

FY25 Appropriation Request

Presentation to Legislative Finance Committee December 11, 2023

Stephanie Schardin Clarke, Cabinet Secretary

Aysha Mora, Deputy Cabinet Secretary

Denise A. Irion, Administrative Services Division Director

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FY 25 Priorities

- Reduce budgeted vacancy rates in positions that directly benefit customers
 - reduced processing times, call center wait times
 - resources to safeguard data and systems
- Adequately fund software and maintenance costs for Gentax and Tapestry
- MVD \$667.7K increase in General Fund for Other State Funds revenue loss associated with Laws 2023, SB47 – reduced fee revenues for driver’s license reinstatements

Special Appropriations:

- \$5,000,000 to implement legislative tax and motor code changes
- \$4,141,000 to develop, enhance and maintain the systems of record
- \$600,000 for Call Center contractual services
- \$600,000 for MVD queue system

FY25 Tax & Rev

Appropriation Request

(in 000's)

SOURCES:		FY23 Actuals*	FY24 OpBud	FY25 Request	% Change Request	Dollar Change Request
General Fund		72,664.7	79,165.9	84,757.2	7.1%	5,591.3
Other Transfers			-		0.0%	-
Federal Revenue		2,459.4	2,351.4	2,550.4	8.5%	199.0
Other Revenue		39,130.0	44,627.5	45,462.4	1.9%	834.9
Fund Balance			225.0	225.0	0.0%	-
TOTAL		114,254.1	126,369.8	132,995.0	5.2%	6,625.2
USES:						
200 - PSEB		65,092.9	77,133.3	79,579.3	3.2%	2,446.0
300 - Contracts		11,092.5	14,420.4	18,816.3	30.5%	4,395.9
400 - Other		22,296.0	24,721.6	25,004.9	1.1%	283.3
500 - Other Financing Uses		8,094.5	10,094.5	9,594.5	-5.0%	(500.0)
TOTAL		106,575.9	126,369.8	132,995.0	5.2%	6,625.2
<i>*Updated with BFM Actuals</i>						
FTE's FY24 Budgeted	1,041.44					
FTE's FY25 Requested	1,041.44					
Variance	-					

FY25 Tax & Rev Appropriation Request – by P-Code (\$ in 000's)

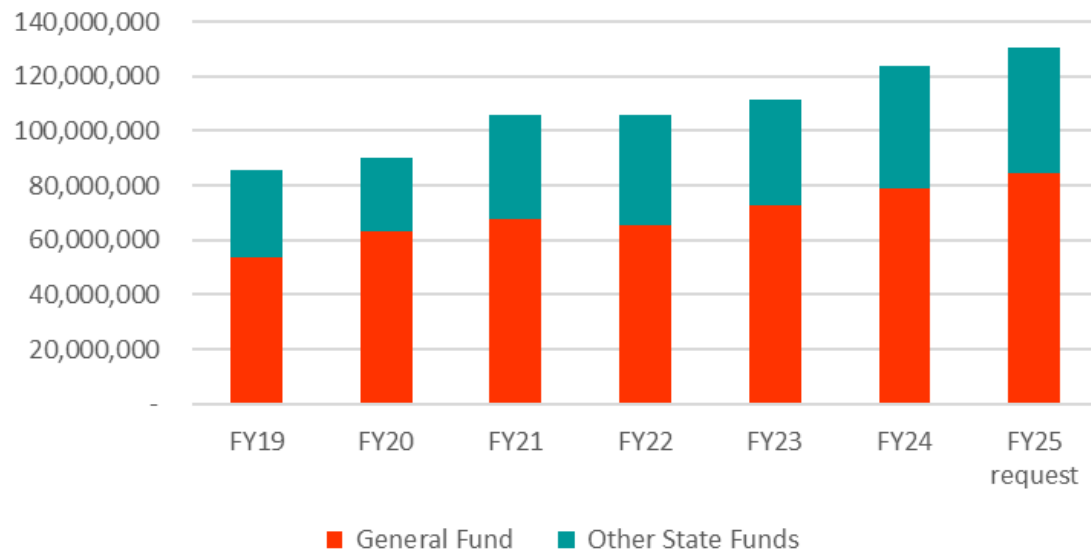
SOURCES:	P572 Program Support			P573 Tax Administration			P574 Motor Vehicle			P575 Property Tax			P579 Compliance Enforcement		
	FY24 OpBud	FY25 Request	% Change Request	FY24 OpBud	FY25 Request	% Change Request	FY24 OpBud	FY25 Request	% Change Request	FY24 OpBud	FY25 Request	% Change Request	FY24 OpBud	FY25 Request	% Change Request
General Fund	24,130.1	28,934.2	19.9%	36,358.4	36,350.8	0.0%	16,624.5	17,292.2	4.0%	-	-	0.0%	2,052.9	2,180.00	6.2%
Other Transfers	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Federal Revenue	-	-	0.0%	1,606.2	1,860.9	15.9%	745.2	689.5	-7.5%	-	-	0.0%	-	-	0.0%
Other Revenue	685.5	929.0	35.5%	1,228.6	1,143.1	-7.0%	36,515.9	37,192.8	1.9%	6,197.5	6,197.5	0.0%	-	-	0.0%
Fund Balance	-	-	0.0%	-	-	0.0%	-	-	0.0%	225.0	225.0	0.0%	-	-	0.0%
TOTAL	24,815.6	29,863.2	20.3%	39,193.2	39,354.8	0.4%	53,885.6	55,174.5	2.4%	6,422.5	6,422.5	0.0%	2,052.9	2,180.00	6.2%
USES:															
200 - PSEB	17,267.6	18,554.7	7.5%	30,946.4	31,464.4	1.7%	23,360.3	23,874.7	2.2%	3,811.1	3,811.1	0.0%	1,747.9	1,874.40	7.2%
300 - Contracts	4,593.1	8,268.6	80.0%	973.4	661.0	-32.1%	7,625.1	8,657.9	13.5%	1,219.4	1,219.4	0.0%	9.4	9.40	0.0%
400 - Other	2,954.9	3,039.9	2.9%	7,273.4	7,229.4	-0.6%	12,805.7	13,047.4	1.9%	1,392.0	1,392.0	0.0%	295.6	296.20	0.2%
500 - Other Financing Uses	-	-	0.0%	-	-	0.0%	10,094.5	9,594.5	-5.0%	-	-	0.0%	-	-	0.0%
TOTAL	24,815.6	29,863.2	20.3%	39,193.2	39,354.8	0.4%	53,885.6	55,174.5	2.4%	6,422.5	6,422.5	0.0%	2,052.9	2,180.00	6.2%

	ASD	IT	ACD	RPD	MVD	PTD	TFID
FY24 Budgeted Vacancy Rate	12.7%	23.0%	20.0%	15.0%	6.6%	5.1%	14.3%
FY25 Proposed Vacancy Rate	9.8%	20.0%	19.5%	15.0%	6.6%	5.1%	14.3%
FY25 Vacant FTE Number	10	15	66	20	22	2	3

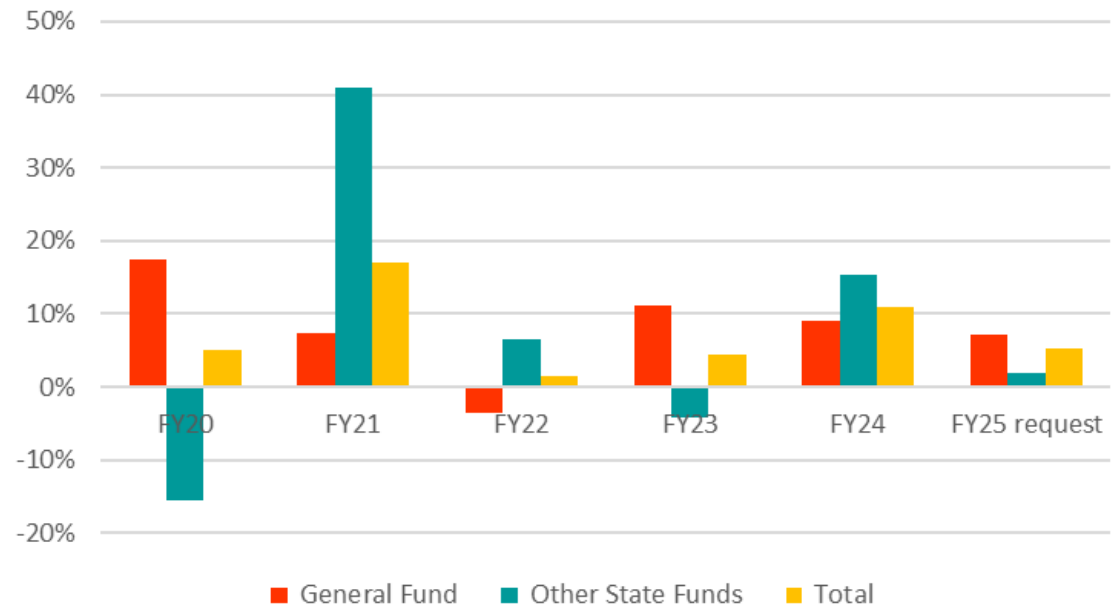
Historical Budget by Funding Source

(excluding federal grant funds)

Tax & Rev Recurring General Fund and Other State Funds

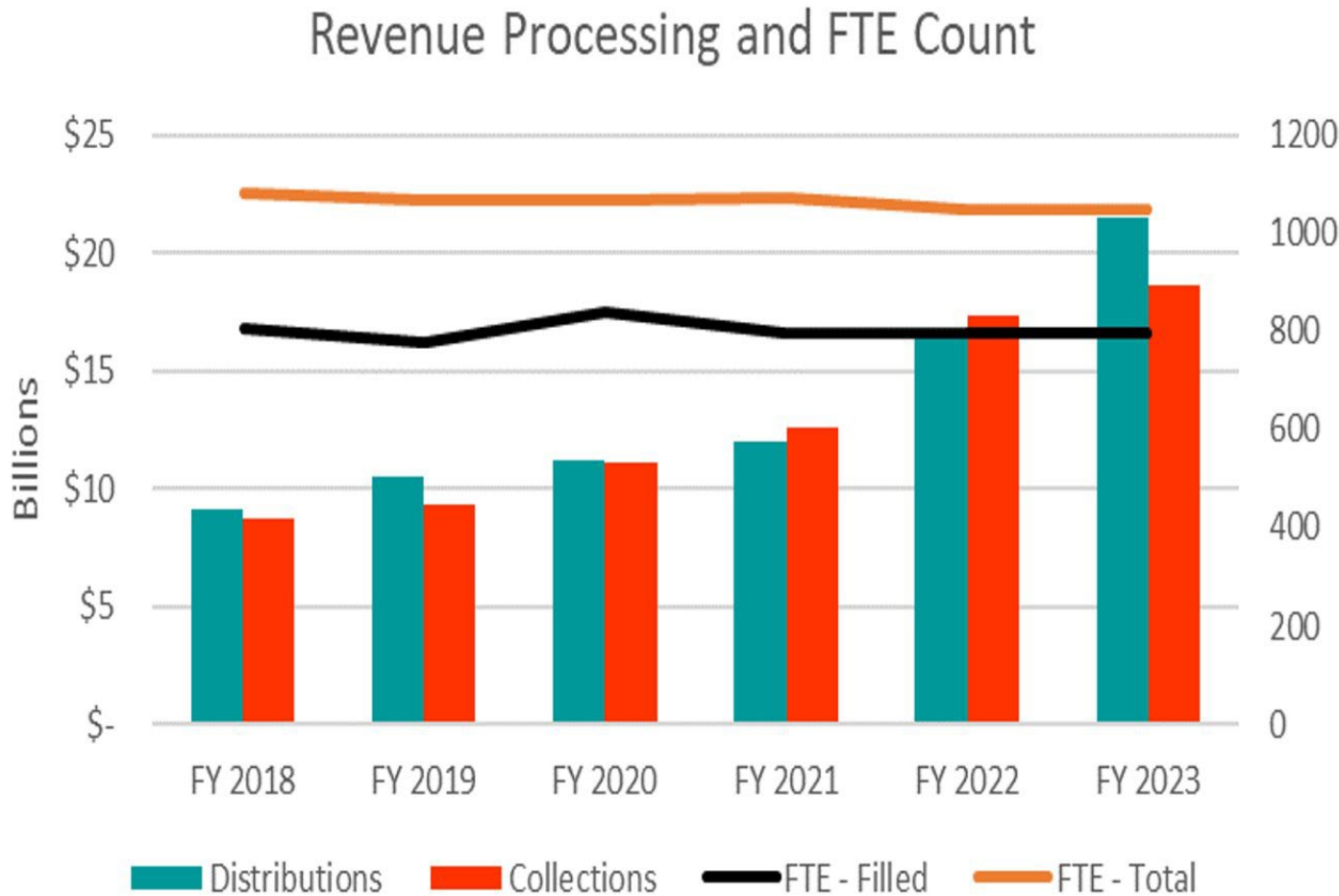


Tax & Rev Percent Change Recurring Revenue



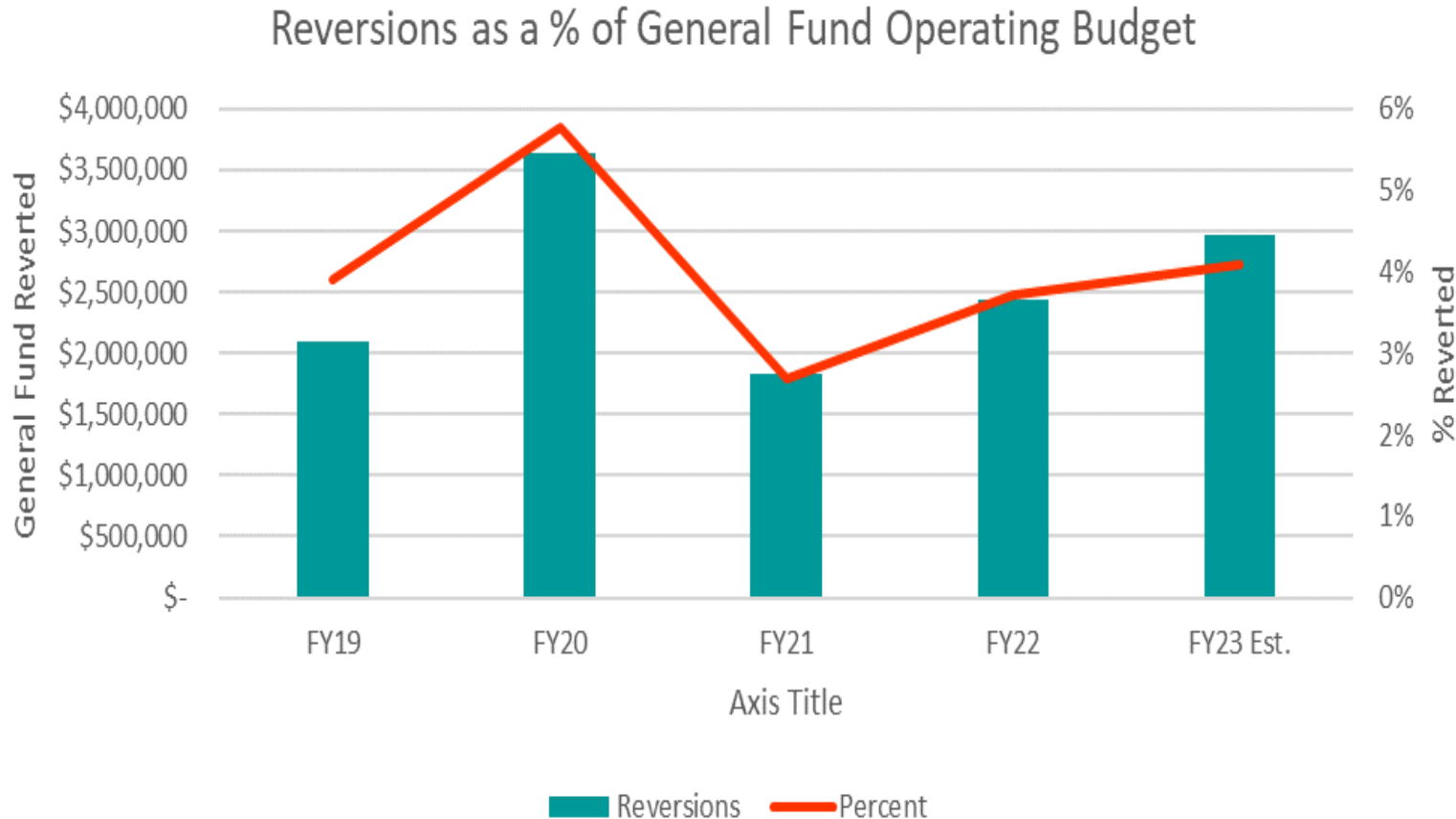
- Budget growth averaged 7% from FY20 through FY25 request
- FY20 other state funds reduced due to GRT administrative fees returning from Tax & Rev operating budget to general fund
- FY21 other state funds grew due to MVD expansion to create career ladder and competitive salaries

State revenues have risen exponentially, FTE count is unchanged



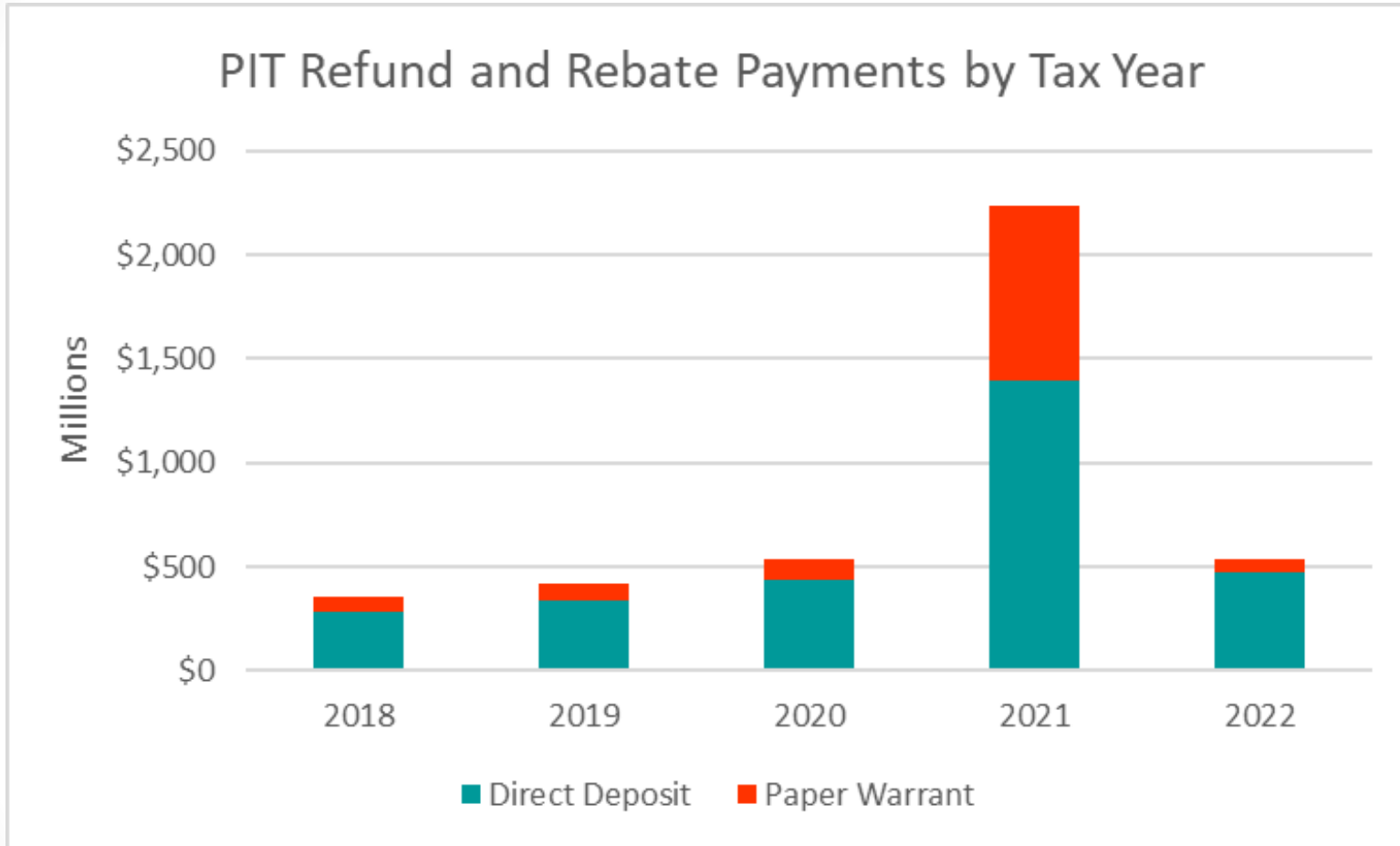
- Revenues collected and distributed have risen dramatically, FTE count is static
- IT automation makes it possible
- Customer service delivery is challenged by revenues outpacing agency growth
 - Call center wait times
 - Refund and return processing bottlenecks

Historic Reversions Average 4%



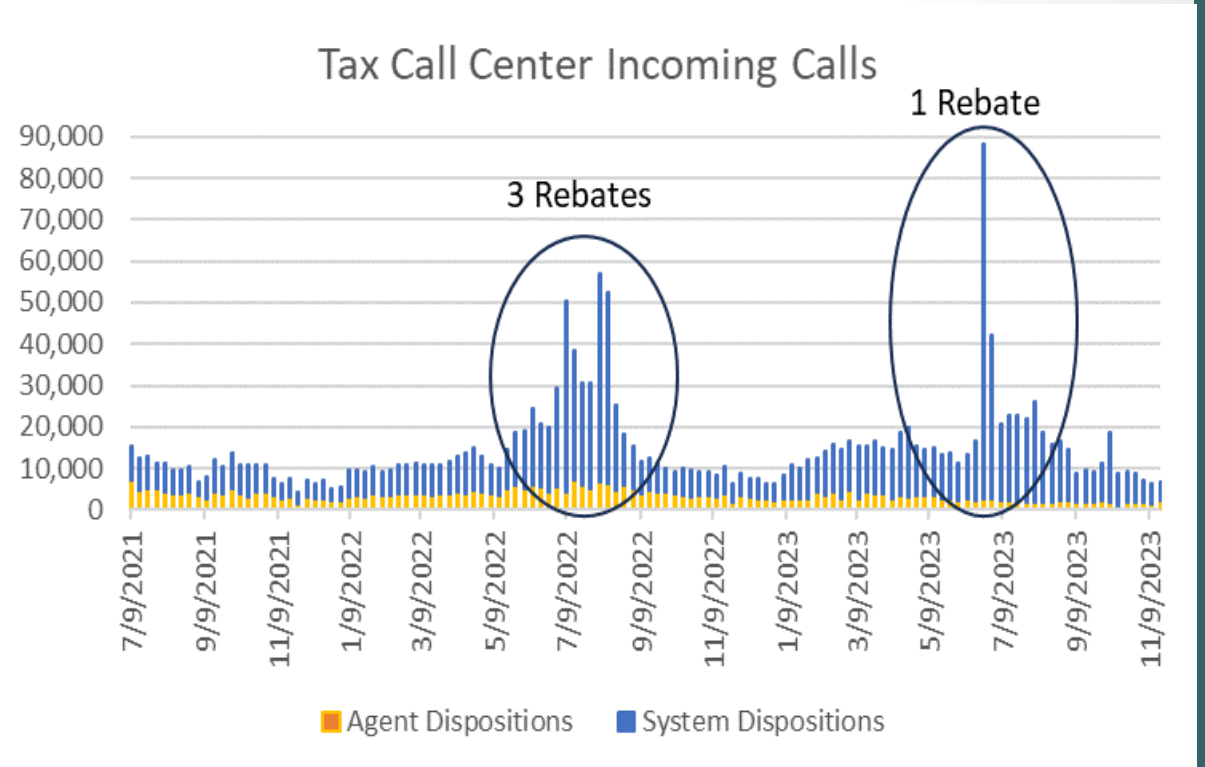
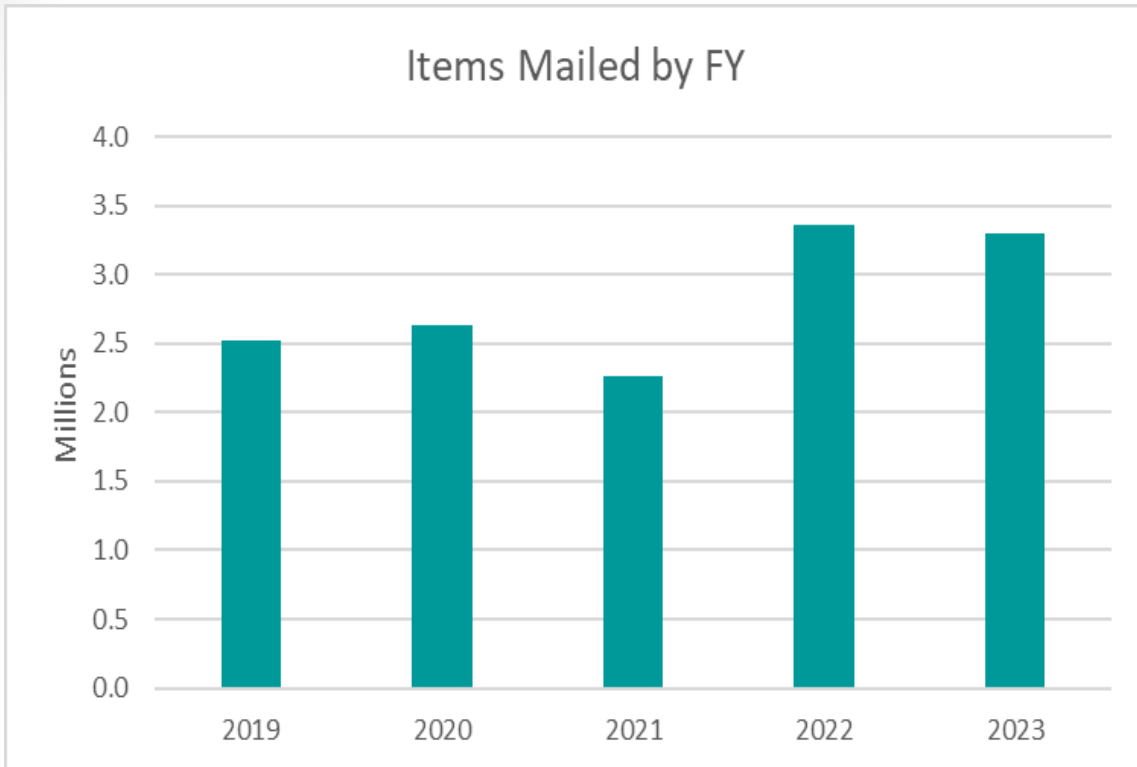
- Reversions averaged 4% of general fund from FY19 through FY23
- Main causes of reversions:
 - Vacancy savings
 - Supply chain issues – items budgeted but could not be received by year-end
 - Contractual savings

Effect of Rebates on Operations



- 4 Rebates were issued for Tax Year 2021
 - 3 issued in CY2022
 - 1 issued in CY2023

Effect of Rebates on Operations



- Rebates issued in 2022 and 2023 have driven up costs and customer interaction volume
 - Each mailed item requires printer capacity, paper, envelope, postage, and creates chance of being returned undeliverable
 - Rebate workload has led to higher interest being paid on delayed tax refund processing
 - 3 separate rebates in 2022 caused an estimated 308,000 additional calls above normal trend
 - 1 rebate in 2023 caused an estimated additional 189,000 calls above normal trend

Conclusions

- Tax & Rev's mission/workload has grown tremendously in recent years:
 - Exponential growth in revenue
 - Hundreds of legislative changes to tax code and motor vehicle system requirements including several new tax programs
 - Growing risks of fraud and cyber attacks
- Tax & Rev's budget has grown moderately
- Tax & Rev must constantly rely more on system efficiencies to manage demands
- Customer service delivery suffers without sufficient funding for staff and systems
- Thank you for your consideration!

Thank you!

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