a credentialing program that allows nurses to work in multiple states. New Mexico is a member of the original Nurse Licensing Compact (NLC) but is one of the few original NLC member states that has not passed Enhanced NLC legislation. When enacted, nurses from Enhanced NLC states will no longer be permitted to work in New Mexico, likely causing nurse staffing shortages for hospitals that rely on out-of-state travelling nurses. All out-of-state nurses will be required to obtain a New Mexico nursing license before they can practice here. Additionally, unless enhanced NLC legislation is passed within three days of the start of the legislative session, New Mexico's nurses will not qualify for "grandfathering" provisions, which allow New Mexico nurse licenses to be recognized in the 26 signatory states.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Efficiency	Percent of applications processed within five days of receipt of completed application	86%	80%	100%	98%	98%
Output	Complaints logged and investigation initiated within two business days of receipt of written complaint	98%	98%	98%	98%	98%
Output	Number of unlicensed assistive personnel and nursing education site visits completed within thirty days of the site visit requirement	425	32	450	33	35
Output	Percent of low-and medium-priority complaints investigated and presented to the board of nursing within six months	NEW	64%	90%	40%	40%
Efficiency	Percent of unlicensed assistive personnel and nursing education site visits completed within thirty days of the site visit requirement	NEW	97%	90%	95%	98%
Efficiency	Percent of continuing education compliance audits performed for annual renewals of unlicensed assistive personnel	NEW	NEW	1%	1%	1%
* Explanatory	Number of licensed practical nurse licenses active on June 30	NEW	NEW			
* Explanatory	Number of registered nurse licenses active on June 30	NEW	NEW			
* Explanatory	Number of certified nurse practitioner licenses active on June 30	NEW	NEW			
* Explanatory	Number of clinical nurse specialist licenses active on June 30	NEW	NEW			
* Explanatory	Number of certified registered nurse anesthetist licenses active on June 30	NEW	NEW			
Explanatory	Number of certified hemodialysis technicians one and two licenses active on June 30	NEW	NEW			
Explanatory	Number of certified medication aid one and two licenses active on June 30	NEW	NEW			
Explanatory	Number of lactation care providers licenses active on June 30	NEW	NEW			

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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,760.1	11,977.0	11,975.0	11,975.0	0.0
SOURCES TOTAL	11,760.1	11,977.0	11,975.0	11,975.0	0.0
USES					
Personal Services and Employee Benefits	5,407.5	5,613.3	5,613.2	5,613.2	0.0
Contractual Services	2,936.9	2,960.3	2,960.4	2,960.4	0.0
Other	3,368.8	3,403.4	3,401.4	3,401.4	-0.1
TOTAL USES	11,713.2	11,977.0	11,975.0	11,975.0	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 LFC recommendation supports the requested flat budget, entirely supported by other revenues. The recommendation reprioritizes the budget to enable partial payment of past due amounts owed to the Risk Management Division of the General Services Department. The State Fair Commission is composed of seven members appointed by the executive. The commission meets quarterly, significantly improving oversight for the agency compared with years prior to 2014, when the commission met once a year.

BUDGET ISSUES:

State Fair attendance decreased by 34 thousand people in 2017, to 462,104 attendees. After three years of attendance gains. The days with the highest attendance in 2017 were the discounted days, including “dollar day.”

To reduce operating costs and improve revenues, significant improvements have been made to fair rides, passes offered, and parking and transportation. For example, the partnership with Uber resulted in 4,500 rides to and from the fair in 2017. Also, 23 thousand people used free shuttle rides provided within the perimeter of the fairgrounds and as transportation to and from off-site parking.

In 2017, the New Mexico State Fair chose Marble Brewing Company to craft the official beer, the New Mexico State Fair Pale Ale, to generate advertising for the 2017 fair, resulting in 3,500 cases of the State Fair pale ale sold in local stores and restaurants, over two and a half times as many cases sold as in the previous year. This marketing effort helps support the significant growth in the local craft brewing industry in New Mexico.

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.

Despite increasing attendance between 2014 and 2016, the State Fair’s revenues are insufficient to cover required insurance rate expenses, leading to increasing debt owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage. By the end of FY16, the debt totaled \$4 million and grew to \$5.1 million by the end of FY17. The State Fair Commission has not made a payment to GSD since 2013.

The State Fair requested a flat budget in other revenues for FY19; the committee supports the request, while recommending \$1.2 million in the personal services and employee benefits category go to GSD worker’s compensation premiums, unemployment compensation, and employee liability. The State Fair is currently spending \$2.4 million on temporary employees, and the committee recommends \$1 million of the temporary employees budget be reprioritized to pay insurance premiums owed to GSD. Also, vacancy savings totaling \$205 thousand is redirected to reducing debt owed to GSD. The committee recommendation moves \$23.5 thousand in contracts to the other costs category to decrease additional debt owed to GSD. In total, the committee recommends \$1.26 million be repurposed to pay current FY18 premiums of \$419.2 thousand and also past due debts to the Risk Management Division of GSD.

The state fairgrounds suffered from decades of neglect and deferred maintenance. However, in recent years the agency has made significant progress in addressing maintenance issues, including electrical improvements of the dairy barn and on the midway, upgraded lighting in the fine arts buildings, repaired roofs at the Tingley and Lujan buildings, improved drainage to meet federal Environment Protection Act regulations, improved public access to entrance gates, tunnels and restrooms, an improved fiber optic network, and critical renovations to the Villa Hispana concert venue. The State Fair’s total capital outlay request was \$9 million for FY19, primarily for complex renovations, infrastructure upgrades, electrical upgrades, paving and concrete.

RECOMMENDED LANGUAGE:

The other revenue appropriation to the New Mexico state fair in the personal services and employee benefits category includes one million two hundred five thousand seven hundred dollars (\$1,205,700) 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 fifty-six thousand one hundred dollars (\$56,100) for transportation insurance and property insurance fees paid to the general services department.

NEW MEXICO 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	93%	94%	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	414,932	423,095	430,000	430,000	430,000
Output	Number of total attendees at annual state fair event	460,468	497,036	465,000	465,000	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 Professional 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.

The agency regulates professional engineers and surveyors by licensing only qualified persons, promulgating rules of professional conduct, investigating complaints and disciplining violators, and promoting professional development. Currently, the agency has 8,777 licenses in good standing, an increase of 3 percent from the year before, 1,657 licenses on retired status, and 615 licenses on inactive status. In FY17, the agency issued 775 new licenses and intern certificates, administered 477 examinations, and investigated 24 complaints and violations.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	1,023.9	797.9	892.1	866.4	8.6
SOURCES TOTAL	1,023.9	797.9	892.1	866.4	8.6
USES					
Personal Services and Employee Benefits	458.4	490.2	533.1	533.1	8.8
Contractual Services	201.6	202.8	227.8	217.8	7.4
Other	107.6	104.9	131.2	115.5	10.1
TOTAL USES	767.6	797.9	892.1	866.4	8.6
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:

Until recently, the agency had a large fund balance attributed to collecting more in fees for practicing engineers and surveyors than it expended to regulate the profession. During the 2016 regular and special sessions, Chapter 12 (House Bill 311) and Chapter 4 (Senate Bill 2) swept approximately \$3.9 million in total from the professional engineers' and surveyors' fund to the general fund to help with solvency. Afterward, as was suggested by several legislators, the board reduced the renewal fees from \$180 to \$155. Currently, the projected fund balance at the close of FY18 is \$250 thousand. The board could use fund balances for scholarships, internships, or to help develop curricula for higher education engineering programs.

The agency requested an increase of \$94.2 thousand, or 12 percent, from the FY18 operating budget. The recommendation provides an overall increase of \$68.5 thousand, or 8.6 percent. In the personal services and employee benefits category, the recommendation fully funds 8 FTE; including one vacant position submitted to the State Personnel Office for approval to advertise. In the contractual services category, the recommendation does not include an amount for supplemental investigative services and hearing officers. In the other category, the recommendation includes increases for records storage, online license renewal processes, and rule hearings and board meetings, and includes smaller increases for travel and other costs, closer to FY17 actual expenses.

In the 2017 regular legislative session, Chapter 42 (House Bill 188) extended the sunset date, from 2017 to 2023, for the Board of Licensure for Professional Engineers and Professional Surveyors, and added clarifying language and updates to the board's practice act. As of October 2017, all board member positions are filled.

STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS & PROFESSIONAL LAND SURVEYORS

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100%	100%	100%	100%
Output	Number of licenses or certifications issued within one year	855	775	815	750	775
Output	Number of complaints processed	NEW	NEW	NEW	BASELINE	BASELINE
Efficiency	Percent of cases resolved through compliance or legal action within one year	33%	85%	95%	80%	95%
Efficiency	Number of days from receipt of a complaint to delivery to the respective professional committee of the board	90	0	90	365	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.

MISSION:

The mission of the Gaming Control Board is to uphold the integrity of gaming regulations at licensed racetracks and nonprofit organizations and to monitor tribal gaming activity in the state. The Gaming Control Board qualifies gaming venues and their employees through a rigorous licensing and certification process and follows up on its statutory obligations through its audit, enforcement, and Information Systems Division. The agency structure is designed to ensure a fair and honest gaming environment, while recognizing the importance of gaming tax revenue to the New Mexico economy.

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,157.7	5,157.7	5,708.2	5,152.0	-0.1
SOURCES TOTAL	5,157.7	5,157.7	5,708.2	5,152.0	-0.1
USES					
Personal Services and Employee Benefits	3,361.1	3,671.6	4,031.8	3,475.6	-5.3
Contractual Services	807.8	783.7	809.8	809.8	3.3
Other	914.0	702.4	866.6	866.6	23.4
TOTAL USES	5,082.9	5,157.7	5,708.2	5,152.0	-0.1
FTE					
Permanent	57.0	55.0	55.0	52.0	-5.5
TOTAL FTE POSITIONS	57.0	55.0	55.0	52.0	-5.5

AT A GLANCE:

The Gaming Control Board requested an almost 11 percent increase from FY18, primarily for personnel. The agency has an overall vacancy rate of 25.5 percent. The committee recommends a 0.1 percent overall reduction, with more than a 5 percent reduction in personal services through the elimination of some long-vacant positions.

BUDGET ISSUES:

GCB requested a significant increase over the FY18 appropriation level primarily in the personal services and employee benefits category. The board continues to struggle with filling many of its exempt positions, including the executive director position, because of current laws restricting salary flexibility and requiring five years of supervisory management experience in a gaming regulatory environment. In early October 2017 three out of five board positions were vacant. For FY17, the board reverted nearly \$74 thousand to the general fund, or about half of the reversion amount from the previous fiscal year. The board, at the beginning of FY18, was operating with an 11.8 percent unfunded and 13.7 percent funded vacancy rate.

The committee recommendation reduces the overall agency budget by \$5,700, or 0.1 percent. The recommendation includes sufficient funding to fill two vacant positions but eliminates the funding and 3 FTE that have been vacant since 2012. The recommendations funds contractual services and other categories near FY17 expenditure levels. The agency signed several memorandums of understanding in FY18 with the governor’s office to pay litigation and compact negotiation expenses totaling \$85.1 thousand out of its contractual services category. However, such expenses were traditionally paid for by a continued 2012 special appropriation, which expired at the end of FY17, reverting nearly \$150 thousand to the general fund. The budget for the Governor’s Office reflects increased funding in FY19 to continue Indian gaming litigation and negotiations.

The agency implemented the FY18 recommendation to negotiate a lower building lease rate. The board successfully negotiated, with the help of the General Services Department, a temporary lease rate of \$24.64 per square foot, or \$51 thousand per month. Beginning September 1, 2018 the lease rate will revert to the original rate of \$26.49 per square foot, or \$54.8 thousand per month. The agency’s lease expense is much higher than the average in part because of a statutorily required central monitoring system (CMS) tracking all nontribal slot machines in the state. The CMS has minimum maintenance specifications, including room temperature, raised floors, a backup generator, and backup servers.

In FY17, total revenue to the general fund from gaming operations was about \$122.4 million, \$6.4 million higher than FY16. Gaming also contributed \$45.3 million to the horsemen’s trust fund, \$1.8 million to charities, and \$566 thousand to compulsive

gambling prevention and intervention programs. In FY17, the net win for racetracks was \$226.4 million. Net win is the difference between gaming wins and losses before deducting costs, expenses, and incentives. Gaming taxes in FY17 included \$58.9 million from racetracks and \$961 thousand from non-profit operators. Revenue sharing from tribal casinos totaled \$62.1 million in FY17.

GCB is entirely reliant on state general fund appropriations and does not have budget flexibility like other agencies to use enterprise revenues or other funds. All revenues the board generates, including licensing fees, taxes, and penalties are deposited directly to the state general fund.

Gaming Compacts. Pojoaque Pueblo's gaming compact expired on July 1, 2015, and the pueblo did not sign the 2015 gaming compact, disagreeing with terms proposed by the state gaming representative. The pueblo asked the U.S Bureau of Indian Affairs to approve gaming activities for the tribe outside of the compact 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.

In October 2015, a federal judge granted a preliminary injunction to Pojoaque Pueblo that prevented the executive and GCB from taking action against vendors that did business with the tribe after its compact expired. In October 2016, a U.S. District Court ruled the executive did not violate the rights of the Pueblo of Pojoaque. Pojoaque Pueblo then appealed to the 10th Circuit.

In April 2017, the 10th Circuit ruled in favor of New Mexico and the U.S Department of Interior (DOI). The pueblo did not pursue an appeal. Instead, the pueblo passed a resolution authorizing it to sign on to the current gaming compact. GCB advised LFC the Pojoaque compact was signed on September 1, 2017, and was sent to DOI for final approval; however, the first payment of the new compact likely will not occur until February 2018. Disposition of money held in escrow through the litigation, an estimated \$12 million, remains in question.

Free Play. In April 2017, GCB sent letters to at least three pueblos demanding they turn over a share of revenue from free play incentive credits, which the state says should have been paid since 2001. GCB set a June 19, 2017, deadline for payments of owed revenue. However, the pueblos filed suit in federal court asking a judge to block the state from collecting these amounts. According to GCB, all pueblos combined owe nearly \$100 million from free play. However, the board expects this amount to be reduced as a result of negotiation and settlement.

Performance. For FY18, the Legislature adopted a slate of new performance measures for GCB. Previous measures captured small snapshots of the agency's performance, whereas the new measures better demonstrate performance over the entire year. Due to adoption of new measures, data is unavailable until the end of the current fiscal year.

GAMING CONTROL

The purpose of the gaming control program 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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Quality	Percent of incidents reported to the central monitoring system help desk closed within three calendar days	95%	97%	96%	96%	96%
Outcome	Percent of work permit and work permit renewals processed within forty-five business days	NEW	NEW	95%	95%	95%
Output	Percent of all tribal gaming operation inspections and reviews completed in one calendar year	NEW	NEW	95%	95%	95%
Output	Percent of audit reports completed and mailed within thirty business days of completion of field work or desk compliance review	100%	100%	95%	95%	95%
Output	Average annual number of inspections conducted by each agent at assigned nontribal venues	NEW	NEW	24	24	24
Output	Average annual number of inspections conducted by each agent at each assigned bingo and raffle location	NEW	NEW	6	6	6
Outcome	Percent of transported gaming software and devices inspected by agents on site	NEW	NEW	85%	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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	1,981.9	1,981.9	2,081.9	2,036.9	2.8	
Other Transfers	902.1	880.0	750.0	795.0	-9.7	
SOURCES TOTAL	2,884.0	2,861.9	2,831.9	2,831.9	-1.0	
USES						
Personal Services and Employee Benefits	1,342.1	1,312.4	1,312.4	1,312.4	0.0	
Contractual Services	1,314.5	1,330.1	1,300.1	1,300.1	-2.3	
Other	227.4	219.4	219.4	219.4	0.0	
TOTAL USES	2,884.0	2,861.9	2,831.9	2,831.9	-1.0	
FTE						
Permanent	20.3	21.9	21.9	21.9	0.0	
Term	0.6	0.8	0.8	0.8	0.0	
Temporary	1.8	0.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	22.7	22.7	22.7	22.7	0.0	

AT A GLANCE:

The State Racing Commission (SRC) anticipates reduced revenue to the racehorse testing fund in FY19 due to fewer race days and smaller racing fields and is requesting an increase in general fund revenue to offset the loss. The commission requested a general fund increase of \$100 thousand, or 5 percent, and a decrease in other transfers of \$130 thousand, or 14.8 percent compared with the FY18 operating budget.

The LFC recommendation fully funds the agency request, providing the racehorse testing fund with a modest general fund revenue increase.

BUDGET ISSUES:

Racehorse Testing. SRC conducted 7,657 tests in FY17, down from 7,994 conducted in FY16, including 267 out-of-competition tests and 15 hair tests, with the rest conducted at the conclusion of each race. Of tests conducted in FY17, 176 were positive. In FY17, the agency introduced hair testing, which can detect the use of drugs up to six months after use; however, testing hair is more costly to the commission at \$250 per test.

Section 60-1A-14.1 NMSA 1978 establishes the racehorse testing fund to be administered by 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 pari-mutuel tax collected from racetrack licensees be transferred to the racehorse testing fund and the other 50 percent be deposited in the general fund. The commission anticipates reduced revenue from pari-mutuel tax in FY19 resulting from fewer race days and consequently a smaller betting handle. Betting handle is the amount bet on races during an entire day.

Horseracing Activities. Current law, Section 60-2E-47, requires racetrack gaming operators to pay 20 percent of net winnings into horse racing purses to be distributed by rules adopted by SRC. Purses are prizes for winning horses. In FY17, \$45.3 million was deposited into purses by racetrack gaming operators, \$3 million less than FY16. The amount available in these purses impacts the number of racing entries and the competitiveness of the sport throughout the state.

This past summer, the National Thoroughbred Racing Association announced Sunland Park Racetrack and Casino received reaccreditation. Sunland Park is one of 23 racing facilities fully accredited by the association, which accounts for 90 percent of graded stakes and 75 percent of the North American pari-mutuel handle. In March 2017, Sunland Park hosted its biggest racing event, the Sunland Derby, with an \$800 thousand purse, offering 85 qualifying points for the Kentucky Derby. The track also hosted other races with more than \$1.5 million in purses.

Effective July 2017, SRC began collecting higher fees under a modified licensing fee schedule. SRC, funded almost entirely from the general fund, estimates increased general fund revenue of approximately \$200 thousand annually with the fee schedule change.

In August 2017, the New Mexico Horseman's Association (NMHA) reported on the economic impact study conducted by the University of New Mexico. The economic impact study is an updated analysis of how the racing industry impacts the state economy. The study began June 2017 and cost \$30 thousand, sponsored entirely by NMHA, and was made available early in 2018.

HORSE RACING REGULATION

The purpose of the horse racing regulation program is to provide regulation in an equitable manner to New Mexico's pari-mutuel 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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	1.7%	2.2%	1%	1%	<1.5%
* Output	Total amount collected from pari-mutuel revenues, in millions	\$1.2	\$1.6	\$1.2	\$1.2	\$1.6
Efficiency	Average regulatory cost per live race day at each racetrack	\$5,500	\$4,900	\$6,000	\$6,000	\$4,500
Outcome	Number of days to collections of penalty fees by licensee to the general fund	30	50	30	60	30
Outcome	Number of equine tests per live race	3	3	3	3	3
Efficiency	Average number of days to bring a case to prosecution	30	53	45	60	30
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	7	45	14	14
* Explanatory	Number of horse fatalities per one thousand starts	NEW	TBD			

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)						
<u>FY19 – 2018-2019</u>						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)	
SOURCES						
Other Revenues	349.5	332.2	332.2	332.2	0.0	
Fund Balance	10.0	0.0	81.6	81.6		
SOURCES TOTAL	359.5	332.2	413.8	413.8	24.6	
USES						
Personal Services and Employee Benefits	179.1	179.4	180.0	180.0	0.3	
Contractual Services	104.4	103.3	156.8	156.8	51.8	
Other	55.7	49.5	77.0	77.0	55.6	
TOTAL USES	339.2	332.2	413.8	413.8	24.6	
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:

The Board of Veterinary Medicine (BVM) requested a 25 percent increase over the FY18 operating budget. The increase will allow BVM to absorb the duties of the Animal Sheltering Board, currently housed at the Regulation and Licensing Department. Laws 2017, Chapter 44, (House Bill 219) merged the two boards. The bill, which takes effect on July 1, 2018, creates a five-member animal sheltering committee to develop a statewide dog and cat spay and neuter program and make funding recommendations to BVM.

The expanded responsibilities of BVM include creating minimum standards for animal shelters and regulations for licenses, as well as establishing an inspection protocol. BVM anticipates additional costs for inspections to be approximately \$50 thousand, while increased costs of board activities are expected to be \$19 thousand; an increase from the \$42.9 thousand spent by the animal sheltering board in FY17. The consolidation will not affect the number of FTE housed at BVM and the added responsibilities of BVM will be handled by a contract inspector. The LFC recommendation fully funds the request.

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.

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of facility veterinary licenses issued annually	312	320	315	325	325
Output	Number of veterinary facilities inspected annually	133	157	155	155	155
Outcome	Percent of inspected veterinary facilities meeting minimum standards	99%	99%	99%	99%	99%
Output	Number of registered veterinary technicians licenses issued annually	210	227	220	237	237
Output	Number of veterinarian licenses issued annually	993	1,116	1,000	1,125	1,125
Output	Number of bovine artificial insemination or bovine pregnancy diagnosis permits issued annually	55	32	60	40	40
Output	Number of months to resolution of disciplinary matter	3	3	3	3	3
Outcome	Number of licenses issued to animal shelters	NEW	NEW	NEW	40	40
Outcome	Number of inspected animal shelters meeting minimum standards	NEW	NEW	NEW	40	40

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 1074. 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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	111.8	111.8	290.0	111.8	0.0
Other Revenues	4,434.1	3,643.2	4,315.0	4,315.0	18.4
SOURCES TOTAL	4,545.9	3,755.0	4,605.0	4,426.8	17.9
USES					
Personal Services and Employee Benefits	105.0	127.4	222.8	203.4	59.7
Contractual Services	4,184.6	3,455.7	4,126.9	3,968.1	14.8
Other	256.3	171.9	255.3	255.3	48.5
TOTAL USES	4,545.9	3,755.0	4,605.0	4,426.8	17.9
FTE					
Permanent	2.9	2.2	3.3	3.3	47.7
TOTAL FTE POSITIONS	2.9	2.2	3.3	3.3	47.7

AT A GLANCE:

The FY19 budget request sought an increase in general fund revenue of \$178.2 thousand, or 61.4 percent, and \$671.8 thousand in other revenue from an estimated increase in ticket sales. The LFC recommendation maintains general fund at the FY18 level, while supporting the agency request in other revenue.

BUDGET ISSUES:

As a mostly enterprise agency, a significant portion of the commission’s operating budget is supported by ticket sales. Revenues over the last 10 years fluctuated considerably, depending largely on ridership, from a low of \$2.7 million in FY11 to a high of \$4.4 million in FY17. The agency is anticipating revenues from ticket sales to increase to \$4.3 million for FY19.

The commission also requested an increase in expenses in the personal services and employee benefits, contracts, and other categories. The LFC recommendation recommends an increase in personal services and employee benefits of \$76 thousand to cover expenses of current personnel. The LFC recommendation holds contractual services and the other category flat with the FY18 operating budget.

In the past several years, the agency has struggled with financial reporting and ridership tracking issues. Additionally, the commission operates outside of SHARE, the state’s government finance and human resource computer system, and LFC recommends the agency move over its financial accounts to SHARE for FY19 to improve oversight and accountability. DFA and LFC staff currently has 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 approximately \$500 thousand remaining in capital outlay funds that the agency can use for track rehabilitation, and locomotive and boiler upgrades, as well as a water tank supply system, sand house repair, and a visitor gateway center. Some of these funds have been reauthorized, since FY15, and still have no recent progress as of October 2017.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Total number of passengers	38,743	35,992	39,000	40,530	40,000
Output	Revenue generated from ticket sales, in millions	\$3.5	\$3.8	\$4.1	\$4.7	\$4.7

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)		FY19 – 2018-2019		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	181.9	226.9	226.9	198.2	-12.6
SOURCES TOTAL	181.9	226.9	226.9	198.2	-12.6
USES					
Personal Services and Employee Benefits	107.8	110.7	128.8	128.8	16.4
Contractual Services	50.4	107.6	89.5	60.8	-43.5
Other	11.1	8.6	8.6	8.6	0.0
TOTAL USES	169.3	226.9	226.9	198.2	-12.6
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 FY19 was flat with the FY18 operating budget. The LFC recommendation reduces the general fund by \$46.9 thousand, a 12.6 percent cut.

BUDGET ISSUES:

OMBPS has 1 FTE, the director of the agency. In the summer of 2017, this position became vacant and as of October 2017 is still unfilled. During the FY18 budget season the director's position was approved for a 14 percent, or \$12.5 thousand salary increase. LFC's budget recommendation supports the request for personal services and employee benefits. The LFC recommendation also reduces funding for contracts by \$28.7 thousand.

Like OMBPS, the Military Base Planning Commission is administratively attached to the Economic Development Department (EDD). Legislation in 2018, extended the sunset date for MBPS and the commission to July 2022, changed the authority to appoint the OMBPS director from the governor's homeland security adviser to the governor, and altered the immediate reporting structure from the homeland security adviser to the governor's chief of staff. The bill also reduced the commission membership from 17 to 12. The new membership consists of the lieutenant governor; nine representatives from counties, or adjoining counties, in which military bases are located; and two representatives appointed at large from other counties.

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 until 2019 or later. In anticipation of a future BRAC round, OMBPS is preparing information addressing DOD issues, including analysis of the current and future mission capabilities of New Mexico's military installations, the cost of operations at New Mexico's installations compared with those at other installations in the southwestern United States, the availability and condition of land and facilities, and the ability to meet potential new force requirements.

The agency has nearly \$800 thousand remaining from a capital outlay appropriation in 2006, which was reauthorized in 2010 and again in 2014 and has currently been extended until 2018. The first option for the use of the appropriation is assisting 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 includes 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 for the severance tax bond funds would be 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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>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	10	10	10	10	10
Output	Number of communities assisted by the office of military base planning and support	10	10	10	10	10

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Sections 58-31-1 through 58-31-7 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)		FY19 – 2018-2019		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	419.6	375.9	1,000.0	375.9	0.0
Other Revenues	4,484.5	5,466.6	6,610.0	6,610.0	20.9
SOURCES TOTAL	4,904.1	5,842.5	7,610.0	6,985.9	19.6
USES					
Personal Services and Employee Benefits	1,474.6	1,814.0	2,349.4	2,137.1	17.8
Contractual Services	1,100.5	2,285.7	3,068.7	2,656.9	16.2
Other	1,389.3	1,742.8	2,191.9	2,191.9	25.8
TOTAL USES	3,964.4	5,842.5	7,610.0	6,985.9	19.6
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	11.0	11.0	17.0	11.0	0.0
TOTAL FTE POSITIONS	20.0	20.0	26.0	20.0	0.0

AT A GLANCE:

Although it expects to be self-sustaining in FY19, the Spaceport Authority request included a general fund expansion of \$624.4 thousand. The agency's base budget request also included an increase of \$1.1 million in other revenue. The LFC recommendation does not support the expansion; however, it includes the increased enterprise revenues, acknowledging the spaceport as well as the oversight agency, Department of Finance and Administration, will need to track appropriate spending with revenues.

The spaceport has contracts with 27 New Mexico companies and 20 full-time staff on-site, and Virgin Galactic has 20 staff, with an additional 70 employees to be added once commercial flights begin. The spaceport's anchor tenant, Virgin Galactic is slated to begin operations in the Virgin Galactic terminal hangar facility in FY18. The company originally planned for commercial launches to begin as early as 2010, but Virgin Galactic suffered numerous setbacks and delays, including the crash of its test aircraft in October 2014.

BUDGET ISSUES:

The midair accident of Virgin Galactic's Spaceship Two in 2014 continues to impact the spaceport. The company's first commercial flight is expected sometime in FY18, with no date set yet. The Virgin Galactic lease increased to \$3 million in FY18, from \$1 million previously.

Virgin Galactic reports it has sold more than 600 personal space flight tickets, at a cost ranging between \$200 thousand and \$250 thousand. With an expected commercial launch in FY18, the Spaceport Authority did not request additional general fund appropriations for the FY18 operating budget; however, it requested a \$1 million increase for FY19. Those costs increased significantly in FY18 because environmental studies required by the Federal Aviation Administration are now being treated as operating expenses after initially being treated as capital outlay as part of the construction cost. Construction is now complete, but the environmental studies are ongoing.

The agency requested a general fund expansion of \$624.4 thousand. The expansion request will fund 4 additional FTE. These positions include an aerospace lead, flight control specialist, business development aerospace engineer, and an accounts receivable accountant. The spaceport reports that major aerospace companies, including Boeing, are currently selecting site locations in the United States. With this expansion, Spaceport will improve its chances of bringing aerospace companies to New Mexico, leading to increased job growth in the area over the next two years. The LFC recommendation does not support the general fund expansion; however, it includes increased enterprise revenues.

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. These events also contribute to the area's appeal to aerospace tourists. The agency reports visitor levels reached 13.8 thousand in FY16, a substantial increase from the 3,000 visitors in FY15, but dropped to 9,266 in FY17.

Spaceport America hosted the college rocket competition for the first time in June 2017 and plans to continue doing so annually. More than 1,100 students traveled to southern New Mexico for the competition. These events bring a short boom to the local economy, with local hotels and restaurants experiencing an increase in business according to a spaceport economic impact study. For example, Heritage Hotels, which operates Hotel Encanto and Hilton Garden Inn in Las Cruces, saw a 25 percent increase in total revenue in June 2017 compared with June 2016. In one of the hotel industry's slowest months, these two hotels received \$100 thousand in hotel-reservation revenue and \$7,500 collected in taxes, the company says.

Spaceport America's primary tenants are Virgin Galactic, SpaceX, UP Aerospace, EXOS Aerospace, and EnergeticX. UP Aerospace continues launching research from Spaceport America, which it has been doing since 2006, and has launches scheduled for late FY18. Virgin Galactic had paid \$7.1 million in rent and user fees to the state for its use of a hangar and other facilities at Spaceport America as of April 2017.

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, the cost of the contract was \$500 thousand per year; however, for FY18 the cost increased to \$2.1 million for four firefighters on site at all times, as well as safety and medical support. According to the State Fire Marshal's office, this level of emergency responder staff is not required. The agency has stated that emergency responders should be on location at all times to reassure current and future tenants, regardless of whether a rocket launch taking place that day or not. LFC staff is looking into local firefighter costs and activity of the emergency team at Spaceport America to analyze potential efficiencies and costs savings. Also, the Legislature may consider a special appropriation from the fire protection grant fund to support these expenses. This would allow use of enterprise revenue to pursue business development initiatives.

Capital Outlay. The Legislature appropriated a total of \$132.6 million in capital outlay funding to the Spaceport Authority for planning, design, and construction of Spaceport America and related infrastructure with \$76.4 million in bond proceeds from an incremental gross receipts tax imposed by Sierra and Dona Ana counties, the total in appropriations is \$209 million. Voters approved the tax increase with an understanding that three-fourths of the money would be used for construction of the facility and the remaining one-fourth of the tax money would be used for education programs in the two counties. Using these funds to pay for operations must be approved by the New Mexico Finance Authority (NMFA). In June, NMFA gave approval for Spaceport Authority to continue using these funds for another year, when another review will be given. The tax money so far has paid off approximately \$44 million in bond debt. The remaining \$74 million is scheduled to be paid off through 2029. The tax increase is due to sunset in 2028.

Phase one of construction is complete, with the basic spaceport infrastructure (electricity, water, waste water, and communication), and the spaceway, operations center, terminal and hangar, and vertical launch pads in place. Phase two construction projects include the improvement of a 24-mile southern access road to the spaceport from Exit 32 on Interstate 25. The bids for this project were received in September, and construction began in November 2017. The project is estimated to take a year to complete. 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.

The authority requested \$20 million in capital funds for FY19. The first priority for these funds is addressing \$500 thousand in immediate safety and security concerns, including correcting electrical grid power surges, upgrading the security system, and improving the water treatment facility. The remainder of the capital request will be used for a new launch vehicle payload integration facility. The authority reports NASA could provide matching funds for the payload integration facility. The new facility will have capabilities for payload processing and science lab space for researchers. It will also include conference space and administrative and customer office space. Ongoing maintenance costs would be covered by customer fees to use the space.

BASE EXPANSION LISTING
FY19 - 2018-2019

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	GF expansion - 4 FTE	(P770)	386.4	0.0
2	GF expansion - protective services contract	(P770)	237.7	0.0
3	Other Revenue expansion- 2 FTE	(P770)	179.8	0.0
4	<u>Other Revenue expansion- protective services</u>	<u>(P770)</u>	<u>174.1</u>	<u>0.0</u>
<u>TOTAL</u>			<u>978.0</u>	<u>0.0</u>

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of aerospace customers and tenants	9	10	9	10	12
Output	Number of events held	17	33	17	33	35
Quality	Total revenue generated from operations, in millions	3.4				
Output	Number of visitors to spaceport	13,805	9,266	22,500	30,000	30,000
Outcome	Annual number of jobs due to New Mexico spaceport authority efforts	518	75	600	175	500

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	27,840.2	27,840.2	28,040.4	28,040.4	0.7
Other Transfers	100.0	125.0	125.0	125.0	-20.0
Federal Revenues	3,327.6	3,252.7	3,164.2	3,164.2	-2.7
Other Revenues	5,511.6	6,300.5	5,864.0	5,864.0	-6.9
Fund Balance	830.9	0.0	0.0	0.0	
SOURCES TOTAL	37,610.3	37,518.4	37,193.6	37,193.6	-0.9
USES					
Personal Services and Employee Benefits	26,222.7	26,963.7	26,617.4	26,617.4	-1.3
Contractual Services	2,536.4	2,460.9	2,387.7	2,387.7	-3.0
Other	7,712.4	8,093.8	8,188.5	8,188.5	1.2
TOTAL USES	36,471.5	37,518.4	37,193.6	37,193.6	-0.9
FTE					
Permanent	418.3	393.3	396.3	393.3	0.0
Term	91.0	96.1	97.3	96.1	0.0
TOTAL FTE POSITIONS	509.3	489.4	493.5	489.4	0.0

AT A GLANCE:

The Cultural Affairs Department (DCA) total appropriation request of \$37.2 million is a decrease of 0.9 percent from the FY18 operating budget. This included an increase from the general fund of \$200 thousand for General Service Department and Department of Information Technology rates and utility increases for FY19. The LFC recommendation supports the agency request.

The department requested two general fund special appropriations of \$2.1 million for basic operations and \$1 million for maintenance because its FY18 operating budget and FY19 request are insufficient to maintain basic operations.

BUDGET ISSUES:

Since 2009, the agency has relied on fund balance to cover recurring costs for personal services and employee benefits. The fund balances were accrued before the economic downturn when general fund appropriations to DCA were nonreverting and were used to support agency operations, replacing a portion of general fund appropriations. The agency has since depleted the fund balance and now faces operational cost shortfalls for personal services and employee benefits as well as rising maintenance costs for museums and historic sites. During the 2017 legislative session, nonrecurring funds were appropriated to support recurring costs, through the transfer of Art in Public Places funds of \$1.5 million. The department again requested a \$1.5 million special appropriation in 2018 to continue the use of one-time funding for operations.

The agency has worked to reduce costs during recent fiscal years, deleting 49 positions since 2011, including a reduction-in-force layoff of 13 positions in 2016. Museum admission fees were increased by \$1 for children, seniors and adults at the Museum of Natural History and Science in Albuquerque, and the agency implemented an emergency closure of the Camino Rael State Historic Site due to staffing shortages and facility issues.

The LFC recommendation supports the agency request and includes a total appropriation of \$37.2 million, including \$28 million of general fund revenue. The recommendation supports the agency request of 26.6 million for personal services and employee benefits to support 493.5 FTE.

The Cultural Affairs Department must continue to reduce expenditures and increase revenue including seeking additional federal funding; selling or transitioning low-revenue historic sites to local entities; developing alternative use plans for properties that receive little visitation; limiting attendance days and, otherwise; paring back schedules for historic sites more substantially, and collaborating with the Tourism Department to advertise under the New Mexico True brand to leverage that successful marketing campaign rather than advertising on its own.

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 million in financial assistance in FY15, FY16, and FY17. The committee recommends the agency seek additional support from the Museum of New Mexico Foundation and also recommends the foundation provide funding that is not earmarked, allowing the agency to prioritize these funds for maintenance at museums displaying exhibits that have already received support by foundation funding. Without maintenance support from the museum, exhibits that have been funded through the Museum of New Mexico Foundation fundraising efforts cannot be sufficiently maintained for the best visitor experience.

Museum visitation increased in FY16 by 5.8 percent but decreased in FY17 by 73 thousand visitors, or 9.2 percent. The agency needs to invest in refreshed and more popular exhibits. Without changing exhibits and effective marketing, visitor levels are not likely to increase significantly, placing a ceiling on revenues generated by the facilities.

Capital Outlay Status. 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; however, the agency recently hired a facilities manager to address these needs. 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 leaking roofs, and heating and air conditioning systems failures. 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; in FY18, no capital funding was appropriated statewide. The agency has requested \$17.2 million for FY19. Without capital funding, lost revenue, damage to irreplaceable collections, and a decrease in tourism and economic impact to local communities are significant risks.

MUSEUMS AND HISTORIC SITES

The purpose of the museums and monuments program is to develop and enhance the quality of state museums and monuments by providing the highest standards in exhibitions, performances and programs showcasing the arts, history and science of New Mexico and cultural traditions worldwide.

BUDGET SUMMARY (dollars in thousands)						
			<u>FY19 - 2018-2019</u>			
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>	
SOURCES						
General Fund Transfers	18,712.3	18,712.3	18,886.2	18,886.2	0.9	
Other Transfers	100.0	125.0	125.0	125.0	-20.0	
Federal Revenues	97.5	91.8	91.8	91.8	0.0	
Other Revenues	4,097.7	4,273.1	4,208.2	4,208.2	-1.5	
Fund Balance	630.4	0.0	0.0	0.0		
SOURCES TOTAL	23,637.9	23,202.2	23,311.2	23,311.2	0.4	
USES						
Personal Services and Employee Benefits	17,311.4	17,215.4	17,266.7	17,266.7	0.3	
Contractual Services	924.0	908.2	900.4	900.4	-0.9	
Other	4,699.6	5,078.6	5,144.1	5,144.1	1.3	
TOTAL USES	22,935.0	23,202.2	23,311.2	23,311.2	0.5	
FTE						
Permanent	298.3	276.3	291.3	276.3	0.0	
Term	39.5	44.5	47.0	44.5	0.0	
TOTAL FTE POSITIONS	337.8	320.8	338.3	320.8	0.0	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Number of people served through programs and services offered by museums and historic sites	NEW	1,237,364	1,200,000	1,200,000	1,250,000
Outcome	Number of children reached through museum and historic sites programs	NEW	174,200	145,514	160,000	160,000
* Outcome	Total earned revenue including admissions, rentals and other revenue	NEW	\$4,092,900	\$4,273,100	\$4,208,200	\$4,250,000
Outcome	Number of tickets for attendance to museum and historic site exhibitions, performances, and other presenting programs	NEW	779,810	800,00	790,000	790,000

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	621.1	621.1	638.6	638.6	2.8
Federal Revenues	917.3	1,084.5	1,007.5	1,007.5	-7.1
Other Revenues	1,312.1	1,952.0	1,582.7	1,582.7	-18.9
Fund Balance	115.6	0.0	0.0	0.0	
SOURCES TOTAL	2,966.1	3,657.6	3,228.8	3,228.8	-11.7
USES					
Personal Services and Employee Benefits	2,505.9	2,939.7	2,628.9	2,628.9	-10.6
Contractual Services	103.9	187.9	121.6	121.6	-35.3
Other	356.3	530.0	478.3	478.3	-9.8
TOTAL USES	2,966.1	3,657.6	3,228.8	3,228.8	-11.7
FTE					
Permanent	23.0	23.0	18.0	23.0	0.0
Term	34.0	34.1	32.3	34.1	0.0
TOTAL FTE POSITIONS	57.0	57.1	50.3	57.1	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of people participating in services provided through the preservation program	NEW	29,559	23,500	26,265	26,265
Explanatory	Number of historic structures preservation projects completed annually using preservation tax credits	39	31			
Explanatory	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$1.20	\$.54			
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	95%	96%	95%	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)				
		FY19 - 2018-2019				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	General Fund Transfers	3,271.0	3,271.0	3,273.2	3,273.2	0.1
	Federal Revenues	1,587.3	1,459.7	1,448.7	1,448.7	-0.8
	Other Revenues	62.5	42.0	37.2	37.2	-11.4
	SOURCES TOTAL	4,920.8	4,772.7	4,759.1	4,759.1	-0.3
USES						
	Personal Services and Employee Benefits	2,312.7	2,572.4	2,485.3	2,485.3	-3.4
	Contractual Services	114.3	138.4	136.8	136.8	-1.2
	Other	2,219.5	2,061.9	2,137.0	2,137.0	3.6
	TOTAL USES	4,646.5	4,772.7	4,759.1	4,759.1	-0.3
FTE						
	Permanent	33.5	33.5	31.5	33.5	0.0
	Term	14.5	14.5	14.5	14.5	0.0
	TOTAL FTE POSITIONS	48.0	48.0	46.0	48.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Annual number of visits to New Mexico public and tribal libraries	NEW	7,033,313			
Explanatory	Percent of grant funds from recurring appropriations distributed to communities of less than twenty thousand people	81%	81%			
Output	Number of library transactions through direct services provided by the New Mexico state library	NEW	134,350	95,500	110,000	110,000
* Output	Number of library transactions utilizing electronic resources funded by the New Mexico state library	NEW	5,772,729	5,000,000	5,000,000	5,500,000
Explanatory	Number of children participating in statewide summer reading programs at public and tribal libraries	NEW	91,202			

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)				
		FY19 - 2018-2019				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	General Fund Transfers	1,315.3	1,315.3	1,321.9	1,321.9	0.5
	Federal Revenues	725.5	616.7	616.2	616.2	-0.1
	Fund Balance	11.7	0.0	0.0	0.0	
	SOURCES TOTAL	2,052.5	1,932.0	1,938.1	1,938.1	0.3
USES						
	Personal Services and Employee Benefits	823.8	850.0	850.3	850.3	0.0
	Contractual Services	1,043.2	943.1	943.1	943.1	0.0
	Other	167.8	138.9	144.7	144.7	4.2
	TOTAL USES	2,034.8	1,932.0	1,938.1	1,938.1	0.3

BUDGET SUMMARY
(dollars in thousands)

		<u>FY19 - 2018-2019</u>				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
FTE						
	Permanent	11.5	11.5	11.5	11.5	0.0
	Term	3.0	3.0	3.0	3.0	0.0
	TOTAL FTE POSITIONS	14.5	14.5	14.5	14.5	0.0

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<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	Number of visitors to programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,130,559	1,237,101			
Output	Number of people provided direct services through New Mexico arts programs	NEW	13,083	12,000	12,000	12,000

PROGRAM SUPPORT

The purpose of program support is to deliver effective, efficient, high-quality services in concert with the core agenda of the governor.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY19 - 2018-2019</u>				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,920.5	3,920.5	3,920.5	3,920.5	0.0
	Other Revenues	39.3	33.4	35.9	35.9	7.5
	Fund Balance	73.2	0.0	0.0	0.0	
	SOURCES TOTAL	4,033.0	3,953.9	3,956.4	3,956.4	0.1
USES						
	Personal Services and Employee Benefits	3,268.9	3,386.2	3,386.2	3,386.2	0.0
	Contractual Services	351.0	283.3	285.8	285.8	0.9
	Other	269.2	284.4	284.4	284.4	0.0
	TOTAL USES	3,889.1	3,953.9	3,956.4	3,956.4	0.1
FTE						
	Permanent	52.0	49.0	44.0	49.0	0.0
	Term	0.0	0.0	0.5	0.0	
	TOTAL FTE POSITIONS	52.0	49.0	44.5	49.0	0.0

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of material weakness audit findings in the last available financial statement audit	0	0	0	0	0
Output	Number of significant deficiency audit findings in the last available financial statement audit	0	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)

			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	853.7	553.7	900.0	275.9	-50.2
Federal Revenues	111.8	0.0	0.0	0.0	
Other Revenues	5,514.0	4,500.0	4,650.9	5,400.0	20.0
Fund Balance	647.8	822.2	325.0	200.0	-75.7
SOURCES TOTAL	7,127.3	5,875.9	5,875.9	5,875.9	0.0
USES					
Personal Services and Employee Benefits	4,126.0	4,311.3	4,311.3	4,389.7	1.8
Contractual Services	214.6	269.5	269.5	214.6	-20.4
Other	1,286.7	1,295.1	1,295.1	1,271.6	-1.8
Other Financing Uses	1,500.0	0.0	0.0	0.0	
TOTAL USES	7,127.3	5,875.9	5,875.9	5,875.9	0.0
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) FY19 appropriation request was flat overall with the FY18 operating budget but increased the use of other board-generated funds to reflect the actual amount of revenue collected; in FY17, livestock inspection fund received revenue of \$5.5 million though the FY19 funding request included only \$4.6 million from this source. The LFC recommendation fully funds the request but increases the use of inspection fund revenue and reduces the general fund appropriation.

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, New Mexico has no designation of drought or abnormal dryness for the first time since records began in 1999. Easing of drought conditions may have contributed to the U.S Department of Agriculture's (USDA) assessment that New Mexico's total inventory of cattle and calves increased by 50 thousand head, or 3.6 percent, between January 2016 and January 2017.

Prices of feeder cattle reached over \$230 per 100 pounds in August 2014 but declined until January 2017. Cattle prices are up year-to-date, which will likely increase the value of livestock for property taxation purposes. Property tax on livestock is NMLB's largest source of revenue, accounting for \$2.6 million in FY17.

Ninety percent of NMLB's FY18 operating budget is from inspection fees, brand recording fees, and tax on livestock value, not the general fund. While these revenues are subject to changes in the local economy, as well as national and global market forces, they have been remarkably stable; in the four years between FY13 to FY16, total revenue ranged from a low of \$4.8 million to a high of \$4.9 million.

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.

The LFC recommendation is flat relative to the FY18 operating budget and would leave \$2.1 million in available fund balances at the close of FY19. The agency request and the LFC recommendation include \$230 thousand to purchase and equip inspector vehicles. The board plans to purchase 10 new trucks each year to replace older vehicles and provide field staff with on-board technology, such as computers, to increase productivity. The LFC recommendation shifts funding from the contractual services and other categories to personnel to ensure adequate funding is available.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of law enforcement road stops per month	58	71	85	85	85
Outcome	Number of disease cases per one thousand head inspected	0.19	0.19	0.10	0.02	0.10
Outcome	Number of stolen or missing livestock recovered	NEW	NEW	23	800	800
Output	Number of individual animals inspected for verification of animal health, disease control and movement	NEW	NEW	NEW	2,000,000	2,000,000
Output	Number of estrays processed per one thousand head inspected	NEW	NEW	NEW	0.08	0.08
Efficiency	Average percent of larceny investigation findings completed within one month	NEW	NEW	NEW	89%	89%
Efficiency	Average percent of cruelty investigation findings completed within one month	NEW	NEW	NEW	93%	93%

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; Wildlife Depredation and Nuisance Abatement, which oversee depredation complaints as well as the implementation of intervention options for dealing with animals causing property damage; and Program Support, which provides agency wide 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)

			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	15,512.7	14,058.6	14,088.6	14,088.6	0.2
Other Revenues	27,128.4	24,560.6	25,451.1	24,310.1	-1.0
Fund Balance	0.0	1,482.5	1,062.0	1,062.0	-28.4
SOURCES TOTAL	42,641.1	40,101.7	40,601.7	39,460.7	-1.6
USES					
Personal Services and Employee Benefits	21,277.1	21,659.0	22,499.9	21,657.2	0.0
Contractual Services	4,435.8	4,280.2	4,303.5	4,280.2	0.0
Other	13,429.1	12,980.2	13,116.0	12,756.0	-1.7
Other Financing Uses	1,182.3	1,182.3	682.3	767.3	-35.1
TOTAL USES	40,324.3	40,101.7	40,601.7	39,460.7	-1.6
FTE					
Permanent	304.0	304.0	304.0	303.0	-0.3
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	317.0	317.0	317.0	316.0	-0.3

AT A GLANCE:

The Department of Game and Fish requested an overall increase of \$500 thousand, or 1.2 percent; however, the FY19 request discontinued a transfer of \$500 thousand to the State Parks Program of the Energy, Minerals and Natural Resources Department (EMNRD), resulting in \$1 million of new spending authority in the budget. The majority of the increase was directed to personnel; DGF has a vacancy rate of 14 percent.

The LFC recommendation maintains funding for personnel and contracts at FY18 levels while reducing other costs by 1.7 percent. The recommendation reduces the transfer from the trail safety fund to State Parks from \$500 thousand to \$85 thousand to reflect available fund balances.

BUDGET ISSUES:

DGF receives the majority of its funding from two sources: federal grants and the game protection fund. For FY19, DGF requested an increase of \$30 thousand, or 0.2 percent, from federal sources and an increase of \$895 thousand, or 3.6 percent, from other state sources. The majority of the increase, \$811 thousand, was directed to personnel in the Conservation Services and Support programs.

In addition to the increases in revenue, DGF requested a reduction in expenditures of \$500 thousand from the trail safety fund to support the operations of state parks. The transfers began in FY16. The trail safety fund receives revenue through off-highway vehicle registration fees. While the balance of the trail safety fund has been reduced significantly over the past several years, the fund is not receiving the full amount of revenue it is entitled to. Statute allows for \$40.00 per registration to be collected; currently, residents are charged \$35.00 and nonresidents are charged \$30.00. Underassessment of registration fees for residents reduce fund revenue by 14 percent.

The discontinuation of the transfer to state parks comes as DGF is in talks with EMNRD to acquire the Mesilla Valley Bosque State Park. The proposal would allow DGF to transfer up to 11 FTE currently working in leased office space in the Las Cruces area to the facility and generate annual savings of \$117 thousand. DGF previously stated it cannot operate state parks due to federal restrictions on use of funds, but it does not believe that to be an impediment in the transfer of the Mesilla Valley Bosque park to DGF.

The LFC recommendation reduces the total budget by \$641 thousand, or 1.6 percent. The majority of the reduction is in the other category, where the transfer from DGF to EMNRD was reduced by \$415 thousand to reflect the diminished trail safety fund balance. Additionally, the other category was reduced by \$224 thousand, with the majority of the decrease in the Support Program. Despite the reductions to the Support Program, the LFC recommendation funds the category at levels slightly higher than the FY17 expenditure levels. The recommendation for federal funds matches the FY19 request, and the request for other revenues, including game protection fund, was reduced by 1 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. Revenue generated for the game protection fund from services, including hunting and fishing licenses, has totaled over \$20 million per year since FY14 while federal revenue to the fund accounted for between \$10 million and \$13 million annually during this period. Hunting license fees have not increased since 2005.

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 FY18, DGF had \$13.5 million in unspent capital appropriations from fund balances, including \$2.3 million from 2013 and 2014 appropriations, \$1.9 million from 2015 appropriations, and \$9.4 million from 2016. The agency's FY19 capital outlay request includes \$8.6 million for hatchery renovations, \$10.1 million for dam safety enhancements, and \$8.5 million for wildlife habitat restoration.

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 eighty-five thousand dollars (\$85,000) 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 2019 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)					
FY19 - 2018-2019					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	320.1	312.4	312.4	312.4	0.0
Other Revenues	9,727.0	8,522.6	8,522.6	8,522.6	0.0
Fund Balance	0.0	279.2	279.2	279.2	0.0
SOURCES TOTAL	10,047.1	9,114.2	9,114.2	9,114.2	0.0
USES					
Personal Services and Employee Benefits	6,942.9	7,162.6	7,162.6	7,162.6	0.0
Contractual Services	40.5	128.7	128.7	128.7	0.0
Other	2,093.5	1,822.9	1,822.9	1,822.9	0.0
TOTAL USES	9,076.9	9,114.2	9,114.2	9,114.2	0.0
FTE					
Permanent	102.0	102.0	102.0	102.0	0.0
TOTAL FTE POSITIONS	102.0	102.0	102.0	102.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of conservation officer hours spent in the field checking for compliance	51,595	55,267	50,000	50,000	60,000
Output	Number of hunter and conservation education programs delivered by field staff	681	788	700	700	750
Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators	222	276	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)					
FY19 - 2018-2019					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	15,082.3	13,540.0	13,570.0	13,570.0	0.2
Other Revenues	8,285.8	8,264.2	8,706.5	8,135.1	-1.6
Fund Balance	0.0	1,006.1	782.8	782.8	-22.2
SOURCES TOTAL	23,368.1	22,810.3	23,059.3	22,487.9	-1.4
USES					
Personal Services and Employee Benefits	10,188.6	10,256.9	10,835.9	10,202.8	-0.5
Contractual Services	3,199.4	3,582.8	3,606.1	3,582.8	0.0
Other	8,734.7	7,788.3	7,935.0	7,935.0	1.9
Other Financing Uses	1,182.3	1,182.3	682.3	767.3	-35.1
TOTAL USES	23,305.0	22,810.3	23,059.3	22,487.9	-1.4
FTE					
Permanent	144.0	144.0	145.0	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	158.0	157.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Number of elk licenses offered on an annual basis in New Mexico	NEW	NEW	33,000	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	638,594	681,103	640,000	640,000	640,000
Outcome	Percent of anglers satisfied with opportunity and success	92%	88%	90%	90%	90%
Output	Number of acres accessible to sportspeople through the open gate program	209,974	217,155	170,000	170,000	200,000
Output	Percent of state-listed threatened, endangered species or candidate species studied and conserved through the state wildlife action plan and other state programs	NEW	52%	10%	10%	10%
Output	Percent of New Mexico youth participation annually through education and outreach programs	NEW	NEW	5%	5%	5%

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)**

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,151.4	823.4	1,039.2	1,009.2	22.6
Fund Balance	0.0	197.2	0.0	0.0	-100.0
SOURCES TOTAL	1,151.4	1,020.6	1,039.2	1,009.2	-1.1
USES					
Personal Services and Employee Benefits	308.8	288.1	317.6	317.6	10.2
Contractual Services	88.1	125.7	125.7	125.7	0.0
Other	196.5	606.8	595.9	565.9	-6.7
TOTAL USES	593.4	1,020.6	1,039.2	1,009.2	-1.1
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	97%	99%	97%	97%	97%
Output	Number of educational publications viewed or distributed with a message about minimizing potentially dangerous encounters with wildlife	640,102	1,554,000	645,000	645,000	750,000
Outcome	Percent of wildlife complaints responded to	NEW	99%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	110.3	206.2	206.2	206.2	0.0
Other Revenues	7,964.2	6,950.4	7,182.8	6,643.2	-4.4
SOURCES TOTAL	8,074.5	7,156.6	7,389.0	6,849.4	-4.3
USES					
Personal Services and Employee Benefits	3,836.8	3,951.4	4,183.8	3,974.2	0.6
Contractual Services	1,107.8	443.0	443.0	443.0	0.0
Other	2,404.4	2,762.2	2,762.2	2,432.2	-11.9
TOTAL USES	7,349.0	7,156.6	7,389.0	6,849.4	-4.3
FTE					
Permanent	54.0	54.0	53.0	53.0	-1.9
TOTAL FTE POSITIONS	54.0	54.0	53.0	53.0	-1.9

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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 department-wide vacancy rate for the fiscal year	10%	12%	9%	9%	9%

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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
2016-2017	2017-2018	Agency	LFC		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	
SOURCES					
General Fund Transfers	18,133.3	17,043.6	17,118.3	17,043.3	0.0
Other Transfers	4,340.3	3,934.7	3,374.1	2,859.1	-27.3
Federal Revenues	17,575.9	26,038.7	22,410.0	22,410.0	-13.9
Other Revenues	13,814.3	13,657.1	13,678.3	13,878.3	1.6
Fund Balance	8,402.3	10,287.7	7,044.7	6,844.7	-33.5
SOURCES TOTAL	62,266.1	70,961.8	63,625.4	63,035.4	-11.2
USES					
Personal Services and Employee Benefits	29,442.0	30,964.6	31,833.6	31,443.6	1.5
Contractual Services	3,495.3	10,339.1	8,354.0	8,354.0	-19.2
Other	21,088.8	28,486.2	21,824.6	21,724.6	-23.7
Other Financing Uses	2,886.3	1,071.6	1,613.2	1,513.2	41.2
TOTAL USES	56,912.4	70,861.5	63,625.4	63,035.4	-11.0
FTE					
Permanent	393.0	380.0	381.0	380.0	0.0
Term	46.0	42.0	43.0	43.0	2.4
Temporary	53.0	52.5	52.4	52.5	0.0
TOTAL FTE POSITIONS	492.0	474.5	476.4	475.5	0.2

AT A GLANCE:

The Energy, Minerals and Natural Resources Department's (EMNRD) request reflected an overall decrease from the FY18 operating budget. The agency requested a slight increase from the general fund in two programs, State Parks and Mine Reclamation, with the other four remaining flat relative to the FY18 operating budget. The request increased funding for personnel as the agency attempts to address a persistently high vacancy rate.

The LFC recommendation increases general fund revenues by \$100 thousand, or 0.6 percent, and fully funds the request for non-general fund revenue. The recommendation shifts funding in the State Parks Program to provide an increase for personnel and reduces use of the oil reclamation fund for non-well plugging operational expenses.

BUDGET ISSUES:

EMNRD requested an overall decrease of \$7.2 million, or 10 percent. However, the request included a \$175 thousand, or 1 percent, increase from the general fund for the State Parks and Mine Reclamation programs. Despite the significant decrease, the FY19 request was still \$6.7 million, or 12 percent, higher than FY17 actual expenditures.

The funding reduction was driven by two primary factors: aligning the budget request with actual expenditure of federal funds and reducing the use of fund balance in state parks. The request continued heavy reliance on the oil and gas reclamation fund, which supports most of the personnel and operations costs of the Oil and Gas Conservation Program as well as plugging abandoned wells.

EMNRD has a current vacancy rate of approximately 20 percent with the majority of the unfilled positions in the State Parks Program. Overall, the request reduced the contractual services and other categories by 19 percent and 24 percent respectively but increased the budget for personnel by \$919 thousand, or 2.9 percent. The LFC recommendation largely supports the agency request and includes an additional \$479 thousand, or 1.5 percent, for personnel.

Energy Conservation and Management. The recommendation fully funds the \$2.6 million agency request for the Energy Conservation and Management Program. Although the overall request represented a 30 percent reduction from FY18, the request for personnel increased by \$146.7 thousand, or 13.5 percent, because the program kept all 13 positions filled over the past year. The request for federal funding for the program was reduced by \$1.1 million, or 62 percent, to better align with prior-year expenditures of U.S. Department of Energy grants. The LFC recommendation fully funds the agency request.

Healthy Forests. The FY19 request for the Healthy Forests Program represented an overall \$2.5 million, or 15.6 percent, decrease from FY18. The FY19 recommendation for the Healthy Forests Program fully funds the agency request. The request for general fund is flat relative to the FY18 operating budget and there is a \$2.5 million, or 21.5 percent, reduction in federal funds. The reduction in federal funds impacted the contractual services and other costs categories and is due, in part, to the volatility of fire activity; the agency request was based on the average award of federal funds over the past three fiscal years. With fire activity decreasing in recent years, the department anticipates a reduction in federal revenue.

While drought conditions have eased over the past year, EMNRD must continue to partner with other agencies, such as the Department of Game and Fish, to preserve landscapes and habitat and reduce the state's exposure to potentially devastating fire-related events.

State Parks. Increased precipitation across the state also contributed to recent high levels of state park visitation as lake levels increased; visitation in FY17 remained near 5 million, a significant increase from the less than 4 million recorded prior to FY15. However, the increase in visitation has been largely offset by decreases in per visitor revenue, which fell from \$1.05 per visitor in FY12 to 88 cents in FY17. State Parks have a vacancy rate over 20 percent, which may be adversely impacting revenue generation.

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 to \$20 for certain parks on weekends and holidays, and Colorado parks charge between \$7 and \$9 per vehicle.

The overall recommendation for state parks is \$26.5 million, a \$2.3 million, or 7.6 percent, decrease from the FY18 operating budget. The LFC recommendation is \$1 million, or 4 percent, higher than FY17 actual expenditures. The recommendation reduces a transfer of trail safety funds from the Department of Game and Fish from \$500 thousand to \$85 thousand to reflect reduced fund balances and adjusts government gross receipts revenue to better reflect actual receipts, resulting in an increase in other revenue of \$200 thousand.

The LFC recommendation increases personnel funding by \$469 thousand, or 4 percent, over the FY18 operating budget and \$1.3 million, or 12 percent, over FY17 actual expenditures. The LFC recommendation for personnel includes adequate funding to support salary increases for seasonal park staff that were initially budgeted in FY18. The increases affected 53 FTE and averaged \$1.93 per hour, which brought the median pay of seasonal park staff to \$10.70 per hour at an annual cost of \$215 thousand.

EMNRD and the Department of Game and Fish (DGF) are in discussions to transfer the Mesilla Valley Bosque State Park to DGF. The Legislative Council informed both agencies that such a transfer would require legislative approval. In addition, permanently transferring the park might affect public access to the facility in the future. However, EMNRD and DGF maintain that allowing DGF to take over park operations will increase public access by providing additional staff and allowing free public entry. In addition, State Parks will save approximately \$140 thousand in costs associated with Mesilla Valley Bosque and DGF will save approximately \$120 thousand in facility rental costs. The LFC recommendation supports the transfer of park operations by transferring \$100 thousand from the other cost category to support personnel at other parks but does not recommend transferring ownership of the park from EMNRD to DGF.

Mine Reclamation. The FY19 recommendation for the Mine Reclamation Program represents a \$22 thousand decrease from the FY18 operating budget. The decrease resulted from the discontinuation of the use of mine reclamation funding in the operating budget. While the majority of Mine Reclamation Program funds are federal matching funds, the \$22 thousand reduction could be more than offset by vacancy savings in the program. The LFC recommendation for general fund is flat relative to the FY18 operating budget.

Oil and Gas Conservation. Operations of the Oil and Gas Conservation Program are largely funded through use of the oil and gas reclamation fund. Despite a fund balance of \$10.1 million at the beginning of FY17, EMNRD anticipates the fund to be completely exhausted by the close of FY20. EMNRD requested \$3 million from the fund to cover personnel costs and an additional \$1.6 million to plug abandoned wells in FY19.

EMNRD is evaluating the possibility of increasing bonding requirements for oil and gas producers to ensure adequate funding is available to plug abandoned wells. While increasing bonding requirements may ensure fewer unplugged wells are abandoned in the future, it does not address existing abandoned wells across the state.

In addition to the current uses of the oil reclamation fund, other outstanding liabilities, such as remediation of the Carlsbad brine well, are eligible to receive oil reclamation funds. To balance the demand for reclamation with available funding, the Legislature may consider working within the existing statutory framework to increase revenues. This may be accomplished by lowering the existing threshold to increase the conservation tax rate. Under current law, any product severed from the land is subject to a tax of 0.19 percent if the price of west Texas intermediate crude oil is less than \$70 per barrel, and 0.24 percent if the price exceeds \$70 per barrel. Changing the trigger point from \$70 to \$40 would significantly increase oil reclamation fund receipts while providing a modest increase to the general fund. The rate of taxation and distribution to the reclamation fund should be considered by the full Legislature.

Despite the eminent exhaustion of the reclamation fund, the operating budget request for the Oil and Gas Conservation Program used \$5.2 million from the fund and did not include additional general fund revenue to decrease reliance on the reclamation fund. The LFC recommendation reduced use of the oil reclamation fund by \$200 thousand through a \$100 thousand general fund offset and a \$100 thousand reduction of a transfer from the reclamation fund to support EMNRD's administrative services division.

Program Leadership and Support. LFC recommends a flat general fund appropriation relative to the FY18 operating budget and an overall 2.5 percent reduction for Program Leadership and Support. The LFC recommendation fully funds the agency request for the contractual services and other categories and reduces personnel by \$78.4 thousand, or 1.8 percent, to better reflect FY17 actual expenditures. The recommendation also reduces the transfer from the oil reclamation fund from \$384 thousand to \$284 thousand.

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 eighty-five thousand dollars (\$85,000) from the trail safety fund for state park operations. Any unexpended balances remaining at the end of fiscal year 2019 from this appropriation shall revert to the trail safety fund.

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 2019 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; use 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)

	FY19 - 2018-2019				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	738.3	766.9	766.9	766.9	0.0
Federal Revenues	2,551.6	2,898.8	1,788.0	1,788.0	-38.3
SOURCES TOTAL	3,289.9	3,665.7	2,554.9	2,554.9	-30.3
USES					
Personal Services and Employee Benefits	1,153.9	1,089.3	1,236.0	1,236.0	13.5
Contractual Services	112.1	352.8	78.9	78.9	-77.6
Other	1,353.1	2,223.6	1,240.0	1,240.0	-44.2
TOTAL USES	2,619.1	3,665.7	2,554.9	2,554.9	-30.3
FTE					
Permanent	12.0	13.0	13.0	13.0	0.0
Term	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	12.0	13.0	14.0	14.0	7.7

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Number of emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	45	55			
Outcome	Percent of completed applications for clean energy tax credits reviewed within thirty days of receipt	90%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,839.9	3,752.3	3,752.3	3,752.3	0.0
Federal Revenues	9,215.5	11,513.9	9,038.8	9,038.8	-21.5
Other Revenues	408.6	410.7	510.2	510.2	24.2
Fund Balance	171.3	202.6	106.9	106.9	-47.2
SOURCES TOTAL	13,635.3	15,879.5	13,408.2	13,408.2	-15.6
USES					
Personal Services and Employee Benefits	6,218.1	6,117.0	6,394.1	6,394.1	4.5
Contractual Services	436.8	1,053.6	479.0	479.0	-54.5
Other	6,242.1	8,662.3	6,488.2	6,488.2	-25.1
Other Financing Uses	45.7	46.6	46.9	46.9	0.6
TOTAL USES	12,942.7	15,879.5	13,408.2	13,408.2	-15.6
FTE					
Permanent	70.0	68.0	68.0	68.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	80.0	78.0	78.0	78.0	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,627	1,362	1,650	1,500	1,500
* Output	Number of acres treated in New Mexico's forests and watersheds	15,762	15,291	15,800	15,000	15,500
Explanatory	Number of people employed under the veterans program	45	55			

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		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES						
	General Fund Transfers	8,062.2	7,426.6	7,426.3	7,326.3	-1.4
	Other Transfers	3,082.0	2,641.2	2,080.6	1,665.6	-36.9
	Federal Revenues	1,926.5	3,137.3	3,137.3	3,137.3	0.0
	Other Revenues	11,715.6	9,556.3	9,556.3	9,756.3	2.1
	Fund Balance	3,922.7	6,191.1	4,618.6	4,618.6	-25.4
	SOURCES TOTAL	28,709.0	28,952.5	26,819.1	26,504.1	-8.5
USES						
	Personal Services and Employee Benefits	10,693.7	11,522.7	12,206.9	11,991.9	4.1
	Contractual Services	361.7	692.8	744.9	744.9	7.5
	Other	12,004.2	16,032.7	12,722.0	12,622.0	-21.3
	Other Financing Uses	2,436.1	604.0	1,145.3	1,145.3	89.6
	TOTAL USES	25,495.7	28,852.2	26,819.1	26,504.1	-8.1
FTE						
	Permanent	187.0	177.0	178.0	177.0	0.0
	Term	5.0	5.0	5.0	5.0	0.0
	Temporary	53.0	52.5	52.4	52.5	0.0
	TOTAL FTE POSITIONS	245.0	234.5	235.4	234.5	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Explanatory	Number of visitors to state parks	5,455,119	4,929,421			
* Explanatory	Amount of self-generated revenue per visitor, in dollars	\$0.81	\$0.88			
Output	Number of interpretive programs available to park visitors	1,312	1,053			
Output	Number of persons who complete a certified New Mexico boating safety education course	937	877	800	800	850
Explanatory	Number of volunteer hours contributed to state parks	NEW	NEW			
Explanatory	Number of Rio Grande trail commission meetings held annually	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		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES						
	General Fund Transfers	493.3	390.5	465.5	390.5	0.0
	Other Transfers	96.9	96.9	96.9	96.9	0.0
	Federal Revenues	2,533.0	6,854.8	6,832.8	6,832.8	-0.3
	Other Revenues	690.1	690.1	736.3	736.3	6.7
	Fund Balance	46.2	46.2	0.0	0.0	-100.0
	SOURCES TOTAL	3,859.5	8,078.5	8,131.5	8,056.5	-0.3

		BUDGET SUMMARY (dollars in thousands)		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	Agency Request	LFC Recommendation	
USES						
	Personal Services and Employee Benefits	2,516.1	2,918.7	2,971.7	2,896.7	-0.8
	Contractual Services	866.7	4,743.0	4,743.0	4,743.0	0.0
	Other	264.8	379.8	379.8	379.8	0.0
	Other Financing Uses	37.0	37.0	37.0	37.0	0.0
	TOTAL USES	3,684.6	8,078.5	8,131.5	8,056.5	-0.3
FTE						
	Permanent	17.0	17.0	17.0	17.0	0.0
	Term	17.0	16.0	16.0	16.0	0.0
	TOTAL FTE POSITIONS	34.0	33.0	33.0	33.0	0.0

PERFORMANCE MEASURES

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	97%	98%	97%	97%	97%
Outcome	Percent of inspections of active mining operations showing compliance with approved permits and regulations	NEW	95.0%	95.0%	97.5%	97.5%

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)		FY19 - 2018-2019		Percent Incr (Decr)
		FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	Agency Request	LFC Recommendation	
SOURCES						
	General Fund Transfers	2,188.7	1,853.8	1,853.8	1,953.8	5.4
	Federal Revenues	578.3	785.4	785.4	785.4	0.0
	Other Revenues	1,000.0	3,000.0	2,875.5	2,875.5	-4.2
	Fund Balance	4,262.1	3,847.8	2,319.2	2,119.2	-44.9
	SOURCES TOTAL	8,029.1	9,487.0	7,833.9	7,733.9	-18.5
USES						
	Personal Services and Employee Benefits	4,603.6	4,918.0	4,604.4	4,604.4	-6.4
	Contractual Services	1,569.4	3,347.9	2,181.5	2,181.5	-34.8
	Other	911.8	837.1	664.0	664.0	-20.7
	Other Financing Uses	367.5	384.0	384.0	284.0	-26.0
	TOTAL USES	7,452.3	9,487.0	7,833.9	7,733.9	-18.5
FTE						
	Permanent	56.0	55.0	55.0	55.0	0.0
	Term	14.0	11.0	11.0	11.0	0.0
	TOTAL FTE POSITIONS	70.0	66.0	66.0	66.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	49,624	37,648	47,000	38,000	40,000
Output	Percent of application drill permits approved within 10 business days of receipt	82.3%	96.2%	84.0%	84.0%	95.0%
* Outcome	Number of abandoned oil and gas wells properly plugged	36	33	32	20	32
Explanatory	Number of violations issued	912	2,729			
Explanatory	Size of oil spills in barrels	16,889	14,253			
Explanatory	Percent of inspections of oil and gas wells and associated facilities showing compliance with permits and regulations	NEW	NEW			

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,810.9	2,853.5	2,853.5	2,853.5	0.0
Other Transfers	1,161.4	1,196.6	1,196.6	1,096.6	-8.4
Federal Revenues	771.0	848.5	827.7	827.7	-2.5
SOURCES TOTAL	4,743.3	4,898.6	4,877.8	4,777.8	-2.5
USES					
Personal Services and Employee Benefits	4,256.6	4,398.9	4,420.5	4,320.5	-1.8
Contractual Services	148.6	149.0	126.7	126.7	-15.0
Other	312.8	350.7	330.6	330.6	-5.7
TOTAL USES	4,718.0	4,898.6	4,877.8	4,777.8	-2.5
FTE					
Permanent	51.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	51.0	50.0	50.0	50.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <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 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 provide lasting community benefits.

BUDGET SUMMARY (dollars in thousands)						
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	3,800.0	3,800.0	3,800.0	3,800.0	0.0	
Fund Balance	0.0	60.8	60.8	60.8	0.0	
SOURCES TOTAL	3,800.0	3,860.8	3,860.8	3,860.8	0.0	
USES						
Personal Services and Employee Benefits	167.5	170.6	171.5	171.5	0.5	
Contractual Services	2,828.2	3,470.8	3,478.1	3,478.1	0.2	
Other	202.4	219.4	211.2	211.2	-3.7	
TOTAL USES	3,198.1	3,860.8	3,860.8	3,860.8	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:

The Youth Conservation Corps (YCC) is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. YCC works with many federal, state, and local government entities as well as Native American tribes, political subdivisions, and non-profit groups on urban and natural environmental improvement projects.

In FY17, YCC funded 39 projects employing over 800 youth. Projects eligible for YCC funding include restoration of historic structures, trail construction and maintenance, community park improvement, and erosion control. In FY18, YCC funded 30 projects at an estimated cost of \$3.1 million. YCC's FY19 budget request is flat compared with FY18 and is \$662 thousand above FY17 actual expenditures.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of youth employed annually	921	818	850	825	825
Outcome	Percent of grant awards used for wages for corps members	77%	76%	77%	77%	77%
Outcome	Percent of projects completed within one year	100%	95%	95%	95%	95%
Explanatory	Percent of New Mexico counties served by Youth Conservation Corps	NEW	NEW			
Explanatory	Number of New Mexico 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)						
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	77.1	50.0	50.0	50.0	0.0	
SOURCES TOTAL	77.1	50.0	50.0	50.0	0.0	
USES						
Contractual Services	77.1	50.0	50.0	50.0	0.0	
TOTAL USES	77.1	50.0	50.0	50.0	0.0	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

AT A GLANCE:

The agency requested \$50 thousand from the general fund, flat with the FY18 operating budget. The LFC recommendation supports the agency request. The office should work to maintain the funding level from the city, county, and private sources for the event.

BUDGET ISSUES:

Performance results for the FY17 ceremonial show tickets sold increased from 5,914 in FY16 to 7,400 tickets in FY17, barely missing the target of 7,500. The number of sponsorships increased to 120, doubling the 63 sponsorships in FY16. The percent of operating revenue from sources other than the general fund also increased significantly, to 91 percent from 69 percent in FY16.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	5,914	7,400	6,250	7,500	7,500
Outcome	Percent of operating revenue from sources other than the general fund	69%	91%	87%	90%	90%
Output	Number of sponsorships	63	120	80	130	130

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	15,894.7	15,894.7	17,456.2	17,092.7	7.5
SOURCES TOTAL	15,894.7	15,894.7	17,456.2	17,092.7	7.5
USES					
Personal Services and Employee Benefits	10,864.8	11,505.8	12,602.3	12,400.2	7.8
Contractual Services	2,592.2	2,641.0	2,677.6	2,672.6	1.2
Other	1,803.6	1,747.9	2,176.3	2,019.9	15.6
TOTAL USES	15,260.6	15,894.7	17,456.2	17,092.7	7.5
FTE					
Permanent	156.0	156.0	165.0	165.0	5.8
TOTAL FTE POSITIONS	156.0	156.0	165.0	165.0	5.8

AT A GLANCE:

While oil and gas prices have improved over the past two years and drilling activity has seen an increase, the price of oil remains significantly lower than historical averages. Depressed oil and gas prices impact royalty revenues; however, revenues to SLO’s land maintenance fund, composed of lease sale bonuses and lease payments, increased by \$47.5 million from FY16 to FY17. The agency requested an increase of \$1.5 million, or 9.8 percent, over the FY18 operating budget with the majority of the increase, \$1.2 million, attributable to the transfer of the Oil and Natural Gas Administration and Revenue Database (ONGARD) Service Center, which supports the revenue tracking software system for oil and gas production, from the Taxation and Revenue Department (TRD) to SLO. LFC recommends an appropriation consistent with FY18 funding levels in addition to full funding of the transfer of the ONGARD Service Center (OSC) to SLO.

BUDGET ISSUES:

SLO requested \$17.5 million for FY19, a 9.8 percent increase over FY18 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.

The request applied a 5.4 percent vacancy rate and included \$934 thousand to support the salaries and benefits of the 9 FTE who will be transferred from TRD to SLO to run the OSC. SLO has an FY18 vacancy rate of 12 percent, down slightly from the 13.5 percent rate experienced in FY17. The LFC recommendation fully funds the OSC transfer and applies a 6.4 percent vacancy rate. The LFC recommendation also continues funding a \$1 million increase from the land maintenance fund for remediation and land management.

SLO, in collaboration with TRD and the Energy, Minerals and Natural Resources Department (EMNRD), used the ONGARD system to collect taxes and royalties paid on the extraction of oil and natural gas resources, as well as revenues from other SLO leasing activities. However, TRD is discontinuing use of the ONGARD system for tracking oil and gas severance tax revenue, leaving SLO as the only user of the system. For this reason, the responsibilities of OSC should be transferred to SLO.

OSC was supported by annual transfers of \$620 thousand from both SLO to TRD. With the transfer of the OSC to SLO, the transfers will cease and the operational cost will be borne exclusively by SLO. Transferring OSC will result in a general fund savings of \$470 thousand to TRD.

In addition to taking over operations of OSC, SLO has been working to replace the 20-year-old ONGARD system. In 2012, the Legislature appropriated \$6 million to TRD to stabilize and modernize ONGARD and appropriated an additional \$10 million in 2016 to replace ONGARD. The \$10 million was divided between TRD and SLO because the agencies concluded that separate systems for severance tax and royalty revenue were necessary. To date, \$4.8 million of the SLO appropriation remains unspent. SLO estimates a replacement cost of \$9 million and requested \$5 million in IT funding for the project. However, a scope of work has yet to be finalized and no request for proposal has been issued.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Output	Total trust revenue generated, in millions	\$497.0	\$544.9	\$490.0	\$503.5	\$503.5
Outcome	Bonus income per acre leased for oil and gas activities, in dollars	\$607	\$834	\$550	\$650	\$650
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$2.4	\$3.5	\$2.5	\$2.5	\$2.5
* Output	Average income per acre from oil, natural gas and mining activities, in dollars	\$199	\$201	\$200	\$200	\$200
Output	Percent of total trust revenue allocated to beneficiaries	96%	97%	98%	97%	98%
* Output	Number of acres restored to desired conditions for future sustainability	4,656	17,312	6,000	6,000	12,000
Output	Annual income from renewable energy, in thousands	\$981.4	\$908.1	\$1,000.0	\$1,000.0	\$1,000.0

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.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	17,867.2	17,307.7	17,307.7	18,307.7	5.8
Other Transfers	16,273.7	17,364.0	19,787.3	16,609.7	-4.3
Federal Revenues	174.9	183.4	192.4	192.4	4.9
Other Revenues	3,852.8	4,345.8	1,148.1	1,148.1	-73.6
Fund Balance	266.0	266.0	1,578.5	2,247.1	744.8
SOURCES TOTAL	38,434.6	39,466.9	40,014.0	38,505.0	-2.4
USES					
Personal Services and Employee Benefits	22,823.8	23,957.3	24,051.5	23,881.5	-0.3
Contractual Services	4,375.7	8,864.1	9,035.5	7,475.8	-15.7
Other	4,631.3	6,023.6	6,847.0	6,847.0	13.7
Other Financing Uses	80.0	621.9	80.0	300.7	-51.6
TOTAL USES	31,910.8	39,466.9	40,014.0	38,505.0	-2.4
FTE					
Permanent	345.0	337.0	336.0	336.0	-0.3
Term	2.0	4.0	5.0	1.0	-75.0
TOTAL FTE POSITIONS	347.0	341.0	341.0	337.0	-1.2

AT A GLANCE:

Despite rapidly diminishing fund balances, the Office of the State Engineer (OSE) did not request additional general fund appropriations. The overall request did not reduce or reprioritize personnel funding despite multiple years of chronically high vacancy rates. Additionally, the Interstate Stream Commission has taken a limited role in the selection of a Gila River diversion project, opting instead to let the New Mexico Central Arizona Project Entity (NMCAPE) take lead. NMCAPE recently selected a \$45 million project that will benefit up to 100 users.

The LFC recommendation maximizes the use of water project fund revenue, slightly reduces funding for vacant positions, reduces contracts to better reflect actual expenditure levels, and increases general fund appropriations to reduce reliance on rapidly diminishing fund balances. In addition, the LFC recommendation reduces the budget of the NMCAPE by \$709 thousand and includes language requiring NMCAPE to provide matching funds. The reduction of the NMCAPE budget reflects the entity's selection of a diversion project, marking the end of the need for full-time staff, and recognizes NMCAPE's responsibility for funding project maintenance costs, which will require NMCAPE to raise revenue on a recurring basis.

BUDGET ISSUES:

Overall, OSE requested a flat general fund appropriation relative to the FY18 operating budget and an additional \$547 thousand, or 2.5 percent, in non-general fund revenue. The request prioritized the budget of the Interstate Stream Commission (ISC) and Program Support, which received increases of 3.9 percent and 4.7 percent, respectively. Despite high funded vacancy rates across all four programs, OSE requested a 0.4 percent increase in personnel funding. The largest portion of the requested increase was in the other cost category and was attributable to operational expenses of ISC.

The LFC recommendation reduces the overall budget by 2.4 percent relative to FY18. The majority of the decrease was due to a \$2.5 million decrease in the use of irrigation works construction funds (IWCF) in the operating budget; however, a portion of that reduction was offset with a \$1 million general fund increase. The OSE projects the IWCF balance will be depleted by FY20. The recommendation also reduces the budget of NMCAPE, which oversees the Gila River diversion, by \$700 thousand and requires NMCAPE to raise matching funds.

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 the Water Resource Allocation Program (WRAP) fully funds the agency general fund request.

Since 2012, when the state Supreme Court affirmed OSE authority to enforce priority administration which provides a greater right to earlier users, WRAP has been working to develop rules for seven priority basins, including the Lower Rio Grande. In addition to developing rules, WRAP's active water resource management (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.

Interstate Stream Commission. The request for ISC held general fund revenues flat relative to the FY18 operating budget but included an additional \$477 thousand from the strategic water reserves to enable ISC to lease additional water rights in the Carlsbad irrigation district. The LFC recommendation includes this additional funding.

While the overall request for contractual services is flat, ISC requested an additional \$55 thousand, a 4 percent increase, for NMCAPE, tasked with consulting with ISC to select a project to divert water from the Gila River to New Mexico. 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. To date, NMCAPE expended \$12.6 million from the unit fund and has yet to finalize design for the project. During the November presentation to the Water and Natural Resources Committee, NMCAPE stated it recently selected a project that would cost over \$45 million and deliver water to up to 100 agricultural users.

Under the federal Arizona Water Settlement Act, passed in 2004, ISC has the power to authorize up to \$66 million for water supply projects in Catron, Grant, Luna, and Hidalgo counties. ISC is also required to consent to up to \$34 million in funding for water supply projects selected by NMCAPE. Given the failure of NMCAPE to select a project of significant public benefit and the reluctance of ISC to enter conversations about project prioritization, the Legislature should consider additional statutory constraints over ISC to ensure New Mexico unit funds are used to maximum benefit.

The LFC recommendation funds \$700 thousand, half of the request for NMCAPE budget, and requires matching funds from non-state sources to make up the remaining budget. The requirement for NMCAPE to provide matching funding for their operating budget will assist in the long-term viability of the project; NMCAPE will be responsible for maintenance costs of the project once completed, requiring the ability to raise revenue.

ISC and the Attorney General (NMAG) are working together in litigation of the Rio Grande compact. Since FY14, the Legislature has appropriated \$15.5 million to ISC and NMAG for litigation while the state of Texas has appropriated \$10.5 million over this same period. The potential liability to New Mexico is not known but New Mexico was ordered to pay Texas \$14 million after the U.S. Supreme Court ruled New Mexico under-delivered Pecos River water to Texas from 1950 to 1983.

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. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector. The overall request is \$200 thousand below the FY18 operating budget, though the request for personnel is \$485 thousand over the FY17 expenditure level. 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 contractors to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use.

The recommendation for the contractual services and other categories fully funds the agency request but reduces the personnel budget by \$50 thousand to correspond with reduced use of IWCF cash balances. The recommendation also increases the general fund appropriation by \$1 million and reduces use of the IWCF by the same amount to extend the life of the fund; OSE projects the fund will be exhausted by FY20. The LFC recommendation would allow OSE to finish FY20 with a projected balance of \$2 million in the IWCF.

LAP receives 10 percent of the annual distribution to the water project fund and must transfer 20 percent of that amount to the Administrative Office of the Courts (AOC). The OSE request included \$835 thousand from the fund. In FY19, the LFC anticipates total water project funds of \$18.8 million. Based on these assumptions, the LFC recommendation budgeted the full amount of the projected revenue and includes \$1.5 million in fund balance for use by OSE as well as \$300.7 thousand in the other financing category to be transferred to AOC.

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 66 percent of water rights were adjudicated at the end of FY17, 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. OSE continues to reevaluate the state's approach to water rights adjudications and plans to pursue opportunities that could significantly accelerate the process.

Revenues. Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund (IWCF), the improvement of the Rio Grande income fund (IRGIF), 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 \$7.46 million for FY19 and the agency request included \$14.3 million from the fund. At this rate of income and expenditure, OSE projects the fund balance will be depleted by FY20. The exhaustion of the IWCF will result in an approximate recurring shortfall of \$7 million. Some of the shortfall may be offset by increased distributions from the IRGIF. Revenue to the IRGIF is estimated at \$1.6 million for FY19 and the request included \$2.8 million from the fund. OSE projects IRGIF will end FY19 with a balance of \$5.5 million.

Additionally, OSE receives funding from the water project fund (WPF) pursuant to Section 72-4A-9(A) NMSA 1978. The WPF receives 9 percent of the senior severance tax bond capacity with 10 percent of revenues directed to OSE. OSE is then required to transfer 20 percent of its total distribution to the Administrative Office of the Courts (AOC) for water adjudication work. The LFC recommendation for LAP includes \$1.5 million from the water project fund, of which \$300 thousand is transferred to AOC in the other financing uses category.

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 forty-four thousand six hundred dollars (\$1,844,600) 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/inter-agency transfers appropriation to the interstate stream commission of the office of the state engineer includes seven hundred thousand dollars (\$700,000) from the New Mexico unit fund for New Mexico central Arizona project entity operations contingent on the New Mexico central Arizona project entity providing matching funds from non-state sources.

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include six million six hundred ninety-six thousand four hundred dollars (\$6,696,400) from the New Mexico irrigation works construction fund.

The internal service funds/interagency transfer's appropriations to the interstate stream compact compliance and water development program of the state engineer include one million fifteen thousand dollars (\$1,015,000) from the Arizona water settlement fund

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million eight hundred eighty-five thousand dollars (\$1,885,000) 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 2019 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; (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; and (c) up to three hundred thousand dollars (\$300,000) may be used 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 five hundred forty-seven thousand eight hundred dollars (\$2,547,800) from the New Mexico irrigation works construction fund.

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include six hundred thirteen thousand nine hundred dollars (\$613,900) from the improvement of the Rio Grande income fund.

The other state funds appropriations to the litigation and adjudication program of the state engineer include one million eight hundred seventy-nine thousand six hundred dollars (\$1,879,600) 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 eight hundred nine thousand one hundred dollars (\$809,100) from the New Mexico irrigation works construction fund.

The internal service funds/interagency transfers appropriations to the program support program of the state engineer include two hundred thousand dollars (\$200,000) from the improvement of the Rio Grande income 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)				
		FY17	FY18	FY19 - 2018-2019		Percent
		2016-2017	2017-2018	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES						
	General Fund Transfers	10,996.9	11,436.9	11,436.9	11,436.9	0.0
	Other Transfers	2,020.1	1,992.2	1,992.2	1,992.2	0.0
	Other Revenues	623.3	623.3	623.3	623.3	0.0
	SOURCES TOTAL	13,640.3	14,052.4	14,052.4	14,052.4	0.0
USES						
	Personal Services and Employee Benefits	11,652.2	12,092.0	12,092.0	12,092.0	0.0
	Contractual Services	579.1	624.7	624.7	624.7	0.0
	Other	1,303.4	1,335.7	1,335.7	1,335.7	0.0
	TOTAL USES	13,534.7	14,052.4	14,052.4	14,052.4	0.0
FTE						
	Permanent	185.0	182.0	182.0	182.0	0.0
	TOTAL FTE POSITIONS	185.0	182.0	182.0	182.0	0.0

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<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	37	36	85	50
	Explanatory	Number of unprotested and unaggrieved water right applications backlogged	422	416		
	Outcome	Number of dams inspected per year and notices delivered to owners notifying them of potential problems	107	49		
*	Output	Number of transactions abstracted annually into the water administration technical engineering resource system database	18,287	14,566	23,000	20,000
	Explanatory	Number of state engineer orders issued to correct deficiencies and to improve the condition rating at high hazard publicly owned dams	NEW	0	1	
	Outcome	Number of notices issued to owners of publicly owned dams notifying them of deficiencies or potential issues	NEW	NEW	NEW	45

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)				
		FY17	FY18	FY19 - 2018-2019		Percent
		2016-2017	2017-2018	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES						
	General Fund Transfers	2,045.8	1,583.5	1,583.5	1,583.5	0.0
	Other Transfers	10,323.9	11,950.7	12,006.4	10,446.7	-12.6
	Federal Revenues	174.9	183.4	192.4	192.4	4.9
	Other Revenues	119.8	119.8	124.8	124.8	4.2
	Fund Balance	266.0	266.0	743.4	743.4	179.5
	SOURCES TOTAL	12,930.4	14,103.4	14,650.5	13,090.8	-7.2

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
USES					
Personal Services and Employee Benefits	3,586.4	3,835.1	3,838.8	3,838.8	0.1
Contractual Services	2,472.2	6,442.2	6,434.0	4,874.3	-24.3
Other	2,305.8	3,826.1	4,377.7	4,377.7	14.4
TOTAL USES	8,364.4	14,103.4	14,650.5	13,090.8	-7.2
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
Term	2.0	4.0	4.0	0.0	-100.0
TOTAL FTE POSITIONS	44.0	46.0	46.0	42.0	-8.7

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <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	109,500	137,900	>0	>0	>0
* Outcome	Cumulative state-line delivery credit per the Rio Grande compact at the end of the calendar year, in acre-feet	400	-20,300	>0	<-50,000	>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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,416.8	957.2	957.2	1,957.2	104.5
Other Transfers	2,997.1	2,492.0	4,659.6	3,161.7	26.9
Other Revenues	3,109.7	3,602.7	400.0	400.0	-88.9
Fund Balance	0.0	0.0	835.1	1,503.7	
SOURCES TOTAL	7,523.6	7,051.9	6,851.9	7,022.6	-0.4
USES					
Personal Services and Employee Benefits	4,215.3	4,700.1	4,700.1	4,650.1	-1.1
Contractual Services	1,216.8	1,435.8	1,735.8	1,735.8	20.9
Other	383.1	294.1	336.0	336.0	14.2
Other Financing Uses	80.0	621.9	80.0	300.7	-51.6
TOTAL USES	5,895.2	7,051.9	6,851.9	7,022.6	-0.4
FTE					
Permanent	71.0	66.0	66.0	66.0	0.0
Term	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	71.0	66.0	67.0	67.0	1.5

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Number of offers to defendants in adjudications	839	566	839	200	550
* Outcome	Percent of all water rights with judicial determinations	63%	66%	70%	67%	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)				
				<u>FY19 - 2018-2019</u>		
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,407.7	3,330.1	3,330.1	3,330.1	0.0
	Other Transfers	932.6	929.1	1,129.1	1,009.1	8.6
	SOURCES TOTAL	4,340.3	4,259.2	4,459.2	4,339.2	1.9
USES						
	Personal Services and Employee Benefits	3,369.9	3,330.1	3,420.6	3,300.6	-0.9
	Contractual Services	107.6	361.4	241.0	241.0	-33.3
	Other	639.0	567.7	797.6	797.6	40.5
	TOTAL USES	4,116.5	4,259.2	4,459.2	4,339.2	1.9
FTE						
	Permanent	47.0	47.0	46.0	46.0	-2.1
	TOTAL FTE POSITIONS	47.0	47.0	46.0	46.0	-2.1

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)				
				FY19 – 2018-2019		
		FY17 2016-2017	FY18 2017-2018	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	General Fund Transfers	747.7	729.1	729.1	729.1	0.0
	SOURCES TOTAL	747.7	729.1	729.1	729.1	0.0
USES						
	Personal Services and Employee Benefits	426.8	475.4	497.4	497.4	4.6
	Contractual Services	139.8	126.1	107.2	107.2	-15.0
	Other	109.8	127.6	124.5	124.5	-2.4
	TOTAL USES	676.4	729.1	729.1	729.1	0.0
FTE						
	Permanent	7.0	7.0	6.5	6.5	-7.1
	TOTAL FTE POSITIONS	7.0	7.0	6.5	6.5	-7.1

AT A GLANCE:

In FY17, the Office of African American Affairs (OAAA) met or exceeded a majority of performance targets. The agency has 7 authorized FTE with two vacancies as of October 2017. The agency requested 1 FTE be reduced to a part-time position in FY19.

The FY19 budget request reduced general fund expenditures 15 percent in the contractual services category and 2.4 percent in the other category in order to fund a part-time executive secretary. The OAAA request fully funded 6.5 FTE, resulting in an increase of 4.6 percent in the personal services and employee benefits category.

The committee recommendation supports the agency’s FY19 operating budget request.

PUBLIC AWARENESS

The purpose of the public awareness program is to provide information and advocacy services to all New Mexicans and to empower African Americans of New Mexico to improve their quality of life.

		PERFORMANCE MEASURES				
		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <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	74	56	55	50	55
Outcome	Percent of program participants who indicate increased awareness of agency services via survey	50%	50%	70%	50%	50%
Output	Percent of number of data-based tools related to economic, education and health disparities of African Americans to be presented during statewide awareness and collaborative efforts	NEW	NEW	3	3	3

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, as well as for hearing individuals affiliated with those with 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)						
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	373.2	319.4	1,186.7	0.0	-100.0	
Other Transfers	1,900.8	2,643.6	1,776.3	2,945.2	11.4	
SOURCES TOTAL	2,274.0	2,963.0	2,963.0	2,945.2	-0.6	
USES						
Personal Services and Employee Benefits	998.1	1,121.6	1,130.1	1,118.0	-0.3	
Contractual Services	943.5	1,405.6	1,516.6	1,419.4	1.0	
Other	239.6	319.3	291.3	291.3	-8.8	
Other Financing Uses	25.0	116.5	25.0	116.5	0.0	
TOTAL USES	2,206.2	2,963.0	2,963.0	2,945.2	-0.6	
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 dwindling revenue from the telecommunications relay service (TRS) surcharge, due to less land-line telephone use, Laws 2017, Chapter added voice-over-internet protocol and prepaid wireless telephone services to the surcharge base. The committee recommendation assumes TRS revenue collection will increase throughout FY18 and FY19 as TRD’s analysis indicated.

BUDGET ISSUES:

The commission’s request assumes no available fund balances after FY18 and less revenue from the telecommunications relay service surcharge in FY19. Making up the difference, the commission requested a nearly fourfold increase in general fund revenue. The commission’s request was sufficient to fill about three vacancies, increase contractual services spending significantly above FY17 expenditures, and maintain other category spending levels. The commission’s request did not include the \$91.5 thousand annual transfer to the Division of Vocational Rehabilitation (DVR) for case management and other services that receive a federal match.

As of this writing, data is inadequate to forecast revenue from changes to the surcharge. However, the Taxation and Revenue Department (TRD) and LFC’s fiscal impact report on the bill projected revenue from the surcharge to increase by \$1.3 million, or nearly 70 percent.

LFC recognizes the uncertainty surrounding TRS revenue collection and timing. The commission should continue to monitor surcharge collection throughout the year and coordinate with TRD to ensure proper and timely collection. Additionally, the Legislature may need to revisit revenue assumptions during the session and consider a contingent general fund appropriation if TRS revenue does not materialize.

The committee recommendation for the personal services and employee benefits category maintains FY18 funding levels but makes a minor adjustment because the commission will not have unemployment compensation costs this year. The committee recommendation funds nearly 3 vacant FTE. In FY17, the commission was allocated \$1.4 million for contractual spending but only spent \$943.5 thousand. The committee recommendation allows for a smaller increase on the contract than requested. The committee also recommends the \$91.5 thousand transfer to DVR for case management and other services, where it will be matched with federal revenue. The recommendation makes minor technical adjustments to audit and Department of Information Technology rates in the contractual services category.

The commission’s FY16 audit had no findings, and the agency met most performance targets for FY17. The one notable exception was the number of relay minutes provided each month, provided through a large contract with a private provider.

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 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>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY19</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of workshops and training sessions conducted	124	143	120	120	145
Output	Number of outreach events coordinated	117	122	80	80	130
Output	Average number of relay minutes per month	7,628	5,587	14,000	10,000	6,000
* Output	Number of accessible technology equipment distributions	768	1,070	800	800	1,100
Output	Number of sign language interpreters who participate in sponsored professional development, including in-house mentoring programs, mentoring provided by contractors and events provided in collaboration with other organizations	211	185	215	200	200
Output	Number of communication barriers addressed	NEW	NEW	20,000	20,000	20,000

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)						
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	311.2	293.1	293.1	293.1	0.0	
SOURCES TOTAL	311.2	293.1	293.1	293.1	0.0	
USES						
Personal Services and Employee Benefits	112.6	143.3	172.7	172.7	20.5	
Contractual Services	5.5	12.3	22.1	22.1	79.7	
Other	58.4	137.5	98.3	98.3	-28.5	
TOTAL USES	176.5	293.1	293.1	293.1	0.0	
FTE						
Permanent	3.0	3.0	2.0	2.0	-33.3	
TOTAL FTE POSITIONS	3.0	3.0	2.0	2.0	-33.3	

AT A GLANCE:

The Martin Luther King, Jr. Commission’s 2 FTE were filled in FY17, after sitting vacant for several months. In FY17, the commission co-located with the Office of African American Affairs (OAAA).

The FY19 agency budget request remained flat with the FY18 general fund appropriation and fully funded the agency’s 2 FTE but made significant adjustments among all the expenditure categories. The agency requested a 20.5 percent increase in the personal services and employee benefits category due to a \$30 thousand assessment for the General Services Department (GSD) unemployment compensation rate. Until recently, the agency did not have a history of unemployment insurance claims, so no liability had been assessed. However, three claims were filed in FY16, resulting in the \$30 thousand assessment requested by the agency.

The commission also requested a significant increase in the contractual services category for audit costs, IT services, and some direct community services, including a commemorative breakfast, youth conference, and track meet. Increases for personnel and contractual service expenditures were offset through a reduction in the other category.

The commission reported meeting a majority of performance targets in FY17. In the previous fiscal year, the agency failed to meet most performance targets due to vacancies. In addition, the investigation into previous agency expenditures is ongoing.

The LFC recommendation supports the agency request for FY19.

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 New Mexico's communities.

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Number of program objectives achieved	50%	85%	100%	90%	95%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	0	1	2	2	2
Output	Number of statewide holiday commemorative programs supported	10	10	10	10	10
Output	Number of youth anti-violence workshops conducted	0	20	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	0	55	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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,940.7	1,938.8	1,990.0	1,900.0	-2.0
Other Transfers	280.0	280.2	335.0	335.0	19.6
Federal Revenues	5,363.9	5,930.5	5,660.2	5,660.2	-4.6
Other Revenues	3,675.2	4,654.0	4,678.0	4,678.0	0.5
SOURCES TOTAL	11,259.8	12,803.5	12,663.2	12,573.2	-1.8
USES					
Personal Services and Employee Benefits	4,446.8	5,055.0	5,032.6	4,945.5	-2.2
Contractual Services	176.8	217.5	204.0	204.0	-6.2
Other	6,223.1	7,431.0	7,326.6	7,323.7	-1.4
Other Financing Uses	100.0	100.0	100.0	100.0	0.0
TOTAL USES	10,946.7	12,803.5	12,663.2	12,573.2	-1.8
FTE					
Permanent	92.5	92.5	92.5	92.5	0.0
TOTAL FTE POSITIONS	92.5	92.5	92.5	92.5	0.0

AT A GLANCE:

The commission requested a modest 2.6 percent general fund revenue increase. The request, like last year, would transfer \$100 thousand to the Division of Vocational Rehabilitation (DVR), where it is matched with federal revenue and \$200 thousand is transferred back. The commission received language in the FY18 appropriation allowing the two agencies to make the transfers. The commission’s requested funding levels for personnel costs would fund 11 vacancies, or about 12.5 percent of the total number of authorized FTE.

The LFC recommendation for general fund revenue is a 2 percent decrease from the FY18 operating budget. The recommendation supports the commission’s request to transfer \$100 thousand to DVR because this allows the state to leverage its resources. The committee also recommends adequate funding in the personal services and employee benefits category to fill about 9.5 vacancies.

One finding was resolved on the commission’s FY16 audit report and a new significant deficiency in financial control was added. The report found financial information reported to a federal agency did not match documentation for the report by \$23.4 thousand. Management’s response stated the agency will implement proper review prior to the submission of financial information reported to the federal agency in accordance with audit recommendations.

The commission did not meet several performance measures on employment outcomes, independent living, and client earnings after commission training. The commission provided an action plan to improve performance in the next year.

RECOMMENDED LANGUAGE:

The general fund appropriation to the blind services program of the commission for the blind to provide services to the blind or visually impaired citizens of New Mexico in the other financing uses category includes one hundred thousand dollars (\$100,000) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide rehabilitation services for the disabled.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	19	23	25	22	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	533	533	550	525	540
* Outcome	Average hourly wage for the blind or visually impaired person	\$14.88	\$22.94	\$13.75	\$14.00	\$16.00
* Outcome	Number of people who avoided or delayed moving into a nursing home or assisted living facility as a result of receiving independent living services	NEW	NEW	60	75	75

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)						
	<u>FY19 – 2018-2019</u>					Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,522.4	2,240.5	2,240.5	2,190.5		-2.2
Other Transfers	249.3	249.3	249.3	249.3		0.0
SOURCES TOTAL	2,771.7	2,489.8	2,489.8	2,439.8		-2.0
USES						
Personal Services and Employee Benefits	862.0	1,084.0	1,184.0	1,134.0		4.6
Contractual Services	460.7	735.9	636.4	636.4		-13.5
Other	672.5	669.9	669.4	669.4		-0.1
TOTAL USES	1,995.2	2,489.8	2,489.8	2,439.8		-2.0
FTE						
Permanent	15.0	15.0	15.0	15.0		0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0		0.0

AT A GLANCE:

The department requested to fully fund 15 authorized FTE. However, due to persistent vacancies, the FY19 LFC recommendation applied a slightly higher vacancy rate. The recommendation supports the department’s reduction of contractual services and other costs category. The recommendation funds the agency significantly above FY17 expenditure levels.

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 the 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 are allocated to the tribal infrastructure fund (TIF), and for FY18, the Tribal Infrastructure Board awarded \$5.4 million to nine projects, including water projects at Tesuque Pueblo, Ramah Chapter, Santa Clara Pueblo, San Ildefonso Pueblo, and the Alamo Navajo Chapter. In addition, an early childhood learning center at Nambe Pueblo, phase one of a natural gas distribution project at Acoma Pueblo, and paving and safety enhancements for Laguna Pueblo also received were awards. In recent years IAD has redoubled efforts to improve the TIF award process, train tribal entities, and improve oversight.

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 FY18, the agency plans to award \$200 thousand for language preservation services and continue the Jemez Pueblo housing self-help construction pilot project.

The FY19 recommendation supports the agency request to reduce the contractual services and other costs categories. Due to persistent vacancies, the FY19 LFC recommended slightly higher vacancy rate; however, personnel funding is still 25 percent above FY17 expenditures. Finally, the recommendation includes IAD annual distributions for the Tribal Tobacco Cessation and Prevention Program through the state’s Tobacco Use Prevention and Control Program. In FY19, 11 Native-American-serving entities received a total of \$249 thousand for targeted smoking cessation programs. The department contracts with a consulting firm to evaluate reporting, monitoring, and best practices for the 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Number of capital outlay or tribal infrastructure project training sessions conducted	11	32			
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	100%	100%	100%	100%	100%
Explanatory	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical infrastructure	95%	95%			
Outcome	Percent of capital projects over fifty thousand dollars completed and closed on schedule	NEW	100%	75%	100%	100%
Outcome	Percent of tribal infrastructure fund projects over fifty thousand dollars completed and closed on schedule	NEW	100%	75%	100%	100%
Outcome	Percent of tobacco cessation appropriation contracts sent out to the tribal entities that have submitted an acceptable scope of work	NEW	NEW	NEW	100%	100%

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 (ALTS). This legislation expanded the department substantially, moving to ALTS the Medicaid waiver program for home- and community-based care 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.

ALTS 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	44,409.0	44,398.7	44,398.7	44,398.7	0.0
Other Transfers	3,171.7	3,493.4	3,508.6	3,508.6	0.4
Federal Revenues	11,754.2	12,259.2	13,111.9	13,111.9	7.0
Other Revenues	87.9	80.0	80.0	80.0	0.0
Fund Balance	0.0	273.4	35.8	35.8	-86.9
SOURCES TOTAL	59,422.8	60,504.7	61,135.0	61,135.0	1.0
USES					
Personal Services and Employee Benefits	14,926.8	15,601.3	15,623.7	15,464.9	-0.9
Contractual Services	4,255.2	4,739.0	5,018.7	5,295.1	11.7
Other	39,196.3	40,164.4	40,492.6	40,375.0	0.5
TOTAL USES	58,378.3	60,504.7	61,135.0	61,135.0	1.0
FTE					
Permanent	225.5	225.5	225.5	225.5	0.0
Term	12.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	237.5	237.5	237.5	237.5	0.0

AT A GLANCE:

Ensuring adequate nutrition and sufficient protection from abuse neglect and exploitation is fundamental to keeping older adults and adults with disabilities safe and in their communities. However, the state's system for providing services for adults is burdened with ongoing issues related to area agency on aging oversight, timely provider reimbursement, and a flawed Aging Network funding formula. Through its budget request, the department sought to address some of these issues by transparently budgeting for Aging Network staff and placing a greater emphasis on services provided to Native Americans.

The department's request for general fund revenue was unchanged from the FY18 operating budget and the LFC recommendation largely supports the department's request but reprioritizes funding for Adult Protective Services, senior service provider contracts, and Aging Network nutrition, respite, employment, and volunteer services.

BUDGET ISSUES:

In the past, personnel devoted to administering the Aging Network were budgeted in Program Support and the department had issues with the costs of administering the network not aligning with budgeted amounts. To address this problem, the request would move 15 FTE and \$1 million from Program Support, Consumer and Elder Rights, and Adult Protective Services into the Aging Network. The LFC recommendation supports the move.

The department's request also moved the Navajo and Indian Area Agencies on Aging (AAA), along with \$3.5 million in general fund revenue, from the Aging Network to Program Support. Several years ago, the department moved the Indian AAA from the Office of Indian and Elder Affairs in Program Support to the Aging Network. This move was counter to Section 9-23-10 NMSA 1978 and federal funding mandates because AAAs and state units on aging are required to remain separate. Currently, the Indian AAA is not federally designated and is not able to receive federal revenue. The request would align the department's structure with state statute and federal funding mandates. The LFC recommendation supports the move.

Nutrition, Respite and Volunteer Services. The Aging Network provides supportive services to older adults, enabling them to remain independent and involved in their communities. In FY17, more than 300 Aging Network organizations served 145 thousand older adults throughout the state, including 3.9 million meals provided to 52 thousand people. Given the importance of ensuring seniors receive adequate nutrition, the LFC recommendation for the Aging Network increases funding for nutrition, respite, and volunteer services by \$366.8 thousand.

The department also requested a total of \$545 thousand to support its legal resources for the elderly initiative and for Pegasus Legal Services to provide legal services to establish kinship guardianships for children in the care of the elderly. The LFC recommendation supports this request.

Contract Oversight. Due to slow provider reimbursements, poor performance, and other issues, the department's acting secretary ordered assessments on two of the state's four AAAs. The assessment on the Non-Metro AAA noted problems with internal financial control, unapproved budget changes, and inaccurate monthly reporting of expenditures. Most strikingly, the assessment raised more questions than it answered and likely triggered a more in-depth review, unresolved at the time of this writing.

Many of the problems noted in the assessments are common nationally and may be related to the federal Older Americans Act requirement that federal funds be distributed by the state to designated area agencies on aging and then to direct service providers. The Non-Metro AAA serves communities in every county in New Mexico except Bernalillo County, provides services in three planning and service areas (PSA), and is operated by the North Central New Mexico Economic Development District. According to federal officials, this arrangement is unique nationally and no other AAAs in the United States serve more than one PSA.

A recent LFC progress report on a 2014 evaluation found that unit costs of services, such as congregate and home-delivered meals and transportation, and total per-consumer service costs, vary widely among different locations statewide. In FY17, the cost per consumer of services provided through the Non-Metro AAA varied from nearly \$1,900 in Harding County to as low as \$257 in San Juan County. The original evaluation recommended the department review its funding formula, but the department has not taken action to make any changes.

Protecting Vulnerable Adults. The department's request for the Adult Protective Services (APS) program would reduce funding for personnel costs by \$197 thousand, aligning personnel cost allocations with FY17 expenditures. The request would also reduce contracts for adult day care and home care services and increase spending on rent.

Given the high vacancy rates, over 20 percent, the LFC recommendation supports the department's request to reduce allocations for personnel costs. The committee does not support the requested decrease for contracts for adult day care and home care services because these services are provided to people after they have experienced abuse, neglect, or exploitation. In its cover letter, the department stated, "APS experienced growing need in FY17 and conducted 6,233 investigations and screened 13,929 reports of adult abuse, neglect, and exploitation." Protective services interventions, such as contracted home care, and adult day care were provided to approximately 1,182 adult victims in FY17. In the majority of cases, in-home services were to prevent continued abuse or neglect.

LFC also does not support the request to increase spending on leased space by \$151 thousand. The department's active leases average \$20.12 per square foot and average state government lease space rent is \$18.78 per square foot. While some of the department's lease space is relatively inexpensive, some is as high as \$29.11 per square foot. The department should evaluate these leases and either negotiate lower rents or move to new spaces with lower rent.

Access to Services. The department’s request for the Consumer and Elder Rights Program would increase general fund revenue by \$19.5 thousand, realized \$55.6 thousand in vacancy savings, and increased spending on contractual and other miscellaneous items by \$75.1 thousand. The request would also move 3 vacant FTE to the Aging Network in support of the department’s overall realignment. The committee recommendation supports moving 3 vacant FTE and recommends \$158.8 thousand in vacancy savings, bringing the allocation for personnel costs in line with the program’s expenditures in FY17.

Performance. In the past, many of the department’s performance measures were easily reachable and, instead of highlighting areas where improvement was needed, tended to showcase initiatives where the department was already performing well. With the new suite of FY19 measures, many of the same problems exist. However, some existing outcome measures are proposed for elimination in FY19 because of vague language that may not be useful in identifying concrete outcomes. Proposed measures for FY19 will report the costs of meals and transportation in urban and rural areas, allowing for a comparison of geographical costs, as well as report on volunteer service by seniors. As noted in LFC’s recent program evaluation progress report, the Aging and Long-Term Services Department is improving performance tracking and oversight of the Aging Network, but control of the system remains a challenge.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,809.8	1,660.2	1,679.7	1,520.9	-8.4
Other Transfers	853.2	1,000.0	1,010.0	1,010.0	1.0
Federal Revenues	1,494.1	1,533.0	2,005.2	2,005.2	30.8
SOURCES TOTAL	4,157.1	4,193.2	4,694.9	4,536.1	8.2
USES					
Personal Services and Employee Benefits	3,266.6	3,489.9	3,434.3	3,275.5	-6.1
Contractual Services	198.5	187.5	743.6	743.6	296.6
Other	524.1	515.8	517.0	517.0	0.2
TOTAL USES	3,989.2	4,193.2	4,694.9	4,536.1	8.2
FTE					
Permanent	41.5	41.5	39.5	39.5	-4.8
Term	9.0	9.0	8.0	8.0	-11.1
TOTAL FTE POSITIONS	50.5	50.5	47.5	47.5	-5.9

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Quality	Percent of calls to the aging and disability resource center answered by a live operator	72%	85%	85%	85%	85%
* Outcome	Percent of ombudsman complaints resolved within sixty days	99%	86%	98%	98%	99%
* Outcome	Percent of residents who remained in the community six months following a nursing home care transition	86%	86%	90%	90%	90%
Explanatory	Number of clients appointed as legal guardians of kinship children in their care					
Quality	Percent of nursing and assisted living facility residents who remained in the facility following a discharge or eviction complaint	NEW	NEW	NEW	85%	85%
Quality	Percent of people accessing consumer and elder rights programs who indicated the assistance provided improved their quality of life and made a positive difference in their decisions	NEW	NEW	NEW	96%	96%

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)

	FY19 - 2018-2019				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	28,529.2	28,402.6	25,606.9	25,973.7	-8.6
Federal Revenues	9,649.6	10,115.7	10,761.2	10,761.2	6.4
Other Revenues	87.9	80.0	80.0	80.0	0.0
Fund Balance	0.0	273.4	35.8	35.8	-86.9
SOURCES TOTAL	38,266.7	38,871.7	36,483.9	36,850.7	-5.2
USES					
Personal Services and Employee Benefits	99.5	78.3	1,138.5	1,138.5	1,354.0
Contractual Services	623.8	631.2	631.2	631.2	0.0
Other	37,007.3	38,162.2	34,714.2	35,081.0	-8.1
TOTAL USES	37,730.6	38,871.7	36,483.9	36,850.7	-5.2
FTE					
Permanent	1.0	1.0	13.0	13.0	1,200.0
Term	0.0	0.0	3.0	3.0	
TOTAL FTE POSITIONS	1.0	1.0	16.0	16.0	1,500.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of individuals exiting the federal older worker program who obtain unsubsidized employment	48%	50%	47%	47%	50%
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	94%	123%	90%	90%	90%
* Outcome	Number of hours of caregiver support provided	429,612	397,598	423,000	423,000	400,000
* Output	Number of hours of service provided by senior volunteers, statewide	NEW	NEW	NEW	1,700,000	1,700,000
Explanatory	Average cost per meal in Bernalillo and Santa Fe counties					
Explanatory	Average cost per meal in rural and tribal areas					
Explanatory	Average cost per unit of transportation in Bernalillo and Santa Fe counties					
Explanatory	Average cost per unit of transportation in rural and tribal areas					

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)					
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	10,525.3	10,931.8	10,634.7	10,760.1	-1.6
Other Transfers	2,318.5	2,493.4	2,498.6	2,498.6	0.2
SOURCES TOTAL	12,843.8	13,425.2	13,133.3	13,258.7	-1.2
USES					
Personal Services and Employee Benefits	7,933.4	8,290.2	8,093.1	8,093.1	-2.4
Contractual Services	3,342.9	3,783.8	3,507.4	3,783.8	0.0
Other	1,423.1	1,351.2	1,532.8	1,381.8	2.3
TOTAL USES	12,699.4	13,425.2	13,133.3	13,258.7	-1.2
FTE					
Permanent	132.0	132.0	132.0	132.0	0.0
TOTAL FTE POSITIONS	132.0	132.0	132.0	132.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <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	1,520	1,181	1,550	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	99%	99%	99%	99%	99%
Quality	Percent of contracted homecare and daycare service providers receiving no deficiencies during annual on-site audits by adult protective services	100%	100%	98%	98%	98%
Output	Number of adult protective services' investigations of abuse, neglect or exploitation	6,315	6,233	6,100	6,100	6,100

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)					
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,544.7	3,404.1	6,477.4	6,144.0	80.5
Federal Revenues	610.5	610.5	345.5	345.5	-43.4
SOURCES TOTAL	4,155.2	4,014.6	6,822.9	6,489.5	61.6
USES					
Personal Services and Employee Benefits	3,627.3	3,742.9	2,957.8	2,957.8	-21.0
Contractual Services	90.0	136.5	136.5	136.5	0.0
Other	241.8	135.2	3,728.6	3,395.2	2,411.2
TOTAL USES	3,959.1	4,014.6	6,822.9	6,489.5	61.6
FTE					
Permanent	51.0	51.0	41.0	41.0	-19.6
Term	3.0	3.0	1.0	1.0	-66.7
TOTAL FTE POSITIONS	54.0	54.0	42.0	42.0	-22.2

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,031,779.3	1,032,854.6	1,116,680.0	1,070,443.9	3.6
Other Transfers	212,741.9	215,288.9	207,441.9	197,300.9	-8.4
Federal Revenues	5,446,082.4	5,612,605.4	5,694,763.4	5,634,090.4	0.4
Other Revenues	61,106.5	62,162.8	66,651.6	66,651.6	7.2
Fund Balance	1,903.2	0.0	0.0	0.0	
SOURCES TOTAL	6,753,613.3	6,922,911.7	7,085,536.9	6,968,486.8	0.7
USES					
Personal Services and Employee Benefits	102,181.4	105,586.8	109,537.3	109,537.3	3.7
Contractual Services	169,497.1	173,290.0	181,374.3	181,374.3	4.7
Other	6,458,906.1	6,644,034.9	6,794,625.3	6,677,575.2	0.5
Other Financing Uses	1,116.9	0.0	0.0	0.0	
TOTAL USES	6,731,701.5	6,922,911.7	7,085,536.9	6,968,486.8	0.7
FTE					
Permanent	1,923.5	1,923.5	1,983.5	1,983.5	3.1
Term	33.0	33.0	33.0	33.0	0.0
Temporary	100.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	2,056.5	1,956.5	2,016.5	2,016.5	3.1

AT A GLANCE:

LFC recommends an additional \$35.3 million in general fund support for the state's Medicaid program in FY19, an increase of 3.9 percent over the FY18 operating budget. The recommendation includes most components of the Human Services Department's (HSD) request for the Medicaid program but assumes continued federal funding for the Children's Health Insurance Program (CHIP) and does not supplant \$31.2 million in federal funds for CHIP with general fund revenue as requested by HSD. The recommendation adds \$7.4 million for Medicaid enrollment, \$4.3 million less than requested, to align with current projections indicating slowing Medicaid enrollment growth.

Primarily due to slowing enrollment, HSD projected the Medicaid program will finish the current operating year within budget. Therefore, the recommendation does not include the \$15.8 million infusion of general fund revenue the department requested for FY18. Additionally, the LFC recommendation includes \$18 million in general fund revenue pursuant to current law providing that 50 percent of tobacco settlement revenue accrues to the tobacco settlement permanent fund and includes \$7.8 million in intergovernmental transfer funds from the University of New Mexico hospital to be generated from recoupments for medical education expenditures eligible for a higher federal matching rate. The recommendation incorporates the current FY19 federal Medicaid match rate of 72.26 percent, resulting in a general fund savings of approximately \$3 million.

LFC recommends the requested maintenance funding for Medicaid's ASPEN information technology system, as well as IT and data support to implement changes in the Medicaid program ensuing from the upcoming implementation of Centennial Care 2.0. Finally, the recommendation supports the requested funding to add additional positions and hire more personnel within the Income Support and Child Support Enforcement programs and includes an additional \$398 thousand for state-funded senior supplemental nutrition assistance to offset declining federal funds.

BUDGET ISSUES:

Medicaid and Medicaid Behavioral Health. The Human Services Department's (HSD) FY19 budget request was \$7.08 billion from all revenue sources, a \$162.6 million, or 2.3 percent, increase over the FY18 operating budget. The Medicaid program represented the majority of the increase and included general fund revenue of \$997.2 million, an increase of \$81.5 million, or 8.9 percent, compared with the FY18 operating budget. In its updated November 2017 Medicaid projection, HSD reported a drop in general fund need for FY19 from \$81.5 million to \$68.3 million. Approximately \$13 million in savings in FY19 is driven by HSD's compliance with federal and state requirements to re-determine eligibility at least every 12 months, as well as the renewal and recertification patterns of current Medicaid populations. HSD reported Medicaid enrollment likely peaked in March 2017, at 916,767, and dropped to 854,942 by October 2017. As a result, the \$22.6 million FY18 budget deficit HSD projected in August 2017 was eliminated and the department lowered its budget projection needs for FY19.

The department projected the Medicaid Program will finish FY18 within appropriated levels and is not requesting a carry-forward or supplemental appropriation. Also, the FY19 request and recommendation do not include general fund savings generated from additional cost-containment.

Funding and policy changes at the federal level appear likely but are difficult to predict. Proposals have included changing Medicaid from an entitlement program to a block grant or per capita cap program. These policies make federal expenditures more predictable but could eliminate guaranteed coverage for all eligible applicants, as well as eliminate 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 fluctuates based on changes in enrollment but would not account for changes in the costs per enrollee beyond the growth limit, such as increases in the cost of prescription drugs.

Cost Drivers. Given the uncertainty in federal funding, HSD requested \$31.2 million of state general fund revenue for CHIP to offset federal funds that have not yet been appropriated by Congress. Additional 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 \$16.6 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 and will decrease to 90 percent in federal FY20. For FY19, the additional state share needed to cover the decrease in the federal match from 94 percent to 93 percent for the adult expansion population accounts for \$14.7 million in additional general fund need.

Enrollment continues to be a cost driver, although the projected enrollment growth has slowed and may stabilize even further in the next year. Nevertheless, as of November 2018, the department requested \$11.7 million in general fund revenue for enrollment and projects a total of 887 thousand people will enroll in Medicaid, including 255 thousand in the expansion population and 386 thousand children.

Price, utilization, and health inflation also impact cost, and HSD included an additional \$11.6 million in general fund revenue in its request for these items. Following the close of FY17, the department reported a 4 percent increase in aggregate costs across all service categories from the previous 12 months but achieved a slight decrease in per-person medical and administrative costs for the same period.

Various revenue changes also contributed to cost pressures. HSD's request offset with general fund a decrease of \$3 million in tobacco settlement program funds and \$2.3 million less in county-supported Medicaid funds. Increased drug rebates countered some of the projected revenue decreases, as well as additional federal matching funds and revenue from Miner's Colfax Hospital.

Cost-Containment. The FY19 request did not include additional cost-containment initiatives. HSD reported to the Medicaid Advisory Committee in October 2017 that slower growth in enrollment and related issues have eliminated the need for additional FY18 cost-containment, and the department did not request further FY19 cost-containment. Cost-containment measures previously discussed included actuarial risk corridor adjustments, drug rebates, adjustments for hepatitis C, and managed-care organization (MCO) medical loss ratio savings.

The LFC recommendation substantially adopts the department's requested changes in revenues and costs, with a slightly lower projection of 0.5 percent instead of 0.8 percent for enrollment because of the expected stabilization in the administrative clearing of backlogged renewal and recertification applications. The LFC recommendation adds additional revenues, including approximately \$3 million from using the updated federal matching rate, an additional \$18 million in general fund revenue to offset the use of tobacco settlement permanent funds, and \$7.8 million in intergovernmental transfers identified by the University of New Mexico (UNM) Hospital as eligible for recoupment due to a more favorable match rate.

Centennial Care 2.0. The current Centennial Care waiver, the state's Medicaid plan as accepted by federal regulators, expires December 31, 2018. HSD submitted a waiver renewal, Centennial Care 2.0, for approval to the federal Centers for Medicare and Medicaid Services. The new waiver is effective January 1, 2019, and includes changes in the areas of care coordination, behavioral health integration, long-term services and supports, payment reform, member engagement and personal responsibility, and administrative simplification. Concerns have been raised about adding Medicaid premiums and co-pays, eliminating three-month retroactive eligibility, eliminating the transitional program, and limiting benefits including adult dental and vision.

Medicaid Home-Visiting Program. In FY18, the Medical Assistance Program was directed by the Legislature to pursue federal authority to establish a Medicaid-funded home-visiting program for families with newborns in collaboration with the Department of Health (DOH) and Children, Youth and Families Department that will align home-visiting programs, avoid service duplication, and leverage general fund appropriations. HSD began these initiatives and included support for the program in its Centennial Care 2.0 waiver renewal.

Medicaid MCO Contracts. Centennial Care managed-care organization (MCO) contractors currently providing physical, behavioral, and long-term healthcare services include Blue Cross Blue Shield, Presbyterian Health Plan, Molina Health Care, and UnitedHealthcare Community Plan. New Medicaid MCO proposals were due in November 2017. Selected MCOs will transition throughout 2018 and the new MCOs will begin full implementation of the Centennial Care 2.0 Medicaid program on January 1, 2019.

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 would receive a partial refund of a 2003 reduction in FY17; consequently, FY17 estimated revenue increased \$7 million to over \$50 million for the year. Total tobacco revenue is projected to be approximately \$36 million in FY19. The recommendation includes \$1.3 million from the tobacco settlement program fund for breast and cervical cancer treatment and \$7 million for the Medicaid program; however, the LFC recommends an additional \$18 million in general fund for the Medicaid program to offset the department's request to transfer additional tobacco funds from the tobacco settlement permanent fund to the program fund, making them available for appropriation to the Medicaid program.

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 FY19, HSD's request maintained \$9 million in general fund revenues for the pool to supplement the 1/12th increment in gross receipts tax contributed by counties.

Medicaid Behavioral Health. For FY19, HSD requested and the committee recommends \$8.1 million less general fund revenue compared with FY18 for the Medicaid Behavioral Health program. The request represented an approximate 7 percent decrease from the FY18 operating budget due to a decrease in the enrollment projections because fewer individuals have recertified for Medicaid.

Income Support Program. The recommendation for general fund revenue is \$43.9 million, almost 1 percent above the FY18 operating budget. 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. HSD reports the workload and pressures remain high within the Income Support Division (ISD), particularly with the efforts required to respond to investigations and the Debra Hatten-Gonzales lawsuit regarding noncompliance with state and federal requirements for administration of the Supplemental Nutrition Assistance Program (SNAP) and Medicaid benefits. Therefore, HSD requested and the LFC recommends funding to fill an additional 73 FTE to help address caseloads and meet the requirements set forth by the federal court in the Debra Hatten-Gonzales lawsuit. In FY18, HSD amended its cost allocation plan for ISD, which increased the overall rate for ISD eligibility determinations from 60 percent to 67 percent, increasing federal funds by \$8.6 million.

The plaintiffs in the Debra Hatten-Gonzales lawsuit remain concerned HSD is not processing SNAP applications and renewals timely. HSD responded it made substantial progress in processing delayed cases and improving timely processing of SNAP and Medicaid applications and cases. HSD reported it also made progress in upgrading and implementing eligibility status notices, promulgating updated regulations in compliance with the decree and the court's orders, training staff across the state, and securing new resources for ISD to improve operations. The judge may decide on the disposition of the case in 2018.

Supplemental Nutrition Assistance Program (SNAP). The recommendation supports the request for federal SNAP funds of \$677.3 million, \$26.7 million less than the FY18 operating budget. Nationally, SNAP caseload growth slowed 5.4 percent from 2013 to 2015; in New Mexico, monthly caseloads have varied. HSD projects a SNAP caseload of 217,607 for FY19. The SNAP caseload in July 2017 was 218,138, a 15.8 percent decrease from the previous year. The July 2017 SNAP caseload included 457,798 individuals, 260,956 adults and 196,842 children.

SNAP Senior Supplemental Program. The department's overall general fund request for the Income Support Program increased by \$398.5 thousand over FY18 to fund an increase in the state-funded SNAP Senior Supplemental Program for low-income elderly and disabled individuals. The recommendation supports the request to offset expected federal decreases in SNAP monthly allotments by about \$3 per month per household.

In November 2016, the department asked the federal government to continue to waive a requirement that able-bodied adults receiving food aid get a job or volunteer in the community to maintain eligibility for SNAP benefits because of the state's continuing high unemployment rate. 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 should circumstances support the policy decision.

General Assistance Program. The General Assistance (GA) Program provides cash assistance for dependent needy children and disabled adults with few resources who do not qualify for any other HSD assistance program. Many clients receiving GA qualify for federal Social Security Disability benefits but are waiting for a determination from the Social Security Administration. As of August 2017, the caseload for General Assistance was 3,008, a decrease of 10.6 percent from one year ago and a decrease of 44 cases from July 2017. The expenditure projection for General Assistance in FY19 is \$10.3 million, the same as FY18 and 11 percent over FY17 actual expenditures. The recommendation includes \$7.2 million in general fund revenue and \$3.1 million in federal funds.

Temporary Assistance for Needy Families (TANF). 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 four stated goals to (1) provide assistance to needy families so children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two parent 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 in December 2010 at 21,514 cases, or about 54,802 recipients, an increase of 57 percent over December 2007. However, since the beginning of 2011, the number of cases has dropped. Nationally, the average monthly number of TANF recipients declined 24 percent from 2013 to 2016; in New Mexico the decline was 19.8 percent. The New Mexico TANF caseload was 11,899 in August 2017, a decrease of 6 percent from August 2016, and included 31,332 individuals: 8,258 adults and 23,074 children.

HSD indicates implementation of a 15 percent reduction in benefits in FY11, stricter job search and other changes in eligibility criteria, the relative ease of obtaining Supplemental Nutritional Assistance Program (SNAP) benefits, and the increase in clients with Social Security Disability coverage have decreased TANF participation. In FY16, the department implemented a 7.5 percent increase in the cash benefit amount. For FY19, the department requested the second 7.5 percent increment, totaling \$5 million to be added to cash assistance benefits to restore the benefit to FY11 levels.

The FY19 request and recommendation for TANF cash assistance is \$48.6 million and includes restoration of the second 7.5 percent cash benefit increment increase. The recommendation maintains current FY18 operating levels of funding for the vocational training and wage subsidy programs. The recommendation supports the request to cut \$1 million from the Career Links program, which provides activities for skill improvement and 20 hours per week of subsidized employment. In FY19, the program will be soliciting requests for proposals to contract with a new vendor.

TANF Transfers. Transfers to the Children, Youth, and Families Department for childcare, Prekindergarten (PreK), home-visiting and supportive housing are flat with the previous year, as are transfers to the Public Education Department for PreK. The projected ending TANF balance for FY19 is \$22 million, excluding an estimated \$10 million in TANF contingency funds expected in FY18 and maybe continuing into FY19. 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. The Behavioral Health Services Division's (BHSD) FY19 budget request was \$59.6 million from all sources. The general fund request of \$37 million was flat compared with the FY18 operating budget. The LFC recommends the requested level of funding. HSD reports, particularly since Medicaid expansion, the number of individuals receiving behavioral health services increased in FY15 and FY16. However, HSD reports the number of individuals receiving behavioral health services declined in FY17, from 173,781 to 124,580, a decrease of 28 percent.

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. As part of the move to Centennial Care in January 2014, HSD required managed-care organizations to provide behavioral health services. Most of BHSD's funding for behavioral health services has been managed by OptumHealth as an administrative services organization (ASO). However, in FY18, BHSD indicated it would train staff and augment computer systems to begin taking over some of the ASO functions from OptumHealth. Concurrently, BHSD contracted with Falling Colors Inc. to perform ASO duties for almost the same amount as OptumHealth -- \$49 million compared with \$49.9 million. The program realized some cost savings as more clients relied on Medicaid for their behavioral health services instead of relying on 100 percent state-funded services through BHSD. However, BHSD requested an increase of \$196 thousand for ASO costs in FY19 offset by commensurate decreases in personnel costs.

Regional Crisis Centers. BHSD received \$500 thousand in FY17 to support the expansion of regional crisis centers. Although funding was provided for this important initiative almost two years ago, the Department of Health (DOH) has not finalized the rule-making necessary to fully implement the facilities. As a result, Bernalillo and Santa Fe counties have had to delay full implementation of their regional crisis centers pending promulgation of final rules by DOH.

Child Support Enforcement Division. The recommendation supports the Child Support Enforcement Division's (CSED) \$7.6 million general fund request for FY19, an increase of 7.7 percent over the FY18 operating budget. The majority of the increase is in personnel costs to decrease the programs vacancy rate from 18 percent to 14 percent. The FY19 request assumes an additional nine positions will be filled. 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; however, the program reports it does not expect to receive \$376 thousand in incentive funding for FY19. CSED reported record child support collections of \$140 million in FY15 and \$141 million in FY16 but elected to not set a collection target for FY18 and reported no data for the first quarter.

Program Support. The recommendation supports the request of \$53.3 million, including \$446 thousand in general fund revenue, a 2.9 percent increase over the FY18 operating budget. The additional funding supports the maintenance and operations contract for the department's ASPEN IT system used to determine eligibility and issue benefits.

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 2019 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 seven million sixty-three thousand nine hundred dollars (\$7,063,900) from the tobacco settlement program fund for medicaid programs.

Notwithstanding the provisions of Section 27-10-3 NMSA 1978, the internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include twenty-six million nine hundred thirty-six thousand dollars (\$26,936,000) from the county-supported medicaid fund.

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include an additional seven million eight hundred fifty-nine thousand dollars (\$7,859,000) from the university of new mexico hospital contingent on recoument of medical education matching funds.

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 forty-five thousand six hundred dollars (\$51,045,600) 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 nineteen million six hundred fifty-one thousand dollars (\$19,651,000) 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 2019 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 program support of the human services department include an additional four hundred forty-five thousand nine hundred dollars (\$445,900) for contract maintenance and operations of the ASPEN information technology system contingent on providing data analytic reports to the legislative finance committee in fiscal year 2019.

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)					
FY19 - 2018-2019					
	FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	821,145.3	814,305.4	904,843.3	858,607.2	5.4
Other Transfers	212,741.9	215,288.9	207,441.9	197,300.9	-8.4
Federal Revenues	4,072,925.9	4,170,757.9	4,300,294.4	4,239,621.4	1.7
Other Revenues	58,020.2	58,075.3	62,228.3	62,228.3	7.2
SOURCES TOTAL	5,164,833.3	5,258,427.5	5,474,807.9	5,357,757.8	1.9
USES					
Personal Services and Employee Benefits	11,980.0	12,320.7	12,320.7	12,320.7	0.0
Contractual Services	57,387.3	57,331.3	60,135.8	60,135.8	4.9
Other	5,084,216.6	5,188,775.5	5,402,351.4	5,285,301.3	1.9
TOTAL USES	5,153,583.9	5,258,427.5	5,474,807.9	5,357,757.8	1.9
FTE					
Permanent	173.5	173.5	172.5	172.5	-0.6
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	184.5	184.5	183.5	183.5	-0.5

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of children ages two to twenty years enrolled in medicaid managed care who had at least one dental visit during the measurement year	66%	68%	67%	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	49%	57%			
* Outcome	Average percent of children and youth ages twelve months to nineteen years in medicaid managed care who received one or more well-child visits with a primary care physician during the measurement year	71%	85%	92%	82%	90%
Outcome	Percent of recipients in medicaid managed care ages eighteen through seventy-five with diabetes who had a HbA1c test during the measurement year	84%	60%	86%	86%	86%
Outcome	Percent of hospital readmissions for children in medicaid managed care, ages two to seventeen, within thirty days of discharge	7%	7%	6%	7%	6%
* Outcome	Percent hospital readmissions for adults in medicaid managed care, eighteen and over, within thirty days of discharge	13%	10%	<10%	<12%	<10%
Outcome	Percent of member birth deliveries who received a prenatal care visit in the first trimester or within forty-two days of eligibility	71%	77%	85%	80%	85%
Explanatory	Expenditures for children and youth receiving services through medicaid school-based service programs, in millions	\$17	\$16.7			
Quality	Percent of members reporting satisfaction with centennial care services	81%	81%	83%	82%	85%
Outcome	Rate of short-term complication admissions for medicaid managed-care members with diabetes	NEW	211	350	500	300
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	54%	50%	48%	54%
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	0.25	0.25	0.25
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	1,200	1,200	1,200
Output	Percent of members receiving services from providers participating in value-based purchasing arrangements	NEW	NEW	10%	10%	10%
Outcome	Percent of medicaid managed-care members with a nursing facility level of care being served in the community	NEW	NEW	70%	70%	70%

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 health care.

BUDGET SUMMARY (dollars in thousands)					
FY19 - 2018-2019					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	107,487.9	115,578.0	107,476.0	107,476.0	-7.0
Federal Revenues	393,619.0	424,295.7	394,357.0	394,357.0	-7.1
SOURCES TOTAL	501,106.9	539,873.7	501,833.0	501,833.0	-7.0
USES					
Other	495,356.0	539,873.7	501,833.0	501,833.0	-7.0
TOTAL USES	495,356.0	539,873.7	501,833.0	501,833.0	-7.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	8%	9%	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	158,584	124,580	160,000	165,000	165,000
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age appropriate proficiency scores in math (eighth grade)	NEW	NEW	NEW	2.5%	2.5%
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age appropriate proficiency scores in reading (fifth grade)	NEW	NEW	NEW	5%	5%

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)					
FY19 - 2018-2019					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	42,968.3	43,526.9	43,925.4	43,925.4	0.9
Federal Revenues	901,040.6	940,344.7	920,422.0	920,422.0	-2.1
Other Revenues	800.6	695.5	695.5	695.5	0.0
Fund Balance	1,116.9	0.0	0.0	0.0	
SOURCES TOTAL	945,926.4	984,567.1	965,042.9	965,042.9	-2.0
USES					
Personal Services and Employee Benefits	50,818.6	53,901.0	57,647.6	57,647.6	7.0
Contractual Services	32,976.6	37,834.2	39,641.2	39,641.2	4.8
Other	856,438.7	892,831.9	867,754.1	867,754.1	-2.8
Other Financing Uses	1,116.9	0.0	0.0	0.0	
TOTAL USES	941,350.8	984,567.1	965,042.9	965,042.9	-2.0

BUDGET SUMMARY
(dollars in thousands)

		FY19 - 2018-2019				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
FTE	Permanent	1,060.0	1,060.0	1,133.0	1,133.0	6.9
	Term	15.0	15.0	15.0	15.0	0.0
	Temporary	100.0	0.0	0.0	0.0	
	TOTAL FTE POSITIONS	1,175.0	1,075.0	1,148.0	1,148.0	6.8

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	53%	52%	52%	52%	53%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	63%	55%	62%	62%	63%
* 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	93%	92%	92%	92%	93%
Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	99%	92%	98%	95%	98%
Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	54%	55%	52%	52%	55%
Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	98%	93%	97%	95%	98%
Explanatory	Percent of individuals who obtain employment within ninety days of successfully completing job skills or vocational training	NEW	NEW	50%		
Outcome	Rate of participants' retention in employment after ninety days	NEW	NEW	50%	N/A	50%

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)

		FY19 - 2018-2019				
		FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	37,183.6	37,039.7	37,039.7	37,039.7	0.0
	Federal Revenues	21,048.0	20,604.7	22,568.1	22,568.1	9.5
	SOURCES TOTAL	58,231.6	57,644.4	59,607.8	59,607.8	3.4
USES						
	Personal Services and Employee Benefits	2,650.5	3,129.9	2,878.0	2,878.0	-8.0
	Contractual Services	53,659.7	52,821.1	54,832.1	54,832.1	3.8
	Other	1,817.4	1,693.4	1,897.7	1,897.7	12.1
	TOTAL USES	58,127.6	57,644.4	59,607.8	59,607.8	3.4
FTE						
	Permanent	38.0	38.0	37.0	37.0	-2.6
	Term	7.0	7.0	7.0	7.0	0.0
	TOTAL FTE POSITIONS	45.0	45.0	44.0	44.0	-2.2

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Percent of youth on probation served by the behavioral health collaborative and medicaid programs	64%	61%	60%	60%	65%
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	38%	52%	72%	72%	73%
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	33%	43%	47%	50%	50%
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	52%	64%	67%	70%	70%
Explanatory	Number of health homes established statewide	2	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	18%	15%	40%	10.3%	40%
Explanatory	Number of suicides of youth served by the behavioral health collaborative and medicaid programs	0	TBD			
Quality	Percent of members reporting satisfaction with behavioral health services	85%	84%	85%	85%	85%
Outcome	Percent of adults diagnosed with major depression who remained on an antidepressant medication for at least one hundred eighty days	NEW	35%	26%	39.5%	40%
Explanatory	Number of persons served through telehealth in the rural and frontier counties	NEW	NEW			
Outcome	Percent of emergency department visits, for medicaid managed-care 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 days and thirty days of emergency department visit	NEW	NEW	40%	40%	40%
Outcome	Reduction in the incidence of disruptive behaviors, as measured by the spleem instrument, in classrooms participating in the pax good behavior games	NEW	NEW	NEW	100%	100%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	7,281.7	7,095.0	7,640.1	7,640.1	7.7
Federal Revenues	20,313.0	19,984.8	20,313.8	20,313.8	1.6
Other Revenues	2,285.7	3,392.0	3,016.4	3,016.4	-11.1
Fund Balance	786.3	0.0	0.0	0.0	
SOURCES TOTAL	30,666.7	30,471.8	30,970.3	30,970.3	1.6
USES					
Personal Services and Employee Benefits	18,856.3	18,943.4	19,399.2	19,399.2	2.4
Contractual Services	6,787.5	6,494.0	6,608.0	6,608.0	1.8
Other	4,791.0	5,034.4	4,963.1	4,963.1	-1.4

BUDGET SUMMARY
(dollars in thousands)

		<u>FY19 - 2018-2019</u>				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
FTE	TOTAL USES	30,434.8	30,471.8	30,970.3	30,970.3	1.6
	Permanent	383.0	383.0	378.0	378.0	-1.3
	TOTAL FTE POSITIONS	383.0	383.0	378.0	378.0	-1.3

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Amount of child support collected, in millions	\$140.8	\$139.6			
* Outcome	Percent of current support owed that is collected	57%	56%	62%	60%	62%
* Outcome	Percent of cases with support orders	84%	83%	85%	85%	85%
* Outcome	Percent of cases having support arrears due for which arrears are collected	62%	61%	67%	67%	67%
Output	Total dollars collected in child support obligations for each dollar expended by the child support enforcement program	NEW	NEW	\$3.25	\$3.25	\$4.58

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)

		<u>FY19 - 2018-2019</u>				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	15,712.5	15,309.6	15,755.5	15,755.5	2.9
	Federal Revenues	37,135.9	36,617.6	36,808.1	36,808.1	0.5
	Other Revenues	0.0	0.0	711.4	711.4	
	SOURCES TOTAL	52,848.4	51,927.2	53,275.0	53,275.0	2.6
USES						
	Personal Services and Employee Benefits	17,876.0	17,291.8	17,291.8	17,291.8	0.0
	Contractual Services	18,686.0	18,809.4	20,157.2	20,157.2	7.2
	Other	16,286.4	15,826.0	15,826.0	15,826.0	0.0
	TOTAL USES	52,848.4	51,927.2	53,275.0	53,275.0	2.6
FTE						
	Permanent	269.0	269.0	263.0	263.0	-2.2
	TOTAL FTE POSITIONS	269.0	269.0	263.0	263.0	-2.2

PERFORMANCE MEASURES

		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>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	95%	100%			
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%	N/A	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau	12%	11%	15%	15%	11%
Outcome	Rate of return on investments for medicaid program integrity recoveries	NEW	NEW	NEW	\$4.00	\$4.00

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)					
	<u>FY19 – 2018-2019</u>				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	8,976.6	8,832.6	8,832.6	8,832.6	0.0
Other Transfers	9,564.4	8,850.0	4,550.0	4,550.0	-48.6
Federal Revenues	45,180.5	47,071.6	45,905.0	45,905.0	-2.5
SOURCES TOTAL	63,721.5	64,754.2	59,287.6	59,287.6	-8.4
USES					
Personal Services and Employee Benefits	26,025.6	27,469.1	24,541.1	24,541.1	-10.7
Contractual Services	13,595.2	12,664.1	8,883.9	8,883.9	-29.8
Other	24,100.7	24,621.0	25,862.6	25,862.6	5.0
TOTAL USES	63,721.5	64,754.2	59,287.6	59,287.6	-8.4
FTE					
Permanent	422.0	400.0	400.0	398.0	-0.5
Term	136.0	109.0	108.0	108.0	-0.9
TOTAL FTE POSITIONS	558.0	509.0	508.0	506.0	-0.6

AT A GLANCE:

The Workforce Solutions Department (WSD) FY19 general fund request was slightly over \$8.8 million, flat with the FY18 operating budget. Federal revenues are projected to continue to decline \$1.2 million below the FY18 operating budget. Nationally, state agencies supporting unemployment benefits and workforce development funding are struggling with declining federal support. Finally, fund balances used to offset reduced revenues have declined, resulting in an overall \$5.5 million decrease to the agency FY19 request. The FY19 LFC general fund recommendation is flat with the FY18 operating budget but is an 8.4 percent decrease overall due to declining federal revenue and fund balance available.

In FY17, 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. In FY17, local workforce boards struggled to locate and serve more unemployed and underemployed. WSD may need to work with local school districts and other state agencies to locate and target services to at-risk youth.

BUDGET ISSUES:

In FY19, the agency projected a decrease in federal revenues of almost \$1.2 million, or 2.5 percent below the FY18 operating budget. The WSD budget request reduced total expenditures 8 percent, a significant reduction below FY17 actual expenditures. The requested \$8.8 million general fund primarily supported the Workforce Technology Program and the Labor Relations 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 general operations at WSD.

Prior to the Great Recession that began in December 2007, New Mexico maintained the second healthiest unemployment insurance trust fund in the nation. However as a result of the recession and payouts of unemployment benefits, many state UI funds, including New Mexico's, were in danger of becoming insolvent. Nationally, states went into debt by \$47 billion to pay unemployment benefits. In March 2008, prior to height of the recession, New Mexico's fund balance was \$557 million; during the third quarter of FY15, the New Mexico fund balance had dropped to \$64.3 million. However, by the end of FY17 the fund

increased to \$417.5 million. Total employer contributions during FY17 were \$265.9 million and benefit payouts were \$175.4 million. In addition, legislation passed during the 2016 legislative session created an additional employer history factor to calculate unemployment insurance taxes, resulting in average rate reductions in 2016 and 2017.

Personnel. In FY19, WSD requested a relatively flat number of FTE but reduced funding for personnel \$2.9 million below the FY18 operating budget and \$1.5 million below the FY17 expenditure level. The reduction in personnel funding was largely the result of declining fund balances. A majority of the reduced funding for personnel would occur in the Unemployment Insurance (UI), the Labor Relations, and Program Support programs. The LFC recommendation supports the agency request of \$24.5 million.

Fund Balance. The agency requested and the LFC recommends using \$3 million of fund balance revenues, or \$4.3 million below the previous fiscal year. The fund balance recommendation is captured in the other transfers category due to the agency's use of a special revenues program in the operating budget. 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 \$1.6 million after FY19 appropriations. This projection may increase if the agency receives increased penalty payments or does not fully expend appropriated balances. 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 FY20. LFC also recommends using \$500 thousand from the labor enforcement fund (LEF), \$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.

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 unemployment insurance 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)

			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	566.3	1,022.2	0.0	0.0	-100.0
Other Transfers	2,029.2	2,077.1	1,650.0	1,650.0	-20.6
Federal Revenues	6,550.1	6,622.9	6,973.9	6,973.9	5.3
SOURCES TOTAL	9,145.6	9,722.2	8,623.9	8,623.9	-11.3
USES					
Personal Services and Employee Benefits	7,419.8	7,981.0	7,013.4	7,013.4	-12.1
Contractual Services	351.2	354.8	347.1	347.1	-2.2
Other	1,374.6	1,386.4	1,263.4	1,263.4	-8.9
TOTAL USES	9,145.6	9,722.2	8,623.9	8,623.9	-11.3
FTE					
Permanent	141.7	131.7	133.0	131.7	0.0
Term	67.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	208.7	181.7	183.0	181.7	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	91%	89%	80%	70%	89%
Output	Percent of all first payments made within fourteen days after the waiting week	92%	91%	90%	80%	90%
Output	Percent accuracy rate of claimant separation determinations	93%	93%	85%	80%	90%
* 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	20	18	15	25	18
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification, in minutes	15	15	15	25	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)

	<u>FY17 2016-2017 Actuals</u>	<u>FY18 2017-2018 Budgeted</u>	<u>FY19 - 2018-2019 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	773.0	1,391.6	1,627.4	1,357.4	-2.5
Other Transfers	3,028.9	1,850.0	1,406.4	1,676.4	-9.4
Federal Revenues	169.8	745.4	300.0	300.0	-59.8
SOURCES TOTAL	3,971.7	3,987.0	3,333.8	3,333.8	-16.4
USES					
Personal Services and Employee Benefits	1,823.9	2,028.9	1,681.0	1,681.0	-17.1
Contractual Services	7.8	33.4	9.9	9.9	-70.4
Other	2,140.0	1,924.7	1,642.9	1,642.9	-14.6
TOTAL USES	3,971.7	3,987.0	3,333.8	3,333.8	-16.4
FTE					
Permanent	33.4	30.4	31.0	30.4	0.0
Term	2.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	35.4	31.4	32.0	31.4	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of wage claims investigated and resolved within ninety days	93%	93%	91%	85%	91%
Output	Number of targeted public works inspections completed	2,337	2,126	1,800	1,600	2,000
* Output	Average number of days to investigate and issue a determination on a charge of discrimination	203	192	180	200	190
Outcome	Number of apprentices registered and in training	1,281	1,392	1,320	1,320	1,350
* Output	Number of compliance reviews and quality assessments on registered apprenticeship programs	6	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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	6,420.2	4,661.0	6,763.6	6,833.6	46.6
Other Transfers	3,582.2	4,205.0	864.0	794.0	-81.1
Federal Revenues	6,017.5	5,688.7	4,813.0	4,813.0	-15.4
SOURCES TOTAL	16,019.9	14,554.7	12,440.6	12,440.6	-14.5
USES					
Personal Services and Employee Benefits	3,495.4	3,735.7	3,329.9	3,329.9	-10.9
Contractual Services	9,619.8	8,597.8	6,800.3	6,800.3	-20.9
Other	2,904.7	2,221.2	2,310.4	2,310.4	4.0
TOTAL USES	16,019.9	14,554.7	12,440.6	12,440.6	-14.5
FTE					
Permanent	40.0	39.0	39.0	39.0	0.0
Term	6.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	46.0	47.0	47.0	47.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of time the unemployment framework for automated claims and tax services is available during scheduled uptime	99%	99%	100%	99%	99%
* Outcome	Percent of time unemployment insurance benefits are paid within three business days of claimant certification	93%	94%	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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,107.5	1,546.3	181.7	181.7	-88.2
Other Transfers	18.1	94.9	0.0	0.0	-100.0
Federal Revenues	12,137.6	12,000.6	12,029.3	12,029.3	0.2
SOURCES TOTAL	13,263.2	13,641.8	12,211.0	12,211.0	-10.5
USES					
Personal Services and Employee Benefits	7,012.7	7,190.1	6,331.2	6,331.2	-11.9
Contractual Services	2,898.1	2,900.3	1,021.7	1,021.7	-64.8
Other	3,352.4	3,551.4	4,858.1	4,858.1	36.8
TOTAL USES	13,263.2	13,641.8	12,211.0	12,211.0	-10.5
FTE					
Permanent	114.1	109.1	109.0	109.0	0.0
Term	43.0	41.0	40.0	40.0	-2.4
TOTAL FTE POSITIONS	157.1	150.1	149.0	149.0	-0.7

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of recently separated veterans entering employment	53%	45%	55%	50%	50%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	46%	37%	45%	40%	42%
Output	Total number of individuals receiving Wagner-Peyser employment services	91,704	82,499	120,000	100,000	100,000
* Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	57%	55%	55%	55%	55%
Outcome	Percent of individuals who have received Wagner-Peyser employment services retaining employment services after six-months	80%	78%	75%	75%	78%
* Outcome	Average six-month earnings of individuals entering employment after receiving Wagner-Peyser employment services	\$13,748	\$13,624	\$13,500	\$13,500	\$13,600
Outcome	Percent of recently separated veterans retaining employment after six months	73%	72%	70%	70%	72%
Outcome	Average six-month earnings of people entering employment after receiving veterans' services	\$17,429	\$17,148	\$16,000	\$16,000	\$17,000

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	109.6	211.5	259.9	459.9	117.4
Other Transfers	906.0	623.0	629.6	429.6	-31.0
Federal Revenues	20,305.5	22,014.0	21,788.8	21,788.8	-1.0
SOURCES TOTAL	21,321.1	22,848.5	22,678.3	22,678.3	-0.7
USES					
Personal Services and Employee Benefits	6,273.8	6,533.4	6,185.6	6,185.6	-5.3
Contractual Services	718.3	777.8	704.9	704.9	-9.4
Other	14,329.0	15,537.3	15,787.8	15,787.8	1.6
TOTAL USES	21,321.1	22,848.5	22,678.3	22,678.3	-0.7
FTE					
Permanent	93.0	90.0	88.0	88.0	-2.2
Term	18.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	111.0	99.0	97.0	97.0	-2.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	71%	71%	72%	72%	72%
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	856	770	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	59%	57%	59%	59%	59%

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	2,805	3,013	2,700	2,700	2,900
* 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	73%	65%	70%	70%	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	90%	86%	89%	89%	89%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	12,710.0	12,164.5	10,985.0	12,272.2	0.9
SOURCES TOTAL	12,710.0	12,164.5	10,985.0	12,272.2	0.9
USES					
Personal Services and Employee Benefits	8,415.0	8,420.5	8,674.0	8,531.2	1.3
Contractual Services	311.0	427.1	492.1	472.1	10.5
Other	1,619.1	1,816.9	1,818.9	1,768.9	-2.6
Other Financing Uses	1,500.0	1,500.0	0.0	1,500.0	0.0
TOTAL USES	11,845.1	12,164.5	10,985.0	12,272.2	0.9
FTE					
Permanent	124.0	122.0	122.0	122.0	0.0
TOTAL FTE POSITIONS	124.0	122.0	122.0	122.0	0.0

AT A GLANCE:

In FY17, WCA met all targeted performance outcomes. Despite a 6.8 percent reversion in FY17, the agency requested additional personal services and employee benefits category funding in FY19. Importantly, the request did not include the transfer to the Workforce Solutions Department (WSD) for FY19 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. A 30 cent assessment supports the uninsured employers' fund, for a combined total assessment 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 at the end of FY19 to be nearly \$3.6 million. In 2016, WCA reported nearly 97 percent of formal worker's compensation claims were resolved without a trial and 96 percent of employers were determined to be in compliance with insurance requirements.

The agency's FY19 request included a \$253.5 thousand, or 3 percent, budget increase for personnel. As of September 2017, 12 FTE were vacant agency wide, a 9 percent vacancy rate. The agency reported a concerted effort to fill vacant FTE, including health and safety specialists and arbitrators. To ensure the Workers' Compensation Administration retains enough funding to meet targeted performance, the LFC recommendation increases funding for personnel by \$110.7 thousand, or 1.3 percent.

The agency request for the contractual services category included an increase of about \$65 thousand over the FY18 operating budget. A majority of the increase is for medical cost-containment services. The LFC recommendation increases the contractual services category \$45 thousand; however, the increase is mostly offset by miscellaneous reductions in the other category.

In FY17, the agency received \$12.7 million in revenues. WCA projected similar revenues for FY19 but only requested spending \$10.9 million. 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 FY19 are projected to be over \$2 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)**

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,780.0	11,274.0	10,092.1	11,379.3	0.9
SOURCES TOTAL	11,780.0	11,274.0	10,092.1	11,379.3	0.9
USES					
Personal Services and Employee Benefits	8,101.9	8,091.1	8,342.2	8,199.4	1.3
Contractual Services	307.9	327.1	392.1	372.1	13.8
Other	1,305.0	1,355.8	1,357.8	1,307.8	-3.5
Other Financing Uses	1,500.0	1,500.0	0.0	1,500.0	0.0
TOTAL USES	11,214.8	11,274.0	10,092.1	11,379.3	0.9
FTE					
Permanent	120.0	118.0	118.0	118.0	0.0
TOTAL FTE POSITIONS	120.0	118.0	118.0	118.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of formal claims resolved without trial	95%	97%	95%	95%	96%
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.6	0.5	≤0.6	≤0.6	≤0.6
* Outcome	Percent of employers determined to be in compliance with insurance requirements of the Workers' Compensation Act after initial investigations	97%	97%	95%	95%	96%
Outcome	Percent of employers in the risk reduction program that pass the follow up inspections	100%	89%	≥90%	≥90%	≥90%
Outcome	Percent of formal complaints and applications resolved within six months of filing	NEW	NEW	≥75%	≥75%	≥75%

UNINSURED EMPLOYERS' FUND

**BUDGET SUMMARY
(dollars in thousands)**

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	930.0	890.5	892.9	892.9	0.3
SOURCES TOTAL	930.0	890.5	892.9	892.9	0.3
USES					
Personal Services and Employee Benefits	313.1	329.4	331.8	331.8	0.7
Contractual Services	3.1	100.0	100.0	100.0	0.0
Other	314.1	461.1	461.1	461.1	0.0
TOTAL USES	630.3	890.5	892.9	892.9	0.3
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Percent of reimbursements collected of claims expense paid out on a fiscal year basis	NEW	NEW	≥33%	≥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)						
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	5,647.6	5,647.6	5,647.6	5,647.6	0.0	
Other Transfers	333.1	191.5	106.1	197.6	3.2	
Federal Revenues	35,539.7	43,702.9	44,402.2	44,402.2	1.6	
Fund Balance	710.0	550.0	0.0	0.0	-100.0	
SOURCES TOTAL	42,230.4	50,092.0	50,155.9	50,247.4	0.3	
USES						
Personal Services and Employee Benefits	17,172.2	19,007.7	20,273.7	20,273.7	6.7	
Contractual Services	3,738.5	4,938.4	7,817.7	7,817.7	58.3	
Other	20,761.7	25,945.9	21,809.5	21,901.0	-15.6	
Other Financing Uses	200.0	200.0	255.0	255.0	27.5	
TOTAL USES	41,872.4	50,092.0	50,155.9	50,247.4	0.3	
FTE						
Permanent	297.0	311.0	241.0	229.0	-26.4	
Term	0.0	0.0	80.0	80.0		
Temporary	0.0	0.0	2.0	2.0		
TOTAL FTE POSITIONS	297.0	311.0	323.0	311.0	0.0	

AT A GLANCE:

The LFC FY19 general fund recommendation is flat with the FY18 operating budget. Overall, the recommendation is an increase over the FY18 operating budget due to leveraged federal revenues. The LFC recommendation also included a continued transfer from the Commission for Deaf and Hard-of-Hearing Persons not included in the agency request. Overall, the Division of Vocational Rehabilitation provided rehabilitative services to 9,600 New Mexicans, who received a total of \$15.5 million in wages after services in 2016.

BUDGET ISSUES:

The Division of Vocational Rehabilitation is mostly funded through leveraged federal revenues and reports for every \$1 appropriated by the state \$3.08 is leveraged in federal revenues statewide.

For FY19, the agency requested \$50.2 million overall, representing an increase of \$64 thousand above the FY18 operating budget. While, the agency's general fund request was flat, the transfer of funds from the Commission for Deaf and Hard-of-Hearing Persons was not included. To continue maximizing federal revenues, the LFC recommendation continues the transfer of \$91.5 thousand from the Commission for Deaf and Hard-of-Hearing Persons.

The LFC recommendation includes \$50.3 million from all revenues, an increase of \$155.4 thousand over the FY18 operating budget. The general fund recommendation of \$5.6 million is flat with the FY18 operating budget. In the personal services and employee benefits category, DVR's FY17 actual expenditures totaled \$3.1 million less than what was appropriated. Similar to the previous year, the agency struggles to fill vacancies, with close to 33 funded but vacant FTE as of October 2017. The committee continues to support appropriations significantly above expenditure levels in the personal services employee benefits category with the hope additional staff, mostly federally funded, will be hired to increase the number of clients served.

Program Funding. The Rehabilitation Services Program is the largest in the agency and the LFC recommendation of \$28.3 million represents a relatively flat 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, qualifies 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 \$805.4 thousand in federal revenues. The agency also reduced the use of fund balance in FY19, resulting in a decrease to the 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. Currently, over 100 thousand New Mexicans are receiving disability benefits as a direct result of Disability Determination Program services. Statewide, monthly benefits are estimated to be close \$100 million. The LFC recommendation supports the requested \$14.7 million.

Vacancies continue to be a significant concern, because timely determinations directly affect benefits provided to New Mexicans. Funding for personnel remains excessive, \$3 million above FY17 expenditure levels, due in large part to its federal revenue source. It is unlikely the agency will be able to fill FTE to meet the requested appropriations. Nevertheless, the agency and the State Personnel Office should consider a targeted hiring process to fill vacant funded FTE in FY19.

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.

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)					Percent Incr (Decr)
	FY17	FY18	FY19 - 2018-2019			
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	5,278.7	4,998.6	4,998.6	4,998.6	0.0	
Other Transfers	333.1	191.5	100.0	191.5	0.0	
Federal Revenues	17,471.4	22,689.3	23,089.3	23,089.3	1.8	
Fund Balance	460.0	400.0	0.0	0.0	-100.0	
SOURCES TOTAL	23,543.2	28,279.4	28,187.9	28,279.4	0.0	
USES						
Personal Services and Employee Benefits	8,628.5	9,224.5	10,341.0	10,341.0	12.1	
Contractual Services	1,394.6	2,028.5	3,346.4	3,346.4	65.0	
Other	13,007.1	16,826.4	14,300.5	14,392.0	-14.5	
Other Financing Uses	200.0	200.0	200.0	200.0	0.0	
TOTAL USES	23,230.2	28,279.4	28,187.9	28,279.4	0.0	
FTE						
Permanent	154.0	154.0	131.0	119.0	-22.7	
Term	0.0	0.0	37.0	37.0		
Temporary	0.0	0.0	2.0	2.0		
TOTAL FTE POSITIONS	154.0	154.0	170.0	158.0	2.6	

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	827	863	837	900	875
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	21%	39%	50%	45%	45%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	99%	99%	99%	99%	99%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed and earning at least minimum wage	99%	98%	97%	97%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	368.9	649.0	649.0	649.0	0.0
Other Transfers	0.0	0.0	6.1	6.1	
Federal Revenues	1,001.0	756.1	805.4	805.4	6.5
Fund Balance	250.0	150.0	0.0	0.0	-100.0
SOURCES TOTAL	1,619.9	1,555.1	1,460.5	1,460.5	-6.1
USES					
Personal Services and Employee Benefits	0.0	70.4	74.8	74.8	6.3
Other	1,574.9	1,484.7	1,330.7	1,330.7	-10.4
Other Financing Uses	0.0	0.0	55.0	55.0	
TOTAL USES	1,574.9	1,555.1	1,460.5	1,460.5	-6.1
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Number of independent living plans developed	467	508	467	600	550
* Output	Number of individuals served for independent living	488	500	488	610	550

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)						
		FY19 - 2018-2019				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Federal Revenues	11,331.7	14,707.5	14,707.5	14,707.5	0.0
	SOURCES TOTAL	11,331.7	14,707.5	14,707.5	14,707.5	0.0
USES						
	Personal Services and Employee Benefits	5,318.3	6,290.1	6,631.2	6,631.2	5.4
	Contractual Services	1,821.6	2,102.7	3,602.7	3,602.7	71.3
	Other	4,191.8	6,314.7	4,473.6	4,473.6	-29.2
	TOTAL USES	11,331.7	14,707.5	14,707.5	14,707.5	0.0
FTE						
	Permanent	110.0	110.0	72.0	72.0	-34.5
	Term	0.0	0.0	38.0	38.0	
	TOTAL FTE POSITIONS	110.0	110.0	110.0	110.0	0.0

PERFORMANCE MEASURES						
		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim	111	112	100	100	100
Quality	Percent of initial disability determinations completed accurately	96.0%	96.5%	97.0%	97.0%	97.0%

ADMINISTRATIVE SERVICES

The purpose of the administration services program is to provide 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)						
		FY19 - 2018-2019				
		FY17	FY18	Agency	LFC	Percent
		2016-2017	2017-2018	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Federal Revenues	5,735.6	5,550.0	5,800.0	5,800.0	4.5
	SOURCES TOTAL	5,735.6	5,550.0	5,800.0	5,800.0	4.5
USES						
	Personal Services and Employee Benefits	3,225.4	3,422.7	3,226.7	3,226.7	-5.7
	Contractual Services	522.3	807.2	868.6	868.6	7.6
	Other	1,987.9	1,320.1	1,704.7	1,704.7	29.1
	TOTAL USES	5,735.6	5,550.0	5,800.0	5,800.0	4.5
FTE						
	Permanent	46.0	46.0	37.0	37.0	-19.6
	Term	0.0	0.0	5.0	5.0	
	TOTAL FTE POSITIONS	46.0	46.0	42.0	42.0	-8.7

PERFORMANCE MEASURES						
		FY16	FY17	FY18	FY19	FY19
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	3	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)					Percent Incr (Decr)
	FY17 2016-2017	FY18 2017-2018	FY19 – 2018-2019			
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	1,223.4	1,167.3	1,273.1	1,168.0	0.1	
Federal Revenues	493.8	444.5	443.8	493.8	11.1	
Fund Balance	100.0	100.0	100.0	123.5	23.5	
SOURCES TOTAL	1,817.2	1,711.8	1,816.9	1,785.3	4.3	
USES						
Personal Services and Employee Benefits	939.8	974.0	1,022.5	1,022.5	5.0	
Contractual Services	259.3	280.3	290.4	269.6	-3.8	
Other	548.5	457.5	504.0	493.2	7.8	
TOTAL USES	1,747.6	1,711.8	1,816.9	1,785.3	4.3	
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:

The commission's request for general fund revenue was a 9 percent increase over the FY18 operating budget. The commission requested \$50 thousand less federal revenue than was received in FY17 and would maintain the use of \$100 thousand in fund balances. The committee recommendation maintains general fund spending amounts, assumes federal revenue will not decrease, and increases the use of recurring fund balances by \$23.5 thousand.

With no vacancies, the commission's request fully funds currently filled positions and modestly increases contractual and other costs for the children's helmet safety program. The LFC recommendation supports the request for personnel costs but reduces contractual and other spending to more closely align with FY17 expenditures. Additionally, the commission requested \$5.6 thousand for property insurance. The agency does not have this expense, and LFC did not recommend it.

The commission conducts architectural plan reviews to improve accessibility for people with disabilities, provides employment related technology, and works to increase the availability and affordability of housing. Because of their mission, the commission should actively seek grants and other revenue sources to support operations. The commission had no audit findings in FY16, met all performance targets except one target related to brain injury education, and has all but one commission seat filled.

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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	1,018.1	973.0	1,061.3	973.0	0.0	
Federal Revenues	493.8	444.5	443.8	493.8	11.1	
Fund Balance	100.0	100.0	100.0	123.5	23.5	
SOURCES TOTAL	1,611.9	1,517.5	1,605.1	1,590.3	4.8	
USES						
Personal Services and Employee Benefits	870.8	904.6	953.4	953.4	5.4	
Contractual Services	190.4	214.0	209.4	199.4	-6.8	
Other	488.0	398.9	442.3	437.5	9.7	
TOTAL USES	1,549.2	1,517.5	1,605.1	1,590.3	4.8	
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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of requested architectural plan reviews and site inspections completed	99.0%	96.8%	95.0%	95.0%	99.0%
Output	Number of technology assistance program devices loaned statewide	460	770	200	500	500
Output	Number of technology assistance program outreach presentations, trainings and events	210	104	125	125	125
Outcome	Percent of constituent inquiries addressed	99.8%	99.3%	100.0%	99.0%	99.0%

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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	205.3	194.3	211.8	195.0	0.4	
SOURCES TOTAL	205.3	194.3	211.8	195.0	0.4	
USES						
Personal Services and Employee Benefits	69.0	69.4	69.1	69.1	-0.4	
Contractual Services	68.9	66.3	81.0	70.2	5.9	
Other	60.5	58.6	61.7	55.7	-4.9	
TOTAL USES	198.4	194.3	211.8	195.0	0.4	
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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>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%	95%	95%	95%
Output	Number of individuals who received technical assistance regarding brain injury	NEW	3,191	2,000	2,000	3,200

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	5,072.3	5,072.4	5,142.9	5,117.7	0.9
Other Transfers	503.5	625.0	625.0	625.0	0.0
Federal Revenues	468.2	483.9	497.0	497.0	2.7
Fund Balance	258.3	258.3	260.0	260.0	0.7
SOURCES TOTAL	6,302.3	6,439.6	6,524.9	6,499.7	0.9
USES					
Personal Services and Employee Benefits	1,083.4	1,113.1	1,176.3	1,160.9	4.3
Contractual Services	4,303.0	4,822.7	4,840.2	4,837.0	0.3
Other	478.7	503.8	508.4	501.8	-0.4
TOTAL USES	5,865.1	6,439.6	6,524.9	6,499.7	0.9
FTE					
Permanent	13.0	14.0	15.0	14.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	14.0	15.0	16.0	15.0	0.0

AT A GLANCE:

The council’s total base budget request is relatively flat with the FY18 operating budget. However, in response to questions from the Office of the State Auditor (OSA) and media reports about the council’s guardianship oversight responsibilities, the commission requested a \$70.5 thousand expansion to add a compliance officer for guardianship contract oversight funded with revenue from the general fund. The request also included 10 percent salary increases for the council’s leadership.

The LFC recommendation recognizes the need for additional FTE for contract oversight. The LFC recommendation funds the expansion request with general fund revenue and makes minor adjustments to audit and Department of Information Technology rates. LFC also recommends the Legislature consider restructuring the council and possibly removing guardianship oversight duties and placing these duties in an agency with greater levels of expertise and responsibility due to concerns discussed below.

BUDGET ISSUES:

In September, OSA issued an emergency risk advisory against the council in response to U.S. Marshall embezzlement charges leveled against Ayudando Guardians, a council contractor. OSA’s fact finding revealed widespread failure of the Office of Guardianship to oversee guardians due to having too few systems in place or too few resources to discharge contract oversight duties, not having formal, approved policies for contract guardians, and monitoring only two out of 21 guardianship contracts during FY17. OSA recommendations included taking immediate action with contractors to clear backlogged cases, providing emergency funding, and restructuring the office.

OSA suggested inadequate resources contributed to the shortcomings. However, inadequate resources are not budgetary. LFC over the years consistently recommended and the Legislature appropriated more for guardianship contracts than the agency spent. For several years, the Legislature included nonreverting language for the Office of Guardianship, leading to the accumulation of over \$3 million in fund balances. During the state’s solvency crisis, these fund balances were kept intact to ensure adequate budgetary resources for guardianships.

Many of the issues experienced by the council's clients are widespread and involve other organizations, which do not contract directly with the council. In August 2017, a company managing the trusts of many of Ayudando Guardian's and possibly the council's clients, Desert State Life Management, was placed under receivership by the state because about \$4 million in client trust accounts was missing. The Regulation and Licensing Department is working to recover as much of these funds as is possible, but it is likely most will never be recovered.

These issues are not limited to the state of New Mexico. A recent article in *The New Yorker* highlighted guardianship issues in Nevada and other states. The article stated, "In the United States, a million and a half adults are under the care of guardians, either family members or professionals, who control some \$273 billion in assets." Few states are managing guardianships for incapacitated adults and their assets well.

The New Mexico Supreme Court convened an Adult Guardianship Study Commission (AGSC) during the 2017 interim. Preliminary recommendations from the AGSC include considering legislation to establish and fund an adult protected person oversight board to regulate certified, bonded, professional guardians and conservators and to communicate concerns about professional guardians and conservators to the courts. The commission also recommended seeking funding for monitors and auditors to investigate information contained in annual reports and audits of guardians and conservators and to report to the court.

The Office of Guardianship is already charged with performing most of these duties but the office is not providing the leadership needed to meet guardianship challenges. The state should consider ways of improving the office, such as merging with another agency or making it a standalone commission with broader authority to oversee all guardianships and conservatorships in the state. In addition, with more than \$3 million in fund balances, the Legislature should consider a special appropriation to implement some of the AGSC's recommendations.

BASE EXPANSION LISTING
FY19 - 2018-2019

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Compliance Officer - 1 FTE	70.5	70.5
TOTAL		70.5	70.5

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for persons with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 Actuals	FY18 2017-2018 Budgeted	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	697.5	704.0	704.0	683.7	-2.9
Other Transfers	37.6	75.0	75.0	75.0	0.0
Federal Revenues	468.2	483.9	497.0	497.0	2.7
SOURCES TOTAL	1,203.3	1,262.9	1,276.0	1,255.7	-0.6
USES					
Personal Services and Employee Benefits	506.7	593.1	589.4	574.0	-3.2
Contractual Services	326.2	285.9	307.2	305.6	6.9
Other	382.0	383.9	379.4	376.1	-2.0
TOTAL USES	1,214.9	1,262.9	1,276.0	1,255.7	-0.6
FTE					
Permanent	7.0	8.0	7.0	7.0	-12.5
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	8.0	9.0	8.0	8.0	-11.1

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of individuals with developmental disabilities and their families trained on leadership, self-advocacy and disability-related issues	3,734	0	4,000	500	4,000
Output	Number of outreach and training activities conducted statewide focused on accessing community supports	NEW	NEW	100	120	120
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	1,000	500	500
Output	Number of training opportunities for individuals with developmental disabilities to become leaders and train and mentor others with developmental disabilities	NEW	NEW	100	50	50
Outcome	Percent of projects that promote meaningful employment opportunities and public awareness that people with developmental disabilities can work	NEW	NEW	100%	100%	100%
Output	Number of presentations, training and technical assistance provided statewide that promotes individualized and inclusive educational opportunities within the school system for students with developmental disabilities	NEW	NEW	100	50	50

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,374.8	4,368.4	4,438.9	4,434.0	1.5
Other Transfers	465.9	550.0	550.0	550.0	0.0
Fund Balance	258.3	258.3	260.0	260.0	0.7
SOURCES TOTAL	5,099.0	5,176.7	5,248.9	5,244.0	1.3
USES					
Personal Services and Employee Benefits	576.7	520.0	586.9	586.9	12.9
Contractual Services	3,976.8	4,536.8	4,533.0	4,531.4	-0.1
Other	96.7	119.9	129.0	125.7	4.8
TOTAL USES	4,650.2	5,176.7	5,248.9	5,244.0	1.3
FTE					
Permanent	6.0	6.0	8.0	7.0	16.7
TOTAL FTE POSITIONS	6.0	6.0	8.0	7.0	16.7

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of protected persons served by court-appointed guardians in the least restrictive environment as evidenced by annual technical compliance reviews	77%	65%	95%	70%	70%
Outcome	Percent of applications processed and petitioned to the court within one hundred and eighty days	NEW	NEW	100%	100%	100%
* Outcome	Percent of complaints and grievances processed within the state rule guidelines	NEW	NEW	100%	100%	100%
* Outcome	Number of guardianship compliance site visits conducted					20
* Explanatory	Number of guardianship investigations completed					

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 a 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 nonminers. 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)					
	<u>FY19 – 2018-2019</u>				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	6,000.0	6,000.0	6,000.0	6,300.0	5.0
Federal Revenues	491.7	474.6	491.7	491.7	3.6
Other Revenues	24,489.7	23,662.6	25,525.2	24,533.2	3.7
SOURCES TOTAL	30,981.4	30,137.2	32,016.9	31,324.9	3.9
USES					
Personal Services and Employee Benefits	16,252.8	17,669.9	17,765.2	17,984.9	1.8
Contractual Services	6,485.2	3,700.0	5,409.6	4,100.0	10.8
Other	8,157.4	8,767.3	8,842.1	9,240.0	5.4
TOTAL USES	30,895.4	30,137.2	32,016.9	31,324.9	3.9
FTE					
Permanent	207.5	207.5	207.5	207.5	0.0
Term	16.5	16.5	16.5	16.5	0.0
TOTAL FTE POSITIONS	224.0	224.0	224.0	224.0	0.0

AT A GLANCE:

The hospital continues growing and recently began work to add exam rooms in the hospital's rural clinic. With patient revenue expected to continue growing modestly, LFC recommends funding more nurses and reducing allocations for more expensive contracted nurses.

BUDGET ISSUES:

Because of growth, the hospital requested a \$1.9 million increase in patient revenue and requested federal revenue commensurate with FY17. The hospital would increase contractual spending 46 percent compared with the FY18 operating budget and increase spending on medical supplies by \$1.8 million.

Rural clinic growth should have a positive effect while physician vacancies and Medicaid population stabilization should have a moderating effect on patient revenues. The LFC recommendation assumes less growth than requested for patient revenues, projecting revenue stabilization in FY19. As has been done in the past, the LFC recommendation includes \$1 million in the other category to transfer to the Human Services Department to cover some of the hospital's share of the Medicaid match.

In FY17, the hospital relied heavily on expensive contract nurses, spending \$3.5 million. In the past, LFC cautioned against over-reliance on contract nurses because they are about one-third more expensive than nurses hired directly by the state and their performance may not be as good. The LFC recommendation would increase allocations for these nurses modestly. As an alternative, LFC recommends increasing spending to recruit and retain less expensive nurses employed by the state. Additionally, the hospital requested 100 percent more for medical supplies than was spent in FY17. LFC recommends \$642.1 thousand less than what was requested.

Miners Trust Fund. The Ferguson Act and the Enabling Act for New Mexico of 1898 and 1910, respectively, set aside 50 thousand acres of trust land, income from which would be used to establish a miners' hospital. Royalty revenue is deposited in a land grant permanent fund for the hospital and the principal in the fund was \$142 million at the end of FY17. Annually, a portion of the fund is deposited in the miners' trust income fund and the hospital is appropriated about \$6 million annually from the income fund. The hospital is limited to using the funds to maintain the hospital for miners. In addition, balances in the miners' trust income fund were about \$12.7 million at the end of FY17. The LFC recommendation appropriates \$6.3 million from the fund.

Rural Hospital Operations. Separately, some hospital services are much like many other rural and county hospitals and reach people from all over northern New Mexico. This portion of the hospital is also state-owned and receives patient revenue just like any other hospital. Over the past few years, the hospital's net revenue from these patients has improved. Due to this, LFC recommended the hospital transfer a portion of its proceeds to the Human Services Department to help meet the hospital's share of the state match for Medicaid. In FY16, the hospital made a \$1.3 million transfer to HSD but has not made any further transfers. For FY19, LFC is recommending the hospital transfer \$1 million from patient revenue to meet a portion of the hospital's share of the state match for Medicaid.

Performance. The hospital is under the direction of an interim chief executive officer (CEO) while the hospital completes its search for a permanent CEO. The interim CEO is experienced in hospital administration and should improve the hospital's financial management. Since FY14, the hospital's audits have been late, full of findings, and one contained a disclaimed opinion. The most recent FY16 audit contained 12 current-year findings, most of which were repeats from the FY15 audit. The findings were related to control over financial reporting, journal entries, cost report settlements, the patient revenue cycle, and capital expenditures.

In FY17, the hospital met about half of its performance targets and did well on infection control, patient falls, patient readmissions, and medication errors. These measures are important because the Centers for Medicare and Medicaid Services can withhold federal funds for reimbursements if the hospital does not perform well. The hospital did not meet performance targets on the number of outpatient visits, occupancy rates, and the number of days in accounts receivable.

Capital Outlay. In 2014, the hospital was awarded \$3.2 million in capital outlay funding to renovate the old hospital building for a new behavioral health facility. The interim CEO decided not to continue the project and will likely request deauthorizing the funds. The hospital also recently purchased a \$1 million ultrasound machine that became operational over the summer. Between FY15 and FY16, the hospital received \$3.1 million in capital outlay funding for several different renovation projects but has not spent the money yet.

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 one million forty thousand dollars (\$1,040,000) 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 three hundred thousand dollars (\$6,300,000) from the miners' trust fund.

HEALTHCARE

The purpose of the 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of budgeted revenue collected	100%	100%	100%	100%	100%
Outcome	Annual percent of healthcare-associated infections	1.4%	0.004%	<1.5%	<1.5%	<1.5%
Outcome	Average patient length of stay for the acute care facility	3	5	3	3	3
Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	2%	2%	<4%	<4%	<4%
Output	Number of outpatient visits	9,009	9337	12,000	12,000	12,000
Output	Number of visits to the outreach clinic	1,393	431	700	700	700
Output	Number of surgeries performed	1,355	1,126	925	925	925
Outcome	Percent of occupancy at nursing home based on licensed beds	74%	73%	80%	80%	80%
Efficiency	Gross number of days in accounts receivable	70	63	50	50	50
* Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	1%	1%	<3%	<3%	<2%
Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes	0%	24%	<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	0.05%	1.2%	<1%	<1%	<1%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated	86%	NO DATA	≥85%	≥85%	≥85%
Quality	Rate of medication errors per one thousand medications administered	0.04%	0.09%	≤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	65%	68%	50%	50%	70%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds	NO DATA	NO DATA	50%	50%	DELETE
Output	Percent occupancy in acute care facility based on number of licensed beds	30%	21%	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, Administration, Medical Cannabis, and Health Certification, Licensing and Oversight.

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, 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)

			<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	288,358.8	283,269.5	288,161.9	287,296.2	1.4
Other Transfers	32,454.3	32,841.3	35,971.7	32,414.4	-1.3
Federal Revenues	95,885.0	106,796.1	106,486.9	101,578.2	-4.9
Other Revenues	115,241.0	111,461.6	109,493.0	110,571.5	-0.8
Fund Balance	4,692.5	0.0	0.0	0.0	
SOURCES TOTAL	536,631.6	534,368.5	540,113.5	531,860.3	-0.5
USES					
Personal Services and Employee Benefits	201,246.9	200,759.8	203,033.0	204,821.2	2.0
Contractual Services	71,528.0	79,941.6	81,256.5	77,096.9	-3.6
Other	135,337.2	143,326.5	144,083.4	137,585.6	-4.0
Other Financing Uses	113,396.2	110,340.6	111,740.6	112,356.6	1.8
TOTAL USES	521,508.3	534,368.5	540,113.5	531,860.3	-0.5
FTE					
Permanent	2,791.0	2,528.5	2,507.5	2,500.5	-1.1
Term	985.5	992.0	1,011.0	1,010.0	1.8
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	3,791.5	3,535.5	3,533.5	3,525.5	-0.3

AT A GLANCE:

The department's FY19 funding request prioritizes the Vital Records and Health Statistics Bureau, dental services for people with developmental disabilities, compliance with the Jackson class action lawsuit concerning care for people with developmental disabilities, health facility regulation, and information technology.

The LFC recommendation seeks to shore-up areas within the department left short because of recent years' solvency actions by increasing funding to fill vacancies in the Facilities Management Program, maximizing the use of all funding sources, and to backfill average cost increases for certain Medicaid services for people with developmental disabilities. The LFC recommendation also funds improved access to long-acting reversible contraceptives, Vital Records and Health Statistics staff, dental services for people with developmental disabilities, a new Jackson class action lawsuit internal quality review unit, and health facility oversight.

BUDGET ISSUES:

In the first quarter of FY18, the department began officially reporting performance on a quarterly basis to LFC through a new online system. The publicly accessible online system allows users to explore data showing what the department is doing programmatically to affect certain health indicators, such as drug overdose deaths and teen pregnancy. Health indicators reported on the website are a reflection of the department's strategic priorities and reported performance measures reflect the department's work toward reaching its goals. However, the department's reported measures for FY19 within the performance based budgeting system do not include historical data for many of the measures.

Public Health. The Public Health Program consistently budgets more federal revenue than realized, primarily from the Women Infants and Children initiative. The LFC recommendation for federal revenue in the program is closer to FY17 revenues and accordingly is \$3 million lower than the expenditure request. Likewise, the department requested \$3 million more federal revenue than will likely be realized in Supplemental Nutrition Assistance – Education Program, and the LFC recommendation reduces this revenue and spending accordingly. The program also assumed an increase in patient revenue and drug rebates, which the LFC recommendation supports.

A 2015 LFC evaluation on teen pregnancy noted “long-acting reversible contraception (LARC) devices are the most effective form of reversible birth control for young adults.” To be effective, contraception must be used correctly and reliably. LARCs, either implanted or injected, are highly effective because they do not rely on the user to remember to use them correctly and consistently. Colorado was able to cut its teen birth rate nearly in half through an initiative to train, provide operational support, and provide low- or no-cost LARCs to women. In New Mexico, Medicaid pays for LARC insertion but there have been problems related to provider training, the high initial provider cost of stocking LARCs, and same day access. The LFC recommendation includes \$250 thousand and language to improve access to LARCs for teens.

For personnel costs in FY17, the program expended \$46.7 million and the program's request for FY19 was \$51.6 million. The LFC FY19 recommendation brings appropriations for personnel costs more in line with FY17 expenditures.

Also, over the past several years, general fund Public Health Program appropriations were reduced to account for increased patient revenue, primarily from implementation of the Affordable Care Act (ACA), and subsequent increases in patient revenue. For the same reasons, the state eliminated \$4.2 million in general fund allocations for the state's rural and primary health clinics. However, federal health policy remains unsettled and continued federal support for these clinics is uncertain. The state may have to consider reversing some of these changes in the future.

Tobacco. LFC, in conjunction with the Attorney General's Office, projects total tobacco lawsuit settlement revenue will total \$36 million in FY19. Half of this revenue by statute is automatically transferred to the tobacco settlement permanent fund and the other half is transferred to the tobacco settlement program fund for distribution to beneficiaries, including the Department of Health, Indian Affairs Department, Human Services Department, and the University of New Mexico-Health Sciences Center. The LFC recommendation maintains tobacco settlement revenue for the Department of Health at levels commensurate with the FY18 operating budget and funds initiatives to promote breast and cervical cancer screenings, tobacco cessation and prevention, diabetes prevention and control, and harm reduction to prevent hepatitis C and HIV and AIDS.

Epidemiology and Response. The department's request for the Epidemiology and Response Program would increase general fund revenue by \$700 thousand, federal revenue by \$2.2 million, and other revenue by \$204.6 thousand. In FY17, through two budget adjustment requests, the program increased federal revenue by nearly \$5 million and the majority of the assumed FY19 federal fund increase is from federal emerging infections program grants. The FY19 request would increase federal funding from these grants by another \$2.2 million. The LFC recommendation does not assume as large an increase in federal revenues, because it is likely these revenues will level out, and makes adjustments for personnel costs and contractual services accordingly. In FY19, the program has the authority to request budget increases if more federal revenue becomes available than budgeted.

The requested general fund revenue increase would allocate \$450 thousand to fill about 10 FTE in FY19 in the Vital Records and Health Statistics Bureau. In FY18, the program received \$500 thousand for the same purpose. Since implementation of the federally compliant REAL ID Act, birth certificate requests have more than doubled and requests to amend birth certificates have increased significantly. This placed considerable strain on the system, leading to long lines in vital records offices. The LFC recommendation for the program would increase funding to fill some of the vacancies.

Additionally, the Vital Records Bureau is growing too large for the space it occupies and the department began working with the General Services Department to find a new location. The two departments will likely construct a new building to house the bureau. Meanwhile, the department requested \$250 thousand in recurring general fund revenue to temporarily relocate the bureau while the new building is constructed. LFC supports the department's plan to temporarily relocate but does not recommend funding relocation expenses with recurring general fund revenue. Instead, LFC recommends a special appropriation from the Legislature to cover relocation costs.

State Lab. The department's request for the Laboratory Services Program would leave general fund revenue levels unchanged and increase federal revenue to levels commensurate with amounts received in FY17. From federal revenues, the request also increases spending on personnel costs and other costs by modest amounts. The committee recommendation supports the department's request for the Laboratory Services Program. The department also submitted an FY18 supplemental appropriation request to clear a backlog of DWI toxicology testing.

Veterans' Facilities. On July 1, 2017, as required by Laws 2017, Chapter 84, (Senate Bill 204) operations and oversight of the New Mexico Veteran's Home (NMVH) transferred from the Department of Health to the Department of Veterans' Services (DVS). The goals of transferring oversight were to streamline the missions of DVS and NMVH, improve veteran outreach, improve performance, increase governance oversight, and reduce bureaucracy.

To ensure an orderly transition, the two departments are slowly transferring functions, such as IT infrastructure, financial oversight, and the electronic health record. In July, all personnel were transferred within the State Personnel Office System and DOH's FY18 operating budget reflects the transfer of funding to DVS.

The Health Department continues to operate one unit for veterans in the Fort Bayard Medical Center and plans to open another veterans' unit in the hospital when renovations are made to the unit formerly known as Yucca Lodge Drug and Alcohol Rehabilitation Center, which recently closed. However, to prepare the space to accept veterans, the hospital will require additional capital outlay and the unit will remain vacant in the meantime.

Health Facilities. The department's general fund revenue request for the Facilities Management Program was flat with the FY18 operating budget. The request decreased patient revenue, eliminated all federal veterans' affairs revenue, and maintained revenue from the land grant permanent fund and land maintenance fund at the FY18 level.

The committee recommendation assumes the department will maintain current billing practices and patient revenue, particularly from Medicaid, will not decrease. The department continues to maintain the veterans' unit at Fort Bayard hospital and the LFC recommendation assumes revenue to the veterans' unit will not change. Also, LFC projections indicate revenue for the state hospital from the land grant permanent fund and land maintenance fund will exceed requested amounts by \$1.1 million.

The program requested a decrease to allocations for personnel costs of \$1.4 million and an increase in the other cost category for care and support of \$1.4 million. The request in the other cost category did not recognize the transfer of funding for NMVH to the Department of Veterans' Services and the LFC recommendation leaves allocations for care and support unchanged from the FY18 operating budget.

Additionally, the LFC recommendation is sufficient to fill about 25 percent of the program's current vacancies, allowing the department to reduce its reliance on contracted nurses. The department experienced shortfalls in the past due to a heavy reliance on nurses contracted through agencies. These nurses are more expensive than nurses working directly for the department.

Services for People with Developmental Disabilities. The department's request for the Developmental Disabilities Support Program (DDSP) would increase general fund revenue by \$1.4 million for the Medicaid match to support medically fragile patients. The department stated the Human Services Department (HSD) reduced its general fund revenue request by \$1.4 million to transfer operational funding to DOH. The operational funding transfer would reverse an earlier FY16 move when the two departments sought to transfer the operational funding to HSD to manage medically fragile patients within HSD. At the time, DOH stated medically fragile patients were not within DDSP's mission. Now, the two departments would like to reverse the FY16 move and believe medically fragile patients to be within DDSP's mission. The LFC recommendation includes a \$1.4 million increase in general fund revenue for the transfer of operational funding to DOH.

The program's request would also transfer the dental clinic for people with developmental disabilities from the Los Lunas Community Program in the Facilities Management Division to DDSP. Currently, patients from all over the state travel to Los Lunas for these highly specialized dental services, and the department would like to distribute these services more equitably statewide.

With less than one funded vacancy in FY18, the committee recommendation adds \$150 thousand of general fund revenue to fill about two vacancies in FY19.

For roughly 400 Native Americans on the Developmental Disabilities (DD) Medicaid Waiver, the state is eligible to receive a 100 percent federal medical assistance percentage (FMAP) reimbursement, as it already does with other Native American populations from the federal Indian Health Service (IHS). IHS places strict controls on this type of funding, and the state has not been entirely successful at taking advantage of the 100 percent FMAP. However, if the state were successful at leveraging this funding for DD waiver recipients, the Health Department could realize as much as \$8 million of general fund savings. Alaska and other states leverage IHS funding this way, and this could reduce general fund need for the program.

LFC recommends the department in FY19 begin working to leverage the 100 percent FMAP for Native Americans with developmental disabilities and assumes \$720.4 thousand in savings for this purpose. Additionally, the overall FMAP for the state improved this year and the LFC recommendation assumes \$1.1 million in savings from the additional federal funding.

Developmental Disabilities and Mi Via Waiver Cost Increases. The average costs of services provided under the developmental disabilities waiver increased 21 percent and Mi Via waiver average costs have increased 67 percent since FY14. The increase likely contributed to a shortfall the department is projecting in FY18 for Medicaid waiver general fund matching revenue. The Department of Health requested, \$1.5 million supplemental appropriation for FY18 to make up the difference.

Recent litigation required the department to end the use of the supports intensity scale (SIS) and switch to a new “outside review” process and the new process may be driving costs. The department began using the SIS and successfully managed average per client costs for several years after LFC, in a June 2010 evaluation, found the department lacked a reliable way to determine appropriate services for people receiving services under the DD Waiver. Early evidence from the change to the new outside review suggests it is driving average costs up. Between 2016 and 2017, the average cost per client on the DD waiver jumped 7 percent, from \$73.1 thousand to \$78.4 thousand.

The waiting list to receive services on the Medicaid waiver for people with developmental disabilities is more than 10 years and growing. The number of DD waiver slots would likely decrease with the department’s request and the wait list could grow longer. Given this, the committee recommends \$2.4 million to offset the increased cost of maintaining DD waiver slots.

Developmental Disabilities Litigation. The department expects a decision in the next six months on its recent request to end federal oversight of services for people with disabilities. The federal district court in New Mexico rejected the state’s request to end the federal court supervision required under the 30-year old Jackson class action lawsuit, but the state appealed a year ago. The state argued before the 10th Circuit Court of Appeals in Denver in September it will never be able to meet all the hundreds of conditions in the suit and is no longer in violation of the U.S. Constitution or the federal Americans with Disabilities Act. Even if the federal court ends the suit, the state might continue to have civil obligations to the disabled people under agreements related to the suit.

From FY16 through FY18, the department received special appropriations totaling more than \$8 million to cover the costs of the Jackson class action lawsuit and Waldrop lawsuit settlement over the state’s use of SIS. For FY18, the department requested an additional \$538.7 thousand supplemental appropriation to ramp up a new individual quality review (IQR) unit within the Health Certification, Licensing, and Oversight (HCLC) Program. The plan is for the former independent community practice review, conducted by an outside contractor with DDSP funding, to phase out operations while the new IQR ramps up. The new IQR unit should help the department reduce some of its costs and speed its work on meeting some of the 200 disengagement criteria required to end the lawsuits.

Healthcare Quality and Regulation. The LFC recommendation supports the department’s request to fund the Jackson review unit in FY19 within HCLC and includes \$538.7 thousand in general fund revenue for this purpose.

For HCLC, the department also requested \$357.9 thousand to ensure the department does not get off track in conducting regulatory surveys of medical facilities, assisted living facilities, and community-based waiver providers. The surveys ensure the health and safety of individuals in these facilities and the funding will help the department conduct surveys and complaint investigations more timely. The committee recommendation supports the request.

The request included \$381.7 thousand of new general fund revenue to replace two of the program’s information technology systems. The department also requested these same items in two special appropriations and through the information technology request process. The LFC recommendation does not support using recurring general fund revenue to replace the two systems but funds both systems in its information technology recommendation.

Medical Cannabis and Administration. The self-funded Medical Cannabis Program continues to grow significantly, and between October 2016 and October 2017, the number of active patients increased by over 11 thousand, or 34.2 percent, to 44.1 thousand patients. Likewise, the total number of cannabis plants in production increased during the same period by 2,300, or about 20 percent. The program's primary source of revenue is a per plant licensing fee. Through rule, the department limits the number of plants each producer is allowed to possess and these limits may be causing producers to grow fewer plants but have larger yields. Unspent program revenue reverts to the general fund. There may be better ways to assess these fees. The program's request assumes that in FY19 most cannabis producers will reach the limit of plants currently allowed. The committee recommendation supports the program's request.

Program Support requested a \$750 thousand general fund revenue increase and assumed federal revenue will decrease \$327.7 thousand. The request would replace reduced federal revenue with general fund revenue and fund roughly six additional information technology personnel. LFC does not support replacing federal revenue with general fund revenue. The LFC recommendation increases the personal services and employee benefits category by \$250 thousand, partially supporting the department's request to fill vacant information technology positions.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public health program of the department of health includes two hundred fifty thousand dollars (\$250,000) to purchase long-acting reversible contraceptive devices to improve same day access and for long-acting reversible contraceptive provider training.

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million four hundred thirty-five thousand two hundred dollars (\$5,435,200) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred fifteen thousand five hundred dollars (\$715,500) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-eight thousand six hundred dollars (\$128,600) from the tobacco settlement program fund for breast and cervical cancer screening.

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)						
			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)	
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	49,641.0	49,846.5	49,846.5	49,246.5	-1.2	
Other Transfers	14,410.2	16,839.5	17,636.6	14,636.6	-13.1	
Federal Revenues	57,923.8	72,078.1	69,121.6	65,421.6	-9.2	
Other Revenues	38,344.6	42,567.0	41,204.0	41,204.0	-3.2	
Fund Balance	3,071.7	0.0	0.0	0.0		
SOURCES TOTAL	163,391.3	181,331.1	177,808.7	170,508.7	-6.0	
USES						
Personal Services and Employee Benefits	46,735.0	51,835.6	51,636.5	50,985.6	-1.6	
Contractual Services	39,455.7	45,590.7	45,306.9	42,306.9	-7.2	
Other	74,872.1	83,442.5	80,403.0	76,753.9	-8.0	
Other Financing Uses	462.3	462.3	462.3	462.3	0.0	
TOTAL USES	161,525.1	181,331.1	177,808.7	170,508.7	-6.0	
FTE						
Permanent	301.5	289.5	277.5	277.5	-4.1	
Term	561.5	533.0	542.0	542.0	1.7	
TOTAL FTE POSITIONS	863.0	822.5	819.5	819.5	-0.4	

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory Quality	Percent of adolescents who smoke Percent of girls ages fifteen to nineteen visiting public health office family planning, provided most or moderately effective contraceptives	11% 56%	61.2%	58%	≥ 54.1%	≥ 62%
* Explanatory	Percent of third-grade children considered obese	19%	19.4%			
Explanatory	Percent of adults considered obese	28%				
Explanatory	Percent of adults who smoke	17%	16.6%			
* Explanatory	Numbers of births to teens ages fifteen to nineteen per one thousand females ages fifteen to nineteen	29				
Outcome	Percent of participants in the national diabetes prevention program referred by a healthcare provider through the agency-sponsored referral system	NEW	NEW	≥ 25%	≥ 50%	≥ 50%
* Outcome	Number of successful overdose reversals per client enrolled in the New Mexico department of health harm reduction program	NEW	NEW	New	≥ 0.25	≥ 0.25
Explanatory	Diabetes hospitalization rate per one thousand persons with diagnosed diabetes	NEW	NEW			
Output	Percent of children in healthy kids, healthy communities with increased opportunities for healthy eating in public elementary schools	NEW	NEW	≥ 65%	≥ 65%	≥ 65%
Output	Percent of New Mexico adult cigarette smokers who access New Mexico department of health cessation services	NEW	NEW	≥ 2.5%	≥ 2.5%	≥ 2.5%
Quality	Percent of state-funded school-based health centers that demonstrate improvement in their primary care or behavioral healthcare focus area.	NEW	NEW	New	≥ 95%	≥ 95%
Outcome	Percent of older adults vaccinated against pneumococcal disease	NEW	NEW	New	≥ 75%	≥ 75%
* Outcome	Percent of preschoolers nineteen to thirty-five months indicated as being fully immunized	NEW	NEW	New	≥ 65%	≥ 65%
Output	Number of teens who successfully complete teen outreach prevention programming	NEW	NEW	≥ 448	≥ 250	≥ 350

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)

	<u>FY19 - 2018-2019</u>				
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	12,784.7	12,002.7	12,702.7	12,202.7	1.7
Other Transfers	854.3	766.2	596.2	596.2	-22.2
Federal Revenues	14,798.6	15,012.1	17,191.6	15,782.9	5.1
Other Revenues	824.3	407.7	612.3	612.3	50.2
Fund Balance	719.7	0.0	0.0	0.0	
SOURCES TOTAL	29,981.6	28,188.7	31,102.8	29,194.1	3.6
USES					
Personal Services and Employee Benefits	12,861.1	13,701.2	14,550.0	13,901.2	1.5
Contractual Services	8,860.5	8,228.7	9,870.4	8,860.5	7.7
Other	7,169.3	6,258.8	6,682.4	6,432.4	2.8
Other Financing Uses	800.0	0.0	0.0	0.0	
TOTAL USES	29,690.9	28,188.7	31,102.8	29,194.1	3.6
FTE					
Permanent	57.0	56.0	57.0	57.0	1.8
Term	128.0	132.0	134.0	134.0	1.5
TOTAL FTE POSITIONS	185.0	188.0	191.0	191.0	1.6

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
* Outcome	Percent of vital records customers satisfied with the service they received	95%		95%	≥ 95%	≥ 95%
Output	Percent of the New Mexico population served during mass distribution of antibiotics and or vaccinations through public-private partnerships in the event of a public health emergency	NEW	12.2%	15%	≥ 18%	≥ 18%
Quality	Percent of New Mexico hospitals certified for stroke care	NEW	14%	16%	≥ 20%	≥ 20%
* Explanatory	Drug overdose death rate per one hundred thousand population	NEW	24.8			
Explanatory	Alcohol-related death rate per one hundred thousand population	NEW	66.0			
Explanatory	Fall-related death rate per one hundred thousand adults age sixty-five years or older	NEW	91.6			
Explanatory	Cardiovascular disease death rate per one hundred thousand population	NEW	195.8			
Explanatory	Sexual assault rate per one hundred thousand population	NEW	921			
Outcome	Percent of county and tribal health councils that include in their plans evidence-based strategies to reduce alcohol-related harms	NEW	NEW	6%	≥ 12%	≥ 12%
* Outcome	Percent of retail pharmacies that dispense naloxone	NEW	34%	55%	≥ 67%	≥ 67%
* Outcome	Percent of opioid patients also prescribed benzodiazepines	NEW	NEW	NEW	≤ 10%	≤ 10%

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)						
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	7,075.0	7,599.6	7,599.6	7,599.6	0.0	
Other Transfers	1,120.6	1,251.1	1,248.0	1,248.0	-0.2	
Federal Revenues	3,057.8	2,646.0	2,846.5	2,846.5	7.6	
Other Revenues	1,380.6	1,407.5	1,448.6	1,448.6	2.9	
SOURCES TOTAL	12,634.0	12,904.2	13,142.7	13,142.7	1.8	
USES						
Personal Services and Employee Benefits	7,232.2	7,947.2	8,100.7	8,100.7	1.9	
Contractual Services	204.0	385.0	318.1	318.1	-17.4	
Other	4,750.5	4,572.0	4,723.9	4,723.9	3.3	
TOTAL USES	12,186.7	12,904.2	13,142.7	13,142.7	1.8	
FTE						
Permanent	86.0	84.0	84.0	84.0	0.0	
Term	48.0	50.0	50.0	50.0	0.0	
TOTAL FTE POSITIONS	134.0	134.0	134.0	134.0	0.0	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen calendar days	85%	61%	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)						
	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	60,050.7	58,125.8	58,125.8	58,475.8	0.6	
Other Transfers	1,106.0	1,118.2	1,182.0	1,182.0	5.7	
Federal Revenues	7,621.6	3,992.4	4,803.4	5,003.4	25.3	
Other Revenues	68,642.8	60,835.9	59,818.9	60,897.4	0.1	
SOURCES TOTAL	137,421.1	124,072.3	123,930.1	125,558.6	1.2	
USES						
Personal Services and Employee Benefits	100,076.7	91,493.5	90,077.7	93,147.3	1.8	
Contractual Services	10,096.5	11,482.3	11,314.8	11,314.8	-1.5	
Other	22,047.3	21,096.5	22,537.6	21,096.5	0.0	
TOTAL USES	132,220.5	124,072.3	123,930.1	125,558.6	1.2	
FTE						
Permanent	2,050.5	1,789.0	1,773.0	1,773.0	-0.9	
Term	5.0	4.0	4.0	4.0	0.0	
Temporary	15.0	15.0	15.0	15.0	0.0	
TOTAL FTE POSITIONS	2,070.5	1,808.0	1,792.0	1,792.0	-0.9	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Efficiency	Percent of eligible third-party revenue collected at all agency facilities	94%	92%	93%	≥ 93%	≥ 93%
* Efficiency	Percent of operational beds occupied	NEW	79.7%	90%		90%
* Quality	Percent of long-term care residents experiencing one or more falls with major injury	NEW	NEW	3%	≤ 0.5%	≤ 0.5%
* Quality	Number of significant medication errors per one hundred patients	NEW	NEW	NEW	≤ 2.0	≤ 2.0

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	147,407.7	146,264.2	148,428.3	149,194.3	2.0
Other Transfers	9,950.2	8,760.4	9,045.0	9,045.0	3.2
Federal Revenues	2,848.2	2,819.2	2,819.2	2,819.2	0.0
Other Revenues	1,224.2	1,600.0	1,385.0	1,385.0	-13.4
Fund Balance	901.1	0.0	0.0	0.0	
SOURCES TOTAL	162,331.4	159,443.8	161,677.5	162,443.5	1.9
USES					
Personal Services and Employee Benefits	11,871.2	13,162.3	13,727.6	13,877.6	5.4
Contractual Services	11,263.1	12,366.5	12,045.7	12,045.7	-2.6
Other	22,844.0	24,036.7	24,625.9	24,625.9	2.5
Other Financing Uses	112,133.9	109,878.3	111,278.3	111,894.3	1.8
TOTAL USES	158,112.2	159,443.8	161,677.5	162,443.5	1.9
FTE					
Permanent	91.0	88.0	95.0	88.0	0.0
Term	97.0	94.0	95.0	94.0	0.0
TOTAL FTE POSITIONS	188.0	182.0	190.0	182.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>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	53%	73.6%	95%	≥ 90%	≥ 90%
* Explanatory	Number of individuals receiving developmental disabilities waiver services	4,660	4,691			
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	6,526	6,529			
Outcome	Percent of adults on the developmental disabilities waiver who receive employment supports.	NEW	NEW	NEW	≥ 35%	≥ 35%

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)						
FY19 - 2018-2019						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
General Fund Transfers	4,178.6	4,192.6	5,470.9	5,089.2	21.4	
Other Transfers	4,188.8	3,348.4	4,916.2	4,358.9	30.2	
Federal Revenues	2,336.8	2,613.0	2,397.0	2,397.0	-8.3	
Other Revenues	1,811.5	1,893.5	1,917.3	1,917.3	1.3	
SOURCES TOTAL	12,515.7	12,047.5	14,701.4	13,762.4	14.2	
USES						
Personal Services and Employee Benefits	9,642.5	9,692.4	11,454.6	11,454.6	18.2	
Contractual Services	310.2	868.7	649.3	649.3	-25.3	
Other	1,388.3	1,486.4	2,597.5	1,658.5	11.6	
TOTAL USES	11,341.0	12,047.5	14,701.4	13,762.4	14.2	
FTE						
Permanent	60.0	57.0	57.0	57.0	0.0	
Term	111.0	115.0	114.0	114.0	-0.9	
TOTAL FTE POSITIONS	171.0	172.0	171.0	171.0	-0.6	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Abuse rate for developmental disability waiver and mi via waiver clients	NEW	7.2%	≥ 8%	≤ 8%	≤ 8%
* Outcome	Re-abuse rate for developmental disabilities waiver and mi via waiver clients	NEW	18.5%	≥ 9%	≤ 16%	≤ 16%
Explanatory	Percent of long-stay nursing home residents receiving psychoactive drugs without evidence of psychotic or related conditions	NEW				

MEDICAL CANNABIS

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)						
FY19 - 2018-2019						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
Other Revenues	2,998.9	2,750.0	3,106.9	3,106.9	13.0	
SOURCES TOTAL	2,998.9	2,750.0	3,106.9	3,106.9	13.0	
USES						
Personal Services and Employee Benefits	1,414.6	1,400.0	1,576.6	1,576.6	12.6	
Contractual Services	423.5	234.0	423.5	423.5	81.0	
Other	1,097.2	1,116.0	1,106.8	1,106.8	-0.8	
TOTAL USES	2,935.3	2,750.0	3,106.9	3,106.9	13.0	
FTE						
Term	16.0	21.0	28.0	28.0	33.3	
TOTAL FTE POSITIONS	16.0	21.0	28.0	28.0	33.3	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Quality	Percent of complete medical cannabis client applications approved or denied within thirty calendar days of receipt	66.0%	90.5%	98.0%	≥ 98.5%	≥ 98.5%
Efficiency	Percent of registry identification cards issued within five business days of application approval	NEW	99%	85%	≥ 98%	≥ 98%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,221.1	5,238.1	5,988.1	5,488.1	4.8
Other Transfers	824.2	757.5	1,347.7	1,347.7	77.9
Federal Revenues	7,298.2	7,635.3	7,307.6	7,307.6	-4.3
Other Revenues	14.1	0.0	0.0	0.0	
SOURCES TOTAL	15,357.6	13,630.9	14,643.4	14,143.4	3.8
USES					
Personal Services and Employee Benefits	11,413.6	11,527.6	11,909.3	11,777.6	2.2
Contractual Services	914.5	785.7	1,327.8	1,178.1	49.9
Other	1,168.5	1,317.6	1,406.3	1,187.7	-9.9
TOTAL USES	13,496.6	13,630.9	14,643.4	14,143.4	3.8
FTE					
Permanent	145.0	165.0	164.0	164.0	-0.6
Term	19.0	43.0	44.0	44.0	2.3
TOTAL FTE POSITIONS	164.0	208.0	208.0	208.0	0.0

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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
2016-2017	2017-2018	Agency	LFC		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,999.5	11,372.5	11,372.5	11,372.5	0.0
Other Transfers	29,890.2	34,522.3	31,736.7	31,736.7	-8.1
Federal Revenues	15,126.7	27,908.7	22,641.5	22,641.5	-18.9
Other Revenues	39,053.3	40,497.0	41,464.7	41,464.7	2.4
Fund Balance	20,148.9	13,632.1	9,718.9	9,718.9	-28.7
SOURCES TOTAL	116,218.6	127,932.6	116,934.3	116,934.3	-8.6
USES					
Personal Services and Employee Benefits	41,972.3	48,541.5	46,635.8	46,635.8	-3.9
Contractual Services	10,236.2	19,368.8	13,080.1	13,080.1	-32.5
Other	16,579.4	26,530.2	26,323.4	26,323.4	-0.8
Other Financing Uses	47,428.7	33,492.1	30,895.0	30,895.0	-7.8
TOTAL USES	116,216.6	127,932.6	116,934.3	116,934.3	-8.6
FTE					
Permanent	287.5	286.5	286.5	286.5	0.0
Term	349.0	348.0	348.0	348.0	0.0
TOTAL FTE POSITIONS	636.5	634.5	634.5	634.5	0.0

AT A GLANCE:

The Environment Department (NMED) requested an overall 8.6 percent decrease from the FY18 operating budget with flat general fund revenue. The majority of the decrease was in the Water Protection Program and was related to a significant reduction in anticipated federal and fee-generated revenue to align with actual receipts. The FY19 request for personnel funding reduced the category slightly to reflect the agency's current 18 percent vacancy rate but was well over FY17 expenditure levels. The LFC recommendation fully funds the agency request.

BUDGET ISSUES:

NMED requested an overall \$11 million reduction in appropriations. However, the effective reduction is somewhat less because most of the agency's use of special revenue funds was budgeted twice, once as a transfer from the Special Revenue Program to another NMED program, and again as an expenditure from the program that received the transfer. When special revenue is counted only once, the overall budget reduction falls to \$7.1 million.

The agency relies heavily on special revenue from various types of application, certification, and permitting fees and funds for implementing federal laws for its operations. The agency requested, and the LFC recommends, use of \$51 million from these sources. The request significantly reduced non-general fund revenue in the contractual services category of the Water Protection Program to reflect \$2 million for clean-up of the Gold King mine spill and \$2.3 million from the drinking water state revolving loan fund included in the FY18 operating budget that will not be available in FY19.

The corrective action fund (CAF), the largest single fund, is budgeted at \$23.7 million requested in FY19. The source of these funds is the petroleum products loading fee of \$150 per 8,000 gallons of gasoline or diesel fuel, approximately 2 cents per gallon. The primary use of the CAF is clean-up of spills of fuel from gas station storage tanks; however, the agency also relies on the fund to pay personnel costs for approximately 150 FTE across the agency.

Water Infrastructure. Water was the primary focus of the 2014 capital outlay bill, with \$82.6 million appropriated for 200 storage, delivery, and treatment projects. Despite the investment in water systems, New Mexico faces significant water infrastructure issues with an estimated \$1 billion statewide need. NMED was tasked with overseeing \$53.2 million of the 2014 appropriations for local projects. Currently, \$15.7 million of the appropriated capital outlay funding remains unspent. Seventy-one of the 120 projects overseen by NMED are complete, seven projects totaling \$4.8 million are yet to begin spending, and 18 projects that received just over \$1 million were de-authorized during the special legislative session in 2016.

More than 54 thousand New Mexicans were receiving water that did not meet health-based standards at the end of FY17. This figure is driven by infrastructure failures and poor operations and maintenance but also by fires and subsequent flooding and other outside events. While the need to improve water infrastructure is clear, NMED has experienced difficulty in attracting local governments to apply for funding through the clean water state revolving loan fund (CWSRF) and the rural infrastructure revolving loan fund (RIRLF). In FY17, NMED awarded \$24 million in water project funding but approximately \$14 million of the awarded funds were not accepted by local entities.

Operations. NMED maintained high vacancy rates for several years and has a current 18 percent vacancy rate. The agency notes the most difficult positions to recruit and retain are lawyer and technical positions, including engineers and scientists, because state salaries are not competitive with the private sector. In addition, candidate pools for these jobs are often limited due to educational requirements. In recognition of the persistent vacancies, NMED reduced the request for personnel by \$1.9 million to a level that was still \$4.6 million higher than FY17 actual expenditures.

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)					
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,679.0	2,178.1	2,178.1	2,178.1	0.0
Other Transfers	9,388.7	9,764.9	8,123.3	8,123.3	-16.8
Federal Revenues	6,283.8	16,444.1	12,303.1	12,303.1	-25.2
Other Revenues	46.9	237.8	129.6	129.6	-45.5
SOURCES TOTAL	18,398.4	28,624.9	22,734.1	22,734.1	-20.6
USES					
Personal Services and Employee Benefits	12,202.0	14,701.8	14,283.8	14,283.8	-2.8
Contractual Services	3,995.9	11,052.4	5,568.6	5,568.6	-49.6
Other	2,200.5	2,870.7	2,881.7	2,881.7	0.4
TOTAL USES	18,398.4	28,624.9	22,734.1	22,734.1	-20.6
FTE					
Permanent	72.0	71.0	71.0	71.0	0.0
Term	118.5	117.5	117.5	117.5	0.0
TOTAL FTE POSITIONS	190.5	188.5	188.5	188.5	0.0

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Percent of facilities operating under a groundwater discharge permit inspected each year	64%	66%	65%	65%	65%
Explanatory	Number of permitted facilities where monitoring results demonstrate compliance with groundwater standards	63%	71%			
Explanatory	Stream miles and acreage of lakes monitored annually to determine if surface water quality is impaired, in thousands	1,447/15.1				
Explanatory	Number of miles/ acres of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act section 319 projects	103/0	422			
Explanatory	Unobligated balance of the corrective action fund at time of fund certification, in millions	\$2.6				
Outcome	Percent of assessed stream and river miles meeting water quality standards for designated uses	83%	47%	40%	40%	45%
Explanatory	Number of miles of active watershed restoration, including wetlands projects, state-funded projects and federal Clean Water Act section 319 projects	103	167			
Explanatory	Percent of population served by community water systems that meet all applicable health-based drinking water standards	98%	97%			
Explanatory	Dollar amount of new loans made from the clean water state revolving loan fund program, in thousands	\$101,339	\$9,579			
Explanatory	Percent of lake acres monitored annually to determine if surface water quality is impaired in surveyed watershed	88%	91%			
Explanatory	Dollar amount of new loans made from the rural infrastructure and the clean water revolving fund programs	\$30,689	\$11,279			
Outcome	Percent of the Environmental Protection Agency clean water state revolving loan fund capitalization grant and matching state funds committed to New Mexico communities for wastewater infrastructure development in the state fiscal year received	NEW	NEW		100%	100%
Explanatory	Dollar amount of new loans made from the clean water state revolving fund	\$101,339				

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)

	FY17		FY18		FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>		2017-2018 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	1,365.1		1,365.1		1,365.1	1,365.1	0.0
Other Transfers	6,745.6		8,125.2		8,056.5	8,056.5	-0.8
Federal Revenues	3,408.4		4,603.0		4,290.9	4,290.9	-6.8
SOURCES TOTAL	11,519.1		14,093.3		13,712.5	13,712.5	-2.7
USES							
Personal Services and Employee Benefits	8,602.9		10,359.9		9,735.6	9,735.6	-6.0
Contractual Services	1,409.0		1,935.2		2,098.6	2,098.6	8.4
Other	1,507.2		1,798.2		1,878.3	1,878.3	4.5
TOTAL USES	11,519.1		14,093.3		13,712.5	13,712.5	-2.7
FTE							
Permanent	37.0		37.0		34.0	34.0	-8.1
Term	99.0		99.0		99.0	99.0	0.0
TOTAL FTE POSITIONS	136.0		136.0		133.0	133.0	-2.2

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements	77%	87%	77%	77%	85%
Explanatory	Number of compliance orders issued in response to complaints or inspection of new septic tanks	0				
Explanatory	Number of new projects funded and dollar amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in thousands	15/TBD				
Explanatory	Percent of project interest forms processed for water, wastewater and solid waste projects	100%				
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	93%	98%	93%	93%	93%
Output	Percent of large quantity hazardous waste generators inspected yearly				20%	
Output	Percent of large quantity hazardous waste generators in compliance with applicable standards	31%	5%	40%		40%
Explanatory	Percent of landfills compliant with groundwater sampling and reporting requirements	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)

			FY19 - 2018-2019		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,318.4	5,245.1	5,245.1	5,245.1	0.0
Other Transfers	10,883.1	13,085.5	12,368.3	12,368.3	-5.5
Federal Revenues	3,391.4	4,265.3	4,100.2	4,100.2	-3.9
SOURCES TOTAL	19,592.9	22,595.9	21,713.6	21,713.6	-3.9
USES					
Personal Services and Employee Benefits	15,433.8	16,766.1	16,333.0	16,333.0	-2.6
Contractual Services	839.7	1,932.7	1,458.6	1,458.6	-24.5
Other	3,319.4	3,897.1	3,922.0	3,922.0	0.6
TOTAL USES	19,592.9	22,595.9	21,713.6	21,713.6	-3.9
FTE					
Permanent	135.5	135.5	137.5	137.5	1.5
Term	100.5	100.5	100.5	100.5	0.0
TOTAL FTE POSITIONS	236.0	236.0	238.0	238.0	0.8

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Percent of swimming pools and spas in compliance with state standards	100%	100%			
Outcome	Percent of facilities taking corrective action to mitigate air quality violations within thirty days of the facility receiving notice of violation	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	96%	95%	98%	95%	98%
Explanatory	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	71	74			
Explanatory	Occupational fatality rate per one hundred thousand workers	NEW	8			
Explanatory	Percent of days with good or moderate air quality index rating	NEW	88%			
Outcome	Percent of ionizing and non-ionizing radiation registrants and licensees in compliance with applicable standards			100%	95%	100%
Outcome	Percent of priority item food-related violations issued during food establishment inspections corrected within timeframes specified	100%		100%	100%	100%
Outcome	Percent of facilities taking corrective action to mitigate air quality violations within six months of facility receiving notice of violation				100%	
Output	Percent of radioactive material licensees inspected within timeframes due				95%	

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, 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)

	FY17		FY18		FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>		2017-2018 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	2,637.0		2,584.2		2,584.2	2,584.2	0.0
Other Transfers	2,872.8		3,546.7		3,188.6	3,188.6	-10.1
Federal Revenues	2,043.1		2,596.3		1,947.3	1,947.3	-25.0
Other Revenues	0.0		0.0		25.0	25.0	
SOURCES TOTAL	7,552.9		8,727.2		7,745.1	7,745.1	-11.3
USES							
Personal Services and Employee Benefits	5,733.6		6,713.7		6,283.4	6,283.4	-6.4
Contractual Services	919.6		948.5		454.3	454.3	-52.1
Other	899.7		1,065.0		1,007.4	1,007.4	-5.4
TOTAL USES	7,552.9		8,727.2		7,745.1	7,745.1	-11.3
FTE							
Permanent	43.0		43.0		44.0	44.0	2.3
Term	31.0		31.0		31.0	31.0	0.0
TOTAL FTE POSITIONS	74.0		74.0		75.0	75.0	1.4

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Percent of prior-year audit findings, identified as material weaknesses, resolved	50%	100%	100%		100%
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	96%	94%	98%	96%	98%

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)				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	247.5	247.5	247.5	247.5	0.0
Fund Balance	1,421.9	2,052.4	1,544.0	1,544.0	-24.8
SOURCES TOTAL	1,669.4	2,299.9	1,791.5	1,791.5	-22.1
USES					
Personal Services and Employee Benefits	272.4	285.1	275.8	275.8	-3.3
Contractual Services	1,370.0	1,996.0	1,496.1	1,496.1	-25.0
Other	26.3	18.8	19.6	19.6	4.3
TOTAL USES	1,668.7	2,299.9	1,791.5	1,791.5	-22.1
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 \$508 thousand, or 22 percent, decrease for FY19 over FY18. The decrease was entirely attributable to reduced fund balance derived from settlement revenues. ONRT's general fund appropriation request was flat relative to FY18 and FY17 expenditures. The agency request fully funds all FTE and provides a slight increase in operational funding from the FY17 expenditure level.

The LFC recommendation fully funds the agency request.

BUDGET ISSUES:

ONRT receives the majority of its funding, 86 percent in the FY19 request, from the natural resources trustee fund, projected to be exhausted by the close of FY20. At the beginning of FY13, the fund had a balance of \$19.6 million and it has been reduced every year since; the fund has not received annual revenue over \$200 thousand since FY12, while average annual expenditures have been \$2.5 million. However, a \$4 million settlement related to the Chevron Questa mine will be awarded on selection of remediation projects.

Active and recent ONRT restoration projects include restoration in the Burro Cienega and Mimbres River watersheds to enhance bird and wildlife habitat, completed improvements to sewer lines in Santa Clara and Hurley to prevent leaks, sewer and wastewater line extensions in Silver City to prevent use of faulty septic systems, construction of Bayard water reuse infrastructure to enable use of treated wastewater for irrigation, and cleanup of an abandoned nitrate plume in Albuquerque's south valley.

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION

The purpose of the natural resources damage 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Number of acres of habitat benefiting from restoration	8,475	9,607	7,750	7,750	9,000
Outcome	Number of acre-feet of water conserved, restored or protected	1,037	1,018	950	900	1,000

STATUTORY AUTHORITY:

Sections 9-22-1 through 9-22-20 NMSA 1978 establish the Veterans' Services Department and Section 23-4-1 through 23-4-7 NMSA 1978 established the Veterans' Home and placed it under the Veterans' Services Department. The secretary is appointed by the governor with confirmation by the Senate. The department consists of the Health Care Coordination, Field Services, State Benefits, and Administrative Services divisions.

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.

MISSION:

The Veterans' Services Department operates the long-term care facility for veterans in Truth or Consequences; disseminates information regarding laws beneficial to veterans, their surviving spouses, and dependent children; assists veterans and their dependents in the preparation and initiation of claims against the United States as a result of military service; and assists veterans, their surviving spouses, and their children in establishing the benefits and privileges to which they are entitled.

BUDGET SUMMARY
(dollars in thousands)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,238.9	3,795.4	3,795.4	3,776.4	-0.5
Federal Revenues	1,944.0	4,176.1	3,588.7	3,550.4	-15.0
Other Revenues	0.0	11,328.0	11,460.8	9,209.9	-18.7
Fund Balance	39.7	239.7	0.0	0.0	-100.0
SOURCES TOTAL	5,222.6	19,539.2	18,844.9	16,536.7	-15.4
USES					
Personal Services and Employee Benefits	3,087.3	13,649.7	14,359.5	13,572.3	-0.6
Contractual Services	534.8	2,262.5	1,575.1	1,005.5	-55.6
Other	720.0	3,627.0	2,910.3	1,958.9	-46.0
TOTAL USES	4,342.1	19,539.2	18,844.9	16,536.7	-15.4
FTE					
Permanent	47.0	266.0	268.9	268.0	0.8
Term	6.0	15.8	13.0	13.0	-17.5
TOTAL FTE POSITIONS	53.0	281.8	281.9	281.0	-0.3

AT A GLANCE:

The department continues to undergo significant transformation and recently took on new responsibilities, such as running the State Veterans' Home in Truth or Consequences, opening a new Alzheimer's skilled nursing wing in Truth or Consequences, operating the new Fort Stanton Cemetery, and maintaining the Vietnam Veterans' memorial in Angel Fire. The department also shed several federal duties, such as acting as the state approving agency for the G.I. Bill for higher education institutions and ending the rural veterans' coordination pilot project. The department's request largely reflects all of these changes primarily with revenue transferred from the Department of Health.

LFC recommends federal and patient revenue commensurate with collections in FY17 when the Veterans' Home was operated by the Department of Health. The department should improve revenue collection at the Veterans' Home and the State Budget Division should closely monitor the department's progress. Additionally, LFC recommends budget flexibility so the department can request an increase if revenues exceed budgeted amounts.

BUDGET ISSUES:

On July 1, 2017, as provided by Laws 2017, Chapter 84 (Senate Bill 204), operations and oversight of the New Mexico Veteran's Home (NMVH) transferred from the Department of Health (DOH) to the Department of Veterans Services (DVS). The goal of the transfer was to streamline the missions of DVS and NMVH, improve veteran outreach, improve performance, increase governance attention, reduce bureaucracy, and capture more federal revenue.

To date, LFC has not received a reliable accounting of NMVH's FY17 budget and no one in the executive branch was able to provide one. Because of this, LFC used FY17 revenues and expenditures reported in DOH's budget request as a baseline. These numbers indicate the hospital overspent its budget by nearly \$2.2 million in FY17. In the past, when faced with possible shortfalls in one of its facilities, DOH was able to manage its budget internally by transferring surpluses. Most of the time this strategy worked and DOH largely avoided the need for supplemental funding. Now that NMVH is a part of the Department of Veterans' Services, it is no longer possible to transfer money from other state institutions to NMVH and this may cause problems for the department in the future.

Based on the information provided by DOH, the department's revenue request for NMVH is \$2.2 million more than was received in FY17. For NMVH, LFC recommends federal and patient revenue commensurate with FY17 and would include budget adjustment authority if more revenue is generated than was realized in FY17. Recommended expenditure amounts are reduced to match expected revenues.

In FY18, the Veterans' Services Program began operating a new veterans' cemetery in Fort Stanton and took over ownership of the Vietnam Veteran's memorial in Angel Fire. General fund appropriations were increased by \$537.5 thousand in FY18 to support these functions. In FY18, the program has nearly six funded vacancies and is expected to reclassify and fill these positions in support of the department's expanded role as it did with several other positions recently.

Additionally, the agency will no longer serve as the state approving entity for the G.I. Bill for higher education institutions, which ensured compliance with federal Veterans Affairs requirements so students could receive these benefits. Over the last several years, federal revenue for the program was reduced from \$250 thousand to \$159 thousand and DVS says the program is no longer sustainable at these levels. The federal Veterans' Affairs Administration signaled it will find an outside vendor to run the certification program. The program also ended the rural veterans' coordination pilot project because federal support ended. The Veterans' Services Program budget request reflected the reduction in federal support for these initiatives. LFC supports the Veterans' Services Program request.

Hospital Operation. To ensure an orderly transition, the Department of Health and the Department of Veterans' Services agreed to slowly transfer certain functions, such as IT infrastructure, financial oversight, and the electronic health record, throughout FY18 and beyond. About 222 FTE were transferred in July within the State Personnel Office system, DVS recently hired a chief financial officer (CFO), elevated the former CFO to administrative services director, and is in the process of hiring a chief information officer. DVS is also tapping into federal Veterans' Affairs Administration resources to provide technical assistance during the transition.

Additionally, construction of a new \$29.6 million 59-bed annex is complete and the opening will occur when the new facility meets all federal Veterans' Affairs and Centers for Medicare and Medicaid Services requirements. The annex includes 39 memory care beds, 20 traditional nursing home beds, a hot spring mineral pool, a movie theater, a gift shop, private rooms, private baths, and 13 or less veterans per wing.

However, the home stands to lose some federal Veterans' Affairs (VA) per diem revenue when the new annex opens. The hospital plans to initially move 21 veterans needing memory care into the annex, but the hospital cannot receive certification and reimbursement until residents move in. Certification is expected several months after resident occupation and the VA will not retroactively pay for these residents. The department is expected to request special or supplemental funding to cover startup costs.

The old nursing home had nearly a 99 percent occupancy rate as of early September and the domiciliary had six of 10 beds filled. In most cases, four patients are in each room and the building requires significant updates. For now, the hospital will not seek to expand capacity or reduce the number of patients per room when the new unit opens. DVS cited staffing costs, reimbursement rates, and an opportunity to seek federal grants to remodel unoccupied units in the old hospital as reasons for not reducing the number of patients per room.

Performance. Overall, the department's and the hospital's performance results in FY17 were mixed. The department did not meet the target for the amount of compensation received for veterans as a result of the department's contracts with veterans' organizations but met all other performance targets. The department also had two audit findings in FY16 with the finding from FY15 on conservatorships and guardianship terminations continuing into FY16.

Poor performance was one reason DVS took the hospital over from the Department of Health and it will take time to evaluate DVS's effectiveness at turning the hospital's performance around. According to the Centers for Medicare and Medicaid Services (CMS) Nursing Home Compare website, the hospital's overall rating was below average and this was primarily due to low health inspection ratings and a below average rating on quality measures. The hospital did not score as well as state and national averages on resident falls with major injury, resident reported pain, catheter insertions, physical restraints, and weight loss. However, the hospital scored better on vaccination rates, pressure ulcers, depression, and antipsychotic and antianxiety medication rates.

Additionally, in the last three years, the hospital paid two fines totaling \$58.3 thousand. CMS imposes penalties on nursing homes when there are serious health or fire safety citations or if a nursing home fails to correct citations for long periods. This is noteworthy because CMS can terminate agreements and cut off Medicaid payments when problems are not corrected timely.

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.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,238.9	3,776.4	3,776.4	3,776.4	0.0
Federal Revenues	1,944.0	823.0	320.0	320.0	-61.1
Other Revenues	0.0	4.3	0.0	0.0	-100.0
Fund Balance	39.7	239.7	0.0	0.0	-100.0
SOURCES TOTAL	5,222.6	4,843.4	4,096.4	4,096.4	-15.4
USES					
Personal Services and Employee Benefits	3,087.3	3,172.3	3,094.9	3,094.9	-2.4
Contractual Services	534.8	786.2	255.5	255.5	-67.5
Other	720.0	884.9	746.0	746.0	-15.7
TOTAL USES	4,342.1	4,843.4	4,096.4	4,096.4	-15.4
FTE					
Permanent	47.0	54.0	56.0	56.0	3.7
Term	6.0	5.8	3.0	3.0	-47.8
TOTAL FTE POSITIONS	53.0	59.8	59.0	59.0	-1.3

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of higher education facilities in compliance with state and federal rules and regulations governing services to veterans	NEW	100%	100%	100%	100%
Quality	Percent of veterans surveyed who rate the services provided by the agency as satisfactory or above	NEW	98%	90%	90%	90%
Explanatory	Number of veterans and families of veterans served by agency programs	NEW	32,000			
* Output	Number of businesses established by veterans with assistance provided by the veterans' business outreach center	NEW	NEW	16	14	14
* Outcome	Percent of eligible deceased veterans and family members interred in a regional state veterans' cemetery	NEW	NEW	10%	10%	10%

HEALTH CARE COORDINATION DIVISION

The purpose of the health care coordination program is to provide nursing and alzheimers care services to veterans, surviving spouses, and gold star parents and to develop and coordinate veterans programs and outreach, including transitional living, housing and healthcare programs.

BUDGET SUMMARY
(dollars in thousands)

	FY17		FY18		FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>		2017-2018 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	0.0		19.0		19.0	0.0	-100.0
Federal Revenues	0.0		3,353.1		3,268.7	3,230.4	-3.7
Other Revenues	0.0		11,323.7		11,460.8	9,209.9	-18.7
SOURCES TOTAL	0.0		14,695.8		14,748.5	12,440.3	-15.3
USES							
Personal Services and Employee Benefits	0.0		10,477.4		11,264.6	10,477.4	0.0
Contractual Services	0.0		1,476.3		1,319.6	750.0	-49.2
Other	0.0		2,742.1		2,164.3	1,212.9	-55.8
TOTAL USES	0.0		14,695.8		14,748.5	12,440.3	-15.3
FTE							
Permanent	0.0		212.0		212.9	212.0	0.0
Term	0.0		10.0		10.0	10.0	0.0
TOTAL FTE POSITIONS	0.0		222.0		222.9	222.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Quality	Percent of long-term care residents experiencing facility acquired pressure injuries	<4%	<4%	<4%	<6.4%	<2%
* Explanatory	Customer overall satisfaction					
Efficiency	Percent of eligible third-party revenue collected at the facility	NEW	NEW	NEW	95%	95%
Quality	Number of residents requiring re-hospitalization within thirty days of admission	NEW	NEW	NEW	<3	<3
* Quality	Percent of long-term care residents experiencing one or more falls with major injury	<4%	<4%	<4%	<4%	<4%

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)				
			FY19 – 2018-2019		
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	244,963.3	249,217.1	275,217.1	275,117.1	10.4
Other Transfers	58,020.4	56,070.4	52,522.7	52,522.7	-6.3
Federal Revenues	192,396.3	183,156.5	168,455.0	168,455.0	-8.0
Other Revenues	5,611.1	3,993.9	4,651.9	4,651.9	16.5
Fund Balance	5,279.1	1,684.8	2,530.7	2,530.7	50.2
SOURCES TOTAL	506,270.2	494,122.7	503,377.4	503,277.4	1.9
USES					
Personal Services and Employee Benefits	134,842.5	136,047.6	136,574.3	136,838.2	0.6
Contractual Services	101,996.6	119,095.0	106,925.4	111,561.5	-6.3
Other	233,503.4	238,980.1	259,877.7	254,877.7	6.7
TOTAL USES	470,342.5	494,122.7	503,377.4	503,277.4	1.9
FTE					
Permanent	2,198.6	2,198.6	2,198.6	2,197.3	-0.1
Term	65.0	65.0	69.0	69.0	6.2
TOTAL FTE POSITIONS	2,263.6	2,263.6	2,267.6	2,266.3	0.1

AT A GLANCE:

Rising caseloads in the Protective Services and Early Childhood Services programs are driving the need for additional resources in the CYFD. The FY19 general fund request was \$26 million, or 10.4 percent, above the FY18 operating budget, including \$25 million for childcare assistance and \$1 million for additional Protective Services personnel. In total, the agency requested \$503.4 million, of which \$275.2 million was from the general fund.

The LFC recommendation supported \$25.9 million of the agency's general fund request in total but made adjustments in Juvenile Justice Facilities, Protective Services, and Early Childhood Services programs. As a result of increased personnel funding, the agency improved turnover rates in FY17; however, caseloads continue to rise and additional personnel is still necessary to serve children. Direct service workers provide crucial intervention to the most vulnerable children in New Mexico. To continue supporting direct service, the FY19 recommendation increases personnel funding in the Protective Services Program by an additional \$2.6 million above the FY18 operating budget. The committee's general fund recommendation increases the Early Childhood Services Program by an additional \$20 million for childcare assistance, \$2.5 million for prekindergarten, and \$1.5 million for home-visiting services above the FY18 operating budget.

BUDGET ISSUES:

CYFD's budget challenge is to improve prevention and intervention services for children and families. The Protective Services Program is responsible for intervening when a child has been abused or neglected. Despite increased funding for additional caseworkers in previous fiscal years, high caseloads remain an issue. The committee recommendation for FY19 supports an additional \$2.6 million above the FY18 operating budget for additional personnel and funding for the care and support of children in custody.

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 increased 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 FY19 committee recommendation increases general fund revenue for early childhood services by \$24 million, including an additional \$20 million for childcare assistance to replace diminished fund balances and address rising caseloads. In addition, the recommendation increases funding for home-visiting by \$1.5 million and early prekindergarten by \$2.5 million.

In FY17, CYFD transferred nearly \$20 million of available funding between categories and programs and increased the budget from federal grants. A majority of the increases were for the Early Childhood Services (ECS) program for childcare assistance, which is experiencing increased enrollment and higher costs per child. During FY17, ECS transferred \$10 million of federal fund balances for childcare to meet projected expenditures. Additionally, the agency submitted several budget adjustment requests, adding \$1.6 million to the personal services and employee benefits category (PS&EB). A majority of increased funding for personnel was for the Protective Services programs.

Juvenile Justice. 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 2017, only 167 of the 286 available beds in secure facilities were used by committed youths. The average daily population of clients in custody decreased 13 percent between fiscal years 2016 and 2017, the continuation of a trend that started in FY12.

Evidence shows incarceration in juvenile facilities may have serious and lifelong negative impacts on committed youth. In 2016, 12,609 youth were referred to the juvenile justice system for services. A majority of referred juveniles are handled informally through local community rehabilitative programs. Only about 188 youth, or about 1.5 percent, referred to JJS are committed to a juvenile facility. In general, JJF performance deteriorated, including staff turnover and incidents of both use of force by staff and youth-on-youth violence.

As a result of the declining population, the agency requested a \$2 million general fund reduction and the transfer of \$2.8 million and 40 FTE behavioral health clinicians from JJF to the Behavioral Health Services Program. The transfer will broaden the scope of services for the behavioral health clinicians. The committee recommendation supports the agency request but makes an additional adjustment to the vacancy rate, reducing personnel by \$200 thousand.

Child Protective Services. The Protective Services program conducts child abuse and neglect investigations and offers in-home services, foster treatment, foster and adoptive placements and similar services. High rates of repeat maltreatment and rising caseloads remain a concern. In FY17, the number of children in the care of Protective Services increased by about 150, or 5 percent. Reports of maltreatment grew slightly higher, around 6 percent, an average of nearly 3,300 reports every month; of these, an average of 1,700 cases were accepted for investigation. The increase of children in care, volume of reports, and accepted maltreatment reports all increase caseloads for caseworkers. The average monthly caseload in FY17 was 20 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.

Protective Services Performance. Neglect and abuse affect a child's emotional, physiological and behavioral health. In FY17, 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 maltreatment case will be abused or neglected again before age 18. Nationally, the Casey Foundation reports, an estimated 37.4 percent of all children experience a child protective services investigation by age 18. Costs of child maltreatment are substantial and result in general expenses to taxpayers and specific expenses to victims. The Protective Services Program did not meet a majority of performance targets at the end of FY17. Key quarterly performance reporting includes repeat maltreatment rates, reunification rates, and length of care. Most concerning, the rate of repeat maltreatment remains nearly double the national benchmark, meaning children who experience substantiated maltreatment are experiencing another case of maltreatment in a relatively short time frame, six months. State performance reporting will change significantly in FY19 for the Protective Services Program to match new federal standards in reporting.

In addition, *Child Trends* recently reported the rate of referral per 1,000 children in New Mexico was 82.2, significantly above the national 53.2 average. In addition to high referral rates, the analysis also showed the victimization rate was 17.5, also significantly higher than the national rate of nine. These rates show the New Mexico child welfare system is overwhelmed and considerable additional resources may be needed to lower caseloads and provide services to an increasing number of children and families.

While significant additional resources have been provided to the agency, increasingly low economic and social indicators are hindering efforts by the agency to reduce stress on the child welfare system. Reducing child maltreatment and placement in foster care by 10 percent could save tens of millions of dollars and improve life-long outcomes for at-risk families. LFC reported CYFD does not dedicate sufficient 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.

Due to rising caseloads and strains on the Protective Services system, the LFC general fund recommendation for the Protective Services Program increases personnel funding by \$2.6 million in order to reduce caseloads and increases care and support for children in custody \$2.7 million.

Early Childhood Services. New Mexico continues to show leadership in early childhood care and education funding. Since FY12, early childhood program appropriations have increased \$133 million. ECS provides services to children up to 14 years, including quality child care and nutrition, prekindergarten, early childhood development, and home-visiting services. In FY19, the Legislature increased appropriations to ECS for paraprofessional home visits to families with young children, prekindergarten for three-year-olds, and childcare assistance. The FY19 committee recommendation increases general fund appropriations by \$24 million; \$20 million for childcare assistance, \$1.5 million for home-visiting, and \$2.5 million for early prekindergarten. In addition, the recommendation continues \$49.6 million of TANF funding for early childhood programs.

Childcare Assistance. Administered by CYFD, childcare assistance in New Mexico is projected to serve over 20 thousand children up to age 14 at a cost of \$116 million in FY18. 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 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

Overall, enrollment in FY18 is 16 percent above FY17, and provider rates have grown 60 percent from an average monthly rate of \$326 in 2013 to \$521 in FY17. Enrollment may continue to increase in FY19 and FY20 as a result of the federal Child Care and Development Block Grant (CCDBG) Act reauthorization. CCDBG is a main federal authority and funding source for childcare assistance. The reauthorization made significant changes by defining health and safety requirements for childcare providers and outlining family-friendly eligibility policies, including an extension of the requirement to renew eligibility to 12 months from six months. This eligibility requirement means families will receive services longer and possibly increase total program enrollment growth. In addition, as more providers obtain the highest level of quality rating, the projected average monthly rate is also expected to increase to nearly \$530 in FY19 and FY20. A conservative estimate is that an additional \$20 million or more is needed in both FY19 and FY20 to maintain current caseloads and reduce the chances of growing waiting lists. LFC evaluation of childcare assistance services have not found any long term educational benefits; however, the agency asserts the state's new tiered quality rating and improvement system will improve outcomes.

Prekindergarten. New Mexico prekindergarten is an early education program for 3- and 4-year-olds implemented by CYFD and the Public Education Department (PED). The program is available to families for half-day or extended-day services. In FY16, over 9,000 children received prekindergarten services, including extended-day services. Prior to FY16, prekindergarten was only available to 4-year-olds but policymakers expanded the program to include 3-year-olds. Over 450 children participated in early prekindergarten programs in FY16.

LFC has consistently found prekindergarten programs improve math and reading proficiencies for low-income 4-year-olds and lower special education and retention rates. An LFC longitudinal study of student found positive effects continue in later grades, with students who attended prekindergarten in 2007 having significantly higher rates of reading proficiency in eighth grade compared with nonparticipants. LFC has also found prekindergarten programs deliver a positive return on investment for New Mexico taxpayers based on improved test scores. The percentage of 4-year-old participants in prekindergarten reading at grade level in kindergarten improved this year and students who participated in prekindergarten performed significantly better on the third grade Partnership for Assessment of Readiness for College and Careers (PARCC) than peers not participating. This pattern was consistent for low-income and non-low-income students. Results from the Istation testing system in 2016 showed 69 percent of prekindergarten participants were reading at grade level compared with 66 percent not participating. New Mexico continues to compare favorably with other states for funding of prekindergarten. According to the National Institute of Early Education Research (NIEER), 32 percent of 4-year-olds in the United States of America were enrolled in prekindergarten programs in 2016 and the average state spending was \$4,976 per child enrolled. NIEER reports, at 33 percent, New Mexico ranked 16th in the nation for 4-year-olds enrolled in prekindergarten programs in 2016 and ranked 20th for state spending at \$5,233 per child enrolled. The NIEER report also noted 9,757 children participated in New Mexico prekindergarten in 2016, an increase of 16 percent from the previous year.

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 outcomes associated with prekindergarten, the agency was appropriated \$4 to pilot prekindergarten for 3-year-olds million in FY16. Early prekindergarten also proved exceedingly popular statewide and by FY18 grew to \$7 million. The LFC recommendation includes an additional \$2.5 million for early prekindergarten in FY19.

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 experienced declining enrollment. However, the number of awarded slots increased slightly in FY18 to 7,433 statewide. The state needs to better coordinate child care, prekindergarten, and Head Start to maximize the effective use of federal resources.

Home-visiting. Home-visiting programs available to pregnant women and families with new babies and young children assists in addressing maternal and child health issues, supports positive parenting practices, and provide 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.

Previous home-visiting reports by CYFD showed a higher percentage of children in home visiting receive well-child visits compared with children on Medicaid who do not participate in this program. This is particularly relevant as half the individuals participating in home-visiting services are on Medicaid and earn only about \$20 thousand a year. Evidence-based home-visiting programs in New Mexico continue to show a positive return on investment and positive child outcomes.

However, in New Mexico most home-visiting programs are not tied to evidence-based programming, and specific outcomes and return on investment are uncertain. Nevertheless, the RAND Corporation determined, First Born, a homegrown program in New Mexico, decreased child emergency room visits and increased positive parenting behaviors. The program is currently under review by the federal Maternal Infant and Early Childhood Home-Visiting program to be recognized as an evidence-based program. Furthermore, CYFD implemented multiple levels of home-visiting to serve children with varying levels of need.

The national return on investment for early childhood programming is up to \$7 for every \$1 invested. However, the state is still working to build up infrastructure and providers to serve more at-risk children. The adverse childhood experiences (ACE) score could be used to target services to the most at-risk families. The U.S. Center for Disease Control reports children with high ACE scores are linked to risky behaviors, chronic health conditions, and early death. The state's early childhood and health systems should consider using the ACE score to target services to families most at-risk.

In FY17, the LFC estimated about 4,800 families received state-funded home-visiting services, but an additional 5,900 families are in need of services. Strategically, policymakers have continued incrementally increasing funding for home-visiting services to allow communities time to develop quality infrastructure for programming. Continued attention is needed to ensure family engagement and improved performance of funded programs under the standards-based accountability system. The LFC recommendation increases general fund revenue for home-visiting by \$1.5 million in FY19 to continue expanding services.

Medicaid-Funded Home-Visiting. As a result of limited general fund revenues, federal revenues should be considered for continued expansion of the home-visiting program. With this in mind, the Human Services Department (HSD), in collaboration with CYFD, submitted a proposal for a pilot for Medicaid-funded home visiting in 2019 as a part of a broader waiver request. The pilot is expected to offer Medicaid-funded home-visiting services in at least three counties in the first year, these communities will be selected based on health-outcome data provided by the Department of Health and community provider capacity.

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 FY19 request transfers \$2.8 million and 40 FTE behavioral health clinicians from the Juvenile Justice Services program. The transfer will broaden the scope of service of the FTE agency wide. In addition, the agency requested a reduction in contractual services of \$1.5 million as a result of expanding services provided by the behavioral health clinicians. The committee recommendation supports the agency request.

Program Support. Program Support consists of the office of the secretary, administrative services, and information technology. The FY19 general fund request transferred \$105.3 thousand and 3 FTE to the Protective Services program. The LFC recommendation supports the agency request.

Performance. Performance reporting in FY19 will significantly change in the Protective Services and Early Childhood Services programs. The Protective Services program will begin reporting recently updated new federal performance measures. Additionally, the Early Childhood Services Program requested extensive changes to performance reporting to align with the agency strategic plan.

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 child care, 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	70,721.6	73,104.6	68,289.6	68,089.6	-6.9
Other Transfers	442.8	423.9	423.9	423.9	0.0
Federal Revenues	396.8	400.0	400.0	400.0	0.0
Other Revenues	1,617.4	1,516.5	1,516.5	1,516.5	0.0
Fund Balance	0.0	0.0	845.9	845.9	
SOURCES TOTAL	73,178.6	75,445.0	71,475.9	71,275.9	-5.5
USES					
Personal Services and Employee Benefits	53,968.1	55,996.0	51,389.0	51,189.0	-8.6
Contractual Services	9,081.5	13,339.1	14,130.1	14,130.1	5.9
Other	6,333.3	6,109.9	5,956.8	5,956.8	-2.5
TOTAL USES	69,382.9	75,445.0	71,475.9	71,275.9	-5.5
FTE					
Permanent	943.3	943.3	902.3	901.0	-4.5
TOTAL FTE POSITIONS	943.3	943.3	902.3	901.0	-4.5

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Turnover rate for youth care specialists	18%	21%	15%	18%	18%
Outcome	Percent of clients who successfully complete formal probation	85%	83%	84%	84%	84%
Output	Number of client-to-staff battery incidents	147	143	<120	135	<135
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	2.9%	9.5%	7.5%	13.0%	8.0%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	1.6%	1.7%	1.5%	1.5%	1.5%
* Outcome	Recidivism rate for youth discharged from active field supervision.	NEW	NEW	NEW	13.5%	10.0%
* Outcome	Recidivism rate for youth discharged from commitment.	NEW	NEW	NEW	38%	30%
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	13%	11%			
Explanatory	Percent of clients with improvement in reading on standardized pre- and post testing	61%	45%			
Explanatory	Percent of clients with improvement in math on standardized pre- and post testing	58%	60%			
* Output	Number of physical assaults in juvenile justice facilities	448	398	<275	355	<275
Outcome	Percent of clients successfully completing term of supervised release	67%	70%	70%	70%	70%

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	87,547.0	88,217.8	92,773.6	93,873.6	6.4
Other Transfers	1,865.9	2,175.9	2,096.5	2,096.5	-3.6
Federal Revenues	50,706.1	52,848.0	52,848.0	52,848.0	0.0
Other Revenues	2,256.5	2,477.4	2,235.4	2,235.4	-9.8
SOURCES TOTAL	142,375.5	145,719.1	149,953.5	151,053.5	3.7
USES					
Personal Services and Employee Benefits	56,162.3	55,987.7	58,132.7	58,596.6	4.7
Contractual Services	21,135.4	24,860.6	23,903.1	24,539.2	-1.3
Other	65,070.5	64,870.8	67,917.7	67,917.7	4.7
TOTAL USES	142,368.2	145,719.1	149,953.5	151,053.5	3.7
FTE					
Permanent	921.8	921.8	924.8	924.8	0.3
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	927.8	927.8	930.8	930.8	0.3

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	88%	89%	92%	93%	93%
Output	Percent of clients receiving domestic violence services who create a personalized safety plan with the support of agency staff prior to discharge from services.	NEW	NEW	NEW	90%	90%
* Outcome	Percent of children in foster care for more than eight days who achieve permanency within twelve months of entry into foster care.	NEW	NEW	NEW	40.5%	45.0%
* Outcome	Maltreatment victimizations per 100 thousand days in foster care.	NEW	NEW	NEW	8.5	8.5
* Output	Number of placement moves per one thousand days of care provided to children who entered care during a rolling twelve month period and stayed for more than eight days.	NEW	NEW	NEW	4.12	3.0
* Output	Turnover rate for protective services workers	NEW	NEW	NEW	20%	20%
* Outcome	Percent of children in foster care for twenty-four months at the start of a twelve month period percent who achieve permanency within that twelve months.	NEW	NEW	NEW	30.3%	31.0%
* Outcome	Percent of children in foster care for twelve to twenty-three months at the start of a twelve-month period who achieve permanency within that twelve months.	NEW	NEW	NEW	43.6%	44%
* Outcome	Percent of children who were victims of a substantiated maltreatment report during a twelve-month period who were victims of another substantiated maltreatment allegation within twelve months of their initial report	NEW	NEW	NEW	11%	8%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	58,871.8	60,371.8	85,371.8	84,371.8	39.8
Other Transfers	55,133.7	53,127.5	49,627.5	49,627.5	-6.6
Federal Revenues	131,559.5	121,665.0	107,955.3	107,955.3	-11.3
Other Revenues	1,718.9	0.0	900.0	900.0	
Fund Balance	5,279.1	1,684.8	1,684.8	1,684.8	0.0
SOURCES TOTAL	252,563.0	236,849.1	245,539.4	244,539.4	3.2
USES					
Personal Services and Employee Benefits	10,035.9	9,237.7	9,840.1	9,840.1	6.5
Contractual Services	56,401.5	65,112.4	55,454.2	59,454.2	-8.7
Other	155,395.0	162,499.0	180,245.1	175,245.1	7.8
TOTAL USES	221,832.4	236,849.1	245,539.4	244,539.4	3.2
FTE					
Permanent	126.5	126.5	127.5	127.5	0.8
Term	55.0	55.0	59.0	59.0	7.3
TOTAL FTE POSITIONS	181.5	181.5	186.5	186.5	2.8

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of licensed childcare providers participating in high-quality programs	NEW	NEW	39%	32%	35%
Outcome	Percent of children receiving subsidy in high quality programs	NEW	NEW	45%	53%	53%
Outcome	Percent of children receiving state child care subsidy with substantiated abuse or neglect referrals during the childcare assistance participating period.	NEW	NEW	NEW	1.3%	1.3%
Outcome	Percent of families receiving home-visiting services for at least six months that have one or more protective services substantiated abuse or neglect referrals during the participating period.	NEW	NEW	NEW	7.0%	5.0%
* Outcome	Percent of parents participating in home visiting who demonstrate progress in practicing positive parent-child interactions.	NEW	NEW	NEW	32%	45%
* Outcome	Percent of children in children, youth and families department funded pre-kindergarten showing measurable progress on the school readiness fall-preschool assessment tool.	NEW	NEW	NEW	93%	93%

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)

			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	14,435.3	14,385.3	15,749.8	15,749.8	9.5
Other Transfers	511.2	285.3	317.0	317.0	11.1
Federal Revenues	3,259.1	2,196.4	1,204.6	1,204.6	-45.2
Other Revenues	18.3	0.0	0.0	0.0	
SOURCES TOTAL	18,223.9	16,867.0	17,271.4	17,271.4	2.4
USES					
Personal Services and Employee Benefits	2,762.5	2,293.9	4,979.9	4,979.9	117.1
Contractual Services	13,967.7	14,244.0	11,891.3	11,891.3	-16.4
Other	645.0	349.1	400.2	400.2	14.6
TOTAL USES	17,375.2	16,867.0	17,271.4	17,271.4	2.4
FTE					
Permanent	33.0	33.0	73.0	73.0	121.2
TOTAL FTE POSITIONS	33.0	33.0	73.0	73.0	121.2

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Quality	Percent of youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of the behavioral health services they have received	82%	Unreported	80%	75%	80%
* 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	88%	80%	90%	90%
* Output	Percent of children, youth and families department involved children and youth in the estimated target population who are receiving services from community behavioral health clinicians	NEW	NEW	NEW	75%	75%

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)					
	FY17	FY18	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	13,387.6	13,137.6	13,032.3	13,032.3	-0.8
Other Transfers	66.8	57.8	57.8	57.8	0.0
Federal Revenues	6,474.8	6,047.1	6,047.1	6,047.1	0.0
SOURCES TOTAL	19,929.2	19,242.5	19,137.2	19,137.2	-0.5
USES					
Personal Services and Employee Benefits	11,913.7	12,532.3	12,232.6	12,232.6	-2.4
Contractual Services	1,410.5	1,558.9	1,546.7	1,546.7	-0.8
Other	6,059.6	5,151.3	5,357.9	5,357.9	4.0
TOTAL USES	19,383.8	19,242.5	19,137.2	19,137.2	-0.5
FTE					
Permanent	174.0	174.0	171.0	171.0	-1.7
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	178.0	178.0	175.0	175.0	-1.7

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>FY19 – 2018-2019</u>		Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	6,691.0	6,557.2	7,292.0	6,655.1	1.5
Other Transfers	178.2	153.3	178.2	178.2	16.2
Federal Revenues	15,541.8	15,920.7	17,159.2	16,606.1	4.3
Other Revenues	66.3	91.7	66.8	66.8	-27.2
Fund Balance	276.0	0.0	0.0	0.0	
SOURCES TOTAL	22,753.3	22,722.9	24,696.2	23,506.2	3.4
USES					
Personal Services and Employee Benefits	8,608.1	8,810.0	10,442.0	9,735.0	10.5
Contractual Services	2,624.1	3,769.9	3,298.9	3,273.9	-13.2
Other	10,863.6	10,143.0	10,955.3	10,497.3	3.5
TOTAL USES	22,095.8	22,722.9	24,696.2	23,506.2	3.4
FTE					
Permanent	29.0	33.0	33.0	33.0	0.0
Term	114.0	111.0	138.0	124.0	11.7
TOTAL FTE POSITIONS	143.0	144.0	171.0	157.0	9.0

AT A GLANCE:

The Department of Military Affairs (DMA) requested an 8.7 percent increase over the FY18 operating level, including an 18 percent increase in personal services and employee benefits, an 8 percent increase in the other category, and a 13 percent decrease in the contractual services category. The request included an 11 percent increase from the general fund and a 7.8 percent increase in federal funds. The department requested increases for salary shortfalls, as well as service members group life insurance premiums no longer sustainable solely by fund balance. Additionally, DMA requested \$737.5 thousand to expand class sizes at the Youth Challenge Academy and to support an increased cost per student. The committee recommendation includes a 1.5 percent general fund increase to support personnel costs but does not support the life insurance premium increase nor the expansion request. The recommendation includes a 1.5 percent increase from the general fund and a 4.3 percent increase in federal funds.

BUDGET ISSUES:

The department requested a base budget general fund increase of \$734.8 thousand, or 11 percent, over FY18 levels, totaling \$7.3 million. The increase includes \$246.6 thousand for personnel, \$356.6 thousand for service members group life insurance, a reduction in contractual services of \$20 thousand, and an expansion request of \$184.4 thousand for increased Youth Challenge Academy costs per student and to add 14 additional FTE. The request also included 13 federally funded positions for family services and emergency management activities. The request for federal funds increased \$1.2 million, or 8 percent, as a result of increased cooperative funding agreements with the federal government for operating and training costs related to the National Guard.

The department's general fund personnel budget was reduced \$320.7 thousand, or 9 percent, between FY17 and FY18 due to solvency reductions and vacancy savings measures. However, the department maintained an average vacancy rate of 12 percent in FY17 and 11 percent in the first four months of FY18. As of October 2017, of the 33 positions supported by general fund positions, 4 FTE were vacant. The agency anticipates a budget adjustment request in FY18 of \$310 thousand to cover personnel shortfalls resulting from increased hiring. DMA is requesting \$246.6 thousand from the general fund to avoid future shortfalls in personnel. The recommendation supports the request; of the \$925 thousand increase, \$309.6 thousand is from the general fund.

State law passed in 2015 allows the department to reimburse service members group life insurance (SGLI) premiums from the general fund. However, state appropriations have decreased while expenditures for premiums have increased, leaving the fund near insolvent in FY19. DMA requested \$356.6 thousand from the general fund to support rising premium costs. There is no federal match for SGLI premiums; reimbursements are made solely from the general fund. The committee recommendation does not support the request at this time and recommends exploring cost-sharing with National Guard members. Additionally, state statute does not require the state to pay up to the maximum premium.

Performance data indicates the New Mexico Youth Challenge Academy reduces juvenile recidivism. The academy, located in Roswell, aims to prevent at-risk youth from entering the criminal justice system by teaching self-discipline, leadership, and responsibility in a military-style environment. The percent of academy graduates involved with the criminal justice system was less than 1 percent in 2016. The general fund cost per participant is \$4.5 thousand for a 22-week academy, compared with the almost \$76 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, all cadets graduated from the academy in FY17 and 69 percent earned a high school equivalency diploma.

The department requested a \$737.5 thousand expansion to increase class sizes at the Youth Challenge Academy in Roswell. Of the requested expansion, \$184.4 thousand is from the general fund and \$553.1 thousand is from federal funds. The expansion supports an increase from \$16 thousand to \$17.5 thousand per student due to increased costs of college tuition, meals, clothing, and high school equivalency testing for cadets. The expansion would also add 14 new staff members to comply with the National Guard’s required staffing levels. The committee does not support the expansion request at this time.

The National Guard was at 98 percent manpower despite the recent deployments among guardsmen. 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.

BASE EXPANSION LISTING
FY19 - 2018-2019

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Youth Challenge Academy Expansion - 14 FTE	737.5	0.0
TOTAL		737.5	0.0

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

		FY16 Actual	FY17 Actual	FY18 Budget	FY19 Request	FY19 Recomm
* Outcome	Percent of strength of the New Mexico national guard	100%	98%	97%	98%	100%
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	127	138	110	110	140
Output	Number of square feet of armory or readiness centers that are assessed as having major deficiencies an the infrastructure status report	138,932	122,129	110,000	119,773	110,000
Outcome	Percent of cadets successfully graduating from the youth challenge academy	84%	101%	91%	94%	95%

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. The 15 board members are appointed by the governor and confirmed by the senate.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	476.2	476.2	513.7	476.5	0.1
SOURCES TOTAL	476.2	476.2	513.7	476.5	0.1
USES					
Personal Services and Employee Benefits	314.7	331.4	368.3	331.4	0.0
Contractual Services	7.5	7.5	7.8	7.8	4.0
Other	104.2	137.3	137.6	137.3	0.0
TOTAL USES	426.4	476.2	513.7	476.5	0.1
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:

Last year, only 10 of the 15 Adult Parole Board positions were filled. The board is staffed by six employees, including an appointed director, charged with ensuring parole hearings run efficiently. In FY17, the Parole Board conducted 3,741 parole hearings, 473, or 11 percent, fewer hearings than in FY16. The decrease in hearings is mostly due to board member vacancies. Of the total hearings held, 62 percent resulted with a parole certificate issued.

The board’s request was a 10 percent increase from the FY18 operating budget. The board strives to remain fully staffed to maintain efficient operations but has struggled with vacancies in FY17 and FY18. The committee recommendation is flat with FY18, excluding a small increase for audit fees.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal, or county governments	32	36	30	30	40
* Efficiency	Percent of revocation hearings held within thirty days of a parolee’s return to the corrections department	97%	96%	95%	95%	95%
Explanatory	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1	1			
Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	97%	99%	97%	97%	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)						
<u>FY19 – 2018-2019</u>						
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>	
SOURCES						
General Fund Transfers	13.6	13.2	13.2	13.2	0.0	
SOURCES TOTAL	13.6	13.2	13.2	13.2	0.0	
USES						
Contractual Services	4.9	4.9	4.9	4.9	0.0	
Other	7.3	8.3	8.3	8.3	0.0	
TOTAL USES	12.2	13.2	13.2	13.2	0.0	
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 with FY18 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 FY17, JPSAB reported only 52 percent of juvenile clients successfully completed their term of supervised release, down from 66 percent the previous fiscal year. The board reported youth who walk-away from custody, also called absconders, from reintegration centers accounted for 47 percent of unsuccessful discharges. The agency reported an interest in legislation to address the high rates of youth leaving reintegration centers before discharge. Legislation would provide for a deferred release, if a warrant is issued for an absconder.

The FY19 committee recommendation supports the requested \$13.2 thousand from the general fund, flat with the FY18 operating budget. The entire JPSAB budget funds audit costs and board travel expenses.

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

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Output	Percent of clients reviewed at forty days	83%	89%	98%	85%	88%
Outcome	Percent of clients successfully completing term of supervised release	66%	53%	65%	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 and rehabilitation programs and services that provide opportunities for offenders to successfully transition to communities.

	BUDGET SUMMARY (dollars in thousands)				
	FY17 2016-2017	FY18 2017-2018	<u>FY19 – 2018-2019</u>		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	293,676.9	297,280.8	303,899.6	300,548.8	1.1
Other Transfers	1,000.0	2,335.3	1,279.2	1,279.2	-45.2
Federal Revenues	381.0	0.0	0.0	0.0	
Other Revenues	28,437.2	25,758.9	27,238.9	31,172.9	21.0
Fund Balance	1,902.7	2,312.7	0.0	656.4	-71.6
SOURCES TOTAL	325,397.8	327,687.7	332,417.7	333,657.3	1.8
USES					
Personal Services and Employee Benefits	142,528.7	140,069.5	141,236.0	142,000.0	1.4
Contractual Services	58,708.3	61,021.6	60,770.6	60,325.6	-1.1
Other	127,534.6	125,596.6	130,411.1	131,331.7	4.6
Other Financing Uses	0.0	1,000.0	0.0	0.0	-100.0
TOTAL USES	328,771.6	327,687.7	332,417.7	333,657.3	1.8
FTE					
Permanent	2,368.0	2,368.0	2,402.0	2,368.0	0.0
Term	35.0	35.0	45.0	45.0	28.6
TOTAL FTE POSITIONS	2,403.0	2,403.0	2,447.0	2,413.0	0.4

AT A GLANCE:

The Corrections Department (NMCD) FY19 budget request was \$331.9 million, an increase of \$4.3 million, or 1.3 percent, of which \$303.9 million was from the general fund. The total general fund increase over the FY17 operating budget was \$6.6 million, or 2.2 percent. The majority of the requested increase was for Department of Information Technology (DoIT) rates for radios, increased health insurance rates, a \$1.3 million general fund swap for Corrections Industries fund balances, and to lower vacancy rates. Although not requested in the base budget, NMCD also proposed additional funding, including \$2.6 million to relieve correctional officer pay compaction and \$1.3 million for transitional living bed space should funding become available. The LFC recommendation increases the agency's general fund budget \$3.3 million, or 1.1 percent, compared with the FY18 operating budget. The recommendation also includes an additional \$3.9 million in land grant permanent fund distributions, reflecting higher than expected revenue from the fund.

BUDGET ISSUES:

After years of concern surrounding the department's fiscal management practices, NMCD ended FY17 with a \$1 million surplus, using remaining balances from a 2016 \$13 million special appropriation. Although the department's appropriations were reduced \$4.6 million, or 1.5 percent, in the 2016 special legislative session, the department's budget has grown an average 2 percent a year over the last five years and is 11 percent higher than in FY14, mirroring inmate population growth of 10 percent over the same time period. However, the committee remains concerned about historical reliance on special appropriations to balance the operating budget.

During the 2017 legislative session, NMCD received a \$7.6 million general fund increase, including \$3.6 million in recurring funds and \$4 million in nonrecurring funds for inmate population growth, hepatitis C, and custodial staff overtime costs. Additionally, the department was granted language allowing penalties from private prisons to be used for facility maintenance in both FY17 and FY18; the department generated \$1.8 million in penalties in FY17 and expects to collect between \$2.4 million and \$3 million in FY18. For FY19, the Legislature does not recommend continuance of the penalty language, acknowledging private prisons' struggles to hire security staff and a lack of cost-of-living contract increases.

In FY17, NMCD submitted two year-end budget adjustment requests (BAR) transferring a total \$2.3 million among programs and categories, about 1 percent of the agency's total budget. The first BAR transferred \$945 thousand from Program Support and \$364 thousand from the Community Offender Management Program to the Inmate Management and Control Program's other costs category, a total transfer of \$1.3 million, to help cover overdue DoIT radio bills. The second BAR transferred a total of \$950 thousand to the personal services and employee benefits category within the Inmate Management and Control Program. The funds were used to cover salary and benefit shortfalls.

The department requested, and the committee recommends, an additional 10 term personnel and \$480 thousand in fund balance within the Corrections Industries (CI) Program to support moving food services, currently managed by a contractor, in house. The additional employees would replace existing contract food service personnel at the Springer facility and the Penitentiary of New Mexico (PNM), and include one supervisory employee to oversee food operations with the contractor at Springer, PNM, and the Bernalillo County Metropolitan Detention Center (MDC) in Albuquerque, which contracts with NMCD for services. The expansion employees would supervise and train the inmates while they work. The expansion will not generate savings immediately but should improve inmate work and training opportunities.

The recommendation also includes an additional \$3.9 million in land grant permanent fund distributions, reflecting higher than expected revenue from the fund due to improvements in investment performance.

Radio Communications. Five years ago, NMCD purchased its own security radios but did not use DoIT to maintain them. In FY14, the frequency of public safety radio waves was changed to comply with federal mandates and NMCD's radios became inoperable. Because DoIT did not own NMCD's radios, the equipment was never updated to support the new frequency. In FY15, DoIT replaced all of NMCD's radios and did not charge for the service until FY16. However, NMCD did not pay the fees in FY16 and only paid \$1 million in FY17, leaving a \$5.4 million balance. NMCD has requested a \$5.4 million deficiency appropriation to cover FY16 and FY17 back payments to DoIT and \$3.4 million to cover FY18 payments. A lag between when the FY16 radio rate was first established by DoIT and when the new radios were purchased may have created a steep increase in NMCD's radio fees. LFC staff is working to validate the actual amount needed for the past-due amounts and has concerns about the recurring rates going forward.

While the recommendation currently funds the FY19 base budget request for DoIT radio fees, the largest increase within the department's budget request, questions remain regarding the validity of the fees and if extraneous costs are being assessed in the rates. NMCD and DoIT need to provide additional information to fully validate both the FY19 rate and previous year past-due amounts.

Inmate Trends. For FY19, the department did not request additional funding for inmate growth despite the state's prolific violent crime rates. New Mexico's violent crime rate of 703 crimes per 100 thousand citizens far surpasses neighboring states' average of 391 crimes. As crime rates have climbed, New Mexico Sentencing Commission (NMSC) data shows the female inmate population has grown an average 4 percent per year over the last five years while the male population grew an average 2 percent per year over the same period with budget increases mirroring that 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 FY19. NMSC's 2016 forecast projects 7,783 inmates in FY19, 1.6 percent higher than FY18.

NMSC data shows the number of men admitted for violent crimes increased an average 2 percent a year between FY13-FY16, while the number admitted for drug crimes rose 6 percent. Property crime admissions rose only 1 percent over the same time period. The number of women admitted increased in every crime category over the last four years: 9 percent in violent crime, 13 percent in property crime, 19 percent in drug crimes, and 11 percent in crimes like DWI. Additionally, admissions into prison due to parole violations increased 12 percent on average between FY15 and FY16. Sentencing reform could lead to fewer convictions for nonviolent crimes and slow population growth in the state's prisons, leading to cost savings.

The department's progress on releasing inmates on time has plateaued since FY16 for both men and women, mostly due to vacancies in probation and parole staff and lack of housing options. The department has requested the Legislature consider \$1.3 million in operating costs for additional transitional living beds should funding become available. This would serve an additional 48 inmates.

Recidivism also plays a large role in population growth. In FY17, NMCD reported 50 percent of released inmates returned to prison within three years, a 3 percent increase over FY16. The LFC has expressed concerns about the accuracy of NMCD's recidivism data; however, the department's new offender management system software, currently being developed, should help with data integrity. A 2012 LFC program evaluation reported if the recidivism rate could be reduced by 10 percent, the state could save \$8 million per year.

Health Care. In mid-2016, NMCD chose Centurion LLC to provide healthcare services for inmates. The agency also contracted for pharmacy services with Boswell, a change from past contracts where healthcare and pharmacy services were handled by the same vendor. Additionally, the agency contracted with MHM Correctional Services to provide gender responsive and trauma informed behavioral health services to the female population. Both the pharmacy and female behavioral health services contracts include cost escalators between 2 percent and 3 percent per year, reflecting medical inflation and inmate population growth. As a result of the three new contracts, the agency's FY18 healthcare costs are about \$8.9 million, or 19 percent, over FY17. NMCD recently renegotiated the contracts with healthcare providers, enabling the department to submit a FY19 healthcare services request flat with the \$51.9 million in the FY18 operating budget. The LFC recommendation fully funds the department's healthcare request.

Of note, the healthcare contract mandated that Centurion, and presumably its subsidiary Boswell, obtain federal drug pricing within six months from the start of the contract for medications for certain diseases, including hepatitis C, and some psychotropic drugs. However, it is difficult for correctional facilities to procure the federal pricing and Centurion did not successfully achieve the savings. Only Texas has been able to successfully procure the special pricing by working with the University of Texas Medical Branch to provide services, an arrangement some experts consider unauthorized. NMCD is currently working with Christus St. Vincent hospital to procure the drug pricing.

In FY16, when NMCD first began treating hepatitis C patients with new drug therapies, the number of inmates needing treatment and their acuity levels were high. Since FY16, newer drugs have entered the market and have driven drug costs down. NMCD continues to work with Project ECHO at the University of New Mexico to identify infected inmates and develop treatment plans. NMCD data shows hepatitis C costs fell from an FY16 average of \$88.5 thousand per patient to \$68.8 thousand in FY17 as a result of competitive market pricing and having treated all the highest acuity patients. As market competition increases, hepatitis C drug prices continue to decrease. This summer, a new drug was approved that treats all major subtypes of hepatitis C in four weeks less time for \$26.4 thousand per treatment, potentially saving NMCD up to \$1.5 million per year compared with FY17. In FY17, the department was able to treat 40 inmates infected with hepatitis C.

The contract with Centurion, while much improved, still lacks good performance criteria and collection of quality-of-service data. For example, it has numerous performance measures about disease treatment rates but no data on how many inmates were cured from their disease.

Critical Staff Vacancies. The department reported a 22 percent correctional officer vacancy rate at public facilities in the first quarter of FY18 and a 17 percent probation and parole officer vacancy rate, stable compared with the previous fiscal year. To help lower vacancies, the State Personnel Office dedicated a staff member part-time to help NMCD process new hires, and the department has begun a "certification-by-waiver" academy to hire experienced officers more quickly. NMCD hired over 30 correctional officers from private prisons that closed in Estancia and Grants, helping lower vacancy rates.

The department reported a sharp drop in turnover of correctional and probation and parole officers; correctional officer turnover was reported at 13 percent in FY16 and 2 percent in FY17. Similarly, probation and parole officer turnover was reported at 10 percent in FY16 and 1 percent in FY17. The department does not maintain the required performance monitoring plan and has not responded to requests to account for the sharp improvement.

The Legislature appropriated \$4.5 million in FY17 to help the department increase correctional officer salaries. NMCD, with the help of the State Personnel Office (SPO), used the funding to increase salary minimums and raise salary midpoints, but no funding was dedicated to address salary compaction and none was requested in the FY18 or FY19 base budget to help. However, NMCD has proposed a potential FY19 special appropriation of \$2.6 million to address salary compaction issues.

NMCD is evaluating ways to enhance retention, including providing housing in rural areas and providing pay differentials for those who work in remote locations. The department has also adopted 12-hour shifts in some facilities instead of eight-hour shifts to help reduce overtime costs and improve officer quality of life; however, not all facilities have been willing to switch shift lengths.

Facilities. The state's prisons suffer from many infrastructure problems; the most common needs include new roofs, boilers, heating and cooling systems, and security equipment. Many facilities are riddled by problems with aging generators that have been patched multiple times and need replacement. Back-up generators cost the department up to \$16 thousand a month to rent and cost up to \$750 thousand to replace. Limited capital outlay capacity and shifting priorities due to the state's financial crisis left inadequate funding for NMCD facilities.

High maintenance costs, distance between facilities, and the need for ancillary services, such as health care and behavioral health care, are cost drivers and pose risks that could be minimized by building a new facility closer to a bigger city. Legislative and executive staff have discussed the potential for a new, larger prison to replace beds at old and inefficient facilities. The parties agreed to develop a request for proposals to study prison design and construction costs and identify programming needs, although no progress has been made. In Kansas, a private contractor is proposing to build a new 2,000 bed facility for about \$100 thousand per bed.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	252,776.6	256,059.3	260,180.3	257,745.4	0.7
Other Transfers	800.0	2,079.2	1,079.2	1,079.2	-48.1
Federal Revenues	347.7	0.0	0.0	0.0	
Other Revenues	14,652.6	13,692.6	13,692.6	17,626.6	28.7
SOURCES TOTAL	268,576.9	271,831.1	274,952.1	276,451.2	1.7
USES					
Personal Services and Employee Benefits	110,896.2	109,188.8	108,695.4	109,695.4	0.5
Contractual Services	50,687.3	53,119.6	53,119.6	52,659.6	-0.9
Other	110,062.0	109,522.7	113,137.1	114,096.2	4.2
TOTAL USES	271,645.5	271,831.1	274,952.1	276,451.2	1.7
FTE					
Permanent	1,804.0	1,804.0	1,837.0	1,804.0	0.0
Term	33.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	1,837.0	1,837.0	1,870.0	1,837.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Percent turnover of correctional officers in public facilities	13%	2.4%			
Output	Percent of eligible inmates who earn a general educational development certificate	76%	73%	80%	80%	80%
* Explanatory	Percent of participating inmates who have completed adult basic education	52%	63%			
Outcome	Percent of prisoners reincarcerated within thirty-six months due to new charges or pending charges	22%	19%	20%	20%	15%
* Explanatory	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	47%	10%			
* Output	Number of inmate-on-inmate assaults with serious injury	10	5	10	10	8
* Output	Number of inmate-on-staff assaults with serious injury	4	2	4	4	2
Outcome	Percent of standard healthcare requirements met by medical contract vendor	97%	96%	100%	96%	100%

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Percent of inmate grievances resolved informally	85%	88%			
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release on the previous sex offense conviction	0%	19%	5%	15%	15%
* Outcome	Percent of release-eligible female inmates incarcerated past their scheduled release date	10%	8%	5%	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	2%	5%			
* Outcome	Percent of release-eligible male inmates still incarcerated past their scheduled release date	9%	9%	5%	10%	5%
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	75%	23%	75%	75%	75%
Outcome	Percent of inmates who have filled out a YES New Mexico application at time of release	NEW	95%	95%	95%	97%
* Outcome	Percent of prisoners reincarcerated within thirty-six months	NEW	NEW	40%	40%	40%
Explanatory	Number of escapes	NEW	NEW			
Outcome	Percent of eligible inmates enrolled in educational, cognitive, vocational, and college programs	NEW	NEW	40%	40%	50%
Outcome	Percent of project ECHO hepatitis c clients who cleared the virus within the prescribed time for treatment	NEW	NEW	95%	95%	95%
Outcome	Percent of chronic care clients seen on a timely basis	NEW	NEW	90%	90%	95%
* Outcome	Vacancy rate of correctional officers in public facilities	NEW	NEW	15%	15%	15%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,380.1	9,371.5	10,851.5	10,851.5	15.8
Fund Balance	590.0	1,000.0	0.0	0.0	-100.0
SOURCES TOTAL	11,970.1	10,371.5	10,851.5	10,851.5	4.6
USES					
Personal Services and Employee Benefits	1,618.3	1,569.0	2,067.4	2,067.4	31.8
Contractual Services	833.7	287.4	51.4	51.4	-82.1
Other	9,460.6	7,515.1	8,732.7	8,732.7	16.2
Other Financing Uses	0.0	1,000.0	0.0	0.0	-100.0
TOTAL USES	11,912.6	10,371.5	10,851.5	10,851.5	4.6
FTE					
Permanent	30.0	30.0	30.0	30.0	0.0
Term	2.0	2.0	12.0	12.0	500.0
TOTAL FTE POSITIONS	32.0	32.0	42.0	42.0	31.3

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Output	Percent of inmates receiving vocational or educational training assigned to corrections industries	NEW	NEW	NEW	>20%	>20%

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)

	FY17		FY18		FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>		2017-2018 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	29,219.3		29,064.1		31,064.1	30,407.9	4.6
Other Revenues	2,206.5		2,540.0		2,540.0	2,540.0	0.0
Fund Balance	1,312.7		1,312.7		0.0	656.4	-50.0
SOURCES TOTAL	32,738.5		32,916.8		33,604.1	33,604.3	2.1
USES							
Personal Services and Employee Benefits	20,100.0		19,322.4		20,009.8	20,009.8	3.6
Contractual Services	6,635.2		7,059.4		7,059.4	7,059.4	0.0
Other	6,065.0		6,535.0		6,534.9	6,535.1	0.0
TOTAL USES	32,800.2		32,916.8		33,604.1	33,604.3	2.1
FTE							
Permanent	376.0		376.0		376.0	376.0	0.0
TOTAL FTE POSITIONS	376.0		376.0		376.0	376.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of prisoners reincarcerated within thirty-six months due to technical parole violations	17%	25%	20%	20%	20%
* Explanatory	Percent turnover of probation and parole officers	10%	1%			
* Outcome	Percent of contacts per month made with high risk offenders in the community	95%	96%	95%	90%	95%
* Quality	Average standard caseload per probation and parole officer	109	112	100	100	100
Output	Percent of absconders apprehended	31%	28%	30%	30%	30%
Explanatory	Number of offenders on the waiting list for intensive or high-risk supervision	<40	<40			
* Output	Percent of male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	18%	21%	20%	20%	18%
* Output	Percent of female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	18%	19%	20%	20%	18%
Outcome	Vacancy rate of probation and parole officers	NEW	NEW	15%	15%	15%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	11,681.0	12,157.4	12,655.2	12,395.5	2.0
Other Transfers	200.0	256.1	200.0	200.0	-21.9
Federal Revenues	33.3	0.0	0.0	0.0	
Other Revenues	198.0	154.8	154.8	154.8	0.0
SOURCES TOTAL	12,112.3	12,568.3	13,010.0	12,750.3	1.4
USES					
Personal Services and Employee Benefits	9,914.2	9,989.3	10,463.4	10,227.4	2.4
Contractual Services	552.1	555.2	540.2	555.2	0.0
Other	1,947.0	2,023.8	2,006.4	1,967.7	-2.8
TOTAL USES	12,413.3	12,568.3	13,010.0	12,750.3	1.4
FTE					
Permanent	158.0	158.0	159.0	158.0	0.0
TOTAL FTE POSITIONS	158.0	158.0	159.0	158.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Graduation rate of correctional officer cadets from the corrections department training academy	79%	69%			
Explanatory	Percent of employee union grievances resolved prior to arbitration	98%	100%			
Quality	Percent of audit findings resolved from prior year	33%	33%	75%	75%	50%

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)						
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)	
	2016-2017 Actuals	2017-2018 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	2,333.8	2,324.0	2,324.0	2,324.0	0.0	
Federal Revenues	8,753.3	16,634.4	14,321.0	14,321.0	-13.9	
Other Revenues	968.0	802.0	896.0	896.0	11.7	
Fund Balance	0.0	97.2	138.2	138.2	42.2	
SOURCES TOTAL	12,055.1	19,857.6	17,679.2	17,679.2	-11.0	
USES						
Personal Services and Employee Benefits	1,290.0	1,340.6	1,492.8	1,492.8	11.4	
Contractual Services	250.5	280.8	317.4	317.4	13.0	
Other	10,010.7	18,236.2	15,869.0	15,869.0	-13.0	
TOTAL USES	11,551.2	19,857.6	17,679.2	17,679.2	-11.0	
FTE						
Permanent	16.0	16.0	16.0	16.0	0.0	
Term	5.0	6.0	7.0	6.0	0.0	
TOTAL FTE POSITIONS	21.0	22.0	23.0	22.0	0.0	

AT A GLANCE:

New Mexico was the second most violent state in the nation in 2016, behind only Alaska, according to the most recent year of FBI crime statistics available. The state's violent crime rate was 58 percent higher than the national average. According to FBI data, the rate of violent crime in 2013 was 613 crimes per 100 thousand in population, 598 in 2014, 658 in 2015, and 703 in 2016. The rise in violent crime necessitates additional victim compensation payments in future years. In FY17, the commission approved just over \$2 million in payments to victims of crime for hospital stays, funerals, lost wages, and rent and relocation. It approved \$8.1 million in grants to local organizations to provide shelter, counseling, and other assistance. In FY17, 3,100 reparation applications were received and 2,300, or 75 percent, were approved.

The Crime Victims Reparation Commission (CVRC) receives federal funds from the 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. Although the federal budget is uncertain, a proposal to decrease VOCA funding could decrease New Mexico's funds by \$2.3 million, or 14 percent, from FY18 levels. VOCA funds are passed on to direct service 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 \$396 thousand in FY19, about 19 percent of the average \$2 million made in payments to victims per year. Revenue generated from fees has grown since the bill was signed, but the commission must continue to educate the courts and district attorneys on fee assessments and rates. Fee collection remains lower than expected because the courts have not comprehensively trained judges throughout the state on the fees, and the Administrative Office of the Courts has not granted CVRC's request to conduct training for judges.

The committee recommendation is flat with the FY18 operating budget. In the second quarter of FY18, the commission submitted a budget adjustment request to shift \$110 thousand from victim reparation to support staffing after the agency's general fund was reduced almost \$155 thousand, or 6 percent, from FY17 to reflect vacancy rates at the time. Since FY17, the commission has averaged two general-fund-supported vacancies out of a total 16 staff positions.

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,333.8	2,324.0	2,324.0	2,324.0	0.0
Other Revenues	968.0	802.0	896.0	896.0	11.7
Fund Balance	0.0	97.2	138.2	138.2	42.2
SOURCES TOTAL	3,301.8	3,223.2	3,358.2	3,358.2	4.2
USES					
Personal Services and Employee Benefits	955.1	948.0	1,035.4	1,035.4	9.2
Contractual Services	220.6	198.9	233.2	233.2	17.2
Other	1,622.2	2,076.3	2,089.6	2,089.6	0.6
TOTAL USES	2,797.9	3,223.2	3,358.2	3,358.2	4.2
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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Efficiency	Average number of days to process applications	90	94	<90	<90	<90
Explanatory	Number of victims receiving direct advocacy	NEW	NEW			
Outcome	Percent of payment for care and support paid to providers	65%	65%	65%	65%	65%
* Outcome	Percent of payment for care and support paid to individual victims	100%	100%	100%	100%	100%
Explanatory	Number of crime victims compensation applications received	NEW	NEW			

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	8,753.3	16,634.4	14,321.0	14,321.0	-13.9
SOURCES TOTAL	8,753.3	16,634.4	14,321.0	14,321.0	-13.9
USES					
Personal Services and Employee Benefits	334.9	392.6	457.4	457.4	16.5
Contractual Services	29.9	81.9	84.2	84.2	2.8
Other	8,388.5	16,159.9	13,779.4	13,779.4	-14.7
TOTAL USES	8,753.3	16,634.4	14,321.0	14,321.0	-13.9
FTE					
Term	5.0	6.0	7.0	6.0	0.0
TOTAL FTE POSITIONS	5.0	6.0	7.0	6.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Efficiency	Percent of subgrantees that receive compliance monitoring via desk audits	85%	100%	90%	90%	100%
* Efficiency	Percent of site visits conducted	36%	41%	40%	40%	40%
Outcome	Percent of monitored subgrantees in compliance with quarterly performance measure to provide effective services to victims of crime	95%	100%	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 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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 – 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	120,628.4	119,068.8	121,118.5	120,207.4	1.0
Other Transfers	3,940.5	5,401.5	7,171.1	7,171.1	32.8
Federal Revenues	7,447.8	14,722.3	13,093.8	13,093.8	-11.1
Other Revenues	4,330.6	7,109.4	7,316.9	7,316.9	2.9
Fund Balance	0.0	840.0	1,040.0	1,040.0	23.8
SOURCES TOTAL	136,347.3	147,142.0	149,740.3	148,829.2	1.1
USES					
Personal Services and Employee Benefits	98,842.9	105,955.6	106,759.5	106,068.6	0.1
Contractual Services	3,471.1	5,017.0	5,178.4	5,178.4	3.2
Other	31,681.2	36,169.4	37,802.4	37,582.2	3.9
TOTAL USES	133,995.2	147,142.0	149,740.3	148,829.2	1.1
FTE					
Permanent	1,143.5	1,135.5	1,120.0	1,135.5	0.0
Term	121.0	107.0	128.0	107.0	0.0
Temporary	56.3	25.2	55.3	25.2	0.0
TOTAL FTE POSITIONS	1,320.8	1,267.7	1,303.3	1,267.7	0.0

AT A GLANCE:

Despite a challenging financial outlook over the last few years, public safety agencies have remained a top priority as crime rates in the state continue to spike. General fund appropriations to the Department of Public Safety (DPS) have increased an average 5 percent per year over the last five years, resulting in an additional \$11.5 million for police officer pay and additional recruit schools. However, DPS still struggles to maintain competitive pay in a challenging market and projects a smaller police force in the coming years as a result. As the state continues to weather the effects of the second highest violent and property crime rate in the nation, coupled with limited revenue, evidence-based practices will prove critical to impacting the state's future safety and success.

The department requested a \$2.1 million general fund increase for FY19, including \$1.5 million for an additional recruit school to address increased retirement rates, \$355 thousand for critical forensic, grant management, and purchasing personnel, and \$175 thousand for increased information technology rates and insurance premiums. The department is overfunded in the Law Enforcement Program due to a \$4.6 million, or 5 percent, funded vacancy rate. Historically, the Legislature has supported the additional funding in the program to allow the department to adjust the police officer pay plan as needed, absorb better-than-expected recruitment outcomes, and host additional recruit or lateral schools if needed. The committee recommendation includes a \$1.2 million, or 1 percent, increase from the general fund, over the FY18 budget to support the additional recruit school, premiums and rates, and grant management personnel to assist local police departments attain federal Community-Oriented Policing Services (COPS) grant funds and assist with current grant management.

BUDGET ISSUES:

The DPS general fund request was \$2.1 million, or 1.7 percent, above the FY18 operating budget. The increase in general fund revenue included \$1.5 million for an additional recruit school, expected to graduate 25 new officers, and \$175 thousand for Department of Information Technology (DoIT) rates and General Services Department (GSD) insurance premium increases. The department also requested \$105 thousand to support unfunded grant management personnel costs, \$100 thousand for a forensic scientist, \$80 thousand for an IT administrator for the department's computer-aided dispatch (CAD) system, and \$70 thousand for a purchasing agent. The agency requests increased use of fund balance by \$200 thousand, or 24 percent, while federal revenues shrunk \$1.7 million, or 11 percent, due to uncertainties at the federal level surrounding Byrne grants.

Although DPS did not request any funding for the police officer pay plan for FY19, significant investments have been made in an attempt to keep state police officer salaries competitive statewide. Over the last five years, \$11.5 million has been allocated to develop a more competitive police officer pay plan to address stubbornly high officer vacancy rates; however, vacancy rates are projected to rise as high as 17 percent by FY20. To remain competitive, the department projects \$6.8 million is needed to move state police officer starting pay to the third highest in the market behind Carlsbad and Hobbs. Benefits, like competitive retirement plans, are also key factors in netting more officers.

The committee recommendation increases the general fund appropriation by \$1.2 million, or 1 percent, over FY18, including \$105 thousand for key grants management personnel, \$1.5 million for an additional recruit school, and \$175 thousand for increased IT and insurance costs.

Manpower. Recruiting and retaining state police officers remains challenging for DPS. Of the department's authorized 737 officers, the agency averaged a force of 652 officers in FY17 and projects 654 in FY18. In FY19, DPS projects manpower will fall to an average 629 officers without additional recruit school funding, a 15 percent vacancy rate compared with an average 12 percent in FY18. DPS expects dwindling ranks as officers retire at the end of the administration and wages lag the market. 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. More efficient use of manpower is needed, such as databases to map crime hotspots or expansion of cooperating agreements with local police jurisdictions. The recommendation recognizes vacancies will occur and reallocates vacancy savings to support an additional recruit school.

The agency took steps in early FY18 to bolster ranks, using \$1.1 million of internally sourced funds to update the officer pay plan. As a result, officers within their first two to five years of service will see step increases between 3 percent to 7 percent for each year served. Previously, step increases were only present after the second and fourth years. Additionally, officers on the last step of their rank will receive a 2 percent lump sum in FY18 to avoid pay compaction.

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 the department keep officers. In New Mexico, like other states, DPS has shortened academy length and testing policies to begin hiring officers more quickly. Other strategies include use of federal Community-Oriented Policing Services (COPS) program grants and other funding sources. The COPS grants promote the use of community policing among state, local, territorial, and tribal law enforcement agencies through matching grants for community-based initiatives, such as targeted analytic policing system (TAPS) maps, joint enforcement with local forces, and directed patrols focusing on serious crimes.

In FY17, the agency transferred \$823 thousand within the Law Enforcement Program from personnel to the other category to purchase tourniquet and trauma kits and other equipment in accordance with Laws 2017, Chapter 35, as well as naloxone for opioid overdose reversal, phones, police car cameras, and capital repairs.

LFC, the Public Employees Retirement Association (PERA), and DPS are evaluating reducing retirement contributions to the public safety retirement plan, allowing a portion of reduced contribution savings to be reallocated to increased officer pay. According to PERA's actuarial evaluation, as of June 30, 2017, the actuarial value of assets exceeds accrued liabilities by \$286.5 million. Based on the report, reducing employer pension contributions by 12 percent, for example, would generate approximately \$10 million in savings. After dedicating a portion of the savings for salary increases, the balance could be redistributed to PERA for the underfunded state general plan for non-public safety employees.

Law Enforcement Support. In October 2017, dispatcher vacancy rates were 22 percent, reflecting multiple years of high vacancies. Dispatcher vacancies critically impact officer and public safety, increasing risk of missed radio transmissions and abandoned emergency calls. DPS, in an effort to mitigate vacancies, consolidated its 18 dispatch centers throughout the state into just three centers in Albuquerque, Las Vegas, and Las Cruces. Although the department does not currently project savings as a result of the consolidation, DPS expects lower vacancy rates. However, turnover could still be high as DPS dispatchers are paid an average \$18.25 per hour compared with \$23 per hour on average in Albuquerque. In FY16, the department reallocated \$425 thousand of the operating budget to increase starting pay for dispatchers by 14.4 percent and increase average pay 12.5 percent; however, vacancy rates did not seem to improve as a result.

Also in FY16, DPS allocated \$258 thousand from its base budget to provide a 10 percent increase in pay for forensic scientists; however, the scientists have not seen a pay increase since. Vacancy rates among forensic scientists have fallen from an average 21 percent in FY16 to 12 percent in the second quarter of FY18. The FY19 budget request contained \$100 thousand for a forensic scientist; however, the recommendation assumes vacancy savings to support the position.

In FY17, a special appropriation of \$1.2 million was made to start processing backlogged sexual assault evidence kits. The department has made significant headway clearing the kits quickly and efficiently. As of the first quarter of FY18, DPS had tested 604 of their 1,400 kit backlog with 194 of the kits eligible for entry into federal criminal databases. Of the kits entered into databases, 72 kits, or 12 percent, have been linked to other sexual assault cases.

The Legislature in 2016 authorized \$7.5 million for the new Santa Fe Crime Lab and Evidence Center: \$500 thousand in severance tax bond proceeds for plan and design and \$7 million in general obligation bond proceeds 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. To date, DPS has issued a request for proposals for the evidence center but expects to be short on funding the project's completion.

Data Sharing. The department requested \$4.8 million in FY19 to replace its records management system (RMS) with a new system compatible with its computer-aided dispatch system. The new RMS would enable efficient data entry, real-time alerts, and an extensive reporting system, which would 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 August 2015, the New Mexico Supreme Court's Ad Hoc Pre-Trial Release Committee recommended the state develop a centralized data clearinghouse for criminal histories, created by Laws 2016, Chapter 10, with the goal of allowing judges to more quickly assess risk during arraignment and sentencing. Criminal history records will be generated from databases at the Children, Youth and Families Department, the Administrative Office of the District Attorneys, the Administrative Office of the Courts, the National Crime Information Center, and the Corrections Department. In the 2016 legislative session, DPS was appropriated \$600 thousand to create the database and estimated the project will cost the state almost \$1 million to create and implement over the next three years. Currently, the data is available only to the 1st Judicial District and data is consolidated into a report manually on request via email. The complete automation of the process and access for all courts is estimated to cost an additional \$430 thousand with annual maintenance of \$36 thousand.

Performance. The department's FY19 performance measures are little changed compared with FY18 measures, which were significantly overhauled from years previous. However, the department still 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 FY19 measures are currently explanatory or about output; no outcome measures 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.

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 2019 from appropriations made from the weight distance tax identification permit fund shall revert to the weight distance tax identification permit fund.

The general fund appropriations to the program support program of the department of public safety include one hundred five thousand dollars (\$105,000) for grant management personnel to assist local police departments attain federal community oriented policing services grant funds.

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)

	FY19 - 2018-2019				
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	103,233.9	102,800.7	104,389.8	103,828.7	1.0
Other Transfers	3,192.8	3,929.3	6,041.2	6,041.2	53.7
Federal Revenues	5,261.8	9,248.9	7,890.9	7,890.9	-14.7
Other Revenues	1,340.6	2,390.0	2,390.0	2,390.0	0.0
Fund Balance	0.0	0.0	350.0	350.0	
SOURCES TOTAL	113,029.1	118,368.9	121,061.9	120,500.8	1.8
USES					
Personal Services and Employee Benefits	84,861.2	90,127.1	90,538.0	90,138.0	0.0
Contractual Services	1,360.8	2,579.8	2,701.1	2,701.1	4.7
Other	23,388.2	25,662.0	27,822.8	27,661.7	7.8
TOTAL USES	109,610.2	118,368.9	121,061.9	120,500.8	1.8
FTE					
Permanent	977.5	985.5	963.0	985.5	0.0
Term	65.0	58.0	66.0	58.0	0.0
Temporary	55.3	24.2	55.3	24.2	0.0
TOTAL FTE POSITIONS	1,097.8	1,067.7	1,084.3	1,067.7	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Output	Number of enforcement operations for sales to intoxicated persons	581	797	500	500	800
Explanatory	Number of New Mexico state police crime scenes investigated or processed					
Explanatory	Percent of New Mexico state police cadets who graduate per recruit class					
Explanatory	Number of impact investigations conducted by narcotics agents					
Explanatory	Number of alcohol source investigations conducted statewide by special investigation unit agents					
* Output	Number of data-driven traffic-related enforcement projects held	NEW	NEW	1,700	1,700	1,700
* Output	Number of driving-while-intoxicated saturation patrols conducted	NEW	NEW	975	975	975
Output	Number of tobacco outlets visited during sales enforcement operations by special investigation unit agents	NEW	NEW	900	900	900
Explanatory	Number of commercial motor vehicle citations issued annually					
Explanatory	Number of criminal investigations conducted by investigation bureau agents					
Explanatory	Number of minor compliance and underage enforcement operations conducted annually					
Explanatory	Number of crime scenes investigated or processed statewide for other police agencies					
Explanatory	Number of drug-related investigations conducted by narcotics agents					
Output	Number of proactive criminal suppression operations held	NEW	NEW	200	200	200
Output	Number of licensed alcohol premises inspections conducted	NEW	NEW	4,500	4,500	4,500

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of commercial motor vehicle safety inspections conducted	NEW	NEW	70,000	70,000	70,000
* Output	Number of driving-while-intoxicated arrests	NEW	NEW	2,250	2,250	2,250
Output	Number of driving-while-intoxicated checkpoints conducted	NEW	NEW	200	200	200
Explanatory	Number of motor carrier safety trainings completed					
Explanatory	Commercial motor vehicle out-of-service rate compared with the current national level					

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	12,409.7	12,201.1	12,451.7	12,271.7	0.6
Other Transfers	727.2	1,058.0	988.0	988.0	-6.6
Federal Revenues	550.6	1,842.2	1,648.7	1,648.7	-10.5
Other Revenues	2,990.0	4,673.5	4,926.9	4,926.9	5.4
Fund Balance	0.0	840.0	690.0	690.0	-17.9
SOURCES TOTAL	16,677.5	20,614.8	20,705.3	20,525.3	-0.4
USES					
Personal Services and Employee Benefits	10,084.5	11,572.2	11,849.3	11,669.3	0.8
Contractual Services	1,990.0	2,284.9	2,325.0	2,325.0	1.8
Other	4,691.3	6,757.7	6,531.0	6,531.0	-3.4
TOTAL USES	16,765.8	20,614.8	20,705.3	20,525.3	-0.4
FTE					
Permanent	112.0	105.0	112.0	105.0	0.0
Term	47.0	41.0	52.0	41.0	0.0
Temporary	1.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	160.0	147.0	164.0	147.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Average number of days to issue a concealed carry permit	NEW	NEW	15	15	14
* Outcome	Percent of forensic firearm/toolmark cases completed	NEW	NEW	90%	90%	90%
* Outcome	Percent of forensic latent fingerprint cases completed	NEW	NEW	90%	90%	90%
Outcome	Percent of sexual assault evidence kits completed dated prior to July 1, 2015	NEW	NEW	15%	15%	15%
Output	Average number of days to process a civil fingerprint applicant	NEW	NEW	2	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	90%	90%	90%
* Outcome	Percent of forensic biology and DNA cases completed	NEW	NEW	65%	65%	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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	4,984.8	4,067.0	4,277.0	4,107.0	1.0
Other Transfers	20.5	414.2	141.9	141.9	-65.7
Federal Revenues	1,635.4	3,631.2	3,554.2	3,554.2	-2.1
Other Revenues	0.0	45.9	0.0	0.0	-100.0
SOURCES TOTAL	6,640.7	8,158.3	7,973.1	7,803.1	-4.4
USES					
Personal Services and Employee Benefits	3,897.2	4,256.3	4,372.2	4,261.3	0.1
Contractual Services	120.3	152.3	152.3	152.3	0.0
Other	3,601.7	3,749.7	3,448.6	3,389.5	-9.6
TOTAL USES	7,619.2	8,158.3	7,973.1	7,803.1	-4.4
FTE					
Permanent	54.0	45.0	45.0	45.0	0.0
Term	9.0	8.0	10.0	8.0	0.0
TOTAL FTE POSITIONS	63.0	53.0	55.0	53.0	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Percent of audit findings resolved from the prior fiscal year's annual external audit	100%	100%	90%	90%	100%
Output	Number of site visits made to sub-grantees	NEW	NEW	6	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)						
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,598.7	2,481.4	2,980.3	2,750.0	10.8	
Other Transfers	133.1	150.8	138.5	138.5	-8.2	
Federal Revenues	3,503.3	20,484.0	16,224.2	16,224.2	-20.8	
Other Revenues	57.0	110.0	55.0	55.0	-50.0	
SOURCES TOTAL	6,292.1	23,226.2	19,398.0	19,167.7	-17.5	
USES						
Personal Services and Employee Benefits	3,965.9	4,491.4	4,947.1	4,947.1	10.1	
Contractual Services	1,140.3	1,777.4	2,312.6	2,312.6	30.1	
Other	7,966.2	16,957.4	12,138.3	11,908.0	-29.8	
TOTAL USES	13,072.4	23,226.2	19,398.0	19,167.7	-17.5	
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 request for FY19 included a 20 percent general fund increase and a 21 percent reduction in federal revenue, resulting in an overall decrease of 18 percent relative to the FY18 operating budget. The decrease in federal funds reflected the department budgeting multi-year federal grants only in the year the grants are being used and would not affect operations. The general fund recommendation is \$268.6 thousand, or 10.8 percent, above the FY18 operating budget and matches pre-FY17 levels.

BUDGET ISSUES:

The Homeland Security and Emergency Management Department (DHSEM) sustained a \$151.3 thousand, or 5.5 percent, general fund decrease as a result of statewide solvency measures in FY17. In FY18, the department saw a \$117.3 thousand, or 4.5 percent, general fund decrease. The budget reductions resulted in DHSEM transferring \$936 thousand to the personal services and employee benefits category in FY17. The department averaged a 23 percent vacancy rate in FY17 but lowered the rate to 15 percent in the first four months of FY18. The department's request included a 9 percent vacancy rate. Of the 60 positions at the agency, only three are funded solely through the general fund. The committee recommendation supports the agency's personnel funding request to avoid large budget adjustments in the future and to continue hiring.

Department leadership continued working toward achieving financial management best practices and improved recruitment and retention of employees. In FY15, the department's audit contained 19 findings surrounding late cash reconciliation processes, late federal data collection required by the federal Office of Management and Budget, lack of disaster recovery IT controls, lack of controls over disbursements, and untimely prior-year reversions. The FY15 audit shows DHSEM resolved two of three prior-year findings, including weak subgrantee reporting and issues with prepayment of services, but repeated a finding on weak internal controls over cash receipts. Although the FY16 audit was submitted nine months late and findings have not yet been released, agency leadership has stressed the importance of rectifying audit findings, including federal fund management. The department processed just over \$45 million in federal disaster relief payments to New Mexico communities in FY16, a 500 percent increase over the \$7.3 million average disbursement between FY08 and FY14. Many of the projects had been open for years with little to no payments made. Similarly, the department increased the distribution of state executive order assistance funds from an average \$1.3 million per year to an average \$7.3 million per year. The funds are used to distribute resources to communities devastated by natural disasters and many are reimbursed by the federal government.

In 2016, the department lost an appeal to retain the Urban Search and Rescue team, a highly specialized team funded with federal revenues. The team was deactivated by the Federal Emergency Management Agency (FEMA) in 2015 for failure to meet operational and financial standards. In 2007, was listed as at risk by the federal government and was downgraded to nonoperational status in the same year. In most other states, teams are operated by municipal fire departments. In the past, 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 the Department of Public Safety and then DHSEM. Inability to achieve operational standards resulted in discontinuation of federal funds for and in 2017 DHSEM distributed needed equipment to other agencies, localities, or tribal entities and returned unneeded equipment to the federal government.

The recommendation supports the department’s request for contractual services, an overall \$535.2 thousand increase, comprising a \$614 thousand increase in federal funds and a decrease in general fund of \$78.8 thousand. The funds will be used for federal contracts for security and staffing services, while the remainder of the funds are for federally funded grant monitoring systems. The agency requested a \$295.6 thousand general fund increase in the other category mostly for Department of Information Technology radio rates; the recommendation supports half of the increase in funds for radios, reflecting FY17 actual expenditures.

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of statewide eligibility compliance for pre- and post-mitigation funding	NEW	NEW	70%	70%	70%
Outcome	Percent of federal permanent work funding for projects to improve sites affected by disaster	NEW	NEW	70%	70%	70%
Outcome	Percent of local jurisdictions' emergency management data entered into federal communications assets database	NEW	NEW	80%	80%	80%
* Outcome	Percent of compliance of all federal-grants-measuring visits	NEW	NEW	100%	100%	100%

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)				
	FY17	FY18	FY19 – 2018-2019		Percent Incr (Decr)
2016-2017	2017-2018	Agency	LFC		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	
SOURCES					
Other Transfers	1,471.0	1,471.0	1,471.0	1,471.0	0.0
Federal Revenues	379,554.0	401,451.8	401,252.0	401,252.0	0.0
Other Revenues	445,062.6	445,517.8	455,679.0	455,679.0	2.3
Fund Balance	0.0	27,955.0	3,000.0	3,000.0	-89.3
SOURCES TOTAL	826,087.6	876,395.6	861,402.0	861,402.0	-1.7
USES					
Personal Services and Employee Benefits	149,093.6	159,792.8	159,798.8	159,798.8	0.0
Contractual Services	198,320.2	402,237.3	396,192.6	396,192.6	-1.5
Other	254,913.9	308,365.5	305,410.6	305,410.6	-1.0
Other Financing Uses	0.0	6,000.0	0.0	0.0	-100.0
TOTAL USES	602,327.7	876,395.6	861,402.0	861,402.0	-1.7
FTE					
Permanent	2,431.0	2,447.0	2,450.0	2,450.0	0.1
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,487.5	2,503.5	2,506.5	2,506.5	0.1

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 FY19 request assumes no growth in federal revenue and a \$9 million, or 2.2 percent, increase in state road fund (SRF) revenue. The SRF increase was offset by a \$25 million reduction in use of SRF fund balance.

The LFC recommendation fully funds the NMDOT request.

BUDGET ISSUES:

NMDOT is responsible for construction and maintenance activities on the 30 thousand miles of the state road system, which includes state and national highway systems. Data from NMDOT's annual road condition survey shows deterioration across all road types over the past three years. NMDOT reports 90 percent of national highway system (NHS) lane miles were rated in fair condition or better in FY16, down 3 percent from FY14. However, only 79 percent of non-NHS lane miles were rated in fair condition or better. The American Society of Civil Engineers ranked New Mexico's road condition as 17th best in the United States and estimated the average New Mexico driver pays \$291 per year in vehicle repair costs as a result of driving on roads in need of repair. Without additional funding, the costs of vehicle repairs will increase.

State Road Fund. NMDOT forecasts SRF revenue every January and July and budgets all of the anticipated revenue in the request. For FY19, NMDOT expects an increase of approximately \$9 million, or 2.2 percent, over the FY18 operating budget. The increase is driven by increases in special fuel tax and weight distance tax assessed on commercial trucking. Both of these revenue sources are closely linked to the health of the national economy while the gas tax, which increased 1.2 percent, is more closely related to the state population and economy.

The Legislature authorized the Taxation and Revenue Department to expend up to \$6 million from the SRF to support operations of the Motor Vehicle Division in FY18. Neither TRD nor NMDOT requested the continuation of the \$6 million transfer and the LFC did not recommend it.

Federal Revenue. Federal revenue remained relatively stable over the last several fiscal years. From FY12 through FY18, federal revenues decreased by \$2.2 million, or 0.5 percent. For FY19, NMDOT requested \$401.2 million, a decrease of \$200 thousand. In addition to federal revenue apportioned to states in accordance with federal legislation, the Federal Highway Administration (FHWA) also redistributes funds left unspent at the end of the year. By expending all federal funds for the past several years and completing projects timely, NMDOT became eligible to receive \$36 million in redistribution funds in FY18.

Fund Balance. The total amount of available fund balance is determined during the January revenue forecasting process. During the Legislative session, the House Transportation Committee follows a consensus process to budget available fund balance to meet priorities of NMDOT, the Legislature, and the executive.

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 \$1.4 billion in total outstanding debt to be paid between FY19 and FY27. The FY19 debt service totals \$158 million: \$110 million from federal disbursements; \$40 million from the SRF; and \$8 million from the highway infrastructure fund.

NMDOT will have two balloon payments related to the Rail Runner Express coming due in FY25 and FY26 that must be paid from the SRF at an annual cost of \$113 million. SRF debt service 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.

Maintenance and Construction Needs. NMDOT reports the number of lane miles in deficient condition increased 15 percent from 3.9 thousand in FY14 to 4.5 thousand in FY16. The continued deterioration of New Mexico's roads is of concern 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.

NMDOT estimates total unfunded construction needs to be \$347 million, including \$318 million to perform roadway rehabilitation and construction and \$29 million for bridge replacement and repair. The department also projects a funding shortfall of \$158 million for maintenance activities. In addition to ongoing construction needs, the department produced a list of 51 of the top unfunded major investment projects with a combined cost of \$1.9 billion.

For several years, NMDOT has been moving toward a data-based project selection process. The Federal Highway Administration (FHWA) requires state DOTs develop a transportation asset management plan (TAMP) that includes performance measures and targets for pavement and bridge conditions. The statewide focus of the TAMP will likely help the overall health of the transportation system by prioritizing needs of the network rather than individual transportation districts. The TAMP must be completed by April 2018.

Personnel. NMDOT has maintained a vacancy rate of 12 percent to 15 percent for the past several years. NMDOT worked to stabilize employment through compensation initiatives. For example, NMDOT increased the salaries of highway maintenance workers, civil engineering technicians, and transportation to the range midpoints. While some salaries have increased, the department continues to struggle to recruit and retain engineering staff. The department could use a portion of the vacancy savings to increase salaries for high-demand occupations; in FY17, the department spent \$149.1 million of the \$158.6 million appropriated, leaving \$9.6 million available for salary increases or other recruitment and retention efforts.

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.

The internal service funds/interagency transfers appropriations to the modal program of the department of transportation include one million one hundred seventy-one thousand dollars (\$1,171,000) from the weight distance tax identification permit fund to hire temporary workers, purchase equipment for commercial truck permitting and maintain and fund capital improvements for port-of-entry facilities.

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)

	FY17	FY18	FY19 - 2018-2019		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	352,373.0	366,082.8	365,883.0	365,883.0	-0.1
Other Revenues	150,764.0	151,018.9	161,078.0	161,078.0	6.7
Fund Balance	0.0	18,955.0	0.0	0.0	-100.0
SOURCES TOTAL	503,137.0	536,056.7	526,961.0	526,961.0	-1.7
USES					
Personal Services and Employee Benefits	23,102.8	25,468.8	25,468.8	25,468.8	0.0
Contractual Services	135,292.4	319,376.1	316,065.3	316,065.3	-1.0
Other	169,014.6	188,211.8	185,426.9	185,426.9	-1.5
Other Financing Uses	0.0	3,000.0	0.0	0.0	-100.0
TOTAL USES	327,409.8	536,056.7	526,961.0	526,961.0	-1.7
FTE					
Permanent	352.0	346.0	345.0	345.0	-0.3
Term	20.0	20.0	20.0	20.0	0.0
TOTAL FTE POSITIONS	372.0	366.0	365.0	365.0	-0.3

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Outcome	Percent of projects in production let as scheduled	51%	65%	67%	>60%	>70%
* Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	3.5%	-1.0%	<3.0%	<3.0%	<3.0%
* Outcome	Percent of projects completed according to schedule	89%	94%	88%	>88%	>88%

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	3,000.0	3,000.0	3,000.0	3,000.0	0.0
Other Revenues	224,794.9	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	227,794.9	233,794.9	227,794.9	227,794.9	-2.6
USES					
Personal Services and Employee Benefits	99,882.8	104,510.1	104,510.1	104,510.1	0.0
Contractual Services	39,836.6	49,772.6	45,322.6	45,322.6	-8.9
Other	62,730.9	76,512.2	77,962.2	77,962.2	1.9
Other Financing Uses	0.0	3,000.0	0.0	0.0	-100.0
TOTAL USES	202,450.3	233,794.9	227,794.9	227,794.9	-2.6
FTE					
Permanent	1,811.0	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	1,827.7	1,827.7	1,827.7	1,827.7	0.0

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
* Output	Number of statewide pavement lane miles preserved	2,328	3,668	>2,550	>2,550	>2,550
Outcome	Percent of non-interstate lane miles rated fair or better	68%	82%	>68%	>75%	>75%
Outcome	Percent of interstate lane miles rated fair or better	90%	93%	>91%	>90%	>90%
* Outcome	Number of combined systemwide lane miles in poor condition	9,451	4,515	<8,650	<6,925	<6,925
Outcome	Percent of national highway system lane miles rated fair or better	89%	90%	>86%	>85%	>85%
Outcome	Percent of non-national highway system lane miles rated fair or better	65%	79%	>65%	>65%	>65%
Outcome	Number of interstate lane miles in poor condition	427	296	<400	<425	<425
Outcome	Number of non-interstate lane miles in poor condition	9,024	4,219	<8,000	<6,500	<6,500
* Outcome	Percent of bridges in fair condition or better, based on deck area	95%	96%	>88%	>88%	>90%

PROGRAM SUPPORT

The purpose of program support is to provide management and administration of financial and human resources, custody and maintenance of information and property and the management of construction and maintenance projects.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY19 - 2018-2019</u>		Percent Incr (Decr)
	<u>FY17</u> 2016-2017 <u>Actuals</u>	<u>FY18</u> 2017-2018 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Revenues	42,165.7	42,165.7	42,165.7	42,165.7	0.0
SOURCES TOTAL	42,165.7	42,165.7	42,165.7	42,165.7	0.0
USES					
Personal Services and Employee Benefits	22,628.9	24,757.5	24,757.5	24,757.5	0.0
Contractual Services	3,222.9	4,458.8	4,321.9	4,321.9	-3.1
Other	10,900.1	12,949.4	13,086.3	13,086.3	1.1
TOTAL USES	36,751.9	42,165.7	42,165.7	42,165.7	0.0
FTE					
Permanent	234.0	233.0	234.0	234.0	0.4
Term	3.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	237.8	236.8	237.8	237.8	0.4

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Quality	Number of external audit findings	2	4	<5	<5	<5
Efficiency	Percent of invoices paid within thirty days	90%	90%	>90%	>90%	>90%
* Outcome	Vacancy rate in all programs	13.9%	14.0%	<10%	<13.0%	<13.0%
Output	Number of employee injuries	89	78	<90	<90	<90
Output	Number of employee injuries occurring in workzones	32	34	<35	<45	<45

MODAL

BUDGET SUMMARY
(dollars in thousands)

	FY19 - 2018-2019					Percent Incr (Decr)
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Transfers	1,471.0	1,471.0	1,471.0	1,471.0	0.0	
Federal Revenues	24,181.0	32,369.0	32,369.0	32,369.0	0.0	
Other Revenues	27,338.0	27,538.3	27,640.4	27,640.4	0.4	
Fund Balance	0.0	3,000.0	3,000.0	3,000.0	0.0	
SOURCES TOTAL	52,990.0	64,378.3	64,480.4	64,480.4	0.2	
USES						
Personal Services and Employee Benefits	3,479.1	5,056.4	5,062.4	5,062.4	0.1	
Contractual Services	19,968.3	28,629.8	30,482.8	30,482.8	6.5	
Other	12,268.3	30,692.1	28,935.2	28,935.2	-5.7	
TOTAL USES	35,715.7	64,378.3	64,480.4	64,480.4	0.2	
FTE						
Permanent	34.0	57.0	60.0	60.0	5.3	
Term	16.0	16.0	16.0	16.0	0.0	
TOTAL FTE POSITIONS	50.0	73.0	76.0	76.0	4.1	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Annual number of riders on park and ride	264,221	247,067	>275,000	>235,000	>250,000
Outcome	Percent of airport runways in satisfactory or better condition	53%	64%	>53%	>55%	>60%
Output	Annual number of riders on the rail runner	893,768	835,070	N/A	N/A	850,000
* Outcome	Number of traffic fatalities	355	374	<340	<364	<350
* Outcome	Number of alcohol-related traffic fatalities	132	154	<135	<147	<135
Outcome	Number of non-alcohol-related traffic fatalities	223	220	<220	<217	<217
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	133	138	<133	<135	<135
Outcome	Number of pedestrian fatalities	72	69	<72	<70	<70
Outcome	Number of rural traffic fatalities	211	221	<211	<218	<218
Outcome	Number of urban traffic fatalities	144	153	<144	<146	<146
Outcome	Number of rural alcohol-related traffic fatalities	67	87	<70	<81	<81
Outcome	Number of urban alcohol-related traffic fatalities	65	67	<65	<66	<66

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)					
	FY17		FY18		FY19 – 2018-2019
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Perce nt Incr (Decr)
SOURCES					
General Fund Transfers	11,065.3	11,065.3	11,065.3	11,065.3	0.0
Other Transfers	24.8	36.0	45.0	45.0	25.0
Federal Revenues	36,552.6	28,075.1	28,075.1	28,075.1	0.0
Other Revenues	4,048.0	4,100.1	4,100.1	4,100.1	0.0
Fund Balance	490.0	0.0	0.0	0.0	
SOURCES TOTAL	52,180.7	43,276.5	43,285.5	43,285.5	0.0
USES					
Personal Services and Employee Benefits	18,368.5	18,676.6	18,809.4	18,755.7	0.4
Contractual Services	21,793.3	20,197.7	20,138.3	20,138.3	-0.3
Other	4,519.5	4,402.2	4,337.8	4,391.5	-0.2
Other Financing Uses	7,086.0	0.0	0.0	0.0	
TOTAL USES	51,767.3	43,276.5	43,285.5	43,285.5	0.0
FTE					
Permanent	159.2	145.9	151.2	145.9	0.0
Term	132.5	93.9	128.0	93.9	0.0
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	292.7	240.8	280.2	240.8	0.0

AT A GLANCE:

The Public Education Department (PED) requested an FY19 budget flat with the FY18 operating budget. LFC also recommends an FY19 operating budget flat with FY18 levels but includes language earmarking \$53.7 thousand for membership fees to the Education Commission of the States. Since FY16, PED has used revenue appropriated for department-administered education programs to fund department personnel costs; however, this practice may diminish given the department's request to reduce initiative funding for FY19. Multiple ongoing lawsuits, oversight of charter schools, and proposed rule changes have affected the agency's operations in FY18 and may continue to impact the department in future fiscal years.

BUDGET ISSUES:

PED's budget request and the LFC recommendation for FY19 total \$43.3 million, essentially flat with the FY18 operating budget. PED's budget reflects a \$9,000 increase in other transfers to reflect a contractual agreement with the Human Services Department. PED's FY19 general fund request of \$11 million was flat with FY18 levels and reflected the same request for each category as the prior year. As such, requested changes to funding levels for each expenditure category were attributable to changes in other state and federal funds. PED's FY19 budget request was \$8.5 million, or 16.4 percent, less than the FY17 expenditure level due to reimbursements to the Department of Health and the Children, Youth and Families Department for federal Race to the Top grants.

PED's request for the personal services and employee benefits category totaled \$18.9 million, an overall increase of \$132.8 thousand, or 0.7 percent, from the department's FY18 operating budget. The amount was a \$440.9 thousand, or 2.4 percent, increase from FY17 expenditure levels. Since FY16, PED has used portions of department-administered "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 FY18, the department budgeted \$1.3 million in the department's personal services and employee benefits category from below-the-line appropriations, \$66 thousand more than the amount budgeted in FY17. Statutory provisions authorize PED to budget funds for department personnel from appropriations for Indian education, prekindergarten, and K-3 Plus programs; however, the use of other below-the-line appropriations masks actual operating budget costs and diverts funding away from direct services. PED's FY19 request decreased below-the-line appropriations by \$2.3 million, suggesting that less funding may be diverted in this manner for FY19 (See "Public School Support, Agency 993," Volume II).

The department request included 280.2 FTE, a significantly higher number than the 240.8 FTE authorized by the Legislature in 2015, resulting in an inflated unfunded vacancy rate. Although PED is working with the State Personnel Office to eliminate long vacant positions, the department still maintains a large organizational listing of vacant FTE. In FY17, PED averaged 223.9 FTE. Based on 240.8 FTE, PED's vacancy rate increased from an annualized average of 1.7 percent in FY16 to 7 percent in FY17. The LFC recommendation for the personal services and employee benefits category totals \$18.8 million, a \$53.7 thousand decrease from PED's request, but a \$387.2 thousand increase from FY17 expenditure levels. The committee recommendation authorizes 240.8 FTE – 39.4 FTE less than PED's request but flat with FY18 budgeted levels – and increases the other category by \$53.7 thousand for membership fees to the Education Commission of the States.

Operations. PED has made progress on some key agency processes, including the completion of formula and program compliance audits (See "Performance: Public Education Department," Volume I). Accurate data collection and reporting ensures equitable distribution of the state equalization guarantee and other categorical grant funding and improves collection of performance 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. Since FY10, annual audits have noted issues between PED and state-chartered charter schools regarding fiscal management, financial internal controls, and oversight; however, the Office of the State Auditor (OSA) notes PED has taken steps to address these issues on the back end. The FY16 audit for PED, state-chartered charter schools, and the Division of Vocational Rehabilitation contained 178 findings – an improvement from the FY15 audit, which reported 195 findings.

According to a 2017 OSA risk review, in FY17, PED withheld nearly \$2.6 million from 62 state-chartered charter schools for PED-provided administrative services and support; however, it is unclear what support services are being provided. A total of \$4 million was withheld in FY17 by both PED and school districts for charter school oversight; however, most authorizers were unable to easily reconcile withheld funds to specific expenditures. OSA notes the general absence of expenditure tracking raises concerns about compliance issues and the sufficiency of withholding amounts for adequate oversight functions. In FY13, LFC found that PED withheld \$1.6 million in FY13 for charter school administrative support but reverted \$294 thousand and spent \$370 thousand on expenses not directly related to charter school oversight.

Legal and Administrative Challenges. Two lawsuits consolidated and 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. Plaintiffs in the sufficiency lawsuit have sought an additional \$350 million to \$600 million for public schools. In 2017, 1st Judicial District Court Judge Sarah Singleton heard oral arguments and indicated she might make a decision near the end of FY18. PED has requested \$1.5 million in special and supplemental appropriations to cover the costs of lawsuits in FY18 and FY19. This request includes \$1.2 million for the sufficiency lawsuit and \$285 thousand for other cases, including litigation regarding the teacher evaluation system.

PED contracts with regional education cooperatives (RECs) to implement programs and initiatives statewide, noting the department lacks operational capacity to run these programs internally. Historically, PED has contracted services through RECs (particularly REC 9) and directed RECs to procure services through sole source subcontracts, with each level of procurement often including its own indirect costs. As such, concerns continue to exist regarding the transparency and cost-effectiveness of PED's method for procuring services through the RECs (See "Regional Education Cooperatives, Agency 930," Volume II).

RECOMMENDED LANGUAGE:

The general fund appropriation to the public education department in the other category includes fifty-three thousand seven hundred dollars (\$53,700) for dues and membership fees to the education commission of the states.

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

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Outcome	Average processing time for school district budget adjustment requests processed, in days	11.17	3.53	11	11	11
Outcome	Average number of days to process reimbursements to grantees after receipt of complete and verified invoices	24	18	24	24	24
* Output	Number of local education agencies audited for funding formula components and program compliance	2	21	20	20	20
Outcome	Percent of section 4 public education special funds reverting annually	0.1%	TBD	<1%	<1%	<1%
Outcome	Percent of section 4 public education special appropriations made to the public education department for the current fiscal year awarded by September 30 annually	TBD	TBD	80%	80%	80%
Explanatory	Number of teachers receiving merit pay awards	TBD	TBD			
Explanatory	Average teacher evaluation ratings for teachers receiving merit pay award	TBD	TBD			
Explanatory	Number of teachers and administrators participating in the public education department led professional development training	TBD	TBD			
Explanatory	Percent of teachers passing all strands of professional dossiers on the first submittal	78%	80%	80%		
Explanatory	Percent of eligible children served in state-funded prekindergarten	30.2%	29.11%			
* Explanatory	Number of eligible children served in state-funded prekindergarten	5,457	8,442			
Explanatory	Percent of eligible children served in kindergarten-three-plus	TBD	TBD			
* Explanatory	Number of eligible children served in kindergarten-three-plus	TBD	TBD			
Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills	20.3%	15.4%	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. Each REC is governed by a regional education coordinating council 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:

RECs generate most of their revenue from federal grants and state-directed reimbursements and receive a general fund flow-through appropriation from PED, which is intended to alleviate cash flow issues. PED generally distributes the appropriation equally among all the RECs. For FY19, the LFC recommends \$726.8 thousand in general fund and \$207.6 thousand of other state fund appropriations directly to the RECs. The LFC recommendation divides the general fund appropriation evenly among seven RECs, appropriating \$103.8 thousand directly to REC 2, 4, 5, 6, 7, 8, and 10. The LFC recommendation divides the other state fund appropriation evenly among two RECs, increasing the other state funds appropriation for REC 3 and 9 by \$103.8 thousand through the use of their unrestricted cash balances. LFC notes some RECs have accumulated large cash balances and encourages the use of unrestricted balances to replace flow-through revenue. RECs offer a wide range of specialized services for each individual region, providing 63 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, Four Corners region of the state are served by an REC.

Budget Issues:

Approximately 75 percent to 85 percent of all REC operations are funded through reimbursable programs. RECs generate most of their revenue from special education services, including federal grants, federal Title I funds, and state-directed activities. To address budgetary gaps, RECs contract with other educational institutions and organizations to generate additional revenue. As such, the general fund transfer from PED was intended only to alleviate cash flow issues. The Regional Education Cooperatives Association (RECA) reports combined cash balances for all nine RECs totaled \$10 million at the end of FY16, of which \$5.2 million was unrestricted and available to support general operations. This was an 82 percent increase from combined cash balances of \$5.5 million reported at the end of FY15, of which \$1.6 million was unrestricted, suggesting some RECs have accumulated balances that could be used for operations and working capital. In addition, \$9.8 million of outstanding requests for reimbursement were due to RECs at the end of FY16, including \$8.6 million from state flow-through grants.

RECs contend the reimbursement basis for services required by the federal Cash Management Improvement Act of 1990 necessitates cash balances to float upfront costs. Additionally, other funds from state and federal sources are restricted to specified uses, not operational expenditures, further constraining each REC budget. However, substantial growth in state flow-through grants and outstanding requests for reimbursement suggest that some RECs have improved their cash positions compared with prior years. For example, unrestricted cash balances for REC 3 and REC 9 tripled between FY15 and FY16. Both RECs retained about half a million dollars in FY15. In FY16, REC 3 ended the year with \$1.8 million and REC 9 ended with \$1.7 million. Both RECs received state grants from PED initiatives like the Reads to Lead program and NMTEACH, the teacher evaluation system.

In FY17, intergovernmental agreements between PED and REC 9 for NMTEACH included nearly \$500 thousand of indirect service costs from subcontracting services. Indirect services costs were generated from three layers of procurement: PED contracting with REC 9, REC 9 subcontracting with the Southern Regional Education Board (SREB), and SREB subcontracting with multiple consultants for various services. SREB's consultants included former PED and REC 9 employees, who received consulting rates between \$1,000 per day to \$3,000 per day, with several earning over \$170 thousand in total for their services in FY17. A 2016 LFC evaluation noted REC procurements were excluded from oversight by the General Services Department but not exempt from the Procurement Code. However, the substantial number of sole source contracts and indirect service costs suggests that PED's multi-year contracts with REC 9 are a less transparent – and potentially costly – method of procuring services for NMTEACH.

In FY18, PED received a flow-through appropriation of \$935 thousand to grant to RECs that submitted timely quarterly financial reports, complied with state and federal financial reporting requirements, maintained financial stability, and justified a need for the allocation. Rather than allocating based on need, PED distributed the appropriation equally among the nine RECs, equating to about \$104 thousand for each REC.

For FY19, the REC general fund request is \$1.2 million, including \$250 thousand to reintroduce an “REC 1” in the Four Corners region and a \$935.1 thousand flow-through appropriation through PED. Section 22-2B-3 NMSA 1978 allows PED to authorize the existence and operation of RECs. On PED’s authorization, local school boards and other state-supported educational institutions may form cooperatives to provided education-related services. The northwest corner was originally served by a regional cooperative center; however, PED did not approve the cooperative as an REC in 2002 when it approved and funded the remaining nine regional educational cooperatives. RECA reported in FY16 that operational expenditures averaged about \$350 thousand per REC each year, and a 2007 LFC evaluation noted the nine RECs requested a total of \$2.7 million in FY08 (about \$300 thousand per REC) to cover costs for executive directors, business managers and program coordinators, auditing, and upkeep of facilities.

REC revenues from all sources have grown since 2009, when the revenue-generating provision for RECs was added to Section 22-2B-5 NMSA 1978. According to PED’s operating budget management system, total budgeted revenues between FY09 and FY18 nearly doubled, from \$26.9 million to \$51.2 million. Over that same period, seven out of nine RECs increased budgeted revenues, and four RECs increased their revenues by twofold or more. Given the historically flat appropriation for RECs and recent increases in unrestricted cash balances, it appears the risk of cash flow issues has decreased for most RECs. In light of these considerations and based on PED’s historically equal distribution of the flow-through appropriation to RECs, LFC recommends directly appropriating \$726.8 thousand from the general fund to RECs 2, 4, 5, 6, 7, 8, and 10 evenly (\$103.8 thousand per REC) and authorizing \$103.8 thousand from REC 3 fund balances and \$103.9 thousand from REC 9 fund balances for FY19.

RECOMMENDED LANGUAGE:

The other state funds appropriation to high plains regional education cooperative includes one hundred three thousand eight hundred dollars (\$103,800) from high plains regional education cooperative unrestricted cash balances.

The other state funds appropriation to Ruidoso regional education cooperative includes one hundred three thousand eight hundred dollars (\$103,800) from Ruidoso regional education cooperative unrestricted cash balances.

Cooperative	REGIONAL EDUCATION COOPERATIVES									
	FY17 Actual					FY18 Budget				
	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$3,143.8	\$0.0	\$416.7	\$3,560.5	\$0.0	\$3,500.0	\$0.0	\$400.0	\$3,900.0
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$8,059.1	\$0.0	\$258.5	\$8,317.6	\$0.0	\$2,782.9	\$0.0	\$300.0	\$3,082.9
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$549.0	\$0.0	\$415.3	\$964.3	\$0.0	\$1,122.1	\$0.0	\$0.0	\$1,122.1
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$3,186.1	\$0.0	\$3,212.8	\$6,398.9	\$0.0	\$4,607.0	\$0.0	\$1,429.0	\$6,036.0
Regional Education Cooperative #6 (Clovis)	\$0.0	\$1,226.5	\$0.0	\$1,382.3	\$2,608.8	\$0.0	\$617.2	\$0.0	\$1,382.3	\$1,999.5
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$724.5	\$0.0	\$84.7	\$809.2	\$0.0	\$650.9	\$0.0	\$573.3	\$1,224.2
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,369.9	\$0.0	\$259.9	\$1,629.8	\$0.0	\$492.0	\$0.0	\$282.0	\$774.0
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$3,413.5	\$0.0	\$17,088.6	\$20,502.1	\$0.0	\$1,304.0	\$0.0	\$158.0	\$1,462.0
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$4,203.3	\$133.0	\$531.0	\$4,867.3	\$0.0	\$1,158.0	\$0.0	\$600.0	\$1,758.0
TOTAL	\$935.1	\$25,875.7	\$133.0	\$23,649.8	\$50,593.6	\$935.0	\$16,234.0	\$0.0	\$5,124.7	\$22,293.7

Cooperative	FY19 Request									
	FY19 Request					FY19 Recommendation				
	General Fund ²	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund ³	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Four Corners Regional Education Cooperative #1	\$250.0	\$0.0	\$0.0	\$0.0	\$250.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$3,819.4	\$0.0	\$420.1	\$4,239.5	\$103.8	\$3,819.4	\$0.0	\$420.1	\$4,343.3
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$2,749.4	\$0.0	\$262.0	\$3,011.4	\$0.0	\$2,853.2	\$0.0	\$262.0	\$3,115.2
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$574.7	\$0.0	\$445.4	\$1,020.1	\$103.8	\$574.7	\$0.0	\$445.4	\$1,123.9
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$4,122.1	\$0.0	\$5,588.9	\$9,711.0	\$103.8	\$4,122.1	\$0.0	\$5,588.9	\$9,814.8
Regional Education Cooperative #6 (Clovis)	\$0.0	\$800.0	\$0.0	\$1,000.0	\$1,800.0	\$103.8	\$800.0	\$0.0	\$1,000.0	\$1,903.8
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$2,471.1	\$0.0	\$414.7	\$2,885.8	\$103.8	\$2,471.1	\$0.0	\$414.7	\$2,989.6
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$381.0	\$0.0	\$260.4	\$641.4	\$103.8	\$381.0	\$0.0	\$260.4	\$745.2
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$3,809.6	\$0.0	\$4,548.5	\$8,358.1	\$0.0	\$3,913.4	\$0.0	\$4,548.5	\$8,461.9
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$575.0	\$133.0	\$600.0	\$1,308.0	\$103.8	\$575.0	\$133.0	\$600.0	\$1,411.8
TOTAL	\$1,185.1	\$19,302.3	\$133.0	\$13,540.0	\$33,225.3	\$726.8	\$19,510.0	\$133.0	\$13,540.0	\$33,909.8

Source: RECA and LFC Files

¹General fund support was appropriated to RECs in FY17 and FY18 through a flow-through PED special appropriation, item (d). Historically, this appropriation has been divided equally among all RECs.

²For FY19, the RECA request is \$1.2 million, including a \$935.1 thousand flow-through PED special appropriation and \$250 thousand to reintroduce REC 1 in the northwest region of the state.

³The LFC recommendation appropriates \$103.8 thousand in general fund directly to REC 2, 4, 5, 6, 7, 8, and 10 and increases the other state funds appropriation for REC 3 and 9 by \$103.8 thousand through the use of their unrestricted cash balances. The LFC recommendation does not include funding for the proposed REC 1 in the northwest region.

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)						
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)	
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	6,039.7	5,647.4	5,102.6	5,102.6	-9.6	
SOURCES TOTAL	6,039.7	5,647.4	5,102.6	5,102.6	-9.6	
USES						
Personal Services and Employee Benefits	4,430.0	4,337.2	3,881.1	3,881.1	-10.5	
Contractual Services	97.8	109.7	94.7	94.7	-13.7	
Other	824.4	874.5	1,126.8	1,126.8	28.9	
TOTAL USES	5,352.2	5,321.4	5,102.6	5,102.6	-4.1	
FTE						
Permanent	53.0	51.0	46.0	46.0	-9.8	
Term	3.0	4.0	3.0	3.0	-25.0	
TOTAL FTE POSITIONS	56.0	55.0	49.0	49.0	-10.9	

AT A GLANCE:

PSFA’s FY19 budget request was \$5.1 million, a \$544.8 thousand, or 9.6 percent, decrease compared with the FY18 operating budget. The request included 49 FTE, a decrease of 5 permanent FTE and 1 term FTE from the FY18 operating budget. In FY17, the agency reverted an estimated \$743.6 thousand, or 12.3 percent, of the \$6 million FY17 operating budget. Of that reversion, \$574.5 thousand was from the personal services and employee benefits category. On average, the agency has reverted 7.9 percent of its annual operating budget since FY12. The LFC recommendation supports the agency request.

BUDGET ISSUES:

PSFA funds its operations from balances in the public school capital outlay fund (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 of annual grant assistance. Since FY12, the agency has maintained operational expenses at a 3.6 percent average of annual awards. However, the three-year average of annual grant assistance is projected to decrease from \$205.7 million in FY17 to \$117.2 million in FY19. This is due to significant improvements in school facility conditions in the past decade, which have reduced the need for large-scale renovation or replacement of school buildings. As a result, annual awards for these projects have decreased and PSFA’s operating budget must be reduced to stay within the statutory 5 percent limitation for FY19. Given declining trends in future PSCOC award allocations, this three-year average will continue to decrease, necessitating further reductions to PSFA’s operating budget.

PSFA reported balances in PSCOF to be more than \$600 million prior to FY12. At the end of FY17, PSCOF balances were about \$216 million. During the 2016 second 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. Additionally, the Legislature appropriated an additional \$12.4 million from PSCOF to restore allotments from the general fund for capital project appropriations whose expenditures ended in FY16.

School Condition. Between FY05 and FY17, PSCOC awarded approximately \$2.5 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 same period, the statewide average facility condition index (FCI) improved, from 66.7 percent to 34.4 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 the weighted New Mexico condition index (wNMCI) to rank every facility in terms of relative need for awards. The wNMCI measures both the condition of the building, similarly to FCI, 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 15.2 percent in FY17. At the end of FY17, only seven schools had a wNMCI greater than 50 percent. These scores indicate the need for new school facility construction and replacement has dropped dramatically.

With significant improvement in the condition of school facilities over the last 10 years, funding is shifting toward improvements that will extend the useful life of a building. In FY17, PSCOC began piloting a systems-based award application process to address improvements in roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation, and air conditioning systems. PSCOC awarded \$14.4 million to three school districts in the first round of systems awards, and seven districts applied for FY18 systems awards. PSFA estimates demand for system initiatives funding will increase in subsequent years as more school districts understand eligibility criteria and identify projects that qualify for an award.

PSCOC promoted effective maintenance practices as a way to 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 64 percent – an improvement from 60 percent in FY13 but still less than a satisfactory score of 70 percent. PSFA estimates 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 was reopened in 2014, and Gallup McKinley County Schools (GMCS) filed an amended complaint in 2015, which included PSCOC as a defendant. GMCS was primarily concerned that, because of the district's low bonding capacity and high capital needs, the district could not afford school construction above the technical definition of adequacy for facilities such as teacherages, auxiliary gyms, and additional playing fields. In 2017, 11th District Judge Louis E. DePauli dismissed the Zuni and Gallup school districts and individual Zuni plaintiffs from the lawsuit, leaving only the individual Gallup students and parents as plaintiffs. To date, no trial dates have been set, and it is unclear whether the individual Gallup plaintiffs will want to proceed with the case.

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 \$3.5 million in FY18 for BDCP awards and anticipates a similar expenditure level in FY19. In the last two years, nearly two-thirds of school districts have lowered their Internet costs and increased speeds, and 99 percent of public schools have gained access to scalable fiber optic connections. About \$5 million in PSCOC awards and \$56 million in federal funds have been used to support fiber and Wi-Fi projects over the past two years.

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. 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, E-rate funding coordination, project timelines, project prioritization, budget constraints, roles for public and private entities, and other implementation issues continue to be a concern. Going forward, PSFA will work with the Public Education Department, the Department of Information Technology, and Education SuperHighway (ESH), a nonprofit focused on upgrading internet infrastructure in public schools, to develop cost-effective broadband solutions for schools.

A 2017 ESH study on New Mexico’s broadband infrastructure found current Internet access price levels were a barrier to scaling up bandwidth for some districts. The study estimated the costs of establishing a statewide network range between \$20 million and \$60 million and integrating half of all schools onto the network could take five years. Additionally, fixed costs of managing and maintaining the network were projected to be between \$740 thousand and \$4 million per year. Given the mixed results of statewide networks in other states, ESH recommended New Mexico pursue a regional pricing optimization strategy, using market information and sharing best prices within each locale to reduce costs. ESH noted that regional aggregation points were developing naturally, and highlighted eastern New Mexico as an example of districts sharing cost information effectively to negotiate both lower prices and higher bandwidth from their existing service providers. A 2017 LFC evaluation on broadband deployment noted New Mexico was falling behind other states and the nation in direct Internet access through fiber, despite a vast distribution of fiber infrastructure throughout the state. Although virtually all public schools are connected to fiber, overall school connection speeds remain low compared with other states. The evaluation recommended a demand aggregation strategy where multiple institutions in a geographical region bid together for high connection speeds through one Internet access point that is shared over a wide area network.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities oversight program is to oversee public school facilities in all eighty-nine school districts 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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Average cost per square foot of leases funded with lease assistance	\$10.65	\$13.75	<\$15.00	<\$15.00	<\$15.00
Outcome	Number of months from substantial completion to financial closeout	17	35.2	17	18	17
Explanatory	Number of change orders in current fiscal year	136	111			
Explanatory	Number of months between initial award to occupancy	42	66			
Explanatory	Number of months from initial award to commencement of construction	32	50			
* Explanatory	Average cost per square foot of new construction	NEW	\$279			
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	36.2%	32.1%			
* Explanatory	Statewide public school facility maintenance assessment report score measured at December 31 of prior calendar year	60.2%	63.6%			
Explanatory	Average megabits per second per student for schools	NEW	0.245			
Explanatory	Average square foot per student of all schools	NEW	186.5			
Explanatory	Average square foot per student of new construction	NEW	209.6			
Explanatory	Total annual dollar change from initial award state match estimate to actual award state match	NEW	TBD			

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB) 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 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 of Representatives, 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>FY17</u> <u>Actuals</u>	<u>FY18 Operating</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>
Sources			
Fund Balance	2,921.2	2,677.9	2,349.5
TOTAL REVENUES	2,921.2	2,677.9	2,349.5
Uses			
Personal Services and Employee Benefits	200.2	220.5	201.2
Contractual Services	1,306.4	1,760.8	1,761.8
Other	456.9	696.6	386.5
Other Financing Uses	0.0	0.0	0.0
TOTAL USES	1,963.5	2,677.9	2,349.5
TOTAL FTE POSITIONS	2.0	2.0	2.0

AT A GLANCE:

The ETB FY19 request was slightly lower than FY18, although it was significantly higher than the FY17 actual expenditure level due to an increase in contractual services. ETB receives no support from the general fund and its budget is not subject to legislative appropriation. ETB has increased total assets under its two college investment plans; however, the total number of accounts has declined. ETB’s efforts focus on increasing total education savings plan accounts, with targeted initiatives to increase New Mexico investors.

BUDGET ISSUES:

ETB manages approximately \$2.4 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 \$473 million, or 24.1 percent, since June 2012, while the total number of accounts has declined by 15.3 percent. Average account balances grew from \$12.7 thousand in June 2012 to \$18.6 thousand in June 2017. The Education Plan, a direct-sold plan, consists of \$535.2 million (June 2017) in age-based and static portfolio assets, including active-managed funds and index funds. During FY17, TEP assets grew by 9.6 percent, and the number of unique accounts (21.4 thousand) increased 2.6 percent. The Scholar’s Edge, a financial advisor-sold plan, consists of \$1.9 billion (June 2017) in age-based, custom choice, and static portfolios. During FY17, Scholar’s Edge assets increased by 5.3 percent while the number of active unique accounts (109.9 thousand) decreased by 5.5 percent. Both investment programs include more out-of-state investors than in-state investors.

ETB’s FY19 proposed budget of \$2.3 million was a \$328.4 thousand decrease from the board’s FY18 operating budget; however, the FY19 request was a \$386 thousand, or 20 percent, increase over FY17 actuals. The increase from the FY17 actual level was largely caused by an increase in the contractual services category for advertising services. The board’s operations are funded through fees and dividend revenue; no general fund support is required. Through assessment of fees, ETB has accumulated a fund balance of about \$7.7 million, according to the board’s FY16 audit report. In prior years, policymakers considered using some of this fund balance to support student financial aid throughout the state. As support from the Legislative Lottery Tuition Scholarship continues to decline, the Legislature should again consider use of ETB’s fund balance to fill in financial aid gaps.

Currently, the board's budget is established through an annual budget adjustment request and is based on the Higher Education Department's budget authority. It is not included in the General Appropriations Act. 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.

ETB has increased efforts to open new accounts in recent years, with a focus on increasing the number of New Mexican account holders. These efforts appear to have paid off for TEP, which saw a 1.1 percent increase in New Mexico account holders. One way in which ETB is attempting to grow investment from New Mexico account-holders is through agreements with New Mexico employers. As an example, ETB recently executed an agreement with architecture firm Dekker/Perich/Sabatini to allow the firm's 180 employees to contribute to their education savings plans through payroll deduction.

Annual direct marketing expenditures by the contracted program manager are set to increase over a five-year period, from \$1.5 million in 2016 to \$1.8 million in 2020. The program manager has made available an additional \$650 thousand to ETB for its own marketing and grassroots outreach efforts. Fiscal year 17 was the second year of a five-year contract for the program manager. ETB evaluates the performance of the college savings program manager relative to annual contract objectives. The program manager fell short of new account and new contribution goals for FY17. This triggered an additional \$200,000 contractual commitment by the program manager for marketing.

ETB reports FY17 and FY18 brought active negotiations with the program manager to reduce fees and improve investment options. On August 8, 2017, ETB approved revisions to the investment offerings and fee reductions to account owners that become effective in FY18. These revisions include lower cost TEP index and blended fund products, pricing TEP in the top quartile of IRS 529 plans nationwide as measured by Morningstar, and alignment of asset allocation age-based offerings in the two program plans.

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)					
	FY17	FY18	<u>FY19 – 2018-2019</u>		Percent Incr (Decr)
	2016-2017 <u>Actuals</u>	2017-2018 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	34,606.0	34,496.2	34,649.2	34,832.1	1.0
Other Transfers	44,285.7	44,235.7	42,285.7	42,285.7	-4.4
Federal Revenues	8,975.6	9,527.5	9,964.1	9,964.1	4.6
Other Revenues	15,064.1	458.1	458.1	458.1	0.0
SOURCES TOTAL	102,931.4	88,717.5	87,357.1	87,540.0	-1.3
USES					
Personal Services and Employee Benefits	2,985.5	3,767.9	4,025.2	3,950.8	4.9
Contractual Services	2,187.1	2,214.5	1,652.9	1,910.2	-13.7
Other	98,279.8	82,735.1	81,679.0	81,679.0	-1.3
TOTAL USES	103,452.4	88,717.5	87,357.1	87,540.0	-1.3
FTE					
Permanent	31.0	31.0	31.0	33.0	6.5
Term	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	46.0	46.0	46.0	48.0	4.3

AT A GLANCE:

HED has been focusing its work in recent years on coordinating statewide efforts and improving accountability. These efforts include statewide course articulation and meta-majors, as well as additional fiscal oversight and audits of institutions.

For FY19, the department requested \$87.4 million, \$1.4 million, or 1.5 percent, lower than the FY18 operating level. The decrease is due to loss of transfers from the college affordability endowment fund, which will be depleted in FY18. LFC recommends additional staff for oversight and monitoring of institutional fiscal health. The recommendation includes a 1 percent increase in general fund appropriations but an overall 1.3 percent decrease due to reduced other transfer revenue in the Student Financial Aid program.

BUDGET ISSUES:

HED received an unmodified opinion on its FY17 audit, with six repeated prior-year findings and two new findings. The two new findings relate to the department’s Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), for which the department receives a federal grant.

Personnel. The department struggled to fill vacancies in FY17. Some vacant positions require advanced education or experience at the postsecondary level and have been difficult to fill because colleges and universities offer higher salaries. In spite of these challenges, HED has filled six positions since the start of FY18, including key positions, such as a chief financial officer, institution finance coordinator, and education policy analyst.

HED staff play an important role in monitoring postsecondary accountability and coordinating higher education efforts. This role became a topic of focus during the 2017 interim when a strategic planning committee composed of postsecondary leaders and other stakeholders suggested the need for HED to have more authority and resources to ensure efficiency and effectiveness among New Mexico's colleges and universities. In reviewing personnel at the department, LFC found HED has 1 FTE dedicated to institutional audit functions, although other staff support these functions whenever possible. The LFC recommendation includes an additional 2 FTE to ramp up the HED audit unit, aid in the review of institutional budgets, and monitor at-risk institutions, as further explained below.

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 education. The program is also responsible for administration of several grant programs, including the GEAR UP grant that pays for high school outreach, and development of funding and capital project recommendations.

For the last several years, HED has stepped up efforts to monitor the fiscal health of state colleges and universities, including audits of certain institutions that may be out of compliance with state law. As of December 2017, three institutions – Northern New Mexico College, New Mexico Highlands University, and Luna Community College – were on enhanced fiscal oversight by HED. The University of New Mexico athletics program was also under review. This process involves HED staff attending governing board meetings and maintaining constant contact with institutional leadership, as well as periodic reporting by the institution to the department. The stakes for this work are high. Institutions on enhanced fiscal oversight are often at risk of losing accreditation, meaning students would lose access to federal financial aid in addition to lost job opportunities with a credential from an unaccredited institution. Other risks at these institutions may include fraud or noncompliance with state personnel and asset management policies.

In addition to two new FTE for the department audit unit, LFC recommends language allowing the department to withhold a portion of general fund allotments to institutions or programs under enhanced fiscal oversight to provide HED more leverage in its accountability efforts. The recommended language can be found in the Higher Education section. LFC also recommends \$153 thousand for Western Interstate Commission for Higher Education dues, a budget item being transferred from the Department of Finance and Administration.

Although general fund appropriations to the Policy Development and Institutional Financial Oversight Program total \$12.3 million in the FY18 operating budget, \$3.8 million is designated as flow-through for various programs outside of HED and \$5.2 million is set aside for adult education.

Student Financial Aid. About 75 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 FY19, HED requested \$22.2 million in general fund support for the Student Financial Aid Program, flat with the FY18 operating level. LFC recommends this request. In total, LFC recommends \$64.2 million for the Student Financial Aid Program, a decrease of 3.1 percent from the FY18 operating total. The recommended decrease is due to the loss of transfers from the college affordability endowment fund, which will be depleted in FY18.

Legislative Lottery Tuition Scholarship Program.

FY17 lottery revenues for scholarships were the second lowest in 10 years, representing a 17.6 percent year-over-year decline. Without additional support, LFC projects the scholarship will cover 54 percent of average tuition rates, 6 percent lower than the FY18 scholarship rate. To maintain scholarships coverage consistent with FY18, LFC projects an additional \$4 million would be necessary.

Note: FY17 actuals in the HED budget summaries do not reconcile with department-reported amounts. LFC did not receive correct actuals in time for inclusion in this document.

RECOMMENDED LANGUAGE:

For the Higher Education Subsection. 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.

Except as otherwise provided, any unexpended balances remaining at the end of fiscal year 2019 shall not revert to the general fund.

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.

Any unexpended balances in the policy development and institutional financial oversight program of the higher education department remaining at the end of fiscal year 2019 from appropriations made from the general fund shall revert to the general fund.

POLICY DEVELOPMENT AND INSTITUTIONAL FINANCIAL OVERSIGHT

The purpose of the policy development and institutional financial oversight program is to provide a continuous process of statewide planning and oversight within the department's statutory authority for the state higher education system and to ensure both the efficient use of state resources and progress in implementing a statewide agenda.

BUDGET SUMMARY (dollars in thousands)						
			<u>FY19 - 2018-2019</u>			
	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>	
SOURCES						
General Fund Transfers	11,703.0	12,303.0	12,456.0	12,638.9	2.7	
Other Transfers	285.7	235.7	285.7	285.7	21.2	
Federal Revenues	8,975.6	9,489.8	9,964.1	9,964.1	5.0	
Other Revenues	350.0	458.1	458.1	458.1	0.0	
SOURCES TOTAL	21,314.3	22,486.6	23,163.9	23,346.8	3.8	
USES						
Personal Services and Employee Benefits	2,985.5	3,767.9	4,025.2	3,950.8	4.9	
Contractual Services	2,187.1	2,214.5	1,652.9	1,910.2	-13.7	
Other	16,510.0	16,504.2	17,485.8	17,485.8	5.9	
TOTAL USES	21,682.6	22,486.6	23,163.9	23,346.8	3.8	
FTE						
Permanent	31.0	31.0	31.0	33.0	6.5	
Term	15.0	15.0	15.0	15.0	0.0	
TOTAL FTE POSITIONS	46.0	46.0	46.0	48.0	4.3	

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
Outcome	Percent of unemployed adult education students obtaining employment two quarters after exit	39.4%	40.1%	40%	40%	40%
Explanatory	Number of enrolled students in adult education programs	14,564	12,600			
* Outcome	Percent of adult education high school equivalency test-takers who earn a high school equivalency credential	82.4%	82.1%	83%	85%	85%
Output	Average time for the private and proprietary schools division to approve or reject a license or registration application	25 Days	20 Days	20 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%			
Efficiency	Agency performance rate on annual loss prevention and control audit conducted by the general services department	NEW	96%	96%	96%	96%
Explanatory	Percent of New Mexico's workforce population, ages twenty-five through sixty-four, 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	138			
Outcome	Percent of high school equivalency graduates entering postsecondary degree or certificate programs	NEW	69%	38%	50%	69%
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	85			
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	41.1%			
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	9.3%			

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)

	FY17 2016-2017 <u>Actuals</u>	FY18 2017-2018 <u>Budgeted</u>	FY19 - 2018-2019		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	22,903.0	22,193.2	22,193.2	22,193.2	0.0
Other Transfers	44,000.0	44,000.0	42,000.0	42,000.0	-4.5
Federal Revenues	0.0	37.7	0.0	0.0	-100.0
Other Revenues	14,714.1	0.0	0.0	0.0	
SOURCES TOTAL	81,617.1	66,230.9	64,193.2	64,193.2	-3.1
USES					
Other	81,769.8	66,230.9	64,193.2	64,193.2	-3.1
TOTAL USES	81,769.8	66,230.9	64,193.2	64,193.2	-3.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY16 <u>Actual</u>	FY17 <u>Actual</u>	FY18 <u>Budget</u>	FY19 <u>Request</u>	FY19 <u>Recomm</u>
Explanatory	Percent of eligible state loan for service applicants receiving funds	41%	55%			
Explanatory	Percent of eligible state loan repayment applicants receiving funds	NEW	28%			

Student Financial Aid Program Detail (Dollars in Thousands)	FY17 Actual	FY18 OpBud	FY19 Request	FY19 LFC Rec
Student Access and Achievement				
Lottery Scholarship*				
Other Transfer	\$56,964.0	\$42,000.0	\$42,000.0	\$42,000.0
Other Revenues	\$38.0	\$0.0	\$0.0	\$0.0
Fund Balance	\$2,219.4	\$0.0	\$0.0	\$0.0
Total Lottery Scholarship	\$59,221.4	\$42,000.0	\$42,000.0	\$42,000.0
Student Incentive Grant				
General Fund	\$11,108.0	\$11,000.0	\$11,000.0	\$11,000.0
College Affordability Endowed Scholarships				
Other Transfer	\$0.0	\$2,000.0	\$0.0	\$0.0
Work-Study				
General Fund	\$3,961.8	\$4,142.2	\$4,142.2	\$4,142.2
Vietnam Veterans Scholarship				
General Fund	\$100.0	\$65.0	\$65.0	\$65.0
NM Scholars				
General Fund	\$300.0	\$250.0	\$250.0	\$250.0
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
Wartime Veterans Scholarship				
General Fund	\$117.1	\$180.0	\$180.0	\$180.0
Total Student Access and Achievement	\$15,611.9	\$17,662.2	\$15,662.2	\$15,662.2
Healthcare Workforce Development				
Nursing Student Loan for Service				
General Fund	\$720.0	\$450.0	\$450.0	\$450.0
Nurse Educator Loan For Service				
General Fund	\$65.0	\$65.0	\$65.0	\$65.0
Medical Student Loan Prog.				
General Fund	\$375.0	\$350.0	\$350.0	\$350.0
Primary Care Physician Tuition Waiver				
General Fund	\$150.0	\$150.0	\$150.0	\$150.0
Allied Health				
General Fund	\$244.0	\$100.0	\$100.0	\$100.0
Health Professional Loan Repayment				
General Fund	\$1,061.9	\$1,061.9	\$1,061.9	\$1,061.9
Dentistry Loan for Service				
General Fund	\$43.2	\$21.6	\$21.6	\$21.6
Dental Residency Program				
General Fund	\$1,000.0	\$750.0	\$750.0	\$750.0
Total Healthcare Workforce Development Programs	\$3,659.1	\$2,948.5	\$2,948.5	\$2,948.5

Student Financial Aid Program Detail (Dollars in Thousands)	FY17 Actual	FY18 OpBud	FY19 Request	FY19 LFC Rec
Statewide Priority Professional Development				
Teacher Loan-for-Service				
General Fund	\$24.0	\$20.0	\$20.0	\$20.0
Teacher Loan Repayment				
General Fund	\$60.0	\$60.0	\$60.0	\$60.0
Graduate Scholarship				
General Fund	\$619.0	\$619.0	\$619.0	\$619.0
Minority Doctoral Assistance				
General Fund	\$75.0	\$75.0	\$75.0	\$75.0
WICHE Loan-for-Service				
General Fund	\$2,267.5	\$2,167.5	\$2,167.5	\$2,167.5
Public Service Law Loan Repayment				
General Fund	\$281.2	\$170.0	\$170.0	\$170.0
Social Worker Loan for Service				
General Fund	\$450.0	\$450.0	\$450.0	\$450.0
John R. Justice Loan Repayment				
Federal Funds	\$0.0	\$37.7	\$0.0	\$0.0
Total Statewide Priority Professional Development	\$3,776.7	\$3,599.2	\$3,561.5	\$3,561.5
Financial Aid Administration				
General Fund	\$8.0	\$21.0	\$21.0	\$21.0
GENERAL FUND TOTAL	\$23,055.7	\$22,193.2	\$22,193.2	\$22,193.2
GRAND TOTAL	\$82,277.1	\$66,230.9	\$64,193.2	\$64,193.2

*FY17 lottery figures in the HED request do not reflect actual transfers from liquor excise tax and the lottery tuition fund. Figures in this document were adjusted to reflect actual revenues received.

FY19 GENERAL FUND APPROPRIATIONS
(in thousands)

	FY18 OpBud	FY19 HED Revised Request (11.17.17)	FY19 LFC Rec.
INSTRUCTION and GENERAL INSTITUTIONAL I&G FUNDING			
<i>Percent of I&G Formula Based on Outcomes</i>	2.0%	6.5%	4.0%
<i>Percent of "New Money"</i>	0.0%	0.0%	0.0%
<i>Amount of "New Money" over FY17 Formula Funding</i>	\$0.0	\$0.0	\$0.0
FY18 I&G Base Year			
Base Year I&G	\$564,591.5	\$564,591.0	\$564,591.0
Base Adjustment Rate	2.0%	6.5%	4.0%
Base Adjustment Amount	(\$11,291.8)	(\$36,698.4)	(\$22,583.6)
FY18 Core Funding Level	\$553,299.7	\$527,892.6	\$542,007.4
Outcomes Funding			
Operating Base Adjustment	-	-	-
Hold Harmless	-	-	-
Hold-Harmless+ Funds	-	-	-
Workload Outcomes (Course Completion)	\$2,823.0	\$9,174.6	\$5,645.9
Statewide Outcomes Measures			
<i>Total Formula Certificates and Degrees</i>	\$3,161.7	\$10,275.6	\$6,323.4
<i>Total Workforce Certificates and Degrees</i>	\$1,524.4	\$4,954.3	\$3,048.8
<i>Total At-Risk Certificates and Degrees</i>	\$1,524.4	\$4,954.3	\$3,048.8
Subtotal Statewide Outcomes Measures	\$6,210.5	\$20,184.2	\$12,421.0
Mission-Differentiated Measures			
<i>Research Universities</i>	\$1,248.6	\$4,057.8	\$2,497.1
<i>Comprehensive Institutions</i>	\$252.3	\$772.3	\$475.3
<i>Community Colleges</i>	\$757.6	\$2,509.6	\$1,544.3
Subtotal Mission-Differentiated Measures	\$2,258.5	\$7,339.7	\$4,516.7
Total Outcomes Funding	\$11,292.0	\$36,698.4	\$22,583.5
I&G Base Adjustments			
I&G Roll-ups	\$0.0	\$0.0	\$260.6
Rounding Adjustments	(\$0.7)	\$0.0	\$0.2
Total Formula Funding	\$564,591.0	\$564,591.0	\$564,851.7
UNM HEALTH SCIENCE CENTER I&G FUNDING	\$57,201.1	\$57,201.1	\$57,201.1
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$621,792.1	\$621,792.1	\$622,052.8
Dollar Change from Prior Year Operating Budget	-\$6,263.1	\$0.0	\$260.7
Percent Change from Prior Year Operating Budget	-1.0%	0.0%	0.0%
OTHER CATEGORICAL			
Special Schools (I&G only)	\$6,115.8	\$6,115.8	\$6,115.8
Athletics	\$13,079.0	\$13,079.0	\$12,887.2
Public Television	\$3,180.2	\$3,180.2	\$3,180.2
Healthcare Workforce (incl. medical residencies, undergraduate & graduate nursing education, dental programs)	\$9,716.8	\$9,716.8	\$9,716.8
Other Research and Public Service Projects	\$90,965.0	\$90,965.0	\$90,896.2
Compensation and Other Adjustments			
Total RPSP (Excl. Special Schools I&G)	\$116,941.0	\$116,941.0	\$116,680.4
OTHER CATEGORICAL SUBTOTAL	\$123,056.8	\$123,056.8	\$122,796.2
Dollar Change from Prior Year Operating Budget	-\$1,149.2	\$0.0	-\$260.6
Percent Change from Prior Year Operating Budget	-0.9%	0.0%	-0.2%
TOTAL GAA SECTION 4 INSTITUTIONS FY16	\$744,848.9	\$744,848.9	\$744,849.0
HIGHER EDUCATION DEPARTMENT			
FTE: 46.0	FTE: 46.0	FTE: 48.0	
Operating Budget and Flow-Through Programming	\$12,303.0	\$12,456.0	\$12,638.9
Student Financial Aid	\$22,193.2	\$22,193.2	\$22,193.2
Sanding			
HIGHER EDUCATION DEPARTMENT TOTAL	\$34,496.2	\$34,649.2	\$34,832.1
Dollar Change from Prior Year Operating Budget	(\$109.8)	\$153.0	\$335.9
Percent Change from Prior Year Operating Budget	-0.3%	0.4%	1.0%
TOTAL HIGHER EDUCATION	\$779,345.1	\$779,498.1	\$779,681.1
Dollar Change from Prior Year Operating Budget	(\$7,522.1)	\$153.0	\$336.0
Percent Change from Prior Year Operating Budget	-1.0%	0.0%	0.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY18		FY19		
	FY18 OpBud	FY19 HED Request	FY19 LFC Rec	\$ Change From FY17 Adjusted OpBud	% Change From FY17 Adjusted OpBud
UNIVERSITY OF NEW MEXICO					
Instruction and general purposes	\$175,823.2	\$176,364.8	\$176,156.5	\$333.3	0.2%
Athletics	\$2,617.3	\$2,617.3	\$2,617.3	\$0.0	0.0%
Educational television and public radio	\$1,080.2	\$1,080.2	\$1,080.2	\$0.0	0.0%
Gallup Branch - I&G	\$8,407.1	\$8,172.4	\$8,262.7	(\$144.4)	-1.7%
Los Alamos Branch - I&G	\$1,710.4	\$1,693.4	\$1,699.9	(\$10.5)	-0.6%
Valencia Branch - I&G	\$5,135.2	\$5,130.4	\$5,132.3	(\$2.9)	-0.1%
Taos Branch - I&G	\$3,274.1	\$3,302.1	\$3,291.4	\$17.3	0.5%
<i>Research & Public Service Projects:</i>					
Judicial selection	\$21.0	\$21.0	\$21.0	\$0.0	0.0%
Ibero-American education	\$83.1	\$83.1	\$83.1	\$0.0	0.0%
Manufacturing engineering program	\$515.5	\$515.5	\$515.5	\$0.0	0.0%
Wildlife law education	\$88.4	\$88.4	\$88.4	\$0.0	0.0%
Morrissey hall programs	\$43.6	\$43.6	\$43.6	\$0.0	0.0%
Disabled student services	\$176.1	\$176.1	\$176.1	\$0.0	0.0%
Minority student services	\$889.5	\$889.5	\$889.5	\$0.0	0.0%
Community-based education	\$521.8	\$521.8	\$521.8	\$0.0	0.0%
Corrine Wolf children's law center	\$157.7	\$157.7	\$157.7	\$0.0	0.0%
Student mentoring program	\$268.1	\$268.1	\$268.1	\$0.0	0.0%
Southwest research center	\$1,043.3	\$1,043.3	\$1,043.3	\$0.0	0.0%
Substance abuse program	\$68.1	\$68.1	\$68.1	\$0.0	0.0%
Resource geographic information system	\$60.8	\$60.8	\$60.8	\$0.0	0.0%
Southwest Indian law clinic	\$190.5	\$190.5	\$190.5	\$0.0	0.0%
Geospatial and population studies/bureau of business and economic research	\$353.0	\$353.0	\$353.0	\$0.0	0.0%
New Mexico historical review	\$44.0	\$44.0	\$44.0	\$0.0	0.0%
Utton transboundary resources center	\$317.7	\$317.7	\$317.7	\$0.0	0.0%
Land grant studies	\$120.9	\$120.9	\$120.9	\$0.0	0.0%
College degree mapping	\$68.8	\$68.8	\$68.8	\$0.0	0.0%
Gallup - nurse expansion	\$192.1	\$192.1	\$192.1	\$0.0	0.0%
Valencia - nurse expansion	\$155.8	\$155.8	\$155.8	\$0.0	0.0%
Taos - nurse expansion	\$223.8	\$223.8	\$223.8	\$0.0	0.0%
Total UNM	\$203,651.1	\$203,964.2	\$203,843.9	\$192.8	0.1%
UNM HEALTH SCIENCES CENTER					
Instruction and general purposes	\$57,201.1	\$57,201.1	\$57,201.1	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$1,012.3	\$1,012.3	\$1,012.3	\$0.0	0.0%
Graduate nurse education	\$1,514.7	\$1,514.7	\$1,514.7	\$0.0	0.0%
Native American health center	\$252.0	\$252.0	\$252.0	\$0.0	0.0%
Native American suicide prevention	\$91.4	\$91.4	\$91.4	\$0.0	0.0%
Office of medical investigator	\$4,707.2	\$4,707.2	\$4,707.2	\$0.0	0.0%
Children's psychiatric hospital	\$6,692.2	\$6,692.2	\$6,692.2	\$0.0	0.0%
Carrie Tingley hospital	\$4,888.8	\$4,888.8	\$4,888.8	\$0.0	0.0%
Newborn intensive care	\$3,074.3	\$3,074.3	\$3,074.3	\$0.0	0.0%
Pediatric oncology	\$1,196.1	\$1,196.1	\$1,196.1	\$0.0	0.0%
Poison and drug information center	\$1,456.2	\$1,456.2	\$1,456.2	\$0.0	0.0%
Cancer center	\$2,469.5	\$2,469.5	\$2,469.5	\$0.0	0.0%
Hepatitis community health outcomes	\$2,017.2	\$2,017.2	\$2,017.2	\$0.0	0.0%
Internal medicine residencies	\$980.4	\$980.4	\$980.4	\$0.0	0.0%
Psychiatry residencies	\$370.1	\$370.1	\$370.1	\$0.0	0.0%
General surgery/family community medicine residencies	\$307.7	\$307.7	\$307.7	\$0.0	0.0%
Total UNM/HSC	\$88,231.2	\$88,231.2	\$88,231.2	\$0.0	0.0%
Total UNM and UNM/HSC	\$291,882.3	\$292,195.4	\$292,075.1	\$192.8	0.1%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY18		FY19		
	FY18 OpBud	FY19 HED Request	FY19 LFC Rec	\$ Change From FY17 Adjusted OpBud	% Change From FY17 Adjusted OpBud
NEW MEXICO STATE UNIVERSITY					
Instruction and general purposes	\$109,438.5	\$109,141.8	\$109,255.9	(\$182.6)	-0.2%
Athletics	\$3,117.6	\$3,117.6	\$3,117.6	\$0.0	0.0%
Educational television and public radio	\$1,006.7	\$1,006.7	\$1,006.7	\$0.0	0.0%
Alamogordo Branch - Instruction and general purposes	\$7,036.2	\$6,760.1	\$6,866.3	(\$169.9)	-2.4%
Carlsbad Branch - Instruction and general purposes	\$3,860.0	\$3,820.4	\$3,835.6	(\$24.4)	-0.6%
Dona Ana Branch - Instruction and general purposes	\$21,387.3	\$21,334.1	\$21,354.5	(\$32.8)	-0.2%
Grants Branch - Instruction and general purposes	\$3,320.1	\$3,230.8	\$3,265.2	(\$54.9)	-1.7%
<i>Department of Agriculture</i>	\$10,956.4	\$10,956.4	\$10,956.4	\$0.0	0.0%
<i>Agricultural Experiment Station (AES)</i>	\$13,512.0	\$13,512.0	\$13,512.0	\$0.0	0.0%
<i>Cooperative Extension Service (CES)</i>	\$12,491.4	\$12,491.4	\$12,491.4	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
STEM alliance for minority participation	\$302.4	\$302.4	\$302.4	\$0.0	0.0%
Mental health nurse practitioner	\$643.9	\$643.9	\$643.9	\$0.0	0.0%
Indian resources development	\$274.4	\$274.4	\$274.4	\$0.0	0.0%
Manufacturing sector development program	\$505.8	\$505.8	\$505.8	\$0.0	0.0%
Arrowhead center for business development	\$310.2	\$310.2	\$310.2	\$0.0	0.0%
Nurse expansion	\$700.2	\$700.2	\$700.2	\$0.0	0.0%
Economic development doctorate	\$91.4	\$91.4	\$91.4	\$0.0	0.0%
Alliance teaching & learning advancement	\$138.6	\$138.6	\$138.6	\$0.0	0.0%
Water resource research institute	\$615.6	\$615.6	\$615.6	\$0.0	0.0%
College assistance migrant program	\$199.8	\$199.8	\$199.8	\$0.0	0.0%
Clean drinking water technology	Combined with WIRRI	Combined with WIRRI	Combined with WIRRI		
Carlsbad - manufacturing sector development program	\$216.6	\$216.6	\$216.6	\$0.0	0.0%
Carlsbad - nurse expansion	\$108.9	\$108.9	\$108.9	\$0.0	0.0%
Dona Ana - dental hygiene program	\$206.0	\$206.0	\$206.0	\$0.0	0.0%
Dona Ana - nurse expansion	\$193.5	\$193.5	\$193.5	\$0.0	0.0%
Total NMSU	\$190,633.5	\$189,878.6	\$190,168.9	(\$464.6)	-0.2%
NEW MEXICO HIGHLANDS UNIVERSITY					
Instruction and general purposes	\$26,046.1	\$26,085.9	\$26,070.6	\$24.5	0.1%
Athletics	\$1,968.7	\$1,968.7	\$1,968.7	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Advanced placement	\$211.6	\$211.6	\$211.6	\$0.0	0.0%
Minority student services	\$514.4	\$514.4	\$514.4	\$0.0	0.0%
Forest and watershed institute	\$289.7	\$289.7	\$289.7	\$0.0	0.0%
Nurse expansion	\$60.4	\$60.4	\$60.4	\$0.0	0.0%
Total NMHU	\$29,090.9	\$29,130.7	\$29,115.4	\$24.5	0.1%
WESTERN NEW MEXICO UNIVERSITY					
Instruction and general purposes	\$15,996.9	\$16,219.4	\$16,133.8	\$136.9	0.9%
Athletics	\$1,742.1	\$1,742.1	\$1,742.1	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Instructional television	\$72.4	\$72.4	\$72.4	\$0.0	0.0%
Pharmacy and phlebotomy programs	\$57.2	\$57.2	\$57.2	\$0.0	0.0%
Web-based teacher licensure	\$129.2	\$129.2	\$129.2	\$0.0	0.0%
Child development center	\$193.6	\$193.6	\$193.6	\$0.0	0.0%
Nurse expansion	\$809.2	\$809.2	\$809.2	\$0.0	0.0%
Total WNMU	\$19,000.6	\$19,223.1	\$19,137.5	\$136.9	0.7%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY18		FY19		
	FY18 OpBud	FY19 HED Request	FY19 LFC Rec	\$ Change From FY17 Adjusted OpBud	% Change From FY17 Adjusted OpBud
EASTERN NEW MEXICO UNIVERSITY					
Instruction and general purposes	\$25,603.1	\$25,812.2	\$25,731.8	\$128.7	0.5%
Athletics	\$1,967.4	\$1,967.4	\$1,967.4	\$0.0	0.0%
Educational television and public radio	\$1,020.9	\$1,020.9	\$1,020.9	\$0.0	0.0%
Roswell Branch - Instruction and general purposes	\$10,985.7	\$10,802.4	\$10,872.9	(\$112.8)	-1.0%
Ruidoso Branch - Instruction and general purposes	\$1,936.1	\$1,916.7	\$1,924.2	(\$11.9)	-0.6%
<i>Research & Public Service Projects:</i>					
Blackwater draw site and museum	\$87.8	\$87.8	\$87.8	\$0.0	0.0%
Student success programs	\$417.0	\$417.0	\$417.0	\$0.0	0.0%
Nurse expansion	\$328.0	\$328.0	\$328.0	\$0.0	0.0%
At-risk student tutoring	\$224.6	\$224.6	\$224.6	\$0.0	0.0%
Allied health	\$142.4	\$142.4	\$142.4	\$0.0	0.0%
Roswell branch - nurse expansion	\$68.5	\$68.5	\$68.5	\$0.0	0.0%
Roswell branch - airframe mechanics	\$55.3	\$55.3	\$55.3	\$0.0	0.0%
Special services program	\$56.6	\$56.6	\$56.6	\$0.0	0.0%
Total ENMU	\$42,893.4	\$42,899.8	\$42,897.4	\$4.0	0.0%
NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY					
Instruction and general purposes	\$25,523.0	\$25,570.1	\$25,812.6	\$289.6	1.1%
Athletics	\$191.8	\$191.8	I&G Rollup	I&G Rollup	I&G Rollup
Bureau of mine safety	\$312.1	\$312.1	\$312.1	\$0.0	0.0%
Bureau of geology and mineral resources	\$3,888.7	\$3,888.7	\$3,888.7	\$0.0	0.0%
Petroleum recovery and research center	\$1,841.2	\$1,841.2	\$1,841.2	\$0.0	0.0%
Geophysical research center	\$1,073.2	\$1,073.2	\$1,073.2	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Science and engineering fair	\$196.8	\$196.8	\$196.8	\$0.0	0.0%
Aerospace internship program	\$68.8	\$68.8	I&G Rollup	I&G Rollup	I&G Rollup
Energetic materials research center	\$780.8	\$780.8	\$780.8	\$0.0	0.0%
Institute for complex additive systems analysis	\$791.8	\$791.8	\$791.8	\$0.0	0.0%
Cave and karst research	\$355.4	\$355.4	\$355.4	\$0.0	0.0%
Homeland security center	\$513.5	\$513.5	\$513.5	\$0.0	0.0%
Total NMIMT	\$35,537.1	\$35,584.2	\$35,566.1	\$29.0	0.1%
NORTHERN NEW MEXICO COLLEGE					
Instruction and general purposes	\$9,706.9	\$9,457.9	\$9,553.7	(\$153.2)	-1.6%
Athletics	\$246.6	\$246.6	\$246.6	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$233.0	\$233.0	\$233.0	\$0.0	0.0%
STEM	\$137.3	\$137.3	\$137.3	\$0.0	0.0%
Veterans center	\$114.5	\$114.5	\$114.5	\$0.0	0.0%
Total NNMC	\$10,438.3	\$10,189.3	\$10,285.1	(\$153.2)	-1.5%
SANTA FE COMMUNITY COLLEGE					
Instruction and general purposes	\$9,182.8	\$9,303.5	\$9,257.1	\$74.3	0.8%
<i>Research & Public Service Projects:</i>					
Automechanics	\$45.9	\$45.9	\$45.9	\$0.0	0.0%
Nurse expansion	\$253.9	\$253.9	\$253.9	\$0.0	0.0%
Radiography technician program	\$91.7	\$91.7	\$91.7	\$0.0	0.0%
Small business development centers	\$4,055.6	\$4,055.6	\$4,055.6	\$0.0	0.0%
Total SFCC	\$13,629.9	\$13,750.6	\$13,704.2	\$74.3	0.5%
CENTRAL NM COMMUNITY COLLEGE					
Instruction and general purposes	\$52,815.8	\$53,799.3	\$53,421.0	\$605.2	1.1%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$179.6	\$179.6	\$179.6	\$0.0	0.0%
Total CNM	\$52,995.4	\$53,978.9	\$53,600.6	\$605.2	1.1%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY18		FY19		
	FY18 OpBud	FY19 HED Request	FY19 LFC Rec	\$ Change From FY17 Adjusted OpBud	% Change From FY17 Adjusted OpBud
LUNA COMMUNITY COLLEGE					
Instruction and general purposes	\$6,730.9	\$6,469.0	\$6,569.7	(\$161.2)	-2.4%
Athletics	\$382.4	\$382.4	\$382.4	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$267.0	\$267.0	\$267.0	\$0.0	0.0%
Student retention and completion	\$530.6	\$530.6	\$530.6	\$0.0	0.0%
Total LCC	\$7,910.9	\$7,649.0	\$7,749.7	(\$161.2)	-2.0%
MESALANDS COMMUNITY COLLEGE					
Instruction and general purposes	\$3,864.2	\$3,734.1	\$3,784.2	(\$80.0)	-2.1%
Athletics	\$137.7	\$137.7	\$137.7	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Wind training center	\$112.9	\$112.9	\$112.9	\$0.0	0.0%
Total MCC	\$4,114.8	\$3,984.7	\$4,034.8	(\$80.0)	-1.9%
NEW MEXICO JUNIOR COLLEGE					
Instruction and general purposes	\$5,157.9	\$5,169.2	\$5,164.8	\$6.9	0.1%
Athletics	\$448.1	\$448.1	\$448.1	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Oil & gas management program	\$161.6	\$161.6	\$161.6	\$0.0	0.0%
Nurse expansion	\$282.9	\$282.9	\$282.9	\$0.0	0.0%
Lea county distance education consortium	\$27.5	\$27.5	\$27.5	\$0.0	0.0%
Total NMJC	\$6,078.0	\$6,089.3	\$6,084.9	\$6.9	0.1%
SAN JUAN COLLEGE					
Instruction and general purposes	\$22,555.4	\$22,348.4	\$22,428.0	(\$127.4)	-0.6%
<i>Research & Public Service Projects:</i>					
Dental hygiene program	\$153.7	\$153.7	\$153.7	\$0.0	0.0%
Nurse expansion	\$198.3	\$198.3	\$198.3	\$0.0	0.0%
Total SJC	\$22,907.4	\$22,700.4	\$22,780.0	(\$127.4)	-0.6%
CLOVIS COMMUNITY COLLEGE					
Instruction and general purposes	\$9,094.1	\$8,952.6	\$9,007.0	(\$87.1)	-1.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$272.9	\$272.9	\$272.9	\$0.0	0.0%
Total CCC	\$9,367.0	\$9,225.5	\$9,279.9	(\$87.1)	-0.9%
NEW MEXICO MILITARY INSTITUTE					
Instruction and general purposes	\$1,312.4	\$1,312.4	\$1,312.4	\$0.0	0.0%
Athletics	\$259.3	\$259.3	\$259.3	\$0.0	0.0%
Knowles legislative scholarship program	\$1,284.7	\$1,284.7	\$1,284.7	\$0.0	0.0%
Total NMMI	\$2,856.4	\$2,856.4	\$2,856.4	\$0.0	0.0%
NM SCHOOL FOR BLIND & VISUALLY IMPAIRED					
Instruction and general purposes	\$984.1	\$984.1	\$984.1	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Early childhood center	\$361.9	\$361.9	\$361.9	\$0.0	0.0%
Low vision clinic programs	\$111.1	\$111.1	\$111.1	\$0.0	0.0%
Total NMSBVI	\$1,457.1	\$1,457.1	\$1,457.1	\$0.0	0.0%
NM SCHOOL FOR THE DEAF					
Instruction and general purposes	\$3,819.3	\$3,819.3	\$3,819.3	\$0.0	0.0%
<i>Research & Public Service Projects:</i>					
Statewide outreach services	\$236.6	\$236.6	\$236.6	\$0.0	0.0%
Total NMSD	\$4,055.9	\$4,055.9	\$4,055.9	\$0.0	0.0%
TOTAL GENERAL FUND					
	\$779,345.1	\$779,498.1	\$779,681.1	\$336.0	0.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY18		FY19		
	FY18 OpBud	FY19 HED Request	FY19 LFC Rec	\$ Change From FY17 Adjusted OpBud	% Change From FY17 Adjusted OpBud
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$35,537.1	\$35,584.2	\$35,566.1	\$29.0	0.1%
New Mexico State University (954)	\$190,633.5	\$189,878.6	\$190,168.9	(\$464.6)	-0.2%
UNM Total (Less FY16 Reductions) (952)	\$291,882.3	\$292,195.4	\$292,075.1	\$192.8	0.1%
University of New Mexico (952)	\$203,651.1	\$203,964.2	\$203,843.9	\$192.8	0.1%
UNM Health Sciences Center (952)	\$88,231.2	\$88,231.2	\$88,231.2	\$0.0	0.0%
Eastern New Mexico University (960)	\$42,893.4	\$42,899.8	\$42,897.4	\$4.0	0.0%
New Mexico Highlands University (956)	\$29,090.9	\$29,130.7	\$29,115.4	\$24.5	0.1%
Northern New Mexico College (964)	\$10,438.3	\$10,189.3	\$10,285.1	(\$153.2)	-1.5%
Western New Mexico University (958)	\$19,000.6	\$19,223.1	\$19,137.5	\$136.9	0.7%
Central NM Community College (968)	\$52,995.4	\$53,978.9	\$53,600.6	\$605.2	1.1%
Clovis Community College (977)	\$9,367.0	\$9,225.5	\$9,279.9	(\$87.1)	-0.9%
Luna Community College (970)	\$7,910.9	\$7,649.0	\$7,749.7	(\$161.2)	-2.0%
Mesalands Community College (972)	\$4,114.8	\$3,984.7	\$4,034.8	(\$80.0)	-1.9%
New Mexico Junior College (974)	\$6,078.0	\$6,089.3	\$6,084.9	\$6.9	0.1%
San Juan College (976)	\$22,907.4	\$22,700.4	\$22,780.0	(\$127.4)	-0.6%
Santa Fe Community College (966)	\$13,629.9	\$13,750.6	\$13,704.2	\$74.3	0.5%
Subtotal - Universities and Community Colleges	\$736,479.5	\$736,479.5	\$736,479.6	\$0.1	0.0%
New Mexico Military Institute (978)	\$2,856.4	\$2,856.4	\$2,856.4	\$0.0	0.0%
New Mexico School for the Deaf (980)	\$4,055.9	\$4,055.9	\$4,055.9	\$0.0	0.0%
NM School for the Blind & Visually Impaired (979)	\$1,457.1	\$1,457.1	\$1,457.1	\$0.0	0.0%
Subtotal - Special Schools	\$8,369.4	\$8,369.4	\$8,369.4	\$0.0	0.0%
Grand Total Universities and Special Schools	\$744,848.9	\$744,848.9	\$744,849.0	\$0.1	0.0%
New Mexico Higher Education Department (950)	\$34,496.2	\$34,649.2	\$34,832.1	\$335.9	1.0%
TOTAL GENERAL FUND	\$779,345.1	\$779,498.1	\$779,681.1	\$336.0	0.0%
SUMMARY BY MAJOR FUNCTION					
University I&G (NMHC included eff. FY08)	\$388,137.7	\$388,652.1	\$388,714.9	\$577.2	0.1%
Community College I&G	\$176,453.3	\$175,938.9	\$176,136.8	(\$316.5)	-0.2%
UNM/HSC I&G	\$57,201.1	\$57,201.1	\$57,201.1	\$0.0	0.0%
Special schools I&G	\$6,115.8	\$6,115.8	\$6,115.8	\$0.0	0.0%
Medical residencies	\$1,658.2	\$1,658.2	\$1,658.2	\$0.0	0.0%
Nursing programs	\$7,698.9	\$7,698.9	\$7,698.9	\$0.0	0.0%
Dental programs (incl residencies)	\$359.7	\$359.7	\$359.7	\$0.0	0.0%
Athletics	\$13,079.0	\$13,079.0	\$12,887.2	(\$191.8)	-1.5%
Educational Television	\$3,180.2	\$3,180.2	\$3,180.2	\$0.0	0.0%
NMHED - Policy Dev. & Institutional Fin. Oversight	\$12,303.0	\$12,456.0	\$12,638.9	\$335.9	2.7%
NMHED - Student Financial Aid	\$22,193.2	\$22,193.2	\$22,193.2	\$0.0	0.0%
Other programs	\$90,965.0	\$90,965.0	\$90,896.2	(\$68.8)	-0.1%
TOTAL GENERAL FUND	\$779,345.1	\$779,498.1	\$779,681.1	\$336.0	0.0%
HIGHER EDUCATION DEPARTMENT:					
Policy Development and Institutional Financial Oversight (P505)					
P505 Subtotal	\$12,303.0	\$12,456.0	\$12,638.9	\$335.9	2.7%
Student Financial Aid (P506)					
P506 Subtotal	\$22,193.2	\$22,193.2	\$22,193.2	\$0.0	0.0%
HED total	\$34,496.2	\$34,649.2	\$34,832.1	\$335.9	1.0%
HED 300 Category Flow-Throughs					
Adult Literacy (Language)	\$696.1	\$696.1	\$696.1	\$0.0	0.0%
Total	\$696.1	\$696.1	\$696.1	\$0.0	0.0%
HED 400 Category Flow Throughs					
High Skills (Language)	\$461.1	\$461.1	\$461.1	\$0.0	0.0%
ABE Workforce (Language)	\$138.3	\$138.3	\$138.3	\$0.0	0.0%
Adult Basic Education (Language)	\$5,235.9	\$5,235.9	\$5,235.9	\$0.0	0.0%
MESA pass through to NMIMT	\$1,251.9	\$1,251.9	\$1,251.9	\$0.0	0.0%
ENLACE	\$927.7	\$927.7	\$927.7	\$0.0	0.0%
Tribal college dual credit (Language)	\$183.9	\$183.9	\$183.9	\$0.0	0.0%
English Language Learner Teacher Prep (Language)	\$92.6	\$92.6	\$92.6	\$0.0	0.0%
Total	\$8,291.4	\$8,291.4	\$8,291.4	\$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 21-30-10 NMSA 1978.

AT A GLANCE:

Declining state support has led institutions to rely more heavily on tuition revenues, leading to higher cost of attendance. Combined with a deteriorating state student financial aid program, higher tuition rates may reduce college accessibility for some New Mexicans. To remedy the situation, LFC recommends higher education institutions seek out further efficiencies and the Legislature maintain level instruction and general funding.

To improve on the record number of certificates and degrees awarded last year, LFC recommends setting aside a higher percentage of performance funding in FY19 so appropriations flow to institutions demonstrating success. LFC also recommends expanding the accountability authority of the Higher Education Department (HED) by adding language to allow the department to withhold appropriated allotments to struggling institutions until the institutions come into compliance with departmental accountability efforts.

BUDGET ISSUES:

Focus on Mission. New Mexico colleges and universities are in a position that should be familiar by now – one of declining revenue. State appropriations, comprising 36.6 percent of total unrestricted revenues at New Mexico's institutions, dropped 8.3 percent since FY16. Meanwhile, sinking enrollment, down about 16.2 percent over the last five years, compounded the effects of general fund reductions, requiring institutions to increase tuition and fees to make up for the lost revenue. Nonetheless, higher education institutions have demonstrated resilience in the face of these challenges, graduating a record number of students and implementing cost-containment measures making institutions leaner and more efficient. Still, FY19 presents further opportunity to revisit higher education institutions' core mission – postsecondary education and training that is accessible, demonstrates outcomes, and represents quality to graduates and their employers.

Accessibility and Efficiency. New Mexico's in-state tuition rates are among the lowest in the nation, but each spring, boards of regents across the state vote to increase these rates, in some cases by as much as 18 percent. Declining state revenue has led institutions to lean heavily on tuition revenues in recent years, more so in New Mexico than the rest of the country. Tuition revenue per FTE student since FY08 increased 240 percent in New Mexico, compared with an average increase of 35 percent across the U.S.

By continually increasing tuition, at the same time financial aid programs deteriorate and federal student aid might be undergoing sweeping change, New Mexico's higher education institutions risk pushing postsecondary education beyond the reach of those who need it most. LFC noted this concern in a 2017 program evaluation, *Higher Education Cost Drivers and Cost Savings*. The report found many institutions have taken steps to "right size" based on available revenues, but colleges have further opportunities to review expenditures on overhead costs and collaborate with peer institutions. Achieving these efficiencies can help prevent the need to raise tuition in future years. To help with this process, the LFC evaluation recommended leveraging the Accountability in Government Act to implement efficiency metrics.

For FY19, LFC recommends inclusion of such metrics as "explanatory" measures, with the option to convert the measures to the "outcome" category in collaboration with the Department of Finance and Administration in future years.

Outcomes and Formula Funding. Last year, New Mexico's colleges and universities awarded about 6,000, or 32 percent, more postsecondary credentials than they did eight years ago. There are several contributing factors to this success, including reforms of freshmen-level courses, removal of red tape and paperwork for students about to graduate, and intrusive advising practices to keep students on track. However, the increase in certificate and degree awards is also attributable to the performance-based instruction and general (I&G) funding formula, which has allowed the Legislature to focus limited fiscal resources on those institutions demonstrating the most success.

In the two most recent fiscal years, only 2 percent of I&G funding has been set aside to reward performance. This occurred because institutions were experiencing overall general fund reductions, and a lower proportion of funding run through the higher education funding formula mitigated the impact of those cuts.

The desire to limit the impact of the funding formula on negatively impacted institutions is understandable. The less an institution receives from the state, the less money available to educate students attending that institution. However, limiting the percent of funding run through the formula also means less money is available to educate students at the institutions achieving success through innovative programs. If the Legislature is able to maintain stable funding for postsecondary I&G, the formula can be run at a higher percentage of performance funding while minimizing the impact on institutions.

HED requested a 6.5 percent I&G base redistribution. LFC acknowledges the need to increase the amount of performance funding, but the committee suggests doing so incrementally. For FY19, LFC recommends redistribution of 4 percent of I&G funding based on performance. Under this plan, four-year institutions, with the exception of Northern New Mexico College, receive nearly flat funding. For two-year institutions, Central New Mexico Community College, which has seen 21.2 percent growth in year-over-year associate degree awards, receives an additional 1.1 percent in general fund I&G support to continue its current momentum. New Mexico State University-Alamogordo, on the other side of the spectrum, stands to lose about \$169.9 thousand of its \$7 million annual general fund appropriation.

When the state transitioned to the current formula, it moved from a funding model that rewarded growth in enrollment and facility footprint to one that assigns funding to institutions based on the volume of outcomes compared with other New Mexico colleges and universities. As a result, institutions that previously experienced significant growth, but lower overall volume of certificate and degree awards, are more heavily impacted by I&G base redistributions. Although the formula has demonstrated improved outcomes, LFC recommends continued study to address this issue during the 2018 interim.

Quality and Governance. During the 2017 interim, HED convened a group of postsecondary stakeholders to draft a strategic higher education plan. This effort built on prior-year work during which the state adopted an attainment goal. Dominating discussions during the 2017 interim were issues of governance and whether New Mexico has an appropriate amount of postsecondary access points. This led to the creation of subcommittees to discuss how higher education institutions are best governed, including comparisons with higher education systems in other states.

One key takeaway from the discussions was the need for HED to have more authority to address problems with higher education institutions as they occur. As an example, three higher education institutions and one athletics program are currently under an enhanced fiscal oversight program by HED. One cause for concern at two of the institutions under enhanced fiscal oversight is the potential loss of accreditation. Accreditation signals to students and employers an institution meets widely recognized standards of quality. Accreditation is also necessary for students to access federal aid, including Pell Grants.

Frequent monitoring from HED will be critical as these institutions, particularly the two at risk of losing accreditation, get back on track. To afford HED additional tools in the department's effort to ensure quality and accountability at these colleges, LFC recommends language in the General Appropriations Act allowing HED and the Department of Finance and Administration to withhold up to 10 percent of monthly allotments to institutions and programs not complying with the conditions of their enhanced fiscal oversight program.

Enrollment. Full-time equivalent student enrollment is down 12 percent over the last five years, while student headcount, which includes part-time students, has dropped 16.2 percent. One institution, New Mexico State University-Alamogordo, experienced a student FTE enrollment decline of 54 percent during that time period. Lower enrollment has the potential to reduce instructional costs, although it can take several years to realize these cost-savings, and institutions are cautious to reduce instructional staff out of concern enrollment could suddenly pick up, as it did during recession years.

University of New Mexico Health Sciences Center. In addition to I&G formula funding rewarding the University of New Mexico (UNM) for degrees the institution awards in health-related fields, the Legislature appropriates an additional \$57.2 million to the UNM Health Sciences Center (HSC) for I&G purposes. UNM HSC also receives nearly \$3 million from the tobacco settlement program fund for I&G and other research and clinical purposes. Further, UNM HSC's clinical operations have been a significant beneficiary of Medicaid expansion in recent years, although UNM HSC has aided the state's efforts to meet its Medicaid obligations through intergovernmental transfers and other cooperative efforts.

Despite increased clinical revenues, general fund cuts in recent years to UNM HSC have had a negative impact beyond the Albuquerque campus. State agencies, including the Poison and Drug Information Center and the Office of the Medical Investigator, also have been hindered in their statewide efforts due to these cuts. The general fund cuts further affected specialty programs addressing Native American health and combating cancer, while UNM HSC's special residency programs have been limited in their ability to circulate residents throughout rural areas.

LFC recommends appropriations flat with FY18 for UNM HSC so these programs will have steady year-over-year revenues to address public health issues and educate in-demand health professionals.

UNM HSC receives about \$1.7 million in unleveraged general fund appropriations for medical residencies. The Legislature should consider an appropriation to develop additional family practice residencies at safety net care hospitals and federally qualified health centers and leverage a portion of the overall appropriation through a Medicaid match. UNM HSC should play a leading role in this effort.

Research and Public Service Projects. Recognizing limited general fund resources are available, most higher education institutions requested flat funding for research and public service projects. Others requested modest increases to restore prior-year funding. Very few institutions requested new or expanded appropriations for research and public service projects.

LFC endorses HED's request for flat general fund appropriations for these projects; however, at the request of the New Mexico Institute of Mining and Technology (NM Tech), two projects – athletics and the aerospace internship program – are combined with the I&G appropriation in the LFC recommendation. As explained by NM Tech, athletics at the institute is significantly different from what one might find at the state's other four-year institutions. NM Tech's athletics program is an extracurricular, intramural program, meaning NM Tech does not compete with other postsecondary institutions through the National Collegiate Athletic Association. The aerospace internship program is an academic service offered by the institute and should receive I&G general fund support.

Special Schools. HED requested \$8.4 million in general fund support for the state's three special-mission schools, flat with the FY18 level. LFC endorses this request. Although these schools have been subjected to general fund reductions in recent years, the Legislature took special care to minimize these reductions compared with other agencies in recognition of the important populations served. In addition, although general fund appropriations to the special schools comprise only 1 percent of total higher education general fund appropriations, the three schools receive 75.5 percent, or \$49.6 million, of land grant permanent fund and land maintenance fund revenues distributed to higher education institutions. Importantly, these distributions are on track to increase by as much as 34 percent in FY18. The increase is largely attributable to a lease sale on land held for New Mexico Military Institute. Although the increase is not expected to be recurring, LFC anticipates higher-than-average land maintenance and land grant permanent fund revenues in FY19.

RECOMMENDED LANGUAGE:

For the University of New Mexico Health Sciences Center. The other state funds appropriation to the instruction and general purposes category of the health sciences center of the university of New Mexico includes five hundred eighty-one thousand five hundred dollars (\$581,500) from the tobacco settlement program fund.

For the Health Sciences Center Research and Public Service Projects. The other state funds appropriations to the health sciences center research and public service projects of the university of New Mexico include two million two hundred seventy-seven thousand six hundred dollars (\$2,277,600) from the tobacco settlement program fund.

For the 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.

For the Higher Education Subsection. The department of finance and administration shall, as directed by the secretary of higher education, withhold from an educational institution or program that the higher education department places under an enhanced fiscal oversight program a portion, up to ten percent, of the institution's or program's general fund allotments. On written notice by the secretary of higher education that the institution or program has made sufficient progress toward satisfying the requirements imposed by the higher education department under the enhanced fiscal oversight program, the department of finance shall release the withheld allotments. Money withheld in accordance with this provision and not released at the end of fiscal year 2019 shall revert to the general fund. The secretary of the department of finance and administration shall advise the legislature through its officers and appropriate committees, in writing, of the status of all withheld allotments.

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	49%	48.7%	49%	48%	50%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	5,700	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	4.9	4.9	4.9
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	22.5	24	24
Output	Rate of athletes graduating in six years	NEW	NEW	45%	44%	45%
Output	Total public television local broadcast production hours	NEW	NEW	17,254	17,254	17,254
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	79.5%	78.2%	80%	80%	80%
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	\$124.7	\$119	\$75	\$120	\$120
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	64%	65.5%	65.5%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	237	243	243
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	11.5	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	\$1.8	\$1.9	\$1.9
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	4	4
Output	Total number of nursing degrees awarded	NEW	NEW	40	41	41
* 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	7.6%	11.9%	10%	9.0%	12%

UNM LOS ALAMOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	17.9%	28%	12.3%	9%	10%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	45%	56%	56%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	58	60	60
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	4.2	14.5	14.5
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	\$3.5	\$2.9	\$2.9
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3.2	3.2	3.2

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	9.4%	12.7%	10%	10%	13%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	65%	65%	65%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	240	240	240
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	22	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	\$1.9	\$1.9	\$1.9
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	2	2	2
Outcome	Total number of nursing degrees awarded	NEW	NEW	18	16	18

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	7%	10%	10%	6.3%	10%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	NEW	50%	49.8%	50%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	122	122	122
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	9	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	\$2.8	\$2.8	\$2.8
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	4	4
Output	Total number of nursing degrees awarded	NEW	NEW	5	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	81%	81%	81%	80%	81%
Outcome	External revenue for research from federal or nongovernmental sources, in millions	NEW	NEW	\$83	\$83	\$83
* Output	Pass rate of medical school students on United States medical licensing examination, step two clinical skills exam on first attempt	96%	93%	98%	98%	98%
* Outcome	Percent of nursing graduates passing the requisite licensure exam on first attempt	79.8%	97.7%	83%	80%	97%
Output	Turnaround time for autopsy reports at the office of the medical investigator	NEW	NEW	<58 days	<58 days	<58 days
Explanatory	Number of children's psychiatric hospital outpatient and community-based visits					
Outcome	Number of days to the next available appointment for orthopedic patients at Carrie Tingley hospital	NEW	NEW	1	1	1
Outcome	Average length of stay in newborn intensive care	NEW	NEW	15 days	14.5 days	14.5 days
Output	Percent of eligible patients entered on national cancer institute-approved therapeutic clinical trials in pediatric oncology	NEW	NEW	95%	95%	95%
Explanatory	Number of New Mexico clinicians and staff attending extension for community healthcare outcomes educational events					
Output	Percent of university of New Mexico-trained primary care residents practicing in New Mexico three years after completing residency	NEW	NEW	38.5%	38.5%	38.5%
Output	Number of university of New Mexico cancer center clinical trials	NEW	NEW	360	750	750
Output	American nurses credentialing center family nurse practitioner certification exam first attempt pass rate	NEW	NEW	80%	85%	85%
Output	Pass rate of doctor of pharmacy graduates on the North American pharmacist licensure examination on first attempt	74%	76%	90%	90%	90%

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	42%	46%	47%	48%	48%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	3,420	3,275	3,275
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	\$300	\$275	\$275
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	4.9	4.8	4.8
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	30	30	30
Output	Total number of nursing degrees awarded	NEW	NEW	160	155	155
Outcome	Rate of athletes graduating in six years	NEW	NEW	75%	78%	78%
Output	Total public television local broadcast production hours	NEW	NEW	175	185	185
Outcome	Total dollars of grants and contracts leveraged by agricultural experiment station faculty and researchers, in millions	NEW	NEW	\$18	\$15	\$18
Output	Number of clientele contacts with the public by the cooperative extension service	NEW	NEW	650,000	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	170,000	170,000	170,000
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	74%	74%	75%	75%	75%
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					

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>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>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%	8.3%	14%	14%	14%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	50.3%	56.5%	55%	55%	56.5%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	180	180	180
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	18	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	\$1.0	\$1.0	\$1.0
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	6.2%	13%	10%	12%	13%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	54.6%	54.7%	57%	50%	55%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	120	120	120
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	13	12	12
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	\$6.4	\$7.0	\$7.0
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	4.2	4.2
Output	Total number of nursing degrees awarded	NEW	NEW	27	25	25

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	10.4%	13%	12.5%	14%	14%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	64.5%	60.3%	63%	60%	63%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	1,375	1,600	1,600
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	23	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	\$1.7	\$1.0	\$1.0
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	4	4
Output	Total number of nursing degrees awarded	NEW	NEW	20	23	23

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	14.2%	18.8%	14%	12%	14%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	53.1%	48.9%	53%	51%	53%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	90	90	90
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	13.5	14	14
Outcome	External dollars supporting all program from federal or nongovernmental sources, for the most recent fiscal year, in millions, excluding state governmental funding sources	NEW	NEW	\$1.4	\$1.1	\$1.1
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	3.5	3.5

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	17.9%	22.2%	20%	20%	22%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	812	790	790
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	\$15.1	\$15.5	\$15.5
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	4.7	4.7	4.7
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	21	18	18
Output	Total number of nursing degrees awarded	NEW	NEW	55	55	55
Outcome	Rate of athletes graduating in six years	NEW	NEW	24%	24%	24%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	52.4%	45.2%	53%	53%	53%
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	500	614	614
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	5	7	6
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	11	7.3	8
Output	Total number of nursing degrees awarded	NEW	NEW	33	34	34
Outcome	Rate of athletes graduating in six years	NEW	NEW	23%	35%	35%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	51.5%	61%	56.2%	61%	61%
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
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	\$2.8	\$3.5	\$2.1	\$1.9	\$3.0
* 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	25%	25.9%	25%	25.9%	26%

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	900	1,060	1,060
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	5	4.8	4.8
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	25	32	32
Output	Total number of nursing degrees awarded	NEW	NEW	55	36	36
Outcome	Rate of athletes graduating in six years	NEW	NEW	42%	35%	35%
Output	Total public television local broadcast production hours	NEW	NEW	175	175	175
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	58.7%	63.1%	64.5%	65%	65%
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	\$6.2	\$5.2	\$6.0	\$6.0	\$6.0
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
* 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	30.7%	31.5%	35%	34%	34%

ENMU ROSWELL BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	25.5%	30.6%	23%	25%	30%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	58.2%	55.9%	55.5%	50%	56%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	550	600	600
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	31	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	\$4.9	\$5	\$5
Explanatory	Total cost per degree award					

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3.0	3.5	3.5
Output	Total number of nursing degrees awarded	NEW	NEW	24	20	20

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	16.4%	19.3%	18%	18%	18%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	34.6%	29.7%	35.4%	35%	35%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	126	126	126
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	17	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	\$1.6	\$1.7	\$1.7
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	49%	49.2%	49%	48%	49%
Output	Total number of unduplicated degree awards in the most recent academic year, reported by baccalaureate, masters and doctorate degrees	NEW	NEW	330	330	330
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	4.6	5	5	5
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	21.7	19	19	19
Outcome	Rate of athletes graduating in six years	NEW	NEW	48%	48%	48%
Output	Number of active hydrogeological assessment projects at the bureau of geology and mineral resources	NEW	NEW	75	8	8
Outcome	Public to private cost sharing ratio at the petroleum recovery research center	NEW	NEW	2:1	2:1	2:1
Outcome	External research funding from non-state government sources at the geophysical research center	NEW	NEW	2:1	2:1	2:1
* Outcome	Retention of first-time, full-time freshmen to the third semester	75.1%	76.9%	77%	77%	77%
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	\$59.0	\$38.0	\$65.0	\$65.0	\$65.0
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Retention of first-time, full-time freshmen to the third semester	54%	55%	66.5%	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%	18%	25%	25%	25%
Output	Total number of unduplicated degree awards in the most recent academic year	NEW	NEW	163	65	146
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	\$11.5	\$2.5	\$2.5
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	NEW	NEW	5.5	6	6
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	20	20	20
Output	Total number of nursing degrees awarded	NEW	NEW	25	20	20
Outcome	Rate of athletes graduating in six years	NEW	NEW	25%	25%	25%
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	11.1%	15%	12%	11%	11%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	56.5%	50.8%	50%	50%	51%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	665	650	650
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	10	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	\$2.5	\$2.5	\$2.5
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditure					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4	5	5
Output	Total number of nursing degrees awarded	NEW	NEW	30	30	30
Output	Cost per job created or saved at the small business development centers	NEW	\$1,200	\$3,000	\$5,000	\$2,000

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	13.3%	15.3%	16.5%	23%	23%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	59.9%	62.3%	61.1%	63%	63%
Output	Total number of certificates and associate degrees awarded within the most recent academic year			6,200	8,000	8,000
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	24	26	26
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	\$3.3	\$3.3	\$3.3
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriation					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3.4	3.4	3.4
Output	Total number of nursing degrees awarded	NEW	NEW	221	230	230

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	16.7%	17%	20%	32%	32%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	28.3%	35.9%	35.5%	46%	46%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	154	150	150
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	14	16	16
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	\$1.6	\$1.3	\$1.3
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	2.5	3	3
Output	Total number of nursing degrees awarded	NEW	NEW	22	20	20
Output	Rate of athletes graduating in three years	NEW	NEW	25%	32%	32%

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	35.1%	42.4%	39%	36.5%	39%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	61.6%	62.9%	61.5%	61.5%	62%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	190	190	190
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	42	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	\$0.2	\$0.2	\$0.2
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	4.0	4.6	4.6
Outcome	Rate of athletes graduating in three years	NEW	NEW	55%	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	21.9%	22.3%	30%	25%	25%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	52.4%	58.7%	70%	60%	60%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	300	325	325
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	20	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	\$3.0	\$1.0	\$1.0
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3	3	3
Output	Total number of nursing degrees awarded	NEW	NEW	30	25	25
Output	Rate of athletes graduating in three years	NEW	NEW	75%	70%	70%

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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	14.8%	17.3%	15%	17%	17%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	60.6%	61.9%	61%	61%	61%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	1,280	1,400	1,400
Output	Number of degrees awarded per one hundred full-time equivalent student	NEW	NEW	14.2	16	16
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	\$4.0	\$4.1	\$4.1
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3.5	4	4
Output	Total number of nursing degrees awarded	NEW	NEW	50	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	41.9%	35%	25%	30%	35%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	61.7%	69.0%	55%	55%	62%
Output	Total number of certificates and associate degrees awarded within the most recent academic year	NEW	NEW	487	415	415
Output	Number of degrees awarded per one hundred full-time equivalent students	NEW	NEW	14	15	15
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	\$2.5	\$2.5	\$2.5
Explanatory	Certificate and degree awards per one hundred thousand dollars in tuition and fee revenue					
Explanatory	Certificate and degree awards per one hundred thousand dollars in state general fund appropriations					
Explanatory	Total cost per degree award					
Explanatory	Percentile ranking among Carnegie peers on institutional support as a percent of core expenditures					
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree	NEW	NEW	3.0	4.5	4.5
Output	Total number of nursing degrees awarded	NEW	NEW	50	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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	96%	90.5%	96%	96%	96%
* Outcome	Average American college testing composite scores for graduating high school seniors	22.4	21.3	22.5	22	22
* Outcome	Proficiency profile reading scores for graduating college sophomores	59.2	58.7	60	117.1	117.1
Outcome	Proficiency profile mathematics scores for graduating college sophomores	56.9	56.7	57	112.1	112.1
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	29%	29%	29%
Output	Percent of third Friday high school seniors and junior college sophomore students graduating with a high school diploma or associate's degree	NEW	NEW	89.6%	89.6%	89.6%
Output	Rate of athletes in junior college athletics graduating in three years	NEW	NEW	55%	55%	55%

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired program is to provide the training, support and resources necessary to prepare blind and visually impaired children of New Mexico to participate fully in their families, communities and workforce and to lead independent, productive lives.

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 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	18	37	40	40	40
* Output	Number of New Mexico teachers who complete a personnel preparation program to become a teacher of the visually impaired	NEW	12	11	16	16
Outcome	Percent of students in kindergarten through twelfth-grade demonstrating academic improvement across curriculum domains	NEW	NEW	95%	95%	95%
Outcome	Rate of graduate transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment	NEW	NEW	100%	100%	100%

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf program is to provide a school-based comprehensive, fully accessible and language-rich learning environment for its students who are deaf and hard-of-hearing and to work collaboratively with families, agencies and communities throughout the state to meet the unique communication, language and learning needs of children and youth who are deaf and hard-of-hearing.

PERFORMANCE MEASURES

		<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Rate of transition to postsecondary education, vocational-technical training school, junior colleges, work training or employment for graduates based on a three-year rolling average	93.1%	82.8%	100%	100%	100%
Outcome	Percent of local education agency staff satisfied with educational services from the center for educational consultation and training	NEW	NEW	90%	90%	90%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	95%	95%	100%
Outcome	Percent of students in 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	90%	90%	90%
* Outcome	Percent of first-year signers who demonstrate improvement in American sign language based on fall or spring assessments	NEW	NEW	100%	100%	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	85%	90%	90%
Outcome	Percent of Individuals with Disabilities Education Act part c early intervention performance indicators that are met	NEW	NEW	95%	95%	95%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY19
(dollars in thousands)

	FY17 OpBud	FY18 OpBud	FY19 PED Request	FY19 LFC Recommendation
School Year 2017-2018 Preliminary Unit Value = \$4,053.55				
School Year 2016-2017 Final Unit Value = \$3,979.63				
PROGRAM COST	\$2,569,331.1	\$2,550,192.4	\$2,567,558.7	\$2,567,558.7
Base Adjustment/Reversion Credit				(\$6,000.0)
<u>UNIT CHANGES</u>				
Other Projected Net Unit Changes	\$1,960.3	(\$3,183.7)		(\$1,066.6)
Eliminate Size Adjustment for Special Separate Schools of Alternative Education				(\$6,162.8) ¹
Increase At-Risk Index Factor from 0.106 to 0.130				\$22,541.4
<u>UNIT VALUE CHANGES</u>				
Insurance	\$3,500.0			\$2,794.3
Fixed Costs	\$5,000.0			\$4,670.5
Increase Teacher Minimum Salaries	\$5,444.8			\$16,622.7 ²
SFC Amendment to Program Cost		\$12,000.0		
Section 5 - Recurring Special Appropriation to the SEG		\$8,550.0		
SUBTOTAL PROGRAM COST	\$2,550,192.4	\$2,567,558.7	\$2,567,558.7	\$2,600,958.2
Dollar Change Over Prior Year Appropriation	(\$3,333.4)	\$17,366.3	\$0.0	\$33,399.5
Percent Change	-0.1%	0.7%	0.0%	1.3%
LESS PROJECTED CREDITS (FY17 Actual \$66 million)	(\$64,000.0)	(\$60,750.0)	(\$59,000.0)	(\$59,000.0)
LESS OTHER STATE FUNDS (From Driver's License Fees)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)
STATE EQUALIZATION GUARANTEE	\$2,481,192.4	\$2,501,808.7	\$2,503,558.7	\$2,536,958.2 ³
Dollar Change Over Prior Year Appropriation	(\$11,333.4)	\$20,616.3	\$1,750.0	\$35,149.5
Percent Change	-0.5%	0.8%	0.1%	1.4%
CATEGORICAL PUBLIC SCHOOL SUPPORT				
TRANSPORTATION - School District (PED Request Includes District and Charter)				
Maintenance and Operations	\$76,726.1	\$61,778.4	\$61,778.4	\$67,030.3
Fuel	\$11,092.9	\$11,092.9	\$11,092.9	\$12,035.9
Rental Fees (Contractor-Owned Buses)	\$8,771.4	\$7,542.6	\$7,542.6	\$8,183.8
Subtotal School District Transportation	\$96,590.4	\$80,413.9	\$80,413.9	\$87,250.1
TRANSPORTATION - State-Chartered Charter School (with language)	\$965.1	\$1,611.3		\$1,748.3
Rental Fees (Contractor-Owned Buses)	\$210.0	\$315.7		\$342.5
Subtotal Charter School Transportation	\$1,175.1	\$1,927.0	\$0.0	\$2,090.8
Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)	(\$9,555.5)			
SUBTOTAL TRANSPORTATION	\$88,210.0	\$82,340.9	\$80,413.9	\$89,340.9 ⁴
SUPPLEMENTAL DISTRIBUTIONS				
Out-of-State Tuition	\$300.0	\$300.0	\$300.0	\$300.0
Emergency Supplemental	\$1,500.0	\$1,000.0	\$3,000.0	\$2,000.0
INSTRUCTIONAL MATERIAL FUND	\$205.5		\$2,500.0	\$6,000.0 ⁴
Dual Credit Instructional Materials	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0
Standards-Based Assessments (K-12 English Language Arts and Math)	\$6,000.0	\$6,000.0	\$6,000.0	\$6,000.0
INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6	\$1,824.6 ⁵
TOTAL CATEGORICAL	\$99,040.1	\$92,465.5	\$95,038.5	\$106,465.5
TOTAL PUBLIC SCHOOL SUPPORT	\$2,580,232.5	\$2,594,274.2	\$2,598,597.2	\$2,643,423.7
Dollar Change Over Prior Year Appropriation	(\$43,083.4)	\$14,041.7	\$4,323.0	\$49,149.5
Percent Change	-1.6%	0.5%	0.2%	1.9%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY19
(dollars in thousands)

	FY17 OpBud	FY18 OpBud	FY19 PED Request	FY19 LFC Recommendation
School Year 2017-2018 Preliminary Unit Value = \$4,053.55				
School Year 2016-2017 Final Unit Value = \$3,979.63				
RELATED REQUESTS: RECURRING				
Regional Education Cooperatives (Direct Appropriation)	\$935.6	\$935.0	\$1,000.0	\$726.8 ⁶
K-3 Plus Fund	\$22,633.9	\$23,700.0	\$24,000.0	\$30,200.0 ⁷
Public Pre-Kindergarten Fund	\$21,000.0	\$21,000.0	\$25,000.0	\$27,500.0 ⁸
Early Literacy Initiatives	\$14,066.1	\$12,500.0	\$9,137.0	\$9,137.0
Breakfast for Elementary Students	\$1,540.6	\$1,600.0	\$1,000.0	\$1,600.0
After School and Summer Enrichment Programs	\$325.3	\$325.0		
NMTEACH Evaluation System	\$4,599.4	\$4,000.0	\$2,500.0	\$2,500.0
STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$1,795.8	\$1,900.0	\$3,000.0	\$3,000.0
Next Generation School Teacher and School Leader Preparation Programs	\$3,653.6	\$2,100.0	\$1,000.0	\$1,000.0
College Preparation, Career Readiness, and Dropout Prevention	\$2,716.3	\$2,200.0	\$1,500.0	\$1,500.0
Advanced Placement	\$823.9	\$825.0	\$825.0	\$825.0
Interventions and Support for Students, Struggling Schools, Teachers, and Parents	\$8,913.7	\$15,000.0	\$15,000.0	\$3,000.0
Truancy and Dropout Prevention Coaches				\$4,350.0
Principal Mentorship - Principals Pursuing Excellence				\$2,800.0
GRADS - Teen Pregnancy Prevention	\$198.7	\$200.0	\$200.0	\$200.0
Teacher Mentorship - Teachers Pursuing Excellence	\$573.9	\$900.0	\$900.0	\$2,200.0
Stipends for Teachers in Hard to Staff Areas (Sp. Ed., Bilingual, STEM, etc.)	\$1,365.9	\$1,000.0	\$800.0	
TOTAL RELATED APPROPRIATIONS: RECURRING	\$91,131.7	\$88,185.0	\$85,862.0	\$90,538.8
Dollar Change Over Prior Year Appropriation	(\$9,286.0)	(\$2,946.7)	(\$2,323.0)	\$2,353.8
Percent Change	-9.2%	-3.2%	-2.6%	2.7%
SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,671,364.2	\$2,682,459.2	\$2,684,459.2	\$2,733,962.5
Dollar Change Over Prior Year Appropriation	(\$52,369.4)	\$11,095.0	\$2,000.0	\$51,503.3
Percent Change	-1.9%	0.4%	0.1%	1.9%
PUBLIC EDUCATION DEPARTMENT	\$11,065.3	\$11,065.3	\$11,065.3	\$11,065.3 ⁹
Dollar Change Over Prior Year Appropriation	(\$814.4)	\$0.0	\$0.0	\$0.0
Percent Change	-6.9%	0.0%	0.0%	0.0%
GRAND TOTAL	\$2,682,429.5	\$2,693,524.5	\$2,695,524.5	\$2,745,027.8
Dollar Change Over Prior Year Appropriation	(\$53,183.8)	\$11,095.0	\$2,000.0	\$51,503.3
Percent Change	-1.9%	0.4%	0.1%	1.9%

Footnotes:

- Requires PED to ensure separate schools established for vocational, alternative, early college, and credit recovery education and schools with admission criteria other than student residency are not receiving size adjustment units.
- Requires PED secretary to ensure public schools raise minimum salaries by \$2,000 for Level 1, 2, and 3 teachers.
- Requires a 5-day school week at all school districts, but allows PED secretary to waive this requirement if it would cause undue hardships.
- Uses \$16 million from the public school capital outlay fund for transportation (\$9.5 million) and instructional materials (\$6.5 million).
- Uses \$675.4 thousand in Indian Education Fund balances for Indian Education.
- RECs will receive direct general fund appropriations of \$103.8 thousand each. Authorizes REC 3 and REC 9 to use \$103.8 thousand additional funds from cash balances.
- Earmarks new funding for programs that ensure K-3 Plus students stay with same teacher during the school year.
- Includes a \$3.5 million transfer from TANF funds.
- Includes \$53.7 thousand for Education Commission of the States fees.

	FY17 OpBud	FY18 OpBud	FY19 PED Request	FY19 LFC Recommendation
SUBTOTAL TRANSPORTATION	\$88,210.0	\$82,340.9	\$80,413.9	\$89,340.9
Plus: Public School Capital Outlay Appropriation (Other State Funds)		\$14,500.0	\$16,927.0	\$9,500.0
TOTAL TRANSPORTATION	\$88,210.0	\$96,840.9	\$97,340.9	\$98,840.9
INSTRUCTIONAL MATERIAL FUND	\$205.5		\$2,500.0	\$6,000.0
Plus: Public School Capital Outlay Appropriation (Other State Funds)	\$12,500.0	\$10,500.0	\$8,073.0	\$6,500.0
TOTAL INSTRUCTIONAL MATERIAL FUND	\$12,705.5	\$10,500.0	\$10,573.0	\$12,500.0

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 \$2.734 billion, an overall increase in general fund appropriations of \$51.5 million, or 1.9 percent. In light of recent budget reductions and a sufficiency lawsuit, the recommendation gives attention to school operational needs and prioritizes funding to programs that have demonstrated improvements in early learning and student outcomes. The committee recommends increasing general fund appropriations to the state equalization guarantee by \$35.1 million, or 1.4 percent; categorical appropriations by \$14 million, or 15.1 percent; and department-administered programs and initiatives by \$2.4 million, or 2.7 percent. This includes an adjustment of \$6.2 million for funding formula loopholes, increase of \$16.6 million to raise full-time teacher minimum salary levels by \$2,000, increase of \$22.5 million to boost the funding index for at-risk students, and increase of \$13 million for prekindergarten and K-3 Plus extended school year programs.

BUDGET ISSUES:

PED's FY19 general fund request for public schools totaled \$2.684 billion, a \$2 million, or 0.1 percent, increase from FY18 appropriations. PED's general fund request included a \$1.8 million, or 0.1 percent, increase for the state equalization guarantee (SEG) distribution; \$2.6 million, or 2.8 percent, increase for categorical programs; and \$2.3 million, or 2.6 percent, decrease for department-administered initiative spending.

Program Cost and State Equalization Guarantee (SEG) Distribution. About 90 percent of school district and charter school operational revenue is derived from the state's public school funding formula, an algorithm designed to guarantee each public school student equal access to programs and services appropriate to educational need. The formula multiplies weighted factors relating to student, teacher, and school characteristics with prior-year average student membership to generate program units, which determine how the annual total appropriation, or program cost, is allocated. A portion of local, state and federal revenue sources are then deducted, or credited, from program cost to determine SEG, the final amount the state distributes to public schools for operations. The state takes credit for 75 percent of three revenue sources: a local half-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 for SEG was flat with the FY18 funding level. PED's FY19 request assumed \$59 million in local and federal revenue credits and an additional credit of \$5 million from drivers' license fees. The department's request assumed \$44.6 million from federal impact aid, \$14 million from the local half-mill levy, and \$400 thousand from federal forest reserve funds. Credits assumed by PED have been conservative for the past few years. In FY17, \$88 million in local and federal revenues were received at the school district level, resulting in \$66 million of credits, \$2 million more than assumed in the FY17 budget. Adjusted for credits, PED's SEG general fund request was \$2.504 billion, an increase of \$1.8 million, or 0.1 percent, from the FY18 appropriation.

The committee recommendation for total formula funding, or program cost, totals \$2.601 billion, an overall increase of \$33.4 million, or 1.3 percent from the FY18 funding level. This recommendation adjusts the program cost downward by \$13.2 million to account for FY18 enrollment declines, projected FY19 program unit changes, and funding formula loopholes but increases the program cost by \$46.6 million to increase the at-risk index, address insurance and fixed cost growth, and raise teacher minimum salary levels. After adjusting for \$59 million in local and federal revenue credits and \$5 million in driver's license fees, the committee's SEG recommendation is \$2.537 billion, an increase of \$35.1 million, or 1.4 percent, over the FY18 appropriation. The following subsections provide explanations for the elements of the FY19 program cost and SEG recommendation.

Reversions and Setting the Unit Value. The unit value is computed by dividing the program cost by funded units. PED initially sets a unit value in May based on the following year's appropriations and then has statutory authority to adjust the unit value eight months later in January. Despite the fact that most units are based on actual membership from the prior fiscal year, PED sets unit values conservatively because only \$1 million in the state support reserve is available to cover an SEG shortfall and some uncertainty exists regarding enrollment growth and local and federal credits. Unfortunately, in a period of severe fiscal constraints, SEG reversions due to low unit values were \$36 million in FY15, \$23.2 million in FY16, and \$74.4 million in FY17. About \$38.3 million of the FY17 reversion was attributable to measures taken by the Legislature for statewide solvency.

Preliminary figures from PED indicate the state experienced a sudden decline of about 2,000 students in FY17, resulting in an overstatement of initial projections of FY18 program units. Current estimates show a total of 623.4 thousand program units generated by the funding formula, about 9,000 units less than PED's projection of 632.5 thousand units, used to set the FY18 preliminary unit value of \$4,053.55. Typically, the number of units may increase by about 2,000 units from enrollment growth or new charter schools; however, even with these adjustments, LFC staff estimates over \$30 million of the FY18 SEG distribution is currently not available to public schools based on the current preliminary unit value and estimated credits for federal and local revenues.

Base Adjustment. The Legislature included language in the Supplemental General Appropriation Act of 2017 allowing PED to increase the preliminary unit value by up to \$16 prior to the start of the 2017-2018 school year, which effectively would have made \$10 million of SEG dollars available for public schools to budget at the beginning of the year. PED did not exercise this authority but indicated the department would likely increase the unit value in January. If PED increases the unit value mid-year, the incremental revenue may end up in school cash balances. The committee recommendation partly accounts for this potential \$30 million of savings and adjusts the base program cost downward by \$6 million.

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 new charter schools. Furthermore, school districts and charter schools growing more than 1 percent are entitled to additional enrollment growth program units to mitigate large annual increases in enrollment not captured under a prior-year funding model. The committee recommendation considers projected program unit changes in FY19 and includes a \$1 million adjustment for an estimated decline of 263 units (See "Public Education Funding Formula: Student Membership and Program Unit History and FY19 Budget Assumptions," Volume III).

In 2014, the Legislature increased the at-risk index from 0.0915 to 0.106 to target more funding to at-risk students. The formula computes the at-risk index using family income level, English proficiency, and student mobility measures. After the index was raised to 0.106, at-risk units increased by about 20 percent, distributing an additional \$14.2 million of program cost to at-risk students in FY16. A joint 2011 evaluation by LFC and the Legislative Education Study Committee recommended increasing New Mexico's at-risk cost differential to 0.15, and a 2017 LFC progress report indicates the state's cost differential for at-risk students still remains low compared with other states. New Mexico remains under a sufficiency lawsuit claiming the poor performance of low-income, English learner, and Native American students is due to insufficient education funding and distribution of education dollars to public schools. The committee recommends adding \$22.5 million in program cost to increase the at-risk index from 0.106 to 0.13 and amending statutory provisions to phase in at-risk index increases over time. The committee also recommends aligning the teacher training and experience index to the three-tiered licensure system simultaneously, which will offset additional units generated from the higher at-risk index and result in smaller variances for total program units. To mitigate the effects of program unit loss for individual school districts and charter schools as a result of this legislation, the committee recommendation includes a \$1.1 million special, nonrecurring appropriation to hold public schools harmless from projected unit losses.

Section 22-8-23 NMSA 1978 prohibits "separate schools established to provide special programs, including but not limited to vocational and alternative education," from generating size adjustment units. LFC has found PED improperly granting size adjustment units to schools providing special programs in recent years. The committee recommendation includes language clarifying this prohibition on size adjustment units to include specific grade-level schools separately operated within school districts and schools with specific admission requirements other than district residency. The impact of closing this loophole is estimated to be \$6.2 million, which the LFC recommendation addresses in the program cost adjustment.

Unit Value Changes. 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) is self-insured and administered separately. NMPSIA's request for an increase in the employer share of insurance premiums from public school funding totaled approximately \$17.7 million for FY19 – \$13.3 million for healthcare benefits and \$4.4 million for the risk program (See "NMPSIA: Agency 342," Volume II). PED's request did not consider additional funds for insurance and fixed costs in FY19. The LFC recommendation includes an increase of \$2.8 million based on historic insurance cost trends and assumes both APS and NMPSIA will budget other miscellaneous revenue, such as excess insurance and subrogation payments, prescription drug rebates and discounts, and investment income, to help keep premium increases low for schools and employees. The committee recommendation also includes an increase of \$4.7 million based on average fixed cost growth, which include costs for utilities, audits, and maintenance.

According to PED, of the nearly 17 thousand licenses issued to starting teachers since FY10, nearly 7,000, or 39.5 percent, were no longer teaching in New Mexico classrooms by FY17. After including all licensees prior to FY10, the data indicates about half of teachers in New Mexico left the classroom after four years and nearly 29 percent left after their first year of teaching in FY16. Despite average teacher salaries increasing in recent years, New Mexico still remains less competitive than neighboring states like Texas, Colorado, and Nevada on take-home pay. The LFC recommendation includes \$16.6 million to raise minimum salary levels for level 1, 2, and 3 licensed teachers by \$2,000. Minimum salary levels are established in statute; however, language in the General Appropriation Acts of 2014, 2015, 2016, and 2017 increased these minimums by \$4,000 for level 1 teachers and \$2,000 for level 2 and level 3 teachers (See “State Employment and Compensation: Educator Compensation,” Volume I).

Categorical Public School Support. Categorical expenditures include funding for transportation, instructional materials, supplemental distributions, Indian education, and standards-based assessments, which are distributed to public schools but restricted for specific uses. During the 2016 second special session, the Legislature was given authority to appropriate up to \$25 million from the public school capital outlay fund (PSCOF) to the instructional material fund or transportation distribution of the public school fund each fiscal year from FY18 to FY22. In FY18, the full \$25 million was appropriated from PSCOF for these purposes. For FY19, PED requested \$95 million in general fund appropriations and \$25 million from PSCOF, an increase of \$2.6 million, or 2.8 percent, from FY18 funding levels. LFC recommends \$106.5 million in general fund appropriations and \$16 million from PSCOF, an increase of \$5 million, or 4.3 percent, from FY18 funding levels. Combined, overall funding to categorical appropriations amount to \$120 million in PED’s request and \$122.5 million in the committee recommendation.

The Public School Capital Outlay Council has shifted more PSCOF funding in recent years to replacing individual school systems that extend building lifespans rather than replacing entire school facilities. Additionally, reduced bonding capacity and unfavorable variances from proposed revisions to school facility condition calculations have increased obligations of the fund. To address potential capital outlay liabilities and reduce reliance on PSCOF appropriations for categorical recurring costs, the committee recommendation decreases PSCOF allocations to transportation and instructional materials by \$9 million from FY18 funding levels.

Transportation. The largest categorical appropriation, the transportation distribution, is used to make payments to school districts and state-chartered charter schools for the transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. PED requested \$80.4 million in general fund appropriations, a decrease of \$1.9 million, or 2.3 percent, to cover bus maintenance and operations, fuel, and rental fees for contractor-owned buses. The PED request included \$16.9 million from PSCOF, bringing overall funding levels to \$97.3 million. LFC recommends \$89.3 million in general fund appropriations, a \$7 million, or 8.5 percent, increase from FY18 general fund levels, and makes two separate allocations – one for school districts and one for state-chartered charter schools. The LFC recommendation includes \$9.5 million from PSCOF for transportation, bringing the total to \$98.8 million. 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 LESL workgroup recommended making two separate allocations. The committee recommendation includes language reverting any remaining state-chartered charter school transportation cash balances to the transportation emergency fund.

Instructional Materials. The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas and is set by PED. 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. In 2017, PED delayed the adoption of new science instructional materials until FY19. Costs for this replacement cycle may be higher than other cycles due to additional costs of science equipment and materials necessary to implement a more application-based rather than memorization-based curriculum.

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 ruled instructional materials appropriations to private schools as unconstitutional in 2015; however, the case is currently being revisited in light of a 2017 U.S. Supreme Court case that ruled states cannot arbitrarily exclude religious schools from programs for the public benefit.

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. Because schools have broad discretion on when to purchase instructional materials, full-scale adoptions typically do not follow the current adoption cycle, resulting in higher cash balances. The PED request included \$2.5 million from the general fund for instructional materials, supplemented with \$8 million from PSCOF. The committee recommends \$6 million from the general fund and \$6.5 million from PSCOF for instructional materials and assumes school districts and charter schools will use reserves to make up any FY19 shortfall.

Indian Education. PED requested a total of \$2.5 million for Indian education in FY19. 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. In FY18, PED submitted a budget adjustment request (BAR) for the Indian Education Division, increasing the FY18 budget by \$1.7 million to spend down the estimated Indian education fund balance of \$3.3 million. The BAR included \$1.5 million to pilot 14 different programs at various schools, tribes, and consulting organizations that PED indicated were nonrecurring. The PED request included and LFC recommendation includes a general fund appropriation of \$1.8 million and authorize the use of \$675.4 thousand from Indian education fund balances for FY19.

Emergency Supplemental Appropriation. PED requested \$3 million for FY19 recurring emergency supplemental funding. In FY17, 17 school districts received emergency supplemental appropriations to meet operational needs and 14 school districts are budgeted for FY18. Emergency supplemental funding continues to be recurring for some small or micro school districts, despite a funding formula factor increase for micro school districts in FY15. Recurring emergency supplemental appropriations have also been supplemented with nonrecurring special and supplemental appropriations. PED should work with school districts with recurring emergency supplemental appropriations to address recurring shortfalls, consider organizational realignment, and achieve administrative efficiencies. The committee recommends \$2 million for FY19 recurring emergency supplemental funding.

In FY18, four school districts switched to a four-day school week, and one school district is currently considering a shorter week schedule. Schools districts indicate a four-day school week attracts teachers and reduces operational costs; however, concerns about total instructional time remain. To ensure schools are not reducing instructional time, the committee recommendation includes language implementing a 5 percent reduction in total program units for any school district or charter school that operates on a four-day school week that does not provide at least 176 instructional days to all students.

Department-Administered Appropriations. Earmarked department-administered “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. PED’s request for initiatives totaled \$85.9 million, a decrease of \$2.3 million, or 2.6 percent, from FY18 appropriations. The LFC general fund recommendation for initiatives totals \$91.5 million, an increase of \$3.3 million, or 3.7 percent. The LFC recommendation prioritizes early childhood education and teacher and school leader development programs that have demonstrated improvements in student outcomes. The recommendation decreases general fund appropriations to programs with limited transparency or no evidence of improving or directly affecting student outcomes.

Early Childhood Education. 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 \$27.5 million from the general fund, a \$6.5 million increase from FY18 levels, and includes a recurring transfer of \$3.5 million in federal 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 (See “Education: Early Childhood Programs,” Volume I).

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 closing the achievement gap when combined with high-quality prekindergarten programs. While the state has made great progress expanding access to the program, there is still a large unmet need and implementation could improve (See “Performance: Public Education Department,” Volume I). The LFC recommendation increases K-3 Plus funding by \$6.5 million from FY18 levels and 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. In line with best practices, the recommendation includes language authorizing \$6.5 million of additional K-3 Plus funding in FY19 only for new or expanding program sites that keep students with the same K-3 Plus teacher during the school year.

PED’s request, and the committee’s recommendation, includes a \$3.4 million decrease in funding for early literacy initiatives, also known as Reads to Lead. The initiative’s funding methodology has changed in recent years and now directs some funds to school districts that are currently high achievers, raising questions about the effect of the program. Additionally, PED is receiving a \$20 million federal grant for early literacy programs, which might be used for similar programs.

School Turnaround Programs. Partnerships between PED, higher education institutions, school 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 leadership development program, Principals Pursuing Excellence (PPE), has shown some success with participating schools experiencing more than three times the state average improvement on reading tests and 1.7 times the state average improvement on math tests. PED reports that Teachers Pursuing Excellence (TPE), a relatively new teacher mentorship program modeled after the PPE protocol, has also demonstrated notable improvements in student outcomes. According to PED, the number of teachers rated highly effective or exemplary on their teacher evaluations jumped from 22 to 41 in the first year of the program. Students with TPE teachers grew 4.5 times faster in reading and 2.7 times faster in math than the statewide average on standardized tests.

In FY17, PED used about \$191 thousand from the interventions and supports for students, struggling schools, teachers, and parents (ISSSTP) appropriation for information technology contracts and \$2.7 million was expended to support the teacher evaluation system, NMTEACH, which is funded in a separate appropriation. About \$4.6 million of the ISSSTP appropriation was used for merit pay initiatives that have not shown evidence of improving teacher recruitment or retention in the state. To improve transparency and support for programs with reported success, the committee recommendation reallocates about \$12 million of the ISSSTP appropriation to PPE, TPE, truancy and dropout prevention coaches, and early childhood education programs.

Federal Funds. Historically, PED has requested authority to budget \$414.2 million of federal flow-through grants, which has remained flat since FY13. Staff is considering a future evaluation of federal funding, given the state's dependency on federal support and potential to leverage these funds. For FY19, the department requested \$443.5 million for federal flow-through grants, a \$29.3 million or 7 percent increase from FY18 funding levels. This increase includes \$20 million for an early literacy improvement grant, \$2.9 million in federal Title IV grants to improve student learning environments, and \$6.4 million to expand and support high-quality charter schools in the state.

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. In the FY16 audit, the Office of the State Auditor found the state "faces a reduction of up to \$63,491,592 in federal funding due to past maintenance of effort (MOE) shortfalls," and "no such final agreement [between the department and the U.S. Department of Education resolving this issue] actually exists. As part of the agency's corrective actions, the department should promptly clarify the likelihood of, and timeline for, resolving this issue."

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 2018-2019 school year and then, on verification of the number of units statewide for fiscal year 2019, but no later than January 31, 2019, the secretary of public education may adjust the program unit value.

Notwithstanding the provisions of the School Personnel Act, the secretary of public education shall ensure that no full-time level one teacher receives a base salary less than thirty-six thousand dollars (\$36,000), no full-time level two teacher receives a base salary less than forty-four thousand dollars (\$44,000) and no full-time level three-A teacher receives a base salary less than fifty-four thousand dollars (\$54,000) during fiscal year 2019.

The final program cost calculation of a first-year charter school shall use membership reported on the first reporting date of the current fiscal year in the calculation of program units.

For fiscal year 2019, 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 program cost 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 2019 and shall reset the final unit value to account for the reduction.

A separate school established to provide an educational program at a specific grade level different from the primary educational program of the school district in which the school is located, including but not limited to a vocational, alternative education, early college high or credit recovery program or school to which a student must apply for admission or in which student placement is determined by criteria other than the geographic location of the student's residence, shall not be classified as a public school for purposes of generating size adjustment program units unless it is a school established to serve students residing within a defined geographic area that accepts students who transfer from outside that area, including transfers in accordance with Subsection D of Section 22-2E-4 NMSA 1978.

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, provided that no school district or charter school shall generate elementary physical education program units in fiscal year 2019 in excess of the total average number of elementary students enrolled on the second and third reporting date of the 2017-2018 school year multiplied by the cost differential factor of six one-hundredths as established in Section 22-8-23.7 NMSA 1978.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funding to increase the cost differential factor of the at-risk index from 0.106 to 0.13 for purposes of calculating at-risk program units pursuant to Section 22-8-18 NMSA 1978. The public education department shall monitor and evaluate the ways in which school districts and individual schools use funding generated through the additional at-risk program units and the intended outcomes pursuant to Section 22-8-23.3 NMSA 1978 for fiscal year 2019 and report its findings to the legislative education study committee and the legislative finance committee on or before February 1, 2019.

Notwithstanding the Public School Finance Act, the secretary of public education shall reduce the total program units calculated pursuant to the Public School Finance Act of any school district or charter school that operates on a four-day school week that does not provide at least one hundred seventy-six instructional days to all students by five percent.

The department shall not approve nor certify an operating budget of any school district or charter school with a proportion of spending for direct instruction and instructional support services lower than the average proportion of spending for direct instruction and instructional support services of comparable public schools with similar student membership unless that school district or charter school demonstrates the proportion of spending for direct instruction and instructional support services is sufficient to provide a free and appropriate public education to students that is uniform with all other students in the state.

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.

Within thirty calendar days of initial submission, the secretary of public education shall process and pay each request for reimbursement submitted to the public education department by a school district or charter school.

The department of finance and administration may adjust a school district's or charter school's monthly state equalization guarantee progress payment to provide flexibility to meet cash flow needs, provided that no school district or charter school shall receive an annual state equalization guarantee distribution that is more than their proportionate fiscal year 2019 share.

School District Transportation Distribution. The appropriations 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 to the school district transportation distribution 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 2019 shall deposit one hundred percent of the remaining balance in the transportation emergency fund at the end of fiscal year 2019.

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 2019 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.

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 2019 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 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.

Any unexpended balances in the standards-based assessments appropriation remaining at the end of fiscal year 2019 from appropriations made from the general fund shall revert to the general 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, the appropriations to the public pre-kindergarten fund of the public education department include sufficient funding to continue the established extended-day prekindergarten pilot program during the 2018-2019 school year.

In setting the per-student funding amount for the summer 2018 k-3 plus program, the secretary of public education shall use the final unit value set for the 2017-2018 school year as the basis for funding June, July and August 2018 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 secretary of public education shall use an amount of the general fund appropriation to the k-3 plus fund for fiscal year 2019 in this section that is equal to the difference between that appropriation and the fiscal year 2018 general fund appropriation to the k-3 plus fund in Subparagraph h of the public education department special appropriations in Subsection i of Section 4 of Chapter 135 of Laws 2017 to make awards to new or expansion k-3 plus programs at school districts and charter schools that keep students who participate in k-3 plus with the same teacher and cohort of students during the regular school year.

Except for money in the appropriations for college preparation, career readiness and dropout prevention and interventions and supports for students, struggling schools and parents 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.

Except for appropriations to the public pre-kindergarten fund and k-3 plus fund, any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2019 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>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Budget</u>	<u>FY19 Request</u>	<u>FY19 Recomm</u>
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	25%	26%	30%	30%	30%
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	23.4%	24%	30%	30%	30%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	25.8%	28%	30%	30%	30%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	19.5%	12%	30%	30%	30%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading	25.4%	26%	30%	30%	30%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics	30.2%	30%	30%	30%	30%
Outcome	Truancy rate among students in elementary, middle and high school	NEW	NEW	<10%	<10%	<10%
Quality	Current five-year cohort graduation rate using shared accountability	70.5%	TBD	80%	80%	80%
* Quality	Current four-year cohort graduation rate using shared accountability	68.6%	71%	75%	75%	75%
* Outcome	Percent of dollars budgeted by districts with fewer than 750 members for instructional support, budget categories 1000, 2100 and 2200	74%	73%	75%	75%	75%
* Outcome	Percent of dollars budgeted by districts with 750 members or greater for instructional support, budget categories 1000, 2100 and 2200	74%	73%	75%	75%	75%
* Outcome	Percent of dollars budgeted by charter schools for instructional support, budget categories 1000, 2100 and 2200	67%	67%	67%	67%	67%
Outcome	Percent of public schools rated A and B	38.6%	38%	42%	42%	>42%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	13.9%	15%	20%	20%	20%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	19.1%	22%	20%	20%	20%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	19%	19%	20%	20%	20%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	17.4%	17%	20%	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	39.2%	TBD	<35%	<35%	<35%
Explanatory	Percent of dual-credit courses successfully completed annually	TBD	TBD			
Explanatory	Number of dual-credit courses students enroll in within New Mexico public high schools and postsecondary institutions	TBD	21,907			

PERFORMANCE MEASURES

		<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Request</u>	<u>FY19</u> <u>Recomm</u>
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%	35.5%	20%	20%	20%
Outcome	Percent of minority economically disadvantaged students taught by teachers with a rating of effective or higher	NEW	TBD	50%	50%	50%
Outcome	Percent of schools increasing their letter rating by one or more letter grade	31.7%	28.9%	>30%	>30%	>30%
Outcome	Percent of schools decreasing their letter rating by one or more letter grade	33.9%	29.3%	5%	5%	5%
Outcome	Percent of third-grade Native American students who achieve proficiency or above on standards-based assessment in reading	13.9%	14%	45%	45%	45%
Outcome	Current four-year cohort graduation rate for Native American students using shared accountability	63%	TBD	75%	75%	75%
Outcome	Percent of teachers rated effective or above	71%	74%	50%	50%	75%
Explanatory	Number of teachers rehired with an evaluation rating of effective or higher	NEW	TBD			
Explanatory	First time passing rate on the national evaluation series teacher competency exam	NEW	TBD			

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 \$2.1 billion in total gross assets consisting principally of invested cash and loans receivable. It also manages over \$50 million in remaining funds for the Governor Richardson's Investment Partnership Program, or GRIP, for the Department of Transportation. Gross assets increased by \$278.8 million between FY16 and FY17 as of June 30, 2017. 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 FY18 is approximately \$144.2 million. Nonoperational expenditures from bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service total \$135.2 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA projected general operating budget for FY18 totals nearly \$8.9 million, a 2.3 percent increase compared with FY17 budget. Actual expenditures in FY17 totaled \$8.5 million, or 5.4 percent less than the approved operating budget. Budgeted positions remains at 42, of which six 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. Nearly 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 FY18 resulting in increased processing fees and interest revenue.

As an instrumentality of the state, NMFA is subject to the State Audit Act. Moss Adams, LLP, completed and submitted the annual audit before the November 1 deadline, for submittal of the audit to the Office of the State Auditor. 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), \$29.4 million in FY17. 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. In July 2017, NMFA extinguished the contingent liquidity account (CLA) and established a supplemental credit reserve fund (SCRF) indentured in the PPRF subordinate lien at a funding level of \$30.6 million, equivalent to the funding level of the common debt service reserve fund (CDSRF) indentured in the PPRF senior lien. 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 FY18, NMFA closed 35 loans for \$130.9 million compared with the same three months a year ago when 19 loans closed for \$87.8 million. Loan volume is up because of increases in school districts choosing to privately place general obligation bonds with the PPRF at a lower cost than market alternatives due to downgrades incurred at the state and local levels. As of June 30, PPRF bonds outstanding totaled \$955 million in the senior lien and \$203.43 million in the subordinate lien. As of June 30, Standard & Poor's rated senior-lien bonds outstanding as AAA/stable and subordinate-lien bonds outstanding as AA+/positive anticipating the establishment of the SCRF. The subordinate lien ratings was upgraded to AAA/stable in October 2017 once the SCRF funding was in place. As of June 30, Moody's rated senior lien bonds outstanding Aa1/stable and subordinate lien bonds outstanding Aa2/stable.

NEW MEXICO FINANCE AUTHORITY

Budget for Fiscal Years 2017 thru 2018

	<u>Budget FY17</u>	<u>Actual FY17</u>	<u>Budget FY18</u>	<u>FY18 Budget to FY17 Actuals</u>	<u>Budget to Budget FY17 and FY18</u>
REVENUES					
Administration fee revenue	3,697,400	4,169,013	3,697,400	-11.3%	0.0%
Interest revenue bonded loans	49,955,000	45,922,434	47,132,077	2.6%	-5.7%
Interest on equity loans	2,055,500	1,942,690	1,993,862	2.6%	-3.0%
Interest income from investments	1,575,900	2,146,525	1,575,900	-26.6%	0.0%
Appropriation revenue	38,849,900	34,578,969	38,849,900	12.4%	0.0%
Grant revenue	57,650,000	53,454,414	50,959,995	-4.7%	-11.6%
Total Revenues	153,783,700	142,214,045	144,209,134	1.4%	-6.2%
EXPENDITURES					
Operating Expenses					
Personnel services*	4,915,065	4,489,239	4,701,283	4.7%	-4.3%
Professional services	2,594,200	3,043,985	2,905,401	-4.6%	12.0%
Operating costs	1,268,470	984,519	1,373,555	39.5%	8.3%
Total - Operating Expenses	8,777,735	8,517,743	8,980,239	5.4%	2.3%
Non-Operating Increases (Decreases)					
Capital Outlay	16,200,000	11,400,000	16,800,000	47.4%	3.7%
Grants to others	61,810,089	50,764,603	51,034,995	0.5%	-17.4%
Transfers to other agencies	9,535,000	1,062,674	2,602,101	144.9%	-72.7%
New loans	7,202,018	9,183,659	6,791,799	-26.0%	-5.7%
Bond/Loan interest Expense	48,258,858	58,727,056	56,000,000	-4.6%	16.0%
Bond Issuance Expense	2,000,000	2,558,310	2,000,000	-21.8%	0.0%
Net other increases (decreases)	145,005,965	133,696,302	135,228,895	1.1%	-6.7%
Excess (deficit) revenues over expenses	\$ -	\$ -	\$ -		

* "Pass-through" expenditures for Water Trust Board and Dept of Transportation (GRIP) in Actual FY17 and Approved FY18 excluded in the amount of 297964

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 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, including the lieutenant governor, state treasurer, and state attorney general. MFA 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 is empowered to monitor and oversee the operations of MFA. 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 is New Mexico's leader in affordable housing. It provides innovative products, education and services to strengthen families and communities.

MANAGED GROSS ASSETS:

MFA manages approximately \$2.9 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, a subserviced loan portfolio and related mortgage servicing rights, mortgage loans receivables, federal grant programs, low-income housing tax credit (LIHTC) properties, and Housing and Urban Development (HUD) rental housing 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 MFA generate its own funding to maintain operations and to carry out its duties. The primary program funding resources available to MFA are private activity bond volume cap and state 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 U.S. Department of Agriculture Rural Development. Currently, about 1 percent of the authority's program resources are funded by 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 with FY18 ending September 30, 2018. MFA's operating budget for FY18 estimates revenue at \$19.2 million, a decrease of \$800 thousand or 4 percent under FY17 revenue and a decrease of \$3.3 million or 15 percent under the FY16 budget. The expense budget is projected at \$15 million, an increase of \$1.3 million or 9 percent over FY17 spending and an increase of \$600 thousand, or 4 percent, over the FY16 budget. The FY18 budgeted excess revenue over expenses before purchased servicing and capital outlay is \$4.2 million and will be used for MFA's internal revolving loan fund, implementation of its strategic plan, and to meet rating agency reserve requirements. The decrease in excess revenues in comparison with FY17 is primarily related to the estimated decrease in the single family mortgage program due to changing market conditions, as well as the addition of 4 FTE to support program growth and expansion. The capital budget is projected at \$2.9 million, a decrease of \$400 thousand, or 13 percent under the FY17 budget and a decrease of \$400 thousand, or 12 percent, under the FY16 budget. The total net budget including capital items is \$1.3 million

MFA reports it will request a recurring appropriation of \$300 thousand in 2018 to support the oversight of the regional housing authorities, \$5 million through the Infrastructure Capital Improvements Plan (ICIP) process for the New Mexico housing trust fund to leverage additional funding for housing activities, and \$2 million for low-income residential energy conservation funding (weatherization) for the New Mexico EnergySmart program. The MFA Legislative Oversight Committee also endorsed funding requests for \$250 thousand for oversight of the Affordable Housing Act, \$2 million for veteran home rehabilitation, and \$500 thousand for pre-purchase homebuyer education.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET FY17, FY18 AND FY19 PROJECTED (dollars in thousands)

	FY17 2016-2017 <u>Budget</u>	FY17 2016-2017 Projected Actuals (Unaudited)	FY18 2017-2018 Budget (Board Approved September 2017)	FY19 2018-2019 Projected Budget
SOURCES:				
Interest on Loans	\$ 5,856,000	\$ 5,275,000	\$ 6,763,000	\$ 6,966,000
Housing Program Income & Admin. Fees	3,533,000	3,104,000	3,307,000	3,406,000
Bond Administrative Fees	2,561,000	2,659,000	2,509,000	2,584,000
Interest on Cash/Investments	1,739,000	1,431,000	1,415,000	1,457,000
Transaction Fees	7,225,000	5,715,000	2,588,000	2,666,000
Loan Servicing Income	1,195,000	956,000	1,931,000	1,989,000
Other Fees	357,000	875,000	657,000	677,000
TOTAL OPERATING REVENUE	22,466,000	20,015,000	19,170,000	19,745,000
TOTAL NON-OPERATING REVENUE	-	-	-	-
TOTAL REVENUE	\$ 22,466,000	\$ 20,015,000	\$ 19,170,000	\$ 19,745,000
USES:				
Compensation (Salaries & Benefits)	\$ 6,866,000	\$ 6,341,000	\$ 7,288,000	7,507,000
Travel & Public Information	408,000	367,000	478,000	492,000
Office Expenses	674,000	708,000	890,000	917,000
Other Operating Expenses	4,441,000	4,310,000	4,619,000	4,758,000
TOTAL OPERATING EXPENSES	12,389,000	11,726,000	13,275,000	13,674,000
TOTAL NON-OPERATING EXPENSES	901,000	887,000	866,000	900,000
(T&TA, Program Development, Capacity Building)				
TOTAL NON-CASH EXPENSES	974,000	989,000	741,000	763,000
EXPENSED ASSETS	85,000	85,000	82,000	84,000
TOTAL EXPENSES	14,349,000	13,687,000	14,964,000	15,421,000
EXCESS REVENUE OVER EXPENSES	8,117,000	6,328,000	4,206,000	4,324,000
CAPITAL OUTLAY	\$ 3,314,000	\$ 3,339,000	\$ 2,908,000	2,995,000
TOTAL INCLUDING CAPITALIZED ITEMS	\$ 4,803,000	\$ 2,989,000	\$ 1,298,000	\$ 1,329,000
TOTAL FTE POSITIONS	72.75	72.75	76.75	76.75

PERFORMANCE MEASURES (dollars in millions)

	FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Actual</u>	FY17 <u>Projected</u>	FY2018 <u>Budget</u>
Average financial assets	\$1,090,640,000	\$994,829,000	\$961,381,000	\$990,463,000	\$1,036,702,000
Average assets under management	\$2,583,285,000	\$2,564,577,000	\$2,596,522,000	\$2,934,319,000	\$2,980,558,000
Funds disbursed through:					
Federal and state programs	\$42,223,000	\$44,031,000	\$42,970,000	\$42,970,000	\$42,970,000
MFA programs	\$6,804,000	\$8,625,000	\$10,908,000	\$13,568,000	\$11,490,000
General fund non-operating	\$1,920,000	\$1,479,000	\$965,000	\$887,000	\$866,000
Single-family first mortgage Loans:					
Number of units purchased	939	1,188	2,264	2,475	1,900
Dollar of loans purchased	\$114,276,000	\$153,207,000	\$307,572,000	\$353,631,000	\$275,000,000
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	975	782	1,614	1,402	1,175
Dollar of loans and subsidies	\$13,939,000	\$33,184,000	\$25,966,000	\$41,267,000	\$43,351,000
Housing programs:					
Homeless persons served	6,925	6,394	5,866	8,194	8,194
Single family homeowner rehab (units)	1,108	978	1,444	1,394	1,394

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-34 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 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 strains its ability to operate effectively and meet its statutory requirements. The authority has asserted New Mexico is one of a few states requiring a mandatory transfer of revenue. NMLA further suggests states that have increased prize payouts by removing mandatory transfer requirements tend to experience increased lottery ticket sales and profits. During the 2014, 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 to make a lottery purchase. As of November 2017, the number of stores offering lottery ticket sales at fuel pumps has grown to 23 retailers. Although some have challenged whether NMLA has the legal authority to sell tickets via debit card, NMLA states lottery retailers have accepted checks or debit purchases since the lottery started in 1996. NMLA continues to explore efforts to increase revenue by making ticket sales more convenient for consumers, with a particular focus on younger consumers who tend to use debit cards instead of cash or check, are more likely to use technology to make purchases, and value convenience.

Ticket sales from the New Mexico Lottery dropped \$28.3 million, or 18.3 percent, in FY17. Over half of this decline is attributable to a \$17 million, or 39.2 percent, plunge of Powerball ticket sales. Sales of instant tickets, such as scratchers, were another contributing factor to the reduced revenues. Instant tickets make up over half of the lottery's business, yet sales slid \$10.7 million, or about 12.9 percent. NMLA maintains declines in instant ticket sales are related to uncompetitive prize payouts caused by the 30 percent transfer requirement noted above. However, lower ticket sales are not exclusive to New Mexico. A 2016 Gallup poll demonstrated the percent of Americans buying lottery tickets has declined 8 percent since 1999, despite the addition of seven state lotteries since then. Some states saw declines of as much as 24.2 percent between FY08 and FY15, according to the National Conference of State Legislatures (NCSL). NCSL suggests contributing factors to the nationwide decline include lower participation by millennials, jackpot fatigue caused by bettors waiting to play until jackpots get unusually large, and growing competition from casinos and other forms of gambling.

To combat weak revenues, states are turning to alternative strategies to jump-start sales, including online ticket sales in states like Illinois and Georgia; restructuring prizes, as Oklahoma has done by repealing mandated transfer requirements to lottery beneficiaries; and boosting awareness through additional promotion and marketing practices.

NEW MEXICO LOTTERY AUTHORITY

FY17 Consolidated Income Statement and FY18 Original Annual Budget

	2017	2018
	Consolidated Income Statement	Consolidated Original Annual Budget
OPERATING REVENUES		
Instant ticket sales	\$ 72,398,832	\$ 70,104,500
Powerball sales	26,329,419	27,999,500
Mega Millions sales	9,655,935	9,499,500
Roadrunner Cash sales	7,141,187	6,699,500
Hot Lotto sales	4,294,146	1,999,500
Lotto America sales	-	1,999,500
Pick 3 sales	5,364,936	5,099,500
Miss/Match sales	-	599,500
Lucky Numbers Bingo sales	115,742	99,500
Quickster sales	741,067	399,500
Net ticket sales	<u>126,041,264</u>	<u>124,500,000</u>
Instant game gift card commissions	4,880	-
Retailer fees	11,800	12,000
Bad debts	-	(24,000)
Total operating revenues	<u>126,057,944</u>	<u>124,488,000</u>
NON-OPERATING REVENUES		
Interest income	33,641	12,000
Other income	20,188	-
Total non-operating revenues	<u>53,829</u>	<u>12,000</u>
GROSS REVENUES	<u>126,111,773</u>	<u>124,500,000</u>
GAME EXPENSES		
Prize expense	67,184,150	66,147,000
Retailer commissions	8,196,191	8,292,000
On-line vendor fees	4,612,157	4,566,000
Advertising	2,126,939	2,200,000
Ticket vendor fees	1,172,844	1,293,000
Promotions	122,588	190,000
Retailer equipment	114,539	182,000
Shipping and postage	289,581	325,000
Responsible gaming	70,250	75,000
Game membership	60,004	116,000
Total game expenses	<u>83,949,243</u>	<u>83,386,000</u>
OPERATING EXPENSES		
Salaries, wages and benefits	2,350,058	2,679,000
Leases and insurance	113,646	123,000
Utilities and maintenance	223,841	289,000
Depreciation and amortization	186,593	208,000
Professional fees	154,181	200,000
Other	47,131	102,000
Materials and supplies	46,313	79,000
Travel	10,589	54,000
Operational reserve fund	1,163,000	-
Total operating expenses	<u>4,295,352</u>	<u>3,734,000</u>
OPERATING INCOME	<u>37,813,349</u>	<u>37,368,000</u>
NON-OPERATING EXPENSES		
Interest expense	31,719	26,000
Total non-operating expenses	<u>31,719</u>	<u>26,000</u>
NET INCOME	<u>\$ 37,835,459</u>	<u>\$ 37,354,000</u>
	<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 FY18, RETA received over \$1 million in private funding.

RETA intends to request a \$250 thousand special appropriation from the general fund for FY19. In addition to projected commercial revenue of \$120 thousand, this would support 2 FTE and pay for operational expenses and board travel.

BUDGET ISSUES:

A total of \$1.5 million was appropriated from the general fund through EMNRD for FY08 and FY09, which essentially constituted startup funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10 and \$250 thousand was appropriated from the general fund as a special appropriation for each of FY13, FY14, and FY15. Funding for RETA was vetoed in FY16, FY17, and FY18, but RETA has maintained operations through use of private funds from Clean Line Energy Partners.

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.

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.