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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY13 2012-2013 Actuals	FY14 Operating Budget	FY15		Percent Incr/(Decr) Over FY14
			Agency Request	LFC Recommen- dation	
111 Legislative Council Service	4,796.2	5,597.3	5,792.9	5,792.9	3.5%
112 Legislative Finance Committee	3,945.1	4,049.4	4,216.7	4,216.7	4.1%
114 Senate Chief Clerk	797.3	1,143.0	1,183.0	1,183.0	3.5%
115 House Chief Clerk	935.9	1,110.5	1,149.4	1,149.4	3.5%
117 Legislative Education Study Committee	1,109.0	1,221.7	1,507.7	1,368.9	12.0%
119 Legislative Building Services (GAA)	3,657.8	4,009.4	4,377.3	4,377.3	9.2%
131 Legislative Information Systems	530.1	632.1	731.9	731.9	15.8%
131 Interim Committee Expenses	482.8	861.2	861.2	861.2	0.0%
131 Pre-Session Expenses	292.8	426.6	426.6	426.6	0.0%
131 Legislative Internship Program	42.6	42.6	50.0	50.0	17.4%
131 Senate Rules Interim Committee	19.5	20.5	20.5	20.5	0.0%
131 Energy Council Dues (GAA)	32.0	32.0	38.4	38.4	20.0%
TOTAL	\$16,641.1	\$19,146.3	\$20,355.6	\$20,216.8	5.6%

NON-RECURRING

2014 Legislature	\$5,517.0*
2013 Legislature	\$9,212.3
2012 Legislature	\$5,015.4
2011 Legislature	\$8,774.8

*Appropriation for the 2014 30-day legislative session will be made by the Legislature in January 2014. The budgeted amount of \$5,517.0 was provided by the Legislative Council Service.

Appropriation for the 2015 60-day legislative session will be made by the Legislature in January 2015.

TRANSMITTAL OF ESTIMATES

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

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

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,505.6	1,552.3	1,578.5	1,536.1	-1.0
Other Revenues	1.8	1.8	1.8	1.8	0.0
SOURCES TOTAL	1,507.4	1,554.1	1,580.3	1,537.9	-1.0
USES					
Personal Services and Employee Benefits	616.9	675.6	652.3	634.5	-6.1
Contractual Services	315.9	382.2	382.3	382.3	0.0
Other	493.0	496.3	545.7	521.1	5.0
TOTAL USES	1,425.8	1,554.1	1,580.3	1,537.9	-1.0
FTE					
Permanent	0.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	0.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

For FY15, the Supreme Court Law Library request included full funding for the personal services and employee benefits category, as well as additional funding for salary increases for several employees. The request also included an increase of 10 percent in the other costs category for subscription costs.

The committee recommendation is a decrease but fully funds the personal services and employee benefits category and increases the other costs category by 5 percent. The recommendation fully funds the agency request in the contractual services category. The law library has reduced payroll expenses over the last two fiscal years by filling positions at lower salaries, resulting in significant savings.

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

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	Percent of updated titles	56%	57.5%	70%	70%	70%
Quality	Percent of staff time spent on shelving and updating library materials	21.5%	20%	<20%	<20%	<20%
Output	Number of website hits	104,820	97,644	100,000	90,000	100,000
* Output	Number of research requests	8,871	8,223	8,800	8,800	8,800

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 – 2014-2015</u>					<u>Percent Incr (Decr)</u>
	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Transfers	400.0	400.0	400.0	400.0	0.0	
Other Revenues	1,207.9	1,311.9	1,260.6	1,260.6	-3.9	
Fund Balance	111.0	0.0	123.0	123.0		
SOURCES TOTAL	1,718.9	1,711.9	1,783.6	1,783.6	4.2	
USES						
Personal Services and Employee Benefits	458.8	506.6	519.4	519.4	2.5	
Contractual Services	1,108.5	1,050.3	1,114.8	1,114.8	6.1	
Other	151.5	155.0	149.4	149.4	-3.6	
TOTAL USES	1,718.8	1,711.9	1,783.6	1,783.6	4.2	
FTE						
Permanent	5.0	5.0	5.0	5.0	0.0	
Term	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0	

BUDGET ISSUES:

For FY15, the New Mexico Compilation Commission request provided funding for increases in insurance premiums and retirement contributions and rate increases, as well as additional funding for publishing cost increases. The commission’s FY15 budget request comprises a \$400 thousand transfer from the Legislative Council Service, \$564 thousand from civil action filing fees, \$695.5 thousand from product sales, and \$123 thousand of fund balance.

The commission has experienced a decrease in revenue from the civil action filing fees as a result of declining caseloads in the courts, as well as an increase in unrepresented, or pro se, litigants in civil cases. The request of the commission assumes revenue generated by filing fees in FY15 will decline by 13 percent from the FY14 operating budget. The decline in revenue will be offset by the increase in budgeted fund balance. The commission anticipates fund balance at the end of FY14 will be \$1.3 million, declining to \$1.2 million at the close of FY15.

While the commission has adequate fund balance to replace declining fee revenues in FY15 and FY16, the commission is concerned that, should current trends continue, the fund balance may be exhausted by FY17. In addition to decreasing civil action filing fee revenue, increasing number of pro se litigants has also decreased demand for attorney services which may impact the commission’s sales revenue in the future.

The committee recommendation fully funds the agency request.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,277.1	\$1,207.9	\$1,300	\$1,200	\$1,300

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)	
	2012-2013	2013-2014	Agency	LFC		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>		
SOURCES						
General Fund Transfers	742.9	836.9	841.4	841.4	0.5	
Other Revenues	5.0	10.0	10.0	10.0	0.0	
SOURCES TOTAL	747.9	846.9	851.4	851.4	0.5	
USES						
Personal Services and Employee Benefits	599.7	688.1	692.6	692.6	0.7	
Contractual Services	12.5	28.3	28.3	28.3	0.0	
Other	134.9	130.5	130.5	130.5	0.0	
TOTAL USES	747.1	846.9	851.4	851.4	0.5	
FTE						
Permanent	7.0	8.0	8.0	8.0	0.0	
TOTAL FTE POSITIONS	7.0	8.0	8.0	8.0	0.0	

BUDGET ISSUES:

For FY15, the Judicial Standards Commission request included funding for the increases in health insurance and risk coverage rates while leaving the contractual services and other categories flat.

The recommendation fully funds the agency request. The recommendation will allow the agency to fill all of the current positions, as well as provide adequate operating budget in the contractual services and other costs category to allow the Judicial Standards Commission to fulfill its mission in FY15.

In FY13, the commission received 181 new complaints (142 verified and 39 unverified) and disposed of 177 complaints (138 verified and 39 unverified). Of the 138 verified complaint cases disposed, the commission concluded 15 cases through formal proceedings and issued 9 informal letters of caution. 48 cases were dismissed as appellate, and 47 were found to be unsubstantiated. In three cases, judges were referred for informal remedial measures, which can include mentorship, education, counseling, or other assistance.

RECOMMENDED LANGUAGE:

Any unexpended balances remaining at the end of fiscal year 2015 in other state funds from funds received from trial cost reimbursements from respondents shall not revert to the general fund.

JUDICIAL STANDARDS COMMISSION

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	1	2	1	4	1
Output	Time for release of annual report to the public, from the end of the fiscal year, in months	2	2	2	3	2
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	2.5	2	2	3	2

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,514.3	5,738.1	5,950.0	5,870.0	2.3
Other Revenues	1.0	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,515.3	5,739.1	5,951.0	5,871.0	2.3
USES					
Personal Services and Employee Benefits	4,931.7	5,267.3	5,446.6	5,366.6	1.9
Contractual Services	39.7	75.8	34.0	34.0	-55.1
Other	478.1	396.0	470.4	470.4	18.8
TOTAL USES	5,449.5	5,739.1	5,951.0	5,870.9	2.3
FTE					
Permanent	61.5	61.5	61.5	61.5	0.0
TOTAL FTE POSITIONS	61.5	61.5	61.5	61.5	0.0

BUDGET ISSUES:

The FY15 Court of Appeals request included a self-imposed vacancy rate of 1 percent and included funding for a 5 percent compensation increase for Court of Appeals judges. The request reduced the contractual services category by \$41.8 thousand, or 55 percent, and increased the other category by \$74.4 thousand, or 19 percent.

The committee recommendation includes funding for insurance and risk coverage rate increases and applies a 1.2 percent vacancy rate to the court and fully funds the agency request in the contractual services and other costs categories.

A report of the Judicial Compensation Commission published in August 2013 states New Mexico pays judges and justices among the lowest salaries in the country. New Mexico court of appeals judge pay is ranked 38th out of 39 states with appeals courts. The committee recommendation addresses the low pay of judges in the FY15 recommendation by providing \$72.2 thousand in the Court of Appeals budget for a 5 percent increase in judge salaries.

COURT OF APPEALS

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

PERFORMANCE MEASURES

	FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	100%	113%	95%	95%	100%

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,879.3	3,096.8	3,272.6	3,217.5	3.9
SOURCES TOTAL	2,879.3	3,096.8	3,272.6	3,217.5	3.9
USES					
Personal Services and Employee Benefits	2,702.6	2,994.5	3,166.6	3,111.5	3.9
Contractual Services	22.6	14.2	14.3	14.3	0.7
Other	139.1	88.1	91.7	91.7	4.1
TOTAL USES	2,864.3	3,096.8	3,272.6	3,217.5	3.9
FTE					
Permanent	34.0	34.0	35.0	35.0	2.9
TOTAL FTE POSITIONS	34.0	34.0	35.0	35.0	2.9

BUDGET ISSUES:

The FY15 Supreme Court request included \$38 thousand for a 5 percent increase in salaries for the justices, as well as \$50 thousand for an expansion position, a staff attorney.

The committee recommendation includes adequate funding for increased health insurance rates and risk coverage rates and applies a 2 percent vacancy rate to the court. The recommendation fully funds the request for the contractual services and other costs categories.

A report of the Judicial Compensation Commission published in August 2013 states that New Mexico pays judges and justices among the lowest salaries in the country. The salary of a Supreme Court justice in New Mexico is currently \$125 thousand, significantly lower than the current mean national salary of a Supreme Court justice of \$154.7 thousand. Out of 51 states and the District of Columbia, New Mexico ranks 46th in justice pay and 51st in general jurisdiction trial judge pay. The committee recommendation addresses the low pay of judges in the FY15 recommendation by providing \$38 thousand in the Supreme Court budget for a 5 percent increase in justice salaries.

BASE EXPANSION:

The committee recommendation includes an additional FTE position and \$50 thousand to allow the court to hire an additional staff attorney.

RECOMMENDED LANGUAGE:

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

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Attorney general counsel staff-1 FTE	50.0	50.0
TOTAL		50.0	50.0

SUPREME COURT

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

PERFORMANCE MEASURES

	FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	94.2%	94.3%	98%	98%	98%

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	833.4	867.1	921.7	907.7	4.7
SOURCES TOTAL	833.4	867.1	921.7	907.7	4.7
USES					
Personal Services and Employee Benefits	650.0	702.4	713.9	713.3	1.6
Contractual Services	7.1	7.1	7.2	7.2	1.4
Other	173.5	157.6	200.6	187.2	18.8
TOTAL USES	830.6	867.1	921.7	907.7	4.7
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

The FY15 Supreme Court Building Commission request fully funded the personal services and employee benefits category and provided additional funds to the other costs category. The commission requested an increase of \$43 thousand, or 27 percent, in the other costs category for anticipated utility rate increases as well as funds for building maintenance.

For FY 15, the committee recommendation fully funds the agency request in the personal services and employee benefits and contractual services categories. In the other cost category, the recommendation fully funds the request for utility costs and provides additional funding for building maintenance costs.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Quality	Accuracy of fixed-assets inventory records	100%	TBD	100%	100%	100%

STATUTORY AUTHORITY:

The Administrative Office of the Courts (AOC) is statutorily created in Sections 34-9-1 through 34-9-16 NMSA 1978. 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. AOC is the oversight agency for the judiciary, supervising all matters relating to the administration of the courts.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	40,678.5	43,369.5	48,119.2	45,854.9	5.7
Other Transfers	1,914.5	2,128.8	1,864.0	1,864.0	-12.4
Federal Revenues	1,102.6	966.1	966.1	966.1	0.0
Other Revenues	11,367.3	11,534.6	11,707.9	11,757.9	1.9
Fund Balance	1,060.4	984.2	1,600.6	1,600.6	62.6
SOURCES TOTAL	56,123.3	58,983.2	64,257.8	62,043.5	5.2
USES					
Personal Services and Employee Benefits	27,010.5	28,524.8	30,613.6	29,559.4	3.6
Contractual Services	8,481.8	9,586.9	10,014.6	9,902.6	3.3
Other	17,700.8	18,013.8	19,298.4	19,073.8	5.9
Other Financing Uses	2,255.4	2,857.7	4,331.2	3,507.7	22.7
TOTAL USES	55,448.5	58,983.2	64,257.8	62,043.5	5.2
FTE					
Permanent	369.8	370.3	377.3	372.8	0.7
Term	70.0	69.5	72.5	69.5	0.0
TOTAL FTE POSITIONS	439.8	439.8	449.8	442.3	0.6

BUDGET ISSUES:

The Administrative Office of the Courts (AOC) total budget request of \$64.3 million, 8.9 percent over FY14, included increased funding in all four programs within the AOC: the Administrative Services program would increase by \$860 thousand, or 7.6 percent; the Statewide Automation program by \$992 thousand, or 6.6 percent; the Magistrate Court program by \$2.1 million, or 7.1 percent; and the Special Court Services program by \$1.7 million, or 18.6 percent.

In Administrative Services, a \$480 thousand increase was requested to pay jurors and interpreters. AOC has incurred a deficit in this item since FY03. Further, the Supreme Court has been granted the authority to reduce juror pay to stay within the appropriation amount for the jury and witness fund. To this end, the Supreme Court has reduced juror pay from \$7.25 to \$6.25 per hour beginning in FY12. The reduction in jury pay saved the state approximately \$367 thousand in FY13. AOC estimates that jury and interpreter costs will exceed appropriations by \$562 thousand in FY14.

The request for the Statewide Automation program included an additional \$724.6 thousand, or 24.8 percent, from the general fund, although the overall requested increase was \$604 thousand, or 6.6 percent. In FY14, the Statewide Automation program received \$4.8 million, or 52 percent of its funding from the Supreme Court automation fund (SCAF). SCAF revenue, mostly fees on civil cases filed in district courts, will decline by \$305 thousand, or 5 percent, in FY15. The request would provide funding for all authorized FTE positions as well as provide for an expansion of 3 FTE.

The Magistrate Court program requested an increase of \$784 thousand to fund lease obligations statewide, \$320 thousand for a 5 percent salary increase for magistrate judges and \$260 thousand for the cost of insurance, retirement, and risk coverage rate increases. In FY13, the magistrate court program moved \$750 thousand from the personal services category to the other category to pay lease costs.

The majority of the request for the Special Court Services program was directed to drug courts and court-appointed attorneys (CAA). The requested amount in the other financing uses category included \$1.5 million from the general fund for drug-court programs statewide. The request included the continuation of a \$500 thousand transfer from the liquor excise tax fund (LETF) to AOC for distribution to drug courts statewide. In FY14, the judiciary received \$8.5 million for drug court programs, \$3.5 million, or 31 percent, less than the peak funding of \$11 million in FY09. The request also included an additional \$237 thousand from the general fund to expand the CAA program, which provides lawyers to children and parents in child welfare cases.

The committee recommends an increase of \$790 thousand, or 7 percent in the Administrative Services program. The recommendation includes \$500 thousand more for the jury and witness fund to provide adequate funding for juror pay and interpreter services. AOC estimates a 25 cent increase in juror pay would cost approximately \$90 thousand. The committee recommendation contains \$200 thousand to increase juror pay from the current \$6.25 per hour to \$6.75 per hour. The remaining \$300 thousand may be used to pay for interpreter costs as well as prior-year expenditures as AOC sees fit.

The recommendation for the Statewide Automation program fully funds the agency request in the contractual services and other costs categories and applies a 2 percent vacancy rate in the personal services and employee benefits category.

For the Magistrate Court program, the committee recommendation fully funds the lease obligations of the court as well as an increase in judicial compensation and applies a 7 percent vacancy rate to the personal services and employee benefits category. In FY13, the magistrate court program transferred \$750 thousand from the personal services and employee benefits category to the other cost category to pay lease costs.

The committee recommendation includes \$650 thousand for drug-court programs statewide and \$125 thousand for the court-appointed attorney program. The additional funding for drug court programs would be distributed to drug-court programs statewide by the drug-court advisory council on a competitive basis. AOC oversees drug-court programs in New Mexico and has tracked their progress. The current drug-court recidivism rate of 15.5 percent is significantly lower than the 45.4 percent recidivism rates reported by the Corrections Department. The data suggest drug-court programs are an economical alternative to incarceration. Although FY14 drug-court funding is 23 percent lower than the FY09 peak funding level, it is likely the Affordable Care Act, particularly the Medicaid expansion, will result in previously uninsured drug-court participants being insured. This may allow expansion of service as service providers will be able to bill Medicaid and may reduce treatment costs for the courts. The extent of these impacts is unknown at this time.

BASE EXPANSION:

The committee recommends 3 expansion FTE. In the Statewide Automation program, the committee recommends 2 information technology specialists FTE to provide 24-hour technical support to users of the judicial information technology system as well as provide adequate staff to support the 1,500 users of the Odyssey case management system. While the Odyssey system increased efficiency for users, the system requires more intensive technical support for new functions, such as electronic filing and electronic payments. In the Magistrate Court program, the committee recommends a judgeship (1 FTE) in Dona Ana County where a study shows the need for 2.5 additional judgeships.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 11-6A-3 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts in the other financing uses category includes five hundred thousand dollars (\$500,000) from the local DWI grant fund for drug-courts. Any unexpended balances from appropriations made from the local DWI grant fund remaining at the end of fiscal year 2015 shall revert to the local DWI grant fund.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Language access program manager-1 FTE	(P559)	0.0	0.0
2	Sign language access manager-1 FTE	(P559)	0.0	0.0
3	Financial specialist-1 FTE	(P559)	60.0	0.0
4	IT specialist-1 FTE	(P560)	112.0	95.5
5	IT specialist-1 FTE	(P560)	112.0	95.5
6	IT specialist-1 FTE	(P560)	112.0	0.0
7	Attorney associate-1 FTE	(P610)	0.0	0.0
8	Magistrate Judge-1 FTE	(P610)	117.4	117.4
9	Magistrate DWI drug-court coordinator-1 FTE	(P610)	0.0	0.0
TOTAL			513.4	308.4

ADMINISTRATIVE SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,271.2	7,508.1	8,144.7	8,075.1	7.6
Other Transfers	506.2	619.4	604.0	604.0	-2.5
Federal Revenues	1,102.6	966.1	966.1	966.1	0.0
Other Revenues	1,969.5	2,025.0	2,194.0	2,194.0	8.3
Fund Balance	541.8	180.0	250.0	250.0	38.9
SOURCES TOTAL	11,391.3	11,298.6	12,158.8	12,089.2	7.0
USES					
Personal Services and Employee Benefits	3,497.1	3,384.9	3,620.4	3,530.8	4.3
Contractual Services	1,305.8	1,539.2	1,776.3	1,776.3	15.4
Other	6,493.7	6,374.5	6,762.1	6,782.1	6.4
TOTAL USES	11,296.6	11,298.6	12,158.8	12,089.2	7.0
FTE					
Permanent	39.3	38.8	39.8	38.8	0.0
Term	3.5	3.0	5.0	3.0	0.0
TOTAL FTE POSITIONS	42.8	41.8	44.8	41.8	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Average cost per juror	\$49.76	\$51.93	\$50.00	\$50.00	\$50.00

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,536.6	2,924.0	3,648.6	3,402.3	16.4
Other Revenues	5,400.1	5,783.8	5,478.9	5,478.9	-5.3
Fund Balance	435.0	400.0	584.8	584.8	46.2
SOURCES TOTAL	8,371.7	9,107.8	9,712.3	9,466.0	3.9
USES					
Personal Services and Employee Benefits	4,356.6	4,824.9	5,433.9	5,187.6	7.5
Contractual Services	1,124.6	1,486.2	1,427.2	1,427.2	-4.0
Other	2,581.9	2,796.7	2,851.2	2,851.2	1.9
TOTAL USES	8,063.1	9,107.8	9,712.3	9,466.0	3.9
FTE					
Permanent	42.5	42.5	45.5	44.5	4.7
Term	8.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	50.5	51.5	54.5	53.5	3.9

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Quality	Percent of accurate driving-while-intoxicated court reports	73%	82.4%	98%	98%	98%
Output	Number of help desk calls for assistance resolved	24,983	18,258	15,000	15,000	15,000
Quality	Average time to resolve automation calls for assistance, in hours	8.6	16.7	10.0	10.0	10.0
Quality	Judicial computer user qualitative rating of judicial information program help desk support	5	5	3	3	3

MAGISTRATE COURT

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

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	23,209.2	24,754.7	26,423.2	25,410.3	2.6
Other Transfers	300.0	400.0	150.0	150.0	-62.5
Other Revenues	3,997.7	3,725.8	4,035.0	4,085.0	9.6
Fund Balance	83.6	342.6	689.4	689.4	101.2
SOURCES TOTAL	27,590.5	29,223.1	31,297.6	30,334.7	3.8
USES					
Personal Services and Employee Benefits	18,720.8	19,905.5	21,123.5	20,405.2	2.5
Contractual Services	301.6	520.6	534.3	534.3	2.6
Other	8,606.1	8,797.0	9,639.8	9,395.2	6.8
TOTAL USES	27,628.5	29,223.1	31,297.6	30,334.7	3.8
FTE					
Permanent	284.5	284.5	287.5	285.0	0.2
Term	58.5	57.5	58.5	57.5	0.0
TOTAL FTE POSITIONS	343.0	342.0	346.0	342.5	0.1

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.1	\$3.3	\$3.1	\$3.1	\$3.3
* Explanatory	Cases disposed as a percent of cases filed	102%	101%	95%	95%	95%
Efficiency	Percent of magistrate courts' financial reports submitted to fiscal services division and reconciled on a monthly basis	99%	100%	100%	100%	100%

SPECIAL COURT SERVICES

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,661.5	8,182.7	9,902.7	8,967.2	9.6
Other Transfers	1,108.3	1,109.4	1,110.0	1,110.0	0.1
Fund Balance	0.0	61.6	76.4	76.4	24.0
SOURCES TOTAL	8,769.8	9,353.7	11,089.1	10,153.6	8.6
USES					
Personal Services and Employee Benefits	436.0	409.5	435.8	435.8	6.4
Contractual Services	5,749.8	6,040.9	6,276.8	6,164.8	2.1
Other	19.1	45.6	45.3	45.3	-0.7
Other Financing Uses	2,255.4	2,857.7	4,331.2	3,507.7	22.7
TOTAL USES	8,460.3	9,353.7	11,089.1	10,153.6	8.6
FTE					
Permanent	3.5	4.5	4.5	4.5	0.0
TOTAL FTE POSITIONS	3.5	4.5	4.5	4.5	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of required events attended by attorneys in abuse and neglect cases	6,771	8,005	7,000	7,000	8,000
Output	Number of cases to which court-appointed special advocates volunteers are assigned	859	862	1,000	1,000	1,000
Output	Number of monthly supervised child visitations and exchanges conducted	2,516	1,022	1,000	1,000	1,100
Quality	Recidivism rate for drug-court participants	N/A	15.5%	N/A	15%	15%
Output	Number of children to whom court-appointed special advocate volunteers are assigned	N/A	1,559	N/A	1,200	1,200

STATUTORY AUTHORITY:

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

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	67,709.6	70,411.1	75,214.5	73,667.0	4.6
Other Transfers	5,500.6	5,441.7	5,724.1	5,724.1	5.2
Federal Revenues	297.6	0.0	0.0	0.0	
Other Revenues	3,214.2	4,376.4	4,050.7	4,050.7	-7.4
Fund Balance	627.8	615.9	694.3	694.3	12.7
SOURCES TOTAL	77,349.8	80,845.1	85,683.6	84,136.1	4.1
USES					
Personal Services and Employee Benefits	64,376.0	69,352.7	73,899.6	72,742.4	4.9
Contractual Services	5,774.4	6,393.3	6,942.8	6,664.2	4.2
Other	6,479.5	5,099.1	4,841.2	4,729.5	-7.2
TOTAL USES	76,629.9	80,845.1	85,683.6	84,136.1	4.1
FTE					
Permanent	964.1	967.1	987.3	979.8	1.3
Term	92.3	94.0	93.5	92.5	-1.6
TOTAL FTE POSITIONS	1,056.3	1,061.1	1,080.8	1,072.3	1.1

BUDGET ISSUES:

The district courts participate in the “unified budget” process of the Supreme Court. The process allows the districts to set their own budget priorities within the overarching framework agreed by members of the judiciary’s budget committee, Chief Judge’s Council, and justices of the Supreme Court. For FY15, the priorities of the judiciary are “adequate” base budget funding, judicial compensation increases, an additional four judgeships and additional funding for problem-solving courts including drug-courts.

For FY15, district courts requested an increase of \$4.8 million, or 6.8 percent, to base budgets. Included in the \$4.8 million was \$1.1 million to cover the costs of retirement, health insurance, and risk coverage rate increases. The total increase less the cost of the rates was \$3.7 million, or 5 percent. In addition to the base increase, the courts requested an additional \$617 thousand to provide all judges a 5 percent compensation increase as well as \$1.4 million to support the creation of four additional judgeships.

The committee recommendation includes an additional \$3.3 million, or 4.6 percent, from the general fund. The recommendation provides adequate funding for rate increases, a 5 percent compensation increase for judges, four additional judgeships, and an increase to base budgets of \$436 thousand. The committee recommendation applied an average vacancy rate of 3.3 percent. As of September 2013, the courts had an average vacancy rate of 7.6 percent. In FY13, district courts transferred \$2.3 million out of the personal services and employee benefits category. In FY14, court employees were given a 2.5 percent average salary increase in addition to the 1 percent salary increase provided to all state employees.

The committee recommendation took into account the findings of the legislatively created Judicial Compensation Commission which recommended increasing judicial salaries by 11 percent to bring New Mexico judge salaries in line with those in Oklahoma. The 5 percent salary increase requested would increase a district judge’s salary from \$113 thousand to \$119 thousand. The commission found that New Mexico’s district court judges are the lowest paid in the country.

District courts operate drug-court programs designed to keep certain substance-dependant criminal defendants out of the correctional system. In FY09, the general fund appropriation for drug-court programs was \$10.5 million. In FY14, the general fund appropriation for drug-court programs was \$6.7 million. For FY15, an additional \$650 thousand has been recommended. The committee recommendation continues a transfer of \$500 thousand from the liquor excise tax fund to AOC for distribution to drug-court programs statewide. It is likely the Affordable Care Act, particularly the Medicaid expansion, will result in previously uninsured drug-court participants being insured. This may allow expansion of service because service providers will be able to bill Medicaid and may reduce treatment costs for the courts. The extent of these impacts is unknown at this time.

BASE EXPANSION:

The courts requested four judgeships, one each in the 1st judicial district, the 2nd judicial district, the 5th judicial district, and the 13th judicial district. The unified budget process allowed only those districts with a need for two or more judges to request judgeships. The committee recommendation includes funding and FTE for judgeships in all requesting districts. Although funding for additional judgeships is provided in the recommendation, the judgeships will have to be authorized through the passage of a separate bill.

The 1st judicial district requested additional funding to reclassify an attorney from a part-time term to a full-time permanent employee. The funding and FTE for this reclassification were included in the base budget of the court.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Judgeship-3FTE	(P231)	352.5	234.0
2	Court clerks-2 FTE	(P231)	69.9	0.0
3	Attorney-0.5 FTE	(P231)	67.3	0.0
1	Judgeship-3 FTE	(P232)	367.3	234.0
2	Elder court	(P232)	245.0	0.0
1	Judgeship-2 FTE	(P235)	234.4	234.0
1	Surveillance Officer, #10106734	(P236)	0.0	0.0
2	Administrative Assistant 1, #10102443	(P236)	0.0	0.0
1	Colfax County bailiff-1 FTE	(P238)	20.0	0.0
1	Financial specialist-0.5 FTE	(P240)	48.7	0.0
1	<u>Judgeship-5 FTE</u>	<u>(P243)</u>	<u>415.7</u>	<u>317.7</u>
TOTAL			1,820.8	1,019.7

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015					Percent Incr (Decr)
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	6,175.7	6,337.6	7,023.2	6,672.4	5.3	
Other Transfers	865.0	544.3	607.0	607.0	11.5	
Federal Revenues	116.8	0.0	0.0	0.0		
Other Revenues	289.3	466.9	464.7	464.7	-0.5	
SOURCES TOTAL	7,446.8	7,348.8	8,094.9	7,744.1	5.4	
USES						
Personal Services and Employee Benefits	5,909.0	6,574.0	7,247.1	6,944.6	5.6	
Contractual Services	448.8	364.7	394.2	359.8	-1.3	
Other	1,037.2	410.1	453.6	439.7	7.2	
TOTAL USES	7,395.0	7,348.8	8,094.9	7,744.1	5.4	
FTE						
Permanent	86.0	86.0	92.0	89.0	3.5	
Term	8.8	8.8	8.8	7.8	-11.4	
TOTAL FTE POSITIONS	94.8	94.8	100.8	96.8	2.1	

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Judgeship-3FTE	(P231)	352.5	234.0
2	Court clerks-2 FTE	(P231)	69.9	0.0
3	Attorney-0.5 FTE	(P231)	67.3	0.0
TOTAL			489.7	234.0

FIRST JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	90%	96%	100%	100%	100%
Quality	Recidivism of adult drug-court graduates	19%	19%	8%	20%	8%
Quality	Recidivism of juvenile drug-court graduates	14%	20%	10%	20%	10%
Output	Number of adult drug-court graduates	16	20	20	20	20
Output	Number of juvenile drug-court graduates	5	5	17	8	8
Output	Median number of days to process vendor payment vouchers	11	1	12	12	10
Output	Number of days to process juror payment vouchers	11	13	5	5	5
Explanatory	Graduation rate, juvenile drug-court	45%	56%	50%	60%	60%
Explanatory	Graduation rate, adult drug-court	27%	37%	45%	40%	45%

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	21,051.5		21,765.7		23,113.3	22,703.4	4.3
Other Transfers	1,114.2		1,114.2		1,121.8	1,121.8	0.7
Other Revenues	2,124.3		3,149.2		2,676.3	2,676.3	-15.0
Fund Balance	408.3		281.9		346.8	346.8	23.0
SOURCES TOTAL	24,698.3		26,311.0		27,258.2	26,848.3	2.0
USES							
Personal Services and Employee Benefits	21,810.8		23,783.7		25,050.4	24,898.6	4.7
Contractual Services	390.5		462.1		587.1	362.1	-21.6
Other	2,156.2		2,065.2		1,620.7	1,587.6	-23.1
TOTAL USES	24,357.5		26,311.0		27,258.2	26,848.3	2.0
FTE							
Permanent	326.5		326.5		330.5	328.5	0.6
Term	55.5		55.5		55.5	55.5	0.0
TOTAL FTE POSITIONS	382.0		382.0		386.0	384.0	0.5

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Judgeship-3 FTE	(P232)	367.3	234.0
2	Elder court	(P232)	245.0	0.0
TOTAL			612.3	234.0

SECOND JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	94%	100%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	8%	7%	8%	8%	8%
Quality	Recidivism of juvenile drug-court graduates	16%	22%	10%	20%	10%
Output	Number of adult drug-court graduates	72	62	130	60	75
Output	Number of juvenile drug-court graduates	12	9	20	10	10
Output	Median number of days to process vendor payment vouchers	1	1	5	5	5
Output	Number of days to process juror payment vouchers	20	13	14	14	14
Explanatory	Graduation rate, adult drug-court	72%	58%	70%	60%	60%
Explanatory	Graduation rate, juvenile drug-court	46%	47%	70%	50%	60%

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	6,064.4		6,235.9		6,498.7	6,418.9	2.9
Other Transfers	668.8		907.4		728.9	728.9	-19.7
Other Revenues	131.2		171.2		171.2	171.2	0.0
Fund Balance	65.0		55.0		55.0	55.0	0.0
SOURCES TOTAL	6,929.4		7,369.5		7,453.8	7,374.0	0.1
USES							
Personal Services and Employee Benefits	5,784.5		6,275.2		6,355.9	6,291.0	0.3
Contractual Services	790.2		761.8		790.9	776.0	1.9
Other	278.6		332.5		307.0	307.0	-7.7
TOTAL USES	6,853.3		7,369.5		7,453.8	7,374.0	0.1
FTE							
Permanent	85.3		85.3		85.3	85.3	0.0
Term	6.5		7.3		7.3	7.3	0.0
TOTAL FTE POSITIONS	91.8		92.5		92.5	92.5	0.0

THIRD JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	98%	94%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	22%	10%	8%	10%	8%
Quality	Recidivism of juvenile drug-court graduates	12%	8%	10%	10%	10%
Output	Number of adult drug-court graduates	20	21	30	20	30
Output	Number of juvenile drug-court graduates	16	20	25	20	25
Output	Median number of days to process vendor payment vouchers	4	5	5	5	5
Output	Number of days to process juror payment vouchers	19	7	14	14	14
Explanatory	Graduation rate, adult drug-court	71%	60%	75%	60%	75%
Explanatory	Graduation rate, juvenile drug-court	61%	56%	70%	60%	60%

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted			
SOURCES					
General Fund Transfers	2,067.0	2,144.1	2,236.5	2,204.1	2.8
Other Transfers	124.1	124.1	161.2	161.2	29.9
Other Revenues	23.1	25.0	25.0	25.0	0.0
Fund Balance	1.1	2.0	2.0	2.0	0.0
SOURCES TOTAL	2,215.3	2,295.2	2,424.7	2,392.3	4.2
USES					
Personal Services and Employee Benefits	1,820.0	1,993.6	2,067.1	2,034.7	2.1
Contractual Services	201.2	132.3	188.3	188.3	42.3
Other	184.5	169.3	169.3	169.3	0.0
TOTAL USES	2,205.7	2,295.2	2,424.7	2,392.3	4.2
FTE					
Permanent	29.5	29.5	29.5	29.5	0.0
TOTAL FTE POSITIONS	29.5	29.5	29.5	29.5	0.0

FOURTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Explanatory	Cases disposed as a percent of cases filed	101%	97%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	<1	<1	3	3	3
Output	Number of days to process juror payment vouchers	2	3	4	4	4
Explanatory	Graduation rate, juvenile drug-court	60%	50%	70%	50%	70%
Quality	Recidivism of juvenile drug-court graduates	11%	25%	10%	20%	10%
Output	Number of juvenile drug-court graduates	6	3	10	3	10

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015					Percent Incr (Decr)
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	5,839.8	6,104.4	6,632.5	6,521.8	6.8	
Other Transfers	321.9	320.6	407.3	407.3	27.0	
Other Revenues	105.5	120.0	120.0	120.0	0.0	
Fund Balance	5.4	20.0	10.0	10.0	-50.0	
SOURCES TOTAL	6,272.6	6,565.0	7,169.8	7,059.1	7.5	
USES						
Personal Services and Employee Benefits	5,243.2	5,596.5	6,135.6	6,044.8	8.0	
Contractual Services	598.5	658.7	699.4	697.5	5.9	
Other	386.1	309.8	334.8	316.8	2.3	
TOTAL USES	6,227.8	6,565.0	7,169.8	7,059.1	7.5	
FTE						
Permanent	82.0	82.0	84.0	84.0	2.4	
Term	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	83.0	83.0	85.0	85.0	2.4	

BASE EXPANSION:

The 5th Judicial District court requested expansion funding of \$234.4 thousand for an additional civil judgeship including one judge and one trial court administrative assistant. The committee recommendation includes adequate funding for the creation of this judgeship in Lea County. The judicial workload study finds that the 5th district Judicial District is in need of 2.1 judges and the district has more jury trials than any other comparably sized district.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recom- mendation
1	Judgeship-2 FTE	234.4	234.0
TOTAL		234.4	234.0

FIFTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	95%	99%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	3	4	5	5	5
Output	Number of days to process juror payment vouchers	5	5	7	7	5
Explanatory	Graduation rate, family drug-court	NA	79%	50%	70%	80%
Quality	Recidivism of family drug-court graduates	NA	0%	15%	15%	15%
Output	Number of family drug-court graduates	NA	11	9	10	10

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	3,010.3		3,122.1		3,262.2	3,216.2	3.0
Other Transfers	138.6		103.8		163.1	163.1	57.1
Federal Revenues	121.2		0.0		0.0	0.0	
Other Revenues	11.0		17.0		17.0	17.0	0.0
Fund Balance	14.8		12.0		14.0	14.0	16.7
SOURCES TOTAL	3,295.9		3,254.9		3,456.3	3,410.3	4.8
USES							
Personal Services and Employee Benefits	2,373.2		2,465.0		2,595.5	2,549.5	3.4
Contractual Services	624.5		640.6		701.8	701.8	9.6
Other	285.1		149.3		159.0	159.0	6.5
TOTAL USES	3,282.8		3,254.9		3,456.3	3,410.3	4.8
FTE							
Permanent	35.5		35.5		37.0	37.0	4.2
Term	0.5		0.5		0.0	0.0	-100.0
TOTAL FTE POSITIONS	36.0		36.0		37.0	37.0	2.8

BASE EXPANSION LISTING
FY15 - 2014-2015

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Surveillance Officer, #10106734	(P236)	0.0	0.0
2	Administrative Assistant 1, #10102443	(P236)	0.0	0.0
TOTAL			0.0	0.0

SIXTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	98%	95%	95%	95%
Quality	Recidivism of juvenile drug-court graduates	6%	8%	10%	10%	10%
Output	Number of juvenile drug-court graduates	15	8	9	8	9
Output	Median number of days to process vendor payment vouchers	13	2	5	5	5
Output	Number of days to process juror payment vouchers	12	<1	9	9	5
Explanatory	Graduation rate, juvenile drug-court	79%	67%	90%	70%	80%

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted			
SOURCES					
General Fund Transfers	2,124.9	2,278.0	2,372.4	2,357.3	3.5
Other Transfers	395.0	406.3	406.3	406.3	0.0
Other Revenues	17.1	28.0	27.0	27.0	-3.6
Fund Balance	0.0	5.0	5.0	5.0	0.0
SOURCES TOTAL	2,537.0	2,717.3	2,810.7	2,795.6	2.9
USES					
Personal Services and Employee Benefits	1,930.6	2,175.1	2,271.6	2,256.5	3.7
Contractual Services	304.0	377.0	373.9	373.9	-0.8
Other	265.1	165.2	165.2	165.2	0.0
TOTAL USES	2,499.7	2,717.3	2,810.7	2,795.6	2.9
FTE					
Permanent	32.0	30.0	30.0	30.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	36.0	34.0	34.0	34.0	0.0

SEVENTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Explanatory	Cases disposed as a percent of cases filed	109%	100%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	2	2	5	5	5
Output	Number of days to process juror payment vouchers	2.5	<1	3	3	3

BUDGET SUMMARY
(dollars in thousands)

			FY15 – 2014-2015		Percent Incr (Decr)
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,613.6	2,809.6	2,924.4	2,877.7	2.4
Other Transfers	103.0	95.3	143.9	143.9	51.0
Other Revenues	45.1	71.0	81.0	81.0	14.1
SOURCES TOTAL	2,761.7	2,975.9	3,149.3	3,102.6	4.3
USES					
Personal Services and Employee Benefits	1,965.8	2,107.3	2,220.4	2,177.8	3.3
Contractual Services	664.3	763.6	822.2	819.8	7.4
Other	124.0	105.0	106.7	105.0	0.0
TOTAL USES	2,754.1	2,975.9	3,149.3	3,102.6	4.3
FTE					
Permanent	30.0	31.0	32.0	31.0	0.0
TOTAL FTE POSITIONS	30.0	31.0	32.0	31.0	0.0

BASE EXPANSION:

The 8th Judicial District court requested expansion funding of \$20 thousand to fund a bailiff position for Colfax County. The committee does not recommend this expansion as the court is currently contracting with the Colfax County Sheriff's Department for courtroom security.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Colfax County bailiff-1 FTE	(P238) 20.0	0.0
TOTAL		20.0	0.0

EIGHTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	92%	89%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	2%	9%	8%	10%	8%
Quality	Recidivism of juvenile drug-court graduates	5%	4%	5%	5%	5%
Output	Number of adult drug-court graduates	14	25	20	25	25
Output	Number of juvenile drug-court graduates	21	15	15	15	15
Output	Median number of days to process vendor payment vouchers	1	2	5	5	5
Output	Number of days to process juror payment vouchers	<1	0	3	3	3
Explanatory	Graduation rate, juvenile drug-court	66%	54%	70%	50%	70%
Explanatory	Graduation rate, adult drug-court	42%	58%	70%	60%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	3,078.8		3,243.1		3,414.0	3,354.6	3.4
Other Transfers	586.8		642.5		669.3	669.3	4.2
Other Revenues	77.1		83.6		68.0	68.0	-18.7
Fund Balance	23.0		0.0		0.0	0.0	
SOURCES TOTAL	3,765.7		3,969.2		4,151.3	4,091.9	3.1
USES							
Personal Services and Employee Benefits	3,395.3		3,580.9		3,772.4	3,713.0	3.7
Contractual Services	93.0		111.0		149.1	149.1	34.3
Other	261.3		277.3		229.8	229.8	-17.1
TOTAL USES	3,749.6		3,969.2		4,151.3	4,091.9	3.1
FTE							
Permanent	43.8		44.8		45.0	45.0	0.4
Term	5.5		6.5		6.5	6.5	0.0
TOTAL FTE POSITIONS	49.3		51.3		51.5	51.5	0.4

NINTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	93%	103%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	5	5	5	5	5
Output	Number of days to process juror payment vouchers	2.3	5.08	5	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted			
SOURCES					
General Fund Transfers	751.6	798.2	942.8	877.0	9.9
Other Revenues	10.3	8.5	10.5	10.5	23.5
Fund Balance	18.9	23.1	25.3	25.3	9.5
SOURCES TOTAL	780.8	829.8	978.6	912.8	10.0
USES					
Personal Services and Employee Benefits	655.9	704.8	784.0	731.9	3.8
Contractual Services	23.5	47.4	89.6	89.6	89.0
Other	77.2	77.6	105.0	91.3	17.7
TOTAL USES	756.6	829.8	978.6	912.8	10.0
FTE					
Permanent	10.0	10.0	10.5	10.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	10.5	10.0	0.0

BASE EXPANSION:

The 10th Judicial District court requested \$47.5 thousand and 0.5 FTE to support the creation of a financial specialist position. The committee does not recommend this request.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Financial specialist-0.5 FTE	48.7	0.0
TOTAL		48.7	0.0

TENTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Explanatory	Cases disposed as a percent of cases filed	100%	104%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	0.5	1	3	3	3
Output	Number of days to process juror payment vouchers	0.5	<1	3	3	3

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	5,730.4		5,973.8		6,308.5	6,225.8	4.2
Other Transfers	545.0		545.0		586.2	586.2	7.6
Other Revenues	211.3		152.0		137.0	137.0	-9.9
Fund Balance	0.0		12.0		12.0	12.0	0.0
SOURCES TOTAL	6,486.7		6,682.8		7,043.7	6,961.0	4.2
USES							
Personal Services and Employee Benefits	5,306.8		5,684.3		6,015.8	5,950.8	4.7
Contractual Services	617.1		696.9		687.7	687.7	-1.3
Other	545.5		301.6		340.2	322.5	6.9
TOTAL USES	6,469.4		6,682.8		7,043.7	6,961.0	4.2
FTE							
Permanent	79.5		82.5		82.5	82.5	0.0
Term	6.5		6.5		6.5	6.5	0.0
TOTAL FTE POSITIONS	86.0		89.0		89.0	89.0	0.0

ELEVENTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Explanatory	Cases disposed as a percent of cases filed	100%	95%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	4%	26%	8%	25%	8%
Quality	Recidivism of juvenile drug-court graduates	4%	16%	10%	18%	10%
Output	Number of adult drug-court graduates	34	18	40	18	30
Output	Number of juvenile drug-court graduates	14	12	16	12	16
Output	Median number of days to process vendor payment vouchers	15	5	5	5	5
Output	Number of days to process juror payment vouchers	8	11	8	8	8
Explanatory	Graduation rate, juvenile drug-court	61%	67%	75%	60%	75%
Explanatory	Graduation rate, adult drug-court	60%	53%	70%	50%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	2,926.8		3,090.7		3,296.3	3,229.6	4.5
Other Transfers	83.4		83.4		102.1	102.1	22.4
Other Revenues	47.9		58.0		52.0	52.0	-10.3
Fund Balance	0.0		59.0		78.3	78.3	32.7
SOURCES TOTAL	3,058.1		3,291.1		3,528.7	3,462.0	5.2
USES							
Personal Services and Employee Benefits	2,486.4		2,764.2		2,996.3	2,929.6	6.0
Contractual Services	227.9		249.4		255.3	255.3	2.4
Other	302.6		277.5		277.1	277.1	-0.1
TOTAL USES	3,016.9		3,291.1		3,528.7	3,462.0	5.2
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

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	91%	89%	95%	95%	95%
Quality	Recidivism of juvenile drug-court participants	14%	15%	10%	15%	10%
Output	Number of juvenile drug-court graduates	3	5	10	5	7
Output	Median number of days to process vendor payment vouchers	<1	1	5	5	3
Output	Number of days to process juror payment vouchers	6	7	7	7	5
Explanatory	Graduation rate, juvenile drug-court	75%	63%	75%	60%	75%

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,274.8	6,507.9	7,189.7	7,008.2	7.7
Other Transfers	554.8	554.8	627.0	627.0	13.0
Federal Revenues	59.6	0.0	0.0	0.0	
Other Revenues	121.0	26.0	201.0	201.0	673.1
Fund Balance	91.3	145.9	145.9	145.9	0.0
SOURCES TOTAL	7,101.5	7,234.6	8,163.6	7,982.1	10.3
USES					
Personal Services and Employee Benefits	5,694.5	5,648.1	6,387.5	6,219.6	10.1
Contractual Services	790.9	1,127.8	1,203.3	1,203.3	6.7
Other	576.1	458.7	572.8	559.2	21.9
TOTAL USES	7,061.5	7,234.6	8,163.6	7,982.1	10.3
FTE					
Permanent	78.5	78.5	83.5	82.5	5.1
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	82.5	82.5	87.5	86.5	4.8

BASE EXPANSION:

The 13th Judicial District court requested \$415.7 thousand for the creation of a civil judgeship. The request includes funding for a judge, a trial court administrative assistant, a bailiff, a certified court reporter, and a court clerk. The committee recommendation provides the court with \$317.7 thousand to create the judgeship. According to the judicial workload study, the 13th Judicial District is the most under-staffed court in the state with a judgeship need of 3.6, or 51 percent, more judges.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Judgeship-5 FTE	415.7	317.7
TOTAL		415.7	317.7

THIRTEENTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Explanatory	Cases disposed as a percent of cases filed	104%	93%	95%	95%	95%
Quality	Recidivism of juvenile drug-court graduates	13%	18%	10%	15%	10%
Output	Number of juvenile drug-court graduates	43	50	30	45	50
Output	Median number of days to process vendor payment vouchers	8	5	5	5	5
Output	Number of days to process juror payment vouchers	10	3	14	14	7
Explanatory	Graduation rate, juvenile drug court	64%	71%	65%	70%	70%

STATUTORY AUTHORITY:

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

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	21,937.8	22,843.3	23,667.0	23,477.8	2.8
Other Transfers	373.0	373.4	435.8	435.8	16.7
Other Revenues	2,222.3	2,381.5	2,493.3	2,493.3	4.7
Fund Balance	7.8	150.0	111.8	111.8	-25.5
SOURCES TOTAL	24,540.9	25,748.2	26,707.9	26,518.7	3.0
USES					
Personal Services and Employee Benefits	18,347.2	19,831.0	20,623.6	20,434.4	3.0
Contractual Services	2,948.6	3,265.2	3,171.8	3,171.8	-2.9
Other	3,115.4	2,637.0	2,897.5	2,897.5	9.9
Other Financing Uses	15.0	15.0	15.0	15.0	0.0
TOTAL USES	24,426.2	25,748.2	26,707.9	26,518.7	3.0
FTE					
Permanent	299.0	299.0	299.0	299.0	0.0
Term	44.0	42.0	40.0	40.0	-4.8
TOTAL FTE POSITIONS	343.0	341.0	339.0	339.0	-0.6

BUDGET ISSUES:

Metro Court processes the highest volume of cases in the state; more than 106 thousand cases were filed in FY13. The court's operating budget supports 16 criminal and three civil judicial divisions as well as courtroom support, customer service, compliance, background investigations, probation supervision, case initiation and maintenance, human resources, finance, procurement, information technology, administration, building maintenance, interpreters, mediation, the drug court, and the self-help center.

For FY15, Metro Court requested a total increase of \$960 thousand, or 3.7 percent, over the FY14 operating budget, including an additional \$823.7 thousand from the general fund. The FY15 request for the personal services and employee benefits category included an agency-imposed vacancy rate of 5 percent. As of December 2013, Metro Court's vacancy rate was 13.2 percent.

In FY13, Metro Court transferred \$614.8 thousand out of the personal services and employee benefits category into operational expenses. For FY15, Metro Court requested an additional \$260.5 thousand, or 9.9 percent, in the other costs category. The court would use increased funding in the other costs category to pay for maintenance contracts and security enhancements, such as replacement of locks and security cameras.

The committee recommends an increase of \$770.5 thousand, or 3 percent. The recommendation increases the personal services and employee benefits category by \$603.4 thousand resulting in a 5.3 percent vacancy rate. For the other costs and contractual services categories, the recommendation fully funds the request of the court.

BERNALILLO COUNTY METROPOLITAN COURT

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

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
*	Explanatory	Cases disposed as a percent of cases filed	101%	100%	95%	95%
	Efficiency	Cost per client per day for adult drug-court participants	\$10.50	\$10.26	\$11.00	\$11.00
	Quality	Recidivism of driving-while-intoxicated drug-court graduates	3.6%	3.6%	4.0%	4.0%
	Output	Number of driving-while-intoxicated drug-court graduates	184	146	200	145
	Explanatory	Graduation rate of drug-court participants	83%	73%	80%	73%
	Outcome	Fees and fines collected as a percent of fees and fines assessed	100%	96%	95%	95%

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 – 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	55,384.9	58,316.0	65,087.4	60,680.0	4.1
Other Transfers	766.6	597.2	601.0	601.0	0.6
Federal Revenues	1,542.5	1,418.3	1,357.4	1,357.4	-4.3
Other Revenues	805.7	805.4	805.6	805.6	0.0
Fund Balance	1,389.4	1,140.0	703.1	723.1	-36.6
SOURCES TOTAL	59,889.1	62,276.9	68,554.5	64,167.1	3.0
USES					
Personal Services and Employee Benefits	54,322.1	58,799.8	64,100.3	60,359.3	2.7
Contractual Services	647.7	319.5	532.1	351.6	10.0
Other	4,219.0	3,157.6	3,922.1	3,456.2	9.5
TOTAL USES	59,188.8	62,276.9	68,554.5	64,167.1	3.0
FTE					
Permanent	881.0	883.0	893.0	885.0	0.2
Term	60.2	59.5	54.5	54.5	-8.4
TOTAL FTE POSITIONS	941.2	942.5	947.5	939.5	-0.3

BUDGET ISSUES:

For FY15, district attorneys budget requests ranged from 5.3 percent in the 11th Judicial District, Division 2 (McKinley County) to 22 percent in the 3rd Judicial District (Dona Ana County) with an average request of 11.6 percent. In general, district attorneys requested full funding in the personal services and employee benefits category with only three out of 14 districts including a self-imposed vacancy rate in their requests. The requests of the district attorneys included \$1.2 million to provide all attorneys a 5 percent salary increase.

The number of felony cases filed in district courts statewide in FY13 was 0.3 percent lower than FY12. At the district level case filings varied widely. For example, in the 3rd Judicial District, felony case filings declined by 22.8 percent, while in the 6th Judicial District, cases increased by 18.3 percent. Between FY08 and FY13, felony case filings decreased by 4.5 percent statewide, though several districts experienced significant increases during this period.

To quantify the impact of case trends by judicial district, the New Mexico Sentencing Commission produces a staff-needs assessment based on case filings by fiscal year. The FY13 results show three districts currently have fewer authorized positions than needed. The understaffed districts are the 1st (Santa Fe, Rio Arriba, and Los Alamos counties), the 2nd (Bernalillo County), and the 5th (Chaves, Eddy, and Lea counties). The most severe staffing shortage is in the 5th Judicial District, which is 33 percent under-staffed.

In FY13, district attorneys used budget adjustment requests to reduce expenditures for personal services and employee benefits by \$991 thousand, with \$453 thousand of the total attributable to the 13th Judicial District reducing personal services and employee benefits by 11 percent. The district attorneys are exempt from the State Personnel Act, which allows them to provide compensation increases to employees without State Personnel Office approval. In FY13, district attorney's offices statewide provided compensation increases of \$381 thousand of which \$169.6 thousand were lump sum payments to 135 employees; the average increase of employees receiving compensation increases was 9 percent.

The committee recommendation increases the general fund appropriation to the district attorneys by \$2.4 million, or 4.1 percent, over the FY14 operating budget. The recommendation includes \$1 million to cover the costs of increases in health insurance premiums, retirement contributions, and risk coverage rates and \$75 thousand for a 5 percent increase for district attorney compensation. The committee recommendation provides increases ranging from a low of 1.6 percent in the 4th Judicial District to a high of 6.5 percent in the 5th Judicial District. The recommendation provides the largest increases to districts that have experienced the largest increases in case filings, are recognized as being currently understaffed, and have low employee compensation relative to statewide averages. The recommendation includes \$300 thousand, or 9.5 percent, in the other costs category to allow district attorneys statewide to cover operational expenses, including information technology equipment and office supplies.

The FY15 committee recommendation for personal services and employee benefits is 11 percent higher than FY13 expenditures. The recommendation provides latitude for district attorneys to provide equity or performance compensation adjustments in FY15.

BASE EXPANSION:

The 3rd Judicial District Attorney requested a base expansion of 4 permanent FTE and \$254.6 thousand from the general fund. The expansion would provide the district with a program administrator to handle case intake, an investigator, and two program specialists-- one for probation revocation proceedings and one for pre-prosecution diversion. The committee does not recommend any expansion positions or funding.

The 5th Judicial District Attorney requested a base expansion of 6 permanent FTE positions and \$432.1 thousand from the general fund. The expansion would provide the district with three additional senior trial attorneys and three additional administrative assistants. The committee recommendation includes 2 FTE and \$132 thousand from the general fund to support the addition of a senior trial attorney and an administrative assistant. The 5th Judicial District Attorney is the most severely understaffed district in the state.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Program Administrator	(P253)	67.7	0.0
2	Senior Investigator	(P253)	62.3	0.0
3	Program Specialist (PRP)	(P253)	62.3	0.0
4	Program Specialist (PPD)	(P253)	62.3	0.0
1	<u>3 Sr Trial Attorney and 3 Admin Secretary FTE</u>	<u>(P255)</u>	<u>432.1</u>	<u>131.8</u>
TOTAL			686.7	131.8

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015					Percent Incr (Decr)
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,639.8	4,874.9	5,222.7	5,115.8		4.9
Federal Revenues	159.8	163.5	163.5	163.5		0.0
SOURCES TOTAL	4,799.6	5,038.4	5,386.2	5,279.3		4.8
USES						
Personal Services and Employee Benefits	4,468.7	4,695.6	4,979.2	4,912.5		4.6
Contractual Services	14.5	18.0	21.0	21.0		16.7
Other	313.2	324.8	386.0	345.8		6.5
TOTAL USES	4,796.4	5,038.4	5,386.2	5,279.3		4.8
FTE						
Permanent	70.0	70.0	70.0	70.0		0.0
Term	3.0	3.0	3.0	3.0		0.0
TOTAL FTE POSITIONS	73.0	73.0	73.0	73.0		0.0

FIRST JUDICIAL DISTRICT

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

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.9%	1.1%	<1.0%	<1.0%	<1.0%
Output	Number of cases dismissed under the six-month rule	35	45	<45	<45	<45
* Efficiency	Average time from filing of petition to final disposition, in months	6.4	6.2	6.0	6.0	6.0
Efficiency	Average attorney caseload	274	291	255	280	280
Output	Number of cases prosecuted	3,850	3,914	4,500	4,200	4,200
Output	Number of cases referred for screening	6,985	7,140	7,000	7,200	7,200
Output	Number of cases prosecuted per attorney	N/A	N/A	160	175	175
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	N/A	125	120	120

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	16,414.2	17,250.4	18,665.7	18,050.5	4.6
Other Transfers	88.0	88.0	88.0	88.0	0.0
Federal Revenues	186.9	201.9	201.9	201.9	0.0
Other Revenues	409.9	458.5	467.1	467.1	1.9
Fund Balance	343.4	326.4	117.4	117.4	-64.0
SOURCES TOTAL	17,442.4	18,325.2	19,540.1	18,924.9	3.3
USES					
Personal Services and Employee Benefits	16,484.2	17,376.6	18,303.6	17,835.3	2.6
Contractual Services	123.9	98.0	96.0	96.0	-2.0
Other	834.3	850.6	1,140.5	993.6	16.8
TOTAL USES	17,442.4	18,325.2	19,540.1	18,924.9	3.3
FTE					
Permanent	283.0	283.0	283.0	283.0	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	292.0	292.0	292.0	292.0	0.0

SECOND JUDICIAL DISTRICT

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

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.0%	<1.0%	<1.0%	<1.0%
Output	Number of cases dismissed under the six-month rule	14	1	20	20	20
* Efficiency	Average time from filing of petition to final disposition, in months	17.7	7.6	12.0	12.0	9.0
Efficiency	Average attorney caseload	254	244	250	250	250
Output	Number of cases prosecuted	20,488	20,921	20,500	20,900	20,900
Output	Number of cases referred for screening	27,569	26,303	28,000	26,300	26,300
Efficiency	Average number of cases prosecuted per attorney	189	194	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	110	145	110	110

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,300.7	4,447.9	5,427.0	4,637.0	4.3
Other Transfers	171.4	121.4	129.8	129.8	6.9
Federal Revenues	481.6	491.4	521.6	521.6	6.1
Other Revenues	191.1	199.2	190.8	190.8	-4.2
Fund Balance	468.0	307.1	79.3	99.3	-67.7
SOURCES TOTAL	5,612.8	5,567.0	6,348.5	5,578.5	0.2
USES					
Personal Services and Employee Benefits	4,815.8	5,296.5	5,919.4	5,302.3	0.1
Contractual Services	167.8	13.3	119.0	19.0	42.9
Other	427.9	257.2	310.1	257.2	0.0
TOTAL USES	5,411.5	5,567.0	6,348.5	5,578.5	0.2
FTE					
Permanent	62.0	62.0	66.0	62.0	0.0
Term	19.0	19.0	13.0	13.0	-31.6
TOTAL FTE POSITIONS	81.0	81.0	79.0	75.0	-7.4

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Program Administrator-1 FTE	(P250)	67.7	0.0
2	Senior Investigator-1 FTE	(P250)	62.3	0.0
3	Program Specialist-1 FTE	(P250)	62.3	0.0
4	Program Specialist-1 FTE	(P250)	62.3	0.0
TOTAL			254.6	0.0

THIRD JUDICIAL DISTRICT

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

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Efficiency	Average time from filing of petition to final disposition, in months	5.9	7.1	6.0	6.0	6.0
Output	Number of cases referred for screening	6,163	6,068	6,000	6,000	6,000
Output	Number of cases dismissed under the six-month rule	13	7	3	3	3
Output	Number of cases prosecuted	4,064	4,676	4,600	4,600	4,600
Outcome	Percent of cases dismissed under the six-month rule	0.3%	0.1%	0.1%	0.1%	<1.0%
Efficiency	Average attorney caseload	268	296	160	160	160
Output	Number of cases prosecuted per attorney	N/A	228	170	170	170
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	50	100	100	100

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,906.4	3,071.2	3,358.8	3,119.4	1.6
SOURCES TOTAL	2,906.4	3,071.2	3,358.8	3,119.4	1.6
USES					
Personal Services and Employee Benefits	2,639.8	2,867.1	3,154.7	2,915.3	1.7
Contractual Services	40.1	30.0	30.0	30.0	0.0
Other	225.6	174.1	174.1	174.1	0.0
TOTAL USES	2,905.5	3,071.2	3,358.8	3,119.4	1.6
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0

FOURTH JUDICIAL DISTRICT

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

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of cases referred for screening	2,022	2,043	2,000	2,000	2,000
Outcome	Percent of cases dismissed under the six-month rule	<1%	<1%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	5.8	5.3	6.0	6.0	6.0
Efficiency	Average attorney caseload	225	255	225	225	225
Output	Number of cases prosecuted per attorney	225	255	225	225	255
Output	Number of cases prosecuted	2,027	1,701	2,000	2,000	2,000

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,209.9	4,487.8	5,076.5	4,778.4	6.5
Federal Revenues	0.0	98.0	0.0	0.0	-100.0
SOURCES TOTAL	4,209.9	4,585.8	5,076.5	4,778.4	4.2
USES					
Personal Services and Employee Benefits	4,022.8	4,398.0	4,886.6	4,588.5	4.3
Contractual Services	16.4	16.5	16.5	16.5	0.0
Other	170.7	171.3	173.4	173.4	1.2
TOTAL USES	4,209.9	4,585.8	5,076.5	4,778.4	4.2
FTE					
Permanent	60.0	62.0	68.0	64.0	3.2
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	61.0	63.0	69.0	65.0	3.2

BASE EXPANSION LISTING
FY15 - 2014-2015

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	3 Senior attorneys and 3 Secretaries	(P250)	432.1	131.8
TOTAL			432.1	131.8

FIFTH JUDICIAL DISTRICT

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.1%	<1.0%	<1.0%	<1.0%
* Efficiency	Average time from filing of petition to final disposition, in months	6	6	6	6	6
Efficiency	Average attorney caseload	325	330	150	150	150
Output	Number of cases prosecuted	4,413	4,810	4,000	4,000	4,000
Output	Number of cases referred for screening	5,523	5,883	4,500	4,500	4,500
Output	Number of cases dismissed under the six-month rule	1	5	5	5	5
Output	Number of cases prosecuted per attorney	N/A	N/A	150	150	150
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	N/A	90	90	90

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,477.2	2,639.0	2,977.8	2,740.7	3.9
Other Transfers	90.9	43.7	44.5	44.5	1.8
Federal Revenues	116.8	129.1	136.5	136.5	5.7
SOURCES TOTAL	2,684.9	2,811.8	3,158.8	2,921.7	3.9
USES					
Personal Services and Employee Benefits	2,396.4	2,618.1	2,945.8	2,708.7	3.5
Contractual Services	21.0	18.9	19.0	19.0	0.5
Other	261.9	174.8	194.0	194.0	11.0
TOTAL USES	2,679.3	2,811.8	3,158.8	2,921.7	3.9
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	38.0	38.0	38.0	38.0	0.0

SIXTH JUDICIAL DISTRICT

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

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	2	0	<5	<5	<5
* Efficiency	Average time from filing of petition to final disposition, in months	4	5	5	5	5
Efficiency	Average attorney caseload	269	318	200	200	200
Output	Number of cases prosecuted	1,967	2,051	1,900	1,900	1,900
Output	Number of cases referred for screening	2,420	2,547	2,200	2,200	2,200
Output	Average number of cases prosecuted per attorney	219	256	200	200	200
Output	Number of cases prosecuted per attorney	N/A	N/A	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	N/A	50	50	50

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,231.8	2,402.3	2,580.1	2,466.2	2.7
SOURCES TOTAL	2,231.8	2,402.3	2,580.1	2,466.2	2.7
USES					
Personal Services and Employee Benefits	2,066.7	2,250.3	2,422.8	2,308.9	2.6
Contractual Services	12.2	12.8	13.8	13.8	7.8
Other	126.8	139.2	143.5	143.5	3.1
TOTAL USES	2,205.7	2,402.3	2,580.1	2,466.2	2.7
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

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.2%	<1.0%	<1.0%	<1.0%
Output	Number of cases prosecuted per attorney	N/A	N/A	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	N/A	30	30	30
Output	Number of cases dismissed under the six-month rule	1	4	2	<5	<5
Efficiency	Average attorney caseload	217	195	140	140	140
Output	Number of cases prosecuted	1,860	1,708	1,900	1,850	1,850
Output	Number of cases referred for screening	2,064	2,045	2,000	2,000	2,000
Efficiency	Average time from filing of petition to final disposition for misdemeanor cases, in months	5.6	5.7	5.0	5.5	5.5
* Efficiency	Average time from filing of petition to final disposition, in months	3.7	5.7	5.0	5.5	5.5

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,397.7	2,502.4	2,756.1	2,601.6	4.0
Other Revenues	0.3	0.0	0.0	0.0	
SOURCES TOTAL	2,398.0	2,502.4	2,756.1	2,601.6	4.0
USES					
Personal Services and Employee Benefits	2,239.9	2,341.2	2,589.3	2,434.8	4.0
Contractual Services	14.6	12.6	14.8	14.8	17.5
Other	143.5	148.6	152.0	152.0	2.3
TOTAL USES	2,398.0	2,502.4	2,756.1	2,601.6	4.0
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

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Output	Number of cases referred for screening	1,548	1,541	2,000	2,000	2,000
Output	Number of cases prosecuted	1,278	1,198	1,400	1,300	1,300
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<3%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	6	7	6	12	6
Efficiency	Average attorney caseload	221	181	200	200	200
Output	Number of cases dismissed under the six-month rule	16	17	15	15	15
Output	Average number of cases prosecuted per attorney	183	141	200	200	200
Output	Number of cases prosecuted per attorney	N/A	141	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	48	50	50	50

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,594.8	2,699.4	2,939.4	2,806.8	4.0
SOURCES TOTAL	2,594.8	2,699.4	2,939.4	2,806.8	4.0
USES					
Personal Services and Employee Benefits	2,451.3	2,581.0	2,803.7	2,671.1	3.5
Contractual Services	18.0	12.1	18.6	18.6	53.7
Other	118.4	106.3	117.1	117.1	10.2
TOTAL USES	2,587.7	2,699.4	2,939.4	2,806.8	4.0
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	39.0	0.0

NINTH JUDICIAL DISTRICT

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

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of cases prosecuted	2,866	2,693	2,800	2,700	2,700
Output	Number of cases referred for screening	3,243	3,354	3,400	3,360	3,360
* Efficiency	Average time from filing of petition to final disposition, in months	7	7	6	7	6
Efficiency	Average attorney caseload	341	319	350	325	325
Output	Number of cases dismissed under the six-month rule	8	5	<5	<5	<5
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
Output	Number of cases prosecuted per attorney	N/A	256	300	250	250
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	107	75	90	90

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	957.3	1,005.8	1,153.4	1,040.6	3.5
Other Transfers	6.0	0.0	0.0	0.0	
SOURCES TOTAL	963.3	1,005.8	1,153.4	1,040.6	3.5
USES					
Personal Services and Employee Benefits	850.1	916.2	994.2	928.2	1.3
Contractual Services	11.3	11.2	11.2	11.2	0.0
Other	101.2	78.4	148.0	101.2	29.1
TOTAL USES	962.6	1,005.8	1,153.4	1,040.6	3.5
FTE					
Permanent	13.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

TENTH JUDICIAL DISTRICT

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.5%	<1.0%	<1.0%	<1.0%
* Efficiency	Average time from filing of petition to final disposition, in months	4	5	5	5	5
Efficiency	Average attorney caseload	599	364	300	300	300
Output	Number of cases prosecuted	899	802	1,000	800	800
Output	Number of cases referred for screening	1,071	911	1,000	900	900
Output	Number of cases dismissed under the six-month rule	0	1	0	0	0
Output	Number of cases prosecuted per attorney	N/A	321	300	300	300
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	7	10	10	10

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,136.8	3,365.2	3,979.4	3,475.6	3.3
Other Transfers	130.4	122.4	117.0	117.0	-4.4
Federal Revenues	84.5	86.5	86.0	86.0	-0.6
Other Revenues	55.0	0.0	0.0	0.0	
Fund Balance	578.0	506.5	506.4	506.4	0.0
SOURCES TOTAL	3,984.7	4,080.6	4,688.8	4,185.0	2.6
USES					
Personal Services and Employee Benefits	3,440.3	3,876.0	4,424.2	3,957.8	2.1
Contractual Services	63.4	18.0	26.6	26.6	47.8
Other	450.8	186.6	238.0	200.6	7.5
TOTAL USES	3,954.5	4,080.6	4,688.8	4,185.0	2.6
FTE					
Permanent	55.0	55.0	55.0	55.0	0.0
Term	11.7	11.0	12.0	12.0	9.1
TOTAL FTE POSITIONS	66.7	66.0	67.0	67.0	1.5

ELEVENTH JUDICIAL DISTRICT, 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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of cases referred for screening	4,015	4,129	4,300	4,000	4,000
Output	Number of cases prosecuted	3,897	3,588	3,500	3,500	3,500
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.1%	<0.5%	<0.5%	<1.0%
* Efficiency	Average time from filing of petition to final disposition, in months	6	5	6	<6	6
Efficiency	Average attorney caseload	224	275	250	250	250
Output	Average number of cases prosecuted per attorney	216.5	239	175	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	145	115	115	115
Output	Number of cases dismissed under the six-month rule	N/A	5	<10	<10	<10

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,012.8	2,101.8	2,212.9	2,173.0	3.4
Other Transfers	120.9	167.4	167.4	167.4	0.0
Federal Revenues	177.5	0.0	0.0	0.0	
SOURCES TOTAL	2,311.2	2,269.2	2,380.3	2,340.4	3.1
USES					
Personal Services and Employee Benefits	1,916.9	2,164.7	2,272.8	2,232.9	3.2
Contractual Services	13.1	13.5	13.5	13.5	0.0
Other	196.1	91.0	94.0	94.0	3.3
TOTAL USES	2,126.1	2,269.2	2,380.3	2,340.4	3.1
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

ELEVENTH JUDICIAL DISTRICT, DIVISION II

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	<1%	<1%	<1%	<1%	<1%
Efficiency	Average attorney caseload	N/A	475	350	350	350
Output	Number of cases prosecuted per attorney	N/A	302	265	275	275
Output	Number of cases prosecuted	1,900	1,661	2,250	2,200	2,200
* Output	Average time from filing complaint to final disposition, in months	5	3	5	3	3
Output	Number of cases referred for screening	2,657	2,613	3,000	3,000	3,000
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	5	20	20	20
Output	Number of cases dismissed under the six-month rule	N/A	6	3	3	3

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	2,506.9		2,624.6		3,162.3	2,708.8	3.2
Other Transfers	159.0		54.3		54.3	54.3	0.0
Federal Revenues	249.1		247.9		247.9	247.9	0.0
SOURCES TOTAL	2,915.0		2,926.8		3,464.5	3,011.0	2.9
USES							
Personal Services and Employee Benefits	2,623.8		2,754.8		3,240.2	2,817.0	2.3
Contractual Services	29.2		22.2		29.2	29.2	31.5
Other	247.9		149.8		195.1	164.8	10.0
TOTAL USES	2,900.9		2,926.8		3,464.5	3,011.0	2.9
FTE							
Permanent	39.0		39.0		39.0	39.0	0.0
Term	8.5		8.5		8.5	8.5	0.0
TOTAL FTE POSITIONS	47.5		47.5		47.5	47.5	0.0

TWELFTH JUDICIAL DISTRICT

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

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Outcome	Percent of cases dismissed under the six-month rule	0%	0.1%	<0.1%	<0.1%	<1.0%
* Efficiency	Average time from filing of petition to final disposition, in months	6	6	6	6	6
Efficiency	Average attorney caseload	359	394	180	180	180
Output	Number of cases prosecuted	3,196	3,453	3,400	3,400	3,400
Output	Number of cases referred for screening	4,125	4,133	5,000	5,000	5,000
Output	Number of cases dismissed under the six-month rule	1	2	2	2	2
Output	Number of cases prosecuted per attorney	N/A	329	150	150	150
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	43	125	125	125

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	4,598.6	4,843.3	5,575.3	4,965.6	2.5
Federal Revenues	86.3	0.0	0.0	0.0	
Other Revenues	149.4	147.7	147.7	147.7	0.0
SOURCES TOTAL	4,834.3	4,991.0	5,723.0	5,113.3	2.5
USES					
Personal Services and Employee Benefits	3,905.4	4,663.7	5,163.8	4,746.0	1.8
Contractual Services	102.2	22.4	102.9	22.4	0.0
Other	600.7	304.9	456.3	344.9	13.1
TOTAL USES	4,608.3	4,991.0	5,723.0	5,113.3	2.5
FTE					
Permanent	80.0	80.0	80.0	80.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	82.0	82.0	82.0	82.0	0.0

THIRTEENTH JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.4%	<0.2%	<0.4%	<1.0%
Output	Number of cases dismissed under the six-month rule	21	17	<27	<17	17
* Efficiency	Average time from filing of petition to final disposition, in months	8	9	6	6	6
Efficiency	Average attorney caseload	211	201	190	190	190
Output	Number of cases prosecuted	3,990	4,209	5,200	5,200	5,200
Output	Number of cases referred for screening	5,713	5,982	6,800	6,200	6,200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	N/A	120	120	120

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY15 – 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	1,840.0	2,058.4	2,536.1	2,104.6	2.2
Federal Revenues	1,383.4	0.0	0.0	0.0	
Other Revenues	304.0	252.9	252.9	252.9	0.0
Fund Balance	236.8	0.0	0.0	0.0	
SOURCES TOTAL	3,764.2	2,311.3	2,789.0	2,357.5	2.0
USES					
Personal Services and Employee Benefits	1,303.5	1,184.9	1,450.8	1,211.1	2.2
Contractual Services	102.7	227.2	264.0	227.2	0.0
Other	938.9	899.2	1,074.2	919.2	2.2
Other Financing Uses	786.0	0.0	0.0	0.0	
TOTAL USES	3,131.1	2,311.3	2,789.0	2,357.5	2.0
FTE					
Permanent	13.0	14.0	16.0	14.0	0.0
Term	0.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	13.0	15.0	17.0	15.0	0.0

BUDGET ISSUES:

For FY15, the Administrative Office of the District Attorneys (AODA) requested an increase of \$477.7 thousand, 21 percent over the FY14 operating budget, including an increase in the other category of \$175 thousand, or 19.5 percent, to provide increased funding for information technology equipment and training expenses. The request increased the personal services and employee benefits category by \$265.9 thousand, or 22 percent, to fully fund all of the 15 authorized positions and add 2 expansion FTE.

In FY14, AODA received a 15 percent increase in the personal services and employee benefits category and an additional term FTE. AODA reduced the personal services and employee benefits category by \$20 thousand in FY13 and provided raises to three employees with an FY14 cost of \$18 thousand.

The committee recommendation includes an increase of \$26 thousand, or 2.2 percent, in the personal services and employee benefits category to cover the costs of increases in health insurance premiums, retirement contributions, and risk coverage rates. The recommendation includes an additional \$20 thousand in the other costs category over the FY14 operating budget. The recommendation increases the budget for supplies by \$41 thousand to provide funding for IT equipment purchases in FY15. Equipment purchased by AODA supports statewide systems such as the victim notification system, and may be provided to individual district attorney’s offices.

In FY14, AODA received \$180 thousand to support the operations of children’s advocacy programs. The committee recommendation for FY15 continues this funding.

BASE EXPANSION:

AODA requested 2 FTE and \$159.6 thousand to hire two database administrators: one for the victim notification system and the other for the consolidated offender query (COQ) system. The committee does not recommend either position because the operation of these systems was possible under the FY14 operating budget.

BASE EXPANSION LISTING
FY15 - 2014-2015

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Database administrator (NMSAVIN)-1 FTE	(P264)	79.8	0.0
2	Database administrator (COQ)-1 FTE	(P264)	79.8	0.0
TOTAL			159.6	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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of victim notification events and escapes reported, monthly	4,096	2,200	7,500	3,700	3,700
Efficiency	Average time to resolve information technology calls for assistance, in hours	8	8	6	8	7
Explanatory	Percent of time network is available to users	96.0%	95.5%	99.0%	98.5%	98.5%
Output	Number of trainings conducted during the fiscal year	57	104	60	60	60

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution provides for the election of the attorney general for a term of four years and creates the position as part of the executive department. The attorney general is required to be a licensed attorney and serves as a member of the New Mexico Mortgage Finance Authority, Risk Management Advisory Board, State Commission of Public Records, Judicial Council, Compilation Commission, New Mexico Border Commission, and Law Enforcement Academy Board. Sections 8-5-1 through 8-5-15 NMSA 1978 establish the functions of the attorney general and the office. The attorney general serves as the head of the Department of Justice, the state's chief legal officer, legal counsel to state government, and consumer advocate.

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	8,258.7	9,511.1	15,901.5	10,796.7	13.5
Other Transfers	544.7	2,028.0	2,001.0	2,001.0	-1.3
Federal Revenues	1,467.1	1,534.6	1,585.3	1,585.3	3.3
Other Revenues	1,275.3	0.0	0.0	0.0	
Fund Balance	8,531.8	7,476.9	2,002.0	6,768.0	-9.5
SOURCES TOTAL	20,077.6	20,550.6	21,489.8	21,151.0	2.9
USES					
Personal Services and Employee Benefits	14,555.0	15,544.8	16,199.1	15,900.2	2.3
Contractual Services	1,210.9	761.7	808.5	781.5	2.6
Other	2,264.4	2,216.1	2,479.2	2,466.3	11.3
Other Financing Uses	544.7	2,028.0	2,003.0	2,003.0	-1.2
TOTAL USES	18,575.0	20,550.6	21,489.8	21,151.0	2.9
FTE					
Permanent	179.0	181.0	183.0	181.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	180.0	182.0	184.0	182.0	0.0

BUDGET ISSUES:

The FY15 request from the Office of the Attorney General (NMAG), an increase of approximately \$940 thousand, or about 4.6 percent, over the FY14 operating budget, included an expansion of \$150 thousand and 2 additional FTE. The general fund appropriations request was nearly \$6.4 million, or 67 percent, over FY14 operating budget levels.

During the economic downturn, the Legislature used consumer settlement fund balance to offset general fund revenues for operations in the NMAG Legal Services Program. General fund revenues were \$16.6 million in FY09 but dropped by more than half, to \$7.6 million, by FY12. Recently, NMAG received approximately \$11 million over three years as part of a settlement with the nation's five largest mortgage servicing entities. As a result, it has implemented a strategy -- called the Homeownership Prevention Program (HPP) -- and is distributing funds to nonprofits to provide legal services and counseling to New Mexico homeowners facing mortgage delinquency or foreclosure.

The general fund request offset a \$5.5 million reduction in revenues from the consumer protection settlement fund. The consumer protection settlement fund consists of settlement awards won by NMAG in claims against companies filed on behalf of the state for violations of consumer law. Some of the settlements are restricted for consumer payments or as otherwise indicated. The attorney general used \$2 million of settlement revenue in the budget request and projected the remaining fund balance would be \$1.8 million at the end of FY15; however, \$3.3 million of additional settlement amounts were received following the budget request submission.

The committee recommendation for the agency is \$21.2 million, an increase of \$600.4 thousand, or 2.9 percent, over the FY14 operating budget. The recommendation for the Legal Services Program is \$19 million, an increase of \$585.9 thousand, or 3.2 percent, over the FY14 operating budget. The recommendation for the Medicaid Fraud Program is \$2.1 million, an increase of \$14.5 thousand, or 0.7 percent, over the FY14 operating budget.

The recommendation for the Legal Services Program includes approximately \$6.8 million in revenues from the consumer protection and mortgage settlement funds, a \$683 thousand, or 9.2 percent, decrease from the FY14 operating budget. The recommendation includes \$4.9 million of consumer settlement revenue and \$1.1 million of mortgage settlement fund balance or revenue received from other any other settlements for FY15 operations. At least \$2 million a year in known settlement revenues are projected through FY17 and staff from NMAG anticipate receiving additional revenues through other settlements; however, they cannot accurately predict when and how much will be received until the cases are finalized. A significant amount of general fund revenues will be required for NMAG operations in future fiscal years, for personal services and employee benefits in particular.

The committee recommendation for the agency includes slight increases in both the contractual services and other categories, allowing for the pursuit of cases related to consumer protection, tobacco litigation, telecommunication, and business utilities and increases in General Service Department (GSD) rates.

Costs associated with lease agreements in Albuquerque continue to have an inordinately high impact on the agency's operating budget and should be addressed by the agency. The FY15 request is for \$422.7 thousand, an increase of \$12.9 thousand, or 3 percent, over FY13 actuals and \$22 thousand, or 5 percent, over F12 actuals.

In September, the attorney general reported the tobacco master settlement arbitration panel found New Mexico did not diligently enforce the qualifying tobacco settlement statute in calendar year 2003. Pending a potential appeal of the judgment and final calculations, the potential reduction in the 2014 distribution from the tobacco companies will range from \$12 million to \$24 million. The tobacco companies are likely to pursue arbitration for other calendar years. However, the attorney general believes New Mexico's performance in enforcement generally improved over time and this increases the state's chances of a favorable outcome in future arbitrations. The attorney general also reports the panel supported New Mexico's position that tribal sales -- exempt from excise tax -- are also exempt from enforcement of the provisions of the master settlement agreement. The panel's determination on the tribal sales issue will significantly aid New Mexico's efforts in protecting future years' settlement payments.

Staff of the Attorney General's Office are also involved in a high profile investigation into allegations of fraud against 15 New Mexico behavioral health providers. The fraud investigation resulted from information provided by state behavioral health contractor OptumHealth and from an audit report from the Public Consulting Group (PCG) into billing practices, quality of care, and enterprise relationships of the providers. The New Mexico Human Services Department (HSD) formally provided the report in June and NMAG began an investigation immediately. Because these providers were some of the largest in the state, the investigation is intensive and has required the allocation of additional resources by NMAG. Officials from NMAG released a heavily redacted version of the PCG audit in September 2013 in response to an inspection of public records (IPRA) request from several state entities. The attorney general stated that further information could not be released as it would jeopardize the ongoing investigation.

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

Progress on a number of cases related to corruption and abuses in government, including pay-to-play schemes involving state investment funds, continues to be slow. The Attorney General attributes delays to lengthy and complex appeals processes. According to NMAG, the agency has processed more than 47 inquiries and investigations, some of which have been concluded and some of which continue.

BASE EXPANSION:

The recommendation does not support the expansion request in the Legal Services Program for an additional 2 FTE; however, it does provide funding in the personal services and employee benefits category for staff needed for the sex offender parole board hearings.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the attorney general include six million seven hundred sixty-six thousand dollars (\$6,766,000) from the consumer settlement fund and mortgage settlement fund.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Sex offender parole board staff -- 2 FTE	149.8	0.0
TOTAL		149.8	0.0

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)**

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	7,769.6	8,999.5	15,373.1	10,268.3	14.1
Other Transfers	544.0	2,000.0	2,000.0	2,000.0	0.0
Other Revenues	1,275.3	0.0	0.0	0.0	
Fund Balance	8,531.0	7,448.9	2,000.0	6,766.0	-9.2
SOURCES TOTAL	18,119.9	18,448.4	19,373.1	19,034.3	3.2
USES					
Personal Services and Employee Benefits	13,071.6	13,762.1	14,371.2	14,072.3	2.3
Contractual Services	1,203.5	753.5	799.8	772.8	2.6
Other	2,024.5	1,932.8	2,202.1	2,189.2	13.3
Other Financing Uses	544.0	2,000.0	2,000.0	2,000.0	0.0
TOTAL USES	16,843.6	18,448.4	19,373.1	19,034.3	3.2
FTE					
Permanent	158.0	160.0	162.0	160.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	159.0	161.0	163.0	161.0	0.0

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Output	Number of crime victims receiving information and advocacy	584	1,150	800	1,000	1,000
Efficiency	Number of outreach presentations conducted throughout the state	91	89	90	90	90
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act, with complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Percent of mediation processes initiated within seventy-two hours of receipt of completed complaint	87%	77%	90%	90%	90%
Outcome	Percent of initial responses to requests for attorney general opinions made within three days of request	92%	88%	95%	95%	95%
* Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	35%	35%	40%	40%	40%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	32	32	40	40	35

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	489.1	511.6	528.4	528.4	3.3
Other Transfers	0.7	28.0	1.0	1.0	-96.4
Federal Revenues	1,467.1	1,534.6	1,585.3	1,585.3	3.3
Fund Balance	0.8	28.0	2.0	2.0	-92.9
SOURCES TOTAL	1,957.7	2,102.2	2,116.7	2,116.7	0.7
USES					
Personal Services and Employee Benefits	1,483.4	1,782.7	1,827.9	1,827.9	2.5
Contractual Services	7.4	8.2	8.7	8.7	6.1
Other	239.9	283.3	277.1	277.1	-2.2
Other Financing Uses	0.7	28.0	3.0	3.0	-89.3
TOTAL USES	1,731.4	2,102.2	2,116.7	2,116.7	0.7
FTE					
Permanent	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	21.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Three-year projected savings resulting from fraud investigations, in millions	\$33	\$25	\$30	\$30	\$30
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$2,506	\$3,494	\$3,000	\$3,000	\$3,000
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human services	6	4	5	5	5
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt.	29%	34%	80%	80%	80%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,516.6	2,899.9	3,006.0	2,983.3	2.9
Other Revenues	353.1	430.0	430.0	430.0	0.0
Fund Balance	221.2	200.0	200.0	200.0	0.0
SOURCES TOTAL	3,090.9	3,529.9	3,636.0	3,613.3	2.4
USES					
Personal Services and Employee Benefits	2,193.9	2,997.9	3,063.2	3,040.5	1.4
Contractual Services	78.1	75.7	90.3	90.3	19.3
Other	394.1	456.3	482.5	482.5	5.7
TOTAL USES	2,666.1	3,529.9	3,636.0	3,613.3	2.4
FTE					
Permanent	33.0	33.0	34.0	33.0	0.0
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	33.0	-2.9

BUDGET ISSUES:

The overall FY15 request was \$3.6 million, an increase of \$106 thousand, or 3.7 percent, above the FY14 operating budget. The request included \$65 thousand for increases in personal services and employee benefits to fully fund authorized FTE. The department has struggled to hire and retain qualified auditors, particularly at the audit manager level, citing the need for more competitive salaries to compensate for the demanding responsibilities of the office. The office has since worked with the State Personnel Office to upgrade several positions, such as state audit manager and state audit coordinator, to higher alternate pay bands. The request also included \$15 thousand over FY14 for contractual services for independent public accountants and modest increases for information technology and other spending categories.

The FY15 budget request was supported by \$430 thousand in audit fees. Higher vacancies impact the department's ability to generate audit fees, and in FY13 it had difficulty performing a sufficient number of audits to generate fee revenue; however, the department is on track to meet the goal of \$430 thousand in audit fees for FY14. The department also budgeted \$200 thousand in fund balance.

The committee recommendation supports the requested amounts for audit fee revenue and fund balances. The overall recommendation is for \$3.6 million and reflects an increase in general fund revenue of \$83.4 thousand, or 2.9 percent, above the FY14 operating budget. The recommendation applies a modest 1 percent vacancy rate for personal services and employee benefits and supports the requested increase in contractual services to allow the department to hire independent public accountants when independence or resource issues arise or when financially "at risk" public entities need additional support. The recommendation does not support the request to reclassify one unauthorized term position to a permanent position.

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

As of November 2013, 27 governmental entities were designated “at risk” by OSA for failing to submit an FY12 (or earlier) financial audit report; the number has declined since November 2012, when there were 40 such entities on the list. Among those listed are one hospital (Eunice Special Hospital District), 16 municipalities (including the villages of Angel Fire, Magdalena, and Columbus), two schools (Des Moines Municipal Schools and Las Vegas City Schools), six special districts (primarily water and sanitation districts), the Eastern Plains Council of Governments, and one state agency, the Health Policy Commission. This designation results in special monitoring by the OSA Special Investigations Division (SID). As part of its monitoring program, SID requires at risk agencies to submit periodic written status reports until the agency is in compliance.

The “at risk” list has taken on more significance with Executive Order 2013-06, which prescribed uniform funding criteria for grantees to be eligible for local capital outlay appropriations -- grantees on the “at risk” list may lose funding for capital outlay projects. The largest impact of withheld funds appears to be for projects requested by small, rural political subdivisions with limited or no funding to pay for an audit. The Department of Finance and Administration (DFA) is working to help “at risk” entities secure alternate fiscal agents (that can assist with project funding oversight) where possible, although it is not clear how many of the 122 projects may ultimately qualify for the funding.

In a November 1, 2013, letter to DFA, OSA requested to review DFA’s FY13 Comprehensive Annual Financial Report (CAFR) audit plan, including timelines, expected submission dates, and explanation of obstacles that could delay the CAFR audit. OSA expressed concerns that, while DFA issued a request for proposals for an FY13 CAFR audit contract, DFA continues to struggle with issues that could impact a timely CAFR audit which could both negatively impact the CAFR audit opinion and also lead to increased audit costs. It also noted the Government Financial Officer’s Association (GFOA) established a six-month standard for issuance of a state’s audited CAFR, compliance with which impacts a range of state functions, including auditing, bonding, state bond ratings, and budget and revenue projections. Achieving the GFOA benchmark would allow state officials to review the state’s overall financial performance in preparation for future budget cycles. While DFA has published CAFR reports in the past, those reports have been late and have not been audited as required by law.

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Output	Total audit fees generated	\$395,715	\$353,076	\$430,000	\$430,000	\$430,000
* Explanatory	Percent of audits completed by regulatory due date	81%	79%	80%	80%	80%
Output	Number of training sessions performed	20	17	16	16	16
Outcome	Percent of statutory reviews of audit reports completed within ten days	79%	90%	75%	75%	85%
Outcome	Percent of agency auditor selection requests processed within five days of receipt	94%	100%	95%	95%	95%
Output	Number of working paper reviews of independent public accountants	24	45	45	45	45

STATUTORY AUTHORITY:

Sections 9-11-1 through 9-11-15 NMSA 1978 create the Taxation and Revenue Department (TRD) as a single, unified department for administration of laws and oversight functions related to taxation, revenue, and vehicles. 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)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	53,342.1		54,952.4		59,598.3	57,175.9	4.0
Other Transfers	504.6		505.8		630.8	630.8	24.7
Federal Revenues	1,524.5		1,467.5		1,506.8	1,506.8	2.7
Other Revenues	28,163.1		26,248.2		26,181.8	26,086.4	-0.6
Fund Balance	4,303.7		1,265.9		0.0	1,265.9	0.0
SOUR-CES TOTAL	87,838.0		84,439.8		87,917.7	86,665.8	2.6
USES							
Personal Services and Employee Benefits	51,878.3		59,797.1		61,789.8	59,649.4	-0.2
Contractual Services	8,091.6		6,827.6		8,544.1	8,373.5	22.6
Other	19,040.6		16,549.2		17,583.8	17,377.0	5.0
Other Financing Uses	2,223.3		1,265.9		0.0	1,265.9	0.0
TOTAL USES	81,233.8		84,439.8		87,917.7	86,665.8	2.6
FTE							
Permanent	1,074.5		1,058.5		1,062.5	1,028.5	-2.8
Term	29.0		29.0		29.0	29.0	0.0
Temporary	32.5		21.5		21.5	21.5	0.0
TOTAL FTE POSITIONS	1,136.0		1,109.0		1,113.0	1,079.0	-2.7

BUDGET ISSUES:

TRD requested a general fund appropriation of \$59.6 million, \$4.6 million, or 8.5 percent, over the FY14 operating budget and included a \$187.6 thousand and 2 FTE expansion request related to information technology. Increases in general fund revenues also included about \$1.6 million for employee salaries and benefits for the Program Support, Tax Administration, and Motor Vehicle programs. Remaining increases were primarily for information technology contractual services, maintenance, and supplies. The overall base request was \$87.9 million, or \$3.5 million over the FY13 operating budget.

The committee recommends a general fund appropriation of \$57.2 million, a 4 percent increase over the FY14 operating budget. The overall budget recommendation is \$86.7 million, or 2.6 percent over the FY14 operating budget. The recommendation includes \$1.3 million in weight-distance tax permit fee fund balance for transfer to the Motor Transportation Division of the Department of Public Safety that was not included in TRD’s request. The funds will be used for enforcement of the New Mexico weight-distance tax for commercial vehicles.

The recommendation for personal services and employee benefits is generally flat for FY15; in FY13 the department transferred \$3.4 million out of personal services and employee benefits for other budget categories.

The Tax Administration Program comprises the Audit and Compliance Division and Revenue Processing Division. In FY13, the program collected 66 percent of collectible audit assessments generated in that year – well above the 45 percent target. The program also exceeded the 15 percent target for collections as a percent of outstanding balances. TRD has been expanding the requirement for electronic filing, and in FY13, 85 percent of personal income and combined reporting system filers filed electronically.

In FY13, the Tax Administration Program received approval from the State Personnel Office to reclassify auditors at a higher, more competitive pay band to help the department recruit and retain qualified auditors. Additionally, increased automated processes and e-filing have reduced some staffing pressures within the program. The recommendation supports the transfer of 3 FTE to Program Support (project coordinator, ombudsman, and trainer), deletes 25 vacant positions, and applies an 11 percent vacancy rate. The program's current vacancy rate is about 20 percent, although this is down from the two-year historical average of 26.5 percent. The recommendation also includes \$300 thousand over FY14 for information technology maintenance and supplies.

The recommendation for personal services and employee benefits within Motor Vehicle Division (MVD) deletes five vacant positions and applies a 7 percent vacancy rate. As of November 2013, 49 of the program's authorized 348 FTE were vacant. The recommendation also provides an additional \$350 thousand for IT contractual services and \$500 thousand for telecommunications, training, printing, and other supplies.

The MVD program continues to struggle with performance issues, primarily due to staff turnover and difficult-to-fill IT and auditing positions. In FY12, LFC reported MVD had not made a priority of routinely using data to guide its decision-making. MVD has since upgraded its automated customer queuing system, which now provides more consistent data, and has implemented Expressia, a new customer satisfaction survey and tracking system. The program also won a Quality New Mexico organizational performance excellence award in FY14 MVD's leadership processes, strategic planning, and execution processes were highlighted as best practices.

In FY13 and FY14 MVD continued with preparations to upgrade its 40-year-old driver and motor vehicle IT systems. The project scope includes all driver and vehicle transactions; management of third parties that provide or receive data from MVD, including the Department of Public Safety, courts, and insurance firms; all financials including point-of-sale and SHARE interfaces; and all web-based transactions. The department has put tremendous effort into defining the project, analyzing alternatives, vetting potential vendors, contract development, and a concerted effort to understand and learn from mistakes during TRD's previous attempts at replacing the antiquated system.

In FY11, the Property Tax Program general fund revenue was replaced with other revenue and cash balances, which permitted the program to be completely self-funded. Section 7-38-62 NMSA 1978 allows the department to increase fees associated with the cost of administering the code. The program request included a \$154 thousand, or 4.6 percent, increase over the FY13 operating budget, including a \$95.4 thousand and 2 FTE requested expansion. The recommendation supports the request to fully fund the program to fill vacancies, but does not support the expansion request. In FY13, the program returned approximately \$12 million in delinquent property tax obligations to New Mexico counties.

The recommendation for Program Support includes \$1.3 million of the \$1.4 million requested for enhanced maintenance for the GenTax system, the state's tax IT system of record. Enhanced maintenance includes four dedicated contract developers to support system upgrades and increased functionality, such as improved fraud detection. TRD reported \$5.8 million in increased revenue since it began upgrading the system in July 2012; however, the annual cost of enhanced maintenance is almost \$2.8 million. The program is encouraged to investigate ways to reduce annual expenses of this beneficial but costly system.

BASE EXPANSION:

The recommendation does not include funding for the department's expansion request for \$187.6 thousand and 2 FTE for Program Support for a software developer and a document management specialist or the requested expansion for the Property Tax Division. While the programs have reduced vacancy rates from recent years, the programs are encouraged to reclassify remaining vacancies as necessary to meet the department's needs.

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 Sections 7-1-6.46, 7-1-6.47, and Subsection E of Section 7-1-6.41 NMSA 1978.

Notwithstanding the provisions of 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 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 funds appropriations to the department.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Weight distance software developer - 1 FTE	(P572)	93.8	0.0
2	Document management system - 1 FTE	(P572)	93.8	0.0
3	Property tax title examiners - 2 FTE	(P575)	95.4	0.0
TOTAL			283.0	0.0

TAX ADMINISTRATION

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	21,529.9	22,130.2	23,065.1	22,080.2	-0.2
Other Transfers	10.9	0.0	0.0	0.0	
Federal Revenues	1,447.3	1,467.5	1,506.8	1,506.8	2.7
Other Revenues	7,618.4	7,715.9	7,588.9	7,588.9	-1.6
SOURCES TOTAL	30,606.5	31,313.6	32,160.8	31,175.9	-0.4
USES					
Personal Services and Employee Benefits	21,921.2	24,824.5	25,470.7	24,574.5	-1.0
Contractual Services	190.7	188.3	110.7	110.7	-41.2
Other	7,279.6	6,300.8	6,579.4	6,490.7	3.0
TOTAL USES	29,391.5	31,313.6	32,160.8	31,175.9	-0.4
FTE					
Permanent	470.5	462.5	460.5	435.5	-5.8
Term	26.0	26.0	26.0	26.0	0.0
Temporary	29.5	18.5	17.5	17.5	-5.4
TOTAL FTE POSITIONS	526.0	507.0	504.0	479.0	-5.5

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	13:1	10:1	10:1	8:1	10:1
* Output	Percent of electronically filed returns for personal income tax and combined reporting system	82%	85%	85%	85%	90%
Outcome	Percent of baseline and funded delinquent tax collection targets met	129.3%	98.7%	100%	100%	100%
Efficiency	Percent of taxpayer correspondence requests answered in an average of ten working days	88%	100%	95%	95%	100%
* Outcome	Collections as a percent of collectible audit assessments generated in the current fiscal year	64.2%	66.2%	55%	50%	65%
* Outcome	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	18.4%	17.6%	18%	15%	18%

MOTOR VEHICLE

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,040.9	11,483.9	12,634.6	12,443.2	8.4
Federal Revenues	77.2	0.0	0.0	0.0	
Other Revenues	15,625.7	14,034.6	13,949.5	13,949.5	-0.6
Fund Balance	4,298.8	1,265.9	0.0	1,265.9	0.0
SOURCES TOTAL	31,042.6	26,784.4	26,584.1	27,658.6	3.3
USES					
Personal Services and Employee Benefits	14,008.8	15,959.8	16,163.9	16,040.8	0.5
Contractual Services	4,574.7	3,952.7	4,311.2	4,274.3	8.1
Other	6,570.0	5,606.0	6,109.0	6,077.6	8.4
Other Financing Uses	2,223.3	1,265.9	0.0	1,265.9	0.0
TOTAL USES	27,376.8	26,784.4	26,584.1	27,658.6	3.3
FTE					
Permanent	342.0	342.0	342.0	337.0	-1.5
Term	3.0	3.0	3.0	3.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	348.0	348.0	348.0	343.0	-1.4

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Percent of registered vehicles with liability insurance	92%	91%	92%	91%	91%
* Efficiency	Average call center wait time to reach an agent, in minutes	6:41	6:52	6	6	6
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	25:06	24:42	20	20	20
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1	1.5	1	1	1
* Quality	Percent of customers rating customer service as good or higher			new	80%	80%
Efficiency	Web transactions as a percent of total transactions			new	25%	25%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	4,087.3	3,320.3	3,474.3	3,378.9	1.8
SOURCES TOTAL	4,087.3	3,320.3	3,474.3	3,378.9	1.8
USES					
Personal Services and Employee Benefits	2,217.5	2,551.1	2,619.7	2,537.2	-0.5
Contractual Services	80.1	127.6	194.0	194.0	52.0
Other	526.7	641.6	660.6	647.7	1.0
TOTAL USES	2,824.3	3,320.3	3,474.3	3,378.9	1.8
FTE					
Permanent	41.0	39.0	41.0	39.0	0.0
TOTAL FTE POSITIONS	41.0	39.0	41.0	39.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held		new	66%	66%	66%
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$11.3	\$12.0	\$7.0	\$6.5	\$10.0
* Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value-to-market value	97%	97%	92%	90%	92%

COMPLIANCE ENFORCEMENT

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,803.7	1,953.6	2,023.2	2,000.1	2.4
Other Revenues	52.2	251.2	263.9	263.9	5.1
SOURCES TOTAL	1,855.9	2,204.8	2,287.1	2,264.0	2.7
USES					
Personal Services and Employee Benefits	1,444.9	1,885.3	1,943.6	1,920.5	1.9
Contractual Services	45.5	18.6	24.1	24.1	29.6
Other	333.2	300.9	319.4	319.4	6.1
TOTAL USES	1,823.6	2,204.8	2,287.1	2,264.0	2.7
FTE					
Permanent	28.0	28.0	28.0	28.0	0.0
TOTAL FTE POSITIONS	28.0	28.0	28.0	28.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	15%	67%	40%	40%	50%
Outcome	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	100%	95%	90%	90%
Output	Percent of internal audit recommendations implemented	87%	87%	85%	85%	90%
Outcome	Percent of fraudulent refund mill tax returns intercepted compared with the total number of personal income tax returns processed		new	0.2%	0.2%	0.2%
Outcome	Percent of internal investigations completed within sixty days	60%	53%	40%	40%	50%

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)

	FY13		FY14		FY15 - 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	18,967.6		19,384.7		21,875.4	20,652.4	6.5
Other Transfers	493.7		505.8		630.8	630.8	24.7
Other Revenues	779.5		926.2		905.2	905.2	-2.3
Fund Balance	4.9		0.0		0.0	0.0	
SOURCES TOTAL	20,245.7		20,816.7		23,411.4	22,188.4	6.6
USES							
Personal Services and Employee Benefits	12,285.9		14,576.4		15,591.9	14,576.4	0.0
Contractual Services	3,200.6		2,540.4		3,904.1	3,770.4	48.4
Other	4,331.1		3,699.9		3,915.4	3,841.6	3.8
TOTAL USES	19,817.6		20,816.7		23,411.4	22,188.4	6.6
FTE							
Permanent	193.0		187.0		191.0	189.0	1.1
Temporary	0.0		0.0		1.0	1.0	
TOTAL FTE POSITIONS	193.0		187.0		192.0	190.0	1.6

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of driving-while-intoxicated drivers' license revocations rescinded due to failure to hold hearings within ninety days	0.2%	0.5%	<1%	<1%	<1%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	15	16	20	20	16
Outcome	Percent of projects certified by the department of information technology completed within budget	100%	100%	100%	100%	100%
Outcome	Number of tax protest cases resolved	1,381	1,371	750	750	1,000
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

The State Investment Council (SIC) was created by section 6-8-2 NMSA 1978 and is responsible for managing the land grant (LGPF), severance tax (STPF), tobacco settlement (TSPF), and water (WPF) permanent funds, as well as the investments of other state and political subdivision clients. The council consists of 11 members: the governor, state treasurer, commissioner of public lands, secretary of the Department of Finance and Administration, chief financial officer of a state institution of higher education, and six public members. Four public members are appointed by the Legislative Council and two are appointed by the governor. The six public members serve staggered terms of five years. 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 that future generations receive the same benefits over time and to provide a current revenue source for the state's general fund.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	31,631.4	51,979.5	50,255.9	50,119.3	-3.6
SOURCES TOTAL	31,631.4	51,979.5	50,255.9	50,119.3	-3.6
USES					
Personal Services and Employee Benefits	3,233.6	3,704.7	4,552.7	4,416.1	19.2
Contractual Services	27,754.2	47,412.0	44,840.4	44,840.4	-5.4
Other	643.6	862.8	862.8	862.8	0.0
TOTAL USES	31,631.4	51,979.5	50,255.9	50,119.3	-3.6
FTE					
Permanent	32.0	32.0	32.0	31.0	-3.1
TOTAL FTE POSITIONS	32.0	32.0	32.0	31.0	-3.1

BUDGET ISSUES:

Although SIC's budget request for FY15 was a 3.3 percent reduction from its FY14 operating budget, the request was 58.8 percent above FY13 actual expenditures because, beginning in FY14, spending in the contractual services category increased significantly to fund external investment manager fees. The request included a 23 percent increase in the personal services and employee benefits category to fund the conversion of 2 classified FTE to exempt status, reduce vacancy rates, and a \$430 thousand increase in employee liability premiums pursuant to a General Services Department rate increase. SIC reports this rate increase likely reflects expected payouts in two ongoing claims.

The request for the contractual services category totaled \$44.8 million, including \$37.8 million to pay external management fees, and was \$2.5 million, or 5.4 percent, lower than the FY14 operating budget. SIC noted this reduction reflected the absence of approximately \$5 million in one-time transition costs related to the move from passive to active management of international equities. The request also included an increase in asset management fees in line with growth in the amount of assets under management.

The committee recommends funding the agency at \$50.1 million. The recommendation applies a 3 percent vacancy savings to the personal services and employee benefits category in consideration of the agency's historical 18 percent vacancy rate. The agency has had 3 FTE vacant for more than two years. The recommendation provides sufficient funding for the agency to fill two of these positions, which it has advertised nationally, while deleting a third position that has remained vacant. The recommendation supports the SIC's request to convert 2 classified FTE to exempt positions.

The recommendation also includes \$2.5 million in legal contractual services. Among legal issues facing the agency is ongoing pay-to-play litigation, which the SIC estimates will cost up to \$250 thousand per month when the case goes to trial, likely in 2015. The agency reports recoveries currently total approximately \$27 million, of which \$4.25 million would go to the Educational Retirement Board (ERB).

SIC’s rebalancing of its portfolio to meet new asset allocations is ongoing. The council restructured the way it governs itself and oversees and relates to its staff and consultants, particularly in the way it engages in the oversight and management of the investment portfolio. Following a thorough asset allocation study and strategic analysis, the council shifted several billion dollars in the SIC internal equities and fixed income portfolios to a more balanced division of assets among several external investment managers in conjunction with the SIC’s internal team.

External investment management requires additional contracts and increased fees. However, SIC expects higher investment returns will offset the increased costs. By the end of FY10, about 65 percent of the SIC portfolio was externally managed and 87 percent was actively managed. Beginning in FY13, about 99 percent of the SIC portfolio was externally managed and 82 percent was actively managed. During FY13, SIC’s two main funds, the LGPF and the STPF, returned 13.3 percent and 12.2 percent, respectively. This annual performance exceeded the funds’ long term target return of 7.5 percent. Between January 2009 and June 2013, the market value of the LGPF, STPF, tobacco settlement permanent fund, and water project funds grew from \$11.7 billion to \$17.1 billion.

Like many investment agencies, SIC seeks to maximize investment returns by hiring active fund managers. Some asset classes, such as equities and fixed income assets, offer little opportunity for investment gains through asset management, and indexing is less costly. However, potential exists for investment returns due to manager skill in certain asset classes, such as opportunistic credit and private equity. It is important to continue to monitor the effectiveness of external management to ensure returns on state funds maximized.

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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	-18	-89	>25	>25	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	76	75	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points		-124	>25	>25	>25
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe		41	<49	<49	<49

STATUTORY AUTHORITY:

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

MISSION:

The Department of Finance and Administration (DFA) 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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	22,833.9	23,595.4	25,608.5	24,544.0	4.0
Other Transfers	748.5	174.3	174.3	674.3	286.9
Federal Revenues	12,920.3	10,943.3	10,940.0	10,940.0	0.0
Other Revenues	45,264.0	40,225.7	40,476.5	40,476.5	0.6
Fund Balance	127.5	3,190.0	4,640.0	140.0	-95.6
SOURCES TOTAL	81,894.2	78,128.7	81,839.3	76,774.8	-1.7
USES					
Personal Services and Employee Benefits	10,625.9	12,053.3	12,328.7	12,092.0	0.3
Contractual Services	8,412.8	9,091.4	10,572.2	10,415.0	14.6
Other	40,885.4	55,454.0	57,908.4	52,737.8	-4.9
Other Financing Uses	1,078.9	1,530.0	1,030.0	1,530.0	0.0
TOTAL USES	61,003.0	78,128.7	81,839.3	76,774.8	-1.7
FTE					
Permanent	147.0	137.0	141.0	137.0	0.0
Term	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	168.0	158.0	162.0	158.0	0.0

BUDGET ISSUES:

DFA requested a general fund appropriation of \$25.6 million, \$2 million, or 8.5 percent, over the FY14 operating budget that included \$263.5 thousand of expansion items. About \$15 million, or 60 percent, of the general fund request covered operating expenses of agency programs; the remaining \$10.2 million was allocated general state expenditures or special appropriations that “pass through” the DFA, such as the Youth Mentoring Program. The largest contributor to the requested increase in general fund revenue was the anticipated \$1.1 million cost of an audit for the state’s comprehensive annual financial report (CAFR).

In FY13, DFA reverted approximately \$2.7 million to the general fund, primarily due to vacancy savings, and requested \$869 thousand in budget adjustment requests out of personal services and benefits to be used for contracts or other uses.

The overall base budget request for FY15 was \$81.6 million, \$3.4 million, or 4.4 percent, above the FY14 operating budget. The budget increase not attributable to general fund spending is largely due to an additional \$1.5 million over FY14 in requested fund balance for the E-911 Enhancement Program within the Local Government Division. The E-911 program uses surcharges collected from landlines and wireless phones for equipment, maintenance, and training at local public safety call centers.

The committee recommends a general fund appropriation of \$24.5 million, a 4 percent increase over the FY14 operating budget. The recommendation makes minor technical adjustments for the Policy Development and Program Support programs. The recommendation also supports minor increases within Program Support for employee salaries benefits, economic forecasting, and recording services for the State Board of Finance -- as well as the transfer of 5 FTE from Program Support to the Fiscal Management and Oversight Program to assist with its financial management responsibilities.

Within the Fiscal Management and Oversight Program, the recommendation includes \$600 thousand of the requested \$1.1 million in general fund revenue for costs associated with auditing the state’s CAFR. While the importance of an audited CAFR is recognized, DFA should develop a plan to allocate additional costs through the statewide cost allocation plan.

In FY13 and FY14, the Fiscal Management and Oversight Program made significant progress toward identifying and correcting the problem with the state's general ledger cash account balances not matching balances in the state's cash accounts at the bank -- the cash remediation project. Less progress has been made in the effort to address historical unreconciled cash balances and ascertain the proper amount and source of the liability the state faces, if any. In DFA's FY12 audit submitted to the State Auditor, DFA reported an expense made against the state's operating reserve fund of \$70 million (of a potential \$460 million) for historical cash variances between SHARE and the bank. In September 2013, DFA reported to LFC an additional \$30 million would be charged against the state's operating fund in FY13. The department will continue to refine the process of monthly cash reconciliations and will consider options for addressing unreconciled historical balances.

The recommendation for the Local Government Division (LGD) reduces the requested 6 percent average vacancy rate to approximately 5.3 percent to allow the division to fill vacancies and improve efforts to monitor the fiscal health of local public bodies. The recommendation also includes an increase of \$100 thousand, or a 5 percent increase, for the Civil Legal Services program, which contracts with nonprofit organizations to provide legal assistance to low-income New Mexicans. The program experienced a decline in revenue in recent years due to reductions in federal grants and decreased civil legal fee revenue. The committee recommendation supports the division's request to budget \$10.9 million in federal community development block grant revenue for FY15, reflecting reductions in available federal funding. Finally, the recommendation reduces the request for E-911 funding by \$4.5 million, which is still \$888 thousand, or 8 percent, over what the program spent in FY13. The savings will be reprioritized to address a Department of Information Technology capital outlay request for critical radio communications infrastructure (LMR) upgrades, part of the state's public safety network used by emergency responders; the state's emergency responders continue to depend on the LMR system for the fastest possible communications in an emergency.

LGD continues to manage with limited information technology solutions, which impacts the division's ability to perform the analyses and forecasting necessary for useful and timely reporting of local government fiscal health to stakeholders. In FY14, county local DWI grant programs were appropriated nearly \$18 million in liquor excise tax revenue for services to reduce drunk driving and substance abuse in New Mexico. Historically, counties have done little strategic program planning or performance evaluation; however, LGD and the New Mexico Department of Health have been working to improve county reporting and accountability in each of the program components, such as prevention and treatment.

In January 2014, approximately 140 thousand additional New Mexican adults will be newly eligible for Medicaid coverage when adult income eligibility limits for the program increases from 33 percent of the federal poverty level (FPL) to 138 percent FPL as a result of the Affordable Care Act. These changes may allow counties to reduce expenses for LDWI programs or reprioritize existing programming.

Executive Order 2013-06 prescribed uniform funding criteria for grantees to be eligible for local capital outlay appropriations; for example, they must have a duly adopted budget for the current fiscal year and be compliant with applicable financial reporting requirements. However, the release date of the order left little time for entities to comply with State Board of Finance timelines for issuance of senior severance tax bonds (STB), and as a result, approximately \$13.4 million in STB revenue was not issued for 122 projects in multiple counties. The largest impact of withheld funds was for projects requested by small, rural political subdivisions with limited or no funding to pay for an audit. Legislators have sought legal opinion from the state's Attorney General regarding governor's authority to withhold legislative appropriations. It is not clear how many of the 122 projects may ultimately qualify for STB; a final list must be completed in time for the December 2013 bond sale.

Regarding special appropriations that "pass through" DFA, the committee recommendation includes a \$100 thousand increase over FY14 to the State Board of Finance to cover anticipated increases in the state's fiscal agent contract, as well as minor increases for department memberships and dues. The recommendation does not include the requested \$156.3 thousand, or 121.3 percent, increase for leasehold community assistance, which provides leasehold communities (currently only one) with assistance in meeting operating expenses. Based on a review of the entity's FY13 financial audit, the community does not need additional financial assistance at this time.

As of November 2013, no statewide organization has received FY13-14 funding under the Youth Mentoring Program administered by LGD, causing fiscal hardships for many statewide nonprofits. DFA issued two amendments to the Youth Mentoring request for proposals (RFP) (August 28 and September 3), originally issued August 13, 2013, and already behind schedule. Further delays stem from DFA's decision to disqualify one nonprofit for what the entity characterized as "minor typographical errors." DFA reportedly plans to completely reissue the RFP, which, while possibly benefiting the previously disqualified agency, could further delay release of funds under this program.

Finally, the recommendation continues the transfer of \$500 thousand from the DWI grant fund to the Administrative Office of the Courts for drug courts. This is an appropriate use of the fund and would otherwise result in a cut to drug courts, which evidence shows are successful, or increased general fund need.

BASE EXPANSION:

The recommendation does not include funding for the department’s expansion request for \$76.5 thousand and 1 FTE within the Policy Development Program. DFA should reprioritize existing resources and vacancies to provide additional oversight for entities receiving capital outlay appropriations.

The recommendation does not include funding for the requested \$187 thousand and 3 FTE for the Local Government Division. While the intent to provide additional support to financially “at risk” local entities is laudable, the division has newly restructured itself and only recently began to fill vacancies in earnest; adding additional FTE at this time could be premature. The department should determine whether it could reclassify existing vacant positions to meet the program’s needs.

RECOMMENDED LANGUAGE:

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

On certification by the state board of finance pursuant to Section 6-1-2 NMSA 1978 that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, the secretary of the department of finance and administration is authorized to transfer from the general fund operating reserve to the state board of finance emergency fund the amount necessary to meet the emergency. Such transfers shall not exceed an aggregate amount of two million dollars (\$2,000,000) in fiscal year 2015. Repayments of emergency loans made pursuant to this paragraph shall be deposited in the board of finance emergency fund pursuant to the provisions of Section 6-1-5 NMSA 1978.

The other state funds appropriations to the community development, local government assistance and fiscal oversight program of the department of finance and administration include twelve million dollars (\$12,000,000) from the 911 enhancement fund, eighteen million nine hundred thousand dollars (\$18,900,000) from the local DWI grant fund, and one million six hundred sixty-six thousand one hundred dollars (\$1,667,100) from the civil legal services fund.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Executive capital budget analyst	(P541)	76.5	0.0
1	Accountant auditor positions - 3 FTE	(P543)	187.0	0.0
TOTAL			263.5	0.0

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)

	FY15 - 2014-2015		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted			
SOURCES					
General Fund Transfers	3,493.8	3,399.4	3,509.9	3,408.1	0.3
SOURCES TOTAL	3,493.8	3,399.4	3,509.9	3,408.1	0.3
USES					
Personal Services and Employee Benefits	2,527.6	3,132.1	3,220.1	3,152.6	0.7
Contractual Services	84.9	91.3	115.9	85.9	-5.9
Other	395.8	176.0	173.9	169.6	-3.6
TOTAL USES	3,008.3	3,399.4	3,509.9	3,408.1	0.3
FTE					
Permanent	37.0	35.0	36.0	35.0	0.0
TOTAL FTE POSITIONS	37.0	35.0	36.0	35.0	0.0

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Output	Number of capital projects older than five years for which the funding is not expended or reverted		0	20	20	10
Output	Dollar amount of capital projects older than five years that is not expended or reverted, in millions		0	\$4	\$4	\$2
Output	Percent of state agency capital outlay projects included in the infrastructure capital improvement plan	90%	100%	90%	90%	100%
* Outcome	General fund reserves as a percent of recurring appropriations	13%	11%	10%	10%	10%
Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and gas revenue and corporate income taxes	-0.2%	4.2%	(+/-) 4%	(+/-)4%	(+/-)4%
Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	1.9%	7.2%	(+/-) 3%	(+/-) 3%	(+/-) 3%
Outcome	Percent of agencies that develop and implement performance monitoring plans	95%	95%	100%	100%	100%
Output	Percent of state agencies monitored that are operating within available resources	100%	100%	100%	100%	100%
Outcome	Average number of working days to process capital budget requests and budget adjustment requests	3.6	3.5	5	5	5
Quality	Percent of board members satisfied with monthly briefings pursuant to an anonymous annual survey	100%	100%	100%	100%	100%
Outcome	Percent of bond projects that expired at the end of the previous fiscal year for which proceeds are either disbursed or reverted six months following fiscal year-end	79%	97%	95%	95%	95%
Output	Average number of bids received at each competitive bond sales	12	8	5	5	5
Efficiency	Percent of state payments processed electronically	81.1%	84.6%	>=70%	>=70%	>=70%
Outcome	Percent of state treasurer's investment committee meetings attended by board of finance director or designee		100%	100%	100%	100%

COMMUNITY DEVELOPMENT, LOCAL GOVERNMENT ASSISTANCE AND FISCAL OVERSIGHT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 - 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	3,439.0	3,813.3	4,000.3	3,858.7	1.2
Federal Revenues	12,920.3	10,943.3	10,940.0	10,940.0	0.0
Other Revenues	35,418.0	32,416.3	32,567.1	32,567.1	0.5
Fund Balance	0.0	3,000.0	4,550.0	50.0	-98.3
SOURCES TOTAL	51,777.3	50,172.9	52,057.4	47,415.8	-5.5
USES					
Personal Services and Employee Benefits	2,608.8	3,282.8	3,361.7	3,196.9	-2.6
Contractual Services	3,122.7	3,569.2	3,645.3	3,678.5	3.1
Other	29,807.0	42,520.9	44,750.4	39,740.4	-6.5
Other Financing Uses	800.0	800.0	300.0	800.0	0.0
TOTAL USES	36,338.5	50,172.9	52,057.4	47,415.8	-5.5
FTE					
Permanent	26.0	26.0	28.0	25.0	-3.8
Term	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	47.0	47.0	49.0	46.0	-2.1

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of acceptable payment requests processed within five working days of receipt	98%	97%	95%	97%	97%
Quality	Percent of tax rate certifications that are accurate in the initial submission to the local entity	100%	100%	99%	99%	99%
Output	Number of local entities participating in the infrastructure capital improvement planning program	248	301	325	325	325
Quality	Number of annual local site visits by DWI staff	40	50	40	40	40
Output	Number of local DWI program service areas for which benchmarks are developed and implemented to evaluate program effectiveness by June 30, 2016	1	0	4 to 8	4 to 8	4 to 8
Quality	Number of annual local site visits by E-911 staff	97	83	100	100	100
Outcome	Total number of persons who benefited from closed civil legal services cases	123,224	35,429	900,000	not given	50,000
Efficiency	Percent of agreements issued within seventy-five days from availability of funds			90%	90%	90%
Output	Percent of community development block grant projects completed with closeout monitoring letter	90%	60%	90%	90%	90%
* Output	Percent of county and municipality budgets that are approved by the local government division (of budgets submitted timely)			90%	90%	90%
* Outcome	Number of counties and municipalities operating under a conditional certification during the fiscal year			5	5	5

FISCAL MANAGEMENT AND OVERSIGHT

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,886.9	4,904.8	6,561.1	6,011.1	22.6
Other Transfers	595.5	0.0	0.0	500.0	
SOURCES TOTAL	5,482.4	4,904.8	6,561.1	6,511.1	32.7
USES					
Personal Services and Employee Benefits	4,234.9	4,153.2	4,562.5	4,562.5	9.9
Contractual Services	679.2	275.0	1,445.5	1,395.5	407.5
Other	483.1	476.6	553.1	553.1	16.1
TOTAL USES	5,397.2	4,904.8	6,561.1	6,511.1	32.7
FTE					
Permanent	65.0	57.0	63.0	63.0	10.5
TOTAL FTE POSITIONS	65.0	57.0	63.0	63.0	10.5

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Efficiency	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	12	not given	7	12	8
Output	Date of submitting the annual statewide cost allocation plan for federal approval	12/31	not given	12/31	not given	12/31
Output	Percent of deadlines met for submitting internal revenue service reports	100%	100%	100%	100%	100%
Output	Deadline for publishing up-to-date model accounting practices			July 1	not given	July 1
Efficiency	Percent of payments to vendors within the parameters set by the Procurement Code and contractual provisions	95%	95%	95%	95%	95%
Efficiency	Percent of payroll payments to employees made by the scheduled payday	86%	100%	99.5%	100%	100%
* Efficiency	Percent of vendor and employee payment vouchers processed within five working days	85%	92.5%	90%	90%	95%
Efficiency	Percent response to help desk requests within two business days			97%	97%	97%
* Output	Percent of bank accounts reconciled			new	100%	100%
Outcome	Percent of error-free bank accounts			new	75%	75%

PROGRAM SUPPORT

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

		BUDGET SUMMARY (dollars in thousands)				
		FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
				<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	General Fund Transfers	1,554.8	1,621.4	1,300.8	1,296.4	-20.0
	SOURCES TOTAL	1,554.8	1,621.4	1,300.8	1,296.4	-20.0
USES						
	Personal Services and Employee Benefits	1,254.6	1,485.2	1,184.4	1,180.0	-20.5
	Contractual Services	74.0	76.0	75.2	75.2	-1.1
	Other	84.1	60.2	41.2	41.2	-31.6
	TOTAL USES	1,412.7	1,621.4	1,300.8	1,296.4	-20.0
FTE						
	Permanent	19.0	19.0	14.0	14.0	-26.3
	TOTAL FTE POSITIONS	19.0	19.0	14.0	14.0	-26.3

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of contracts rejected	12.8%	10%	15%	15%	15%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	2	5	2	2
Output	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	5	not given	5	2	2
Outcome	Percent of funds reconciled and closed, as an internal process, within ninety days after quarter end		not given	90%	90%	90%
Outcome	Date of timely, unqualified audit opinion issued for the department audit		12/04	12/15	12/15	12/15

**DFA NON-OPERATING APPROPRIATIONS
BUDGET SUMMARY**
(dollars in thousands)
FY 2014 - 2015

	FY14 Operating	FY15 Agency Request	FY15 LFC Recommendation	FY14/FY15 Pct increase (decrease)
SOURCES				
General fund transfers	9,856.5	10,236.4	9,969.7	1.1%
Other transfers	174.3	174.3	174.3	0.0%
Federal program revenues				
Other program revenues				
General revenues	7,809.4	7,909.4	7,909.4	1.3%
Fund balance	190.0	90.0	90.0	-52.6%
TOTAL REVENUE	\$18,030.2	\$18,410.1	\$18,143.4	0.6%
USES				
(a) BOF emergency water fund	118.4	118.4	118.4	0.0%
(b) BOF fiscal agent contract	1,110.8	1,321.2	1,210.8	9.0%
(c) Membership and dues	696.0	709.2	709.2	1.9%
(d) Citizens review board	580.0	580.0	580.0	0.0%
(e) Youth mentoring program	2,417.7	2,417.7	2,417.7	0.0%
(f) One-on-one youth mentoring	140.0	140.0	140.0	0.0%
(g) Boys and Girls Clubs	75.0	75.0	75.0	0.0%
(h) Youth development Clubs	69.0	69.0	69.0	0.0%
(i) Law enforcement enhancement	7,809.4	7,809.4	7,809.4	0.0%
(j) State planning districts	670.2	670.2	670.2	0.0%
(k) Leasehold community assistance	128.9	285.2	128.9	0.0%
(l) County prisoner detention	3,300.0	3,300.0	3,300.0	0.0%
(m) Acequia & community ditch prog	200.0	200.0	200.0	0.0%
(n) New Mexico acequia commission	35.4	35.4	35.4	0.0%
(o) Food bank	439.4	439.4	439.4	0.0%
(p) Statewide Teen Court-Juvenile Adjudication Fund	190.0	190.0	190.0	0.0%
(q) Land grant council	50.0	50.0	50.0	0.0%
TOTAL EXPENDITURES	\$18,030.2	\$18,410.1	\$18,143.4	0.6%

Recommended Language:

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

STATUTORY AUTHORITY:

The 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 the public schools, except those in the Albuquerque school district, and other educational entities. NMPSIA is governed by an 11-member board.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY15 – 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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					
Other Transfers	1,272.6	1,286.4	1,286.4	1,286.4	0.0
Other Revenues	330,834.2	362,263.6	373,956.5	370,445.0	2.3
Fund Balance	7,857.8	6,794.4	9,684.8	5,353.0	-21.2
SOURCES TOTAL	339,964.6	370,344.4	384,927.7	377,084.4	1.8
USES					
Personal Services and Employee Benefits	849.1	888.8	924.1	924.1	4.0
Contractual Services	332,502.4	367,952.3	382,484.3	374,641.0	1.8
Other	198.6	216.9	232.9	232.9	7.4
Other Financing Uses	1,272.6	1,286.4	1,286.4	1,286.4	0.0
TOTAL USES	334,822.7	370,344.4	384,927.7	377,084.4	1.8
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

BUDGET ISSUES:

The agency's request was \$384.9 million and included increases of \$11.2 million for the Benefits Program and \$3.3 million for the Risk Program. The request for the Benefits Program included \$303.4 million from employee and employer contributions, an increase of 2.4 percent, \$3.5 million from prescription drug rebates, and \$7 million from employee benefits fund balances. The request for the Risk Program included \$66.5 million from school assessments, an increase of 7.2 percent, \$570 thousand from miscellaneous revenue including interest from investments, and \$2.6 million from risk related coverages fund balances. The request included \$1.3 million for Program Support, an increase of 2 percent, funded by internal transfers.

From FY09 to FY13, participation in the Benefits Program declined by almost 4,000 members, or more than 6 percent. For FY13, the program's plan costs were \$192.4 million for medical claims, an increase of 4 percent; \$40.4 million for prescription drug claims, a decrease of 1 percent; and \$24 million for dental claims and other benefits. On a per member basis, total claim costs increased almost 11 percent the past three years despite the agency shifting more costs to members. This trend suggests quality of healthcare services is as big an issue as access to health care services. Most medical services in the NMPSIA plans are subject to a \$300 deductible and 20 percent coinsurance with a maximum out-of-pocket limit of \$2,800 per year, comparing favorably with other self-insured plans. However, the increased cost-sharing outpaced salary increases in recent years, which could impact retention of highly qualified teachers.

The committee recommendation for the Benefits Program includes increases of \$3.9 million, or 1.3 percent, from the FY14 operating budget and \$35.9 million, or 13 percent, from FY13 actual expenditures to fund changes in number of covered lives, medical inflation, and fees associated with the Patient Protection and Affordable Care Act (ACA). The agency's revised expenditure projections for FY14 suggest the Legislature likely overfunded the program by more than \$4 million. The recommendation offsets premium increases with revenue from prescription drug rebates and fund balance to support premium increases no larger than 6 percent to lessen the impact on take-home pay. Since FY11, NMPSIA increased health premiums 19 percent, close to the industry average if considered in isolation. However, when coupled with excess fund balances, the increases suggest the medical trend assumption used to develop premium rates may be too aggressive.

Federal subsidies on the insurance exchanges created by the ACA are available to persons who do not have access to employer-sponsored plans. NMPSIA recently surveyed schools to ask if they would agree to change the minimum hours an employee must work to be eligible for benefits from 20 to 30 per week. Of the public schools and other educational entities that responded, 60 percent agreed and 40 percent disagreed. Some schools also allow part-time employees working 15 to 20 hours per week to qualify for benefits. Based on current enrollment, schools could save a minimum of \$2.5 million from changing eligibility requirements to match the federal eligibility of 30 hours per week under health care reform. The Albuquerque Public Schools (APS) already require 30 hours per week. The NMPSIA board delayed action until spring 2014.

Most school districts are covered under risk insurance policies administered by NMPSIA. All kindergarten through grade 12 school districts (except APS), their employees, volunteers, board members, charter schools, and school bus contractors are included in the coverage. Each year, the program increases or decreases a school's portion of total costs based on three years of prior claims. The only mandatory insurance coverage with a deductible is property insurance. Deductibles range from \$1 thousand to \$25 thousand for building values below \$10 million to \$200 million and above. To reduce expenses, the agency could eliminate optional coverages such as that for equipment breakdown and certain Individuals with Disabilities Education Act (IDEA) administrative costs, saving \$500 thousand annually, and increase property deductibles and impose liability deductibles with a financial incentive if schools adopt loss prevention recommendations, saving up to \$1 million annually.

NMPSIA kept school risk assessments flat between FY09 and FY13 and, in FY13, reduced assessments 10 percent, saving the schools \$5 million in risk premium costs. The decision to reduce rates was made because the board felt pressure to reduce expenses for schools due to reduced funding. In addition, an appraisal in 2011 increased school building property values from \$13.4 billion to \$15.2 billion, which in turn increased the property premium \$1.8 million. However, despite the loss of premium revenue and increase in property insurance, the program's projected year-end fund balance for FY14 is \$8 million, due to fewer incurred claims in FY13. The recommendation for the Risk Program includes an increase of \$2.8 million, or 4.2 percent, from the FY14 operating budget to fund increases in property values, based on capital appropriations, and future losses based on changes in exposure and past performance. To support smaller increases in school risk assessments for FY15, the recommendation budgets more revenue from subrogation payments, excess insurance reimbursements, and investment interest.

From FY09 to FY13, workers' compensation claims decreased 15 percent and property and liability claims increased 7 percent. In FY13, however, property and liability claims decreased 23 percent. The decrease in claims during FY13 was partly due to more loss prevention trainings and enforcement of loss prevention recommendations during FY12. In addition, better maintenance of school buildings, due in part to funding from the Public Schools Facilities Authority, also helped improve reserves. However, excess insurance carrier premiums have increased \$9.4 million, or 38 percent, since FY10. This is because improper terminations, bullying incidents, and IDEA claims are still a concern for excess insurance carriers. In addition, New Mexico is one of the states known for high claims from adverse weather-related events.

The committee recommendation supports the agency's request for a 2 percent increase for Program Support to fund increases in health insurance and pension benefits for 11 FTE.

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	275,779.0	299,659.7	306,886.5	303,906.4	1.4
Fund Balance	0.0	3,000.0	7,000.0	2,668.2	-11.1
SOURCES TOTAL	275,779.0	302,659.7	313,886.5	306,574.6	1.3
USES					
Contractual Services	270,048.9	302,016.5	313,243.3	305,931.4	1.3
Other Financing Uses	636.3	643.2	643.2	643.2	0.0
TOTAL USES	270,685.2	302,659.7	313,886.5	306,574.6	1.3
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent change in per-member health claims costs as compared with the prior fiscal year				New	</=5%
Outcome	Percent increase in mammography screening compliance as compared with prior fiscal year				New	2%
Outcome	Percent increase in pap smear screening compliance as compared with the prior fiscal year				New	2%
* Outcome	Percent change in medical premium as compared with industry average				New	</=3%
Outcome	Percent change in dental premium as compared with industry average				New	</=3%

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	55,055.2	62,603.9	67,070.0	66,538.6	6.3
Fund Balance	7,847.9	3,784.5	2,648.2	2,648.2	-30.0
SOURCES TOTAL	62,903.1	66,388.4	69,718.2	69,186.8	4.2
USES					
Contractual Services	62,266.8	65,745.2	69,075.0	68,543.6	4.3
Other Financing Uses	636.3	643.2	643.2	643.2	0.0
TOTAL USES	62,903.1	66,388.4	69,718.2	69,186.8	4.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of schools in compliance with loss control prevention recommendations				New	75%
Outcome	Percent change of members' average premium costs per student average daily attendance as compared with prior fiscal year	-30%	5%	≤5%	</=5%	</=5%
* Outcome	Average cost per claim for current year as compared with prior fiscal year	\$3,772	\$3,072	≤\$5,250	</= \$5,250	</= \$3,800
* Outcome	Total claims count for current fiscal year as compared with prior fiscal year	1,555	1,500	1,600	1,600	1,500
Outcome	Percent change of members' average premium costs per one hundred dollars of building value as compared with prior fiscal year	-30%	2%	≤5%	</=5%	</=5%
Outcome	Percent change of cost per claim for current fiscal year as compared with prior fiscal year	3.75%	-2.60%	≤5%	</=5%	</=5%
Outcome	Percent change in the frequency and severity of ergonomic claims as compared with five-year average				New	</=3%
Outcome	Percent change in the frequency and severity of water damage claims as compared with five-year average				New	</=3%
Outcome	Percent change in the frequency and severity of improper touching claims as compared with five-year average				New	</=3%
Outcome	Percent change in the frequency and severity of individuals with disabilities education act claims as compared with five-year average				New	</=3%
Outcome	Percent change in the frequency and severity of bus accident claims as compared with five-year average				New	</=3%
Outcome	Percent change in the frequency and severity of roof damage claims as compared with five-year average				New	</=3%
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				New	</=3%
Outcome	Ratio of compliance with loss prevention capital and no capital abatement recommendations				New	1:6

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	1,272.6	1,286.4	1,286.4	1,286.4	0.0
Fund Balance	9.9	9.9	36.6	36.6	269.7
SOURCES TOTAL	1,282.5	1,296.3	1,323.0	1,323.0	2.1
USES					
Personal Services and Employee Benefits	849.1	888.8	924.1	924.1	4.0
Contractual Services	186.7	190.6	166.0	166.0	-12.9
Other	198.6	216.9	232.9	232.9	7.4
TOTAL USES	1,234.4	1,296.3	1,323.0	1,323.0	2.1
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Efficiency	Satisfaction rating of administrative services	99.9%	99.9%	95%	95%	95%
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0
Efficiency	Percent of employee performance evaluations completed by anniversary date	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Transfers	2,684.0	2,665.3	2,989.5	2,889.7	8.4
Other Revenues	272,104.6	258,318.9	281,354.5	275,011.7	6.5
SOURCES TOTAL	274,788.6	260,984.2	284,344.0	277,901.4	6.5
USES					
Personal Services and Employee Benefits	1,547.7	1,712.0	1,966.6	1,866.8	9.0
Contractual Services	231,445.9	256,098.8	278,832.4	272,589.4	6.4
Other	545.1	508.1	555.5	555.5	9.3
Other Financing Uses	2,684.0	2,665.3	2,989.5	2,889.7	8.4
TOTAL USES	236,222.7	260,984.2	284,344.0	277,901.4	6.5
FTE					
Permanent	25.0	25.0	28.0	26.0	4.0
TOTAL FTE POSITIONS	25.0	25.0	28.0	26.0	4.0

BUDGET ISSUES:

The agency's request was \$284.3 million and included an increase of \$23 million, or 9 percent, for the Health Care Benefits Administration program. The request included \$124.9 million from retiree premiums, an increase of 11 percent, due to premium increases and higher participation, \$112.2 million from employer and employee contributions, \$17.8 million from prescription drug rebates and Medicare subsidies, and \$26.4 million from the taxation and revenue suspense fund. The request included health plan cost increases of \$47.2 million, or 20 percent, from FY13 actual expenses. The agency requested \$3 million for Program Support, an increase of 12 percent, to fund three new positions and pay increases for pension and health benefits.

The committee recommendation is \$277.9 million and includes an increase of \$16.9 million, or 6.5 percent, to fund growth in members, medical inflation of 2 percent, and fees associated with the Patient Protection and Affordable Care Act (ACA). The recommendation reduces the request in contracts for investment advisors, attorneys, and temporary staff. The program is fully staffed with 25 FTE in two service locations, Albuquerque and Santa Fe. The recommendation includes funding for 1 new FTE to support information technology processes.

RHCA covers 50 thousand retirees with self-insured medical plans if not Medicare-eligible, or Medicare Supplement and Medicare Advantage plans if eligible. The program is the secondary payer once retirees become Medicare-eligible, which significantly reduces claims expenses. Since 2009, participation has grown by 11,183 members, or 27 percent, due partly to the lack of a minimum retirement age for the pension plans. However, there is a disincentive to stay employed due to an annual compounded cost-of-living pension adjustment that has outpaced salary increases in recent years. The average age of members is 58 for a pre-Medicare retiree and 74 for a Medicare-eligible retiree. About 40 percent of members are under age 65 and 8 percent under age 55.

Upward cost pressures include a 5 percent growth in new retirees each year and medical spending growth averaging 4 percent for pre-Medicare plans and 5 percent for Medicare plans. Medical spending for this aging population is expected to increase slightly in 2014 and 2015 before leveling off as newly insured people access health care through the exchanges that are part of the Affordable Care Act, and from faster Medicare enrollment growth due to higher numbers of baby boomers reaching age 65. Downward cost pressures include member migration toward lower premium and higher out-of-pocket plans, increased cost sharing on prescription drugs, and limited growth in dependent participation.

A pre-Medicare retiree with 20 years of service pays a monthly premium of \$272 for the lower deductible lower out-of-pocket plan and \$145 for the higher deductible higher out-of-pocket plan in 2014. A Medicare-eligible retiree with 20 years of service pays a monthly premium of \$160 for a Medicare supplement plan and between \$9 and \$67 for a Medicare Advantage plan depending upon the desired level of coverage. Since 2009, deductibles have increased from \$195 to \$800, and out-of-pocket maximums have increased from \$1,500 to \$4,000, for some pre-Medicare plans. The program pays about 50 percent of costs, with the membership paying the other 50 percent through annually updated premiums.

To continue a 15-year period of positive fund balance, the board increased pre-Medicare premiums 8 percent and Medicare premiums 6 percent to keep pace with medical spending trends. In addition, the board decreased family coverage subsidies for dependents and adult children from 50 percent to 37.5 percent in its effort to phase-out subsidized family coverage over four years. The board also confirmed its intent to not have any plans after 2018 that could be subject to extra federal taxation for higher cost "Cadillac" health plans. The impact of these decisions reduced the fund's unfunded actuarial accrued liability (UAAL) by \$200 million. The board stopped short of imposing a minimum age to participate in the program to allow time to evaluate opportunities to use the new insurance exchange to reduce costs.

RHCA will go out to bid next year to convert its subsidized \$6,000 basic life insurance benefit to an unsubsidized supplemental and guaranteed issue benefit for 32 thousand retirees grandfathered after the board eliminated the benefit for persons who retired after January 1, 2012. The cost to the fund is about \$4.6 million per year and the premium could rise over time as people die and the pool gets smaller. The change will allow the program to provide an affordable cost-sharing alternative or phase out the subsidy entirely. Approximately \$120 million of the plan's unfunded liability is attributed to the current benefit.

The 2012 actuarial valuation reported the UAAL increased from \$3.3 billion to \$3.6 billion, and the funded ratio increased from 5 percent to 6 percent. The main reason for the increase in the funded ratio despite a higher UAAL is that the program contributed more than \$90 million to the retiree health care fund since 2010. The balance in the fund is now more than \$320 million, assets are invested at a relatively low cost by the State Investment Council, and returns over one, three and 10 years were 11.9 percent, 9.8 percent and 7.4 percent, respectively. Since 2009, costs on a per member per year basis have remained relatively flat at about \$4,390 due to greater cost-shifting and increasing membership.

The board adopted a five-year strategic plan to extend solvency, defined by the RHCA as having a positive fund balance, from 15 years to 30 years. The plan includes a graduated minimum age requirement to receive subsidies, increasing years of service from 20 to 25 to receive maximum subsidies, increasing cost-sharing for pre-Medicare members and spouses, and increasing contributions from 3 percent to 5.25 percent of wages over six years. The increase in contributions is the only part of the plan that requires legislative action. If fully implemented by FY20, the changes will increase annual revenue to the fund by \$90 million, with \$30 million from the general fund. This, in combination with the remaining elements of the five-year plan to cut spending, should provide a positive fund balance over 30 years.

ACA allows federal subsidies when a person has no access to employer group coverage. The only way for a RHCA retiree to be eligible for a federal subsidy through the exchange is if coverage is considered unaffordable for the retiree. "Unaffordable" is when the member's share of the premium is greater than 9.5 percent of household income. The average pension benefit for FY13 was \$21,204 for an Educational Retirement Board retiree and \$27,384 for a Public Employees Retirement Association retiree. A RHCA pre-Medicare plan with an \$800 deductible costs \$146 per month for a retiree with 20 years of service and would be considered "affordable" under these rules. However, for retirees with pensions below \$18 thousand, federally subsidized exchange plans could be a viable option.

Most of the changes under healthcare reform have been positive for RCHA members, such as two months of premium relief the last two years due to the federal Early Retiree Reinsurance Program, additional savings on prescription drugs due to the closing of the Medicare coverage gap, and more preventative screenings and services covered under traditional Medicare. However, to help pay for reforms, retirees with higher incomes now pay higher premiums for traditional Medicare, some retirees may soon pay higher premiums for Medicare Advantage plans due to lower federal subsidies to carriers, and cuts under "sequestration" to Medicare provider payments may compromise access to care.

RECOMMENDED LANGUAGE:

Any unexpended balance in program support of the retiree health care authority remaining at the end of fiscal year 2015 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)

	FY13		FY14		FY15 - 2014-2015		Percent Incr (Decr)
	2012-2013	2013-2014	2013-2014	2013-2014	Agency Request	LFC Recommendation	
	<u>Actuals</u>	<u>Budgeted</u>					
SOURCES							
Other Revenues	272,104.6	258,318.9			281,354.5	275,011.7	6.5
SOURCES TOTAL	272,104.6	258,318.9			281,354.5	275,011.7	6.5
USES							
Contractual Services	231,159.1	255,653.6			278,365.0	272,122.0	6.4
Other Financing Uses	2,684.0	2,665.3			2,989.5	2,889.7	8.4
TOTAL USES	233,843.1	258,318.9			281,354.5	275,011.7	6.5
FTE							
TOTAL FTE POSITIONS	0.0	0.0			0.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Minimum number of years of solvency	15	16	15	15	30
Outcome	Total revenue generated in millions	\$254	\$272	\$275	\$282	\$282
* Efficiency	Total revenue increase to the reserve fund in millions	\$16.2	\$15.2	\$25	\$25	\$25
Efficiency	Average monthly pre-medicare eligible per-participant claim cost	\$558	\$579	\$621	\$670	\$670
Output	Average monthly medicare eligible per-participant claim cost	\$238	\$236	\$321	\$340	\$309
Outcome	Percent of participants satisfied with the healthcare benefits program	87%	82%	85%	85%	85%
Efficiency	Percent variance of medical premium change with industry average	1%	3%	+/-4%	+/-4%	+/-4%
Efficiency	Average number of days to resolve customer service claims	6	6	7	7	7
Efficiency	Percent of average medical premium subsidy for pre-medicare and medicare plans	50%	50%	50%	50%	50%
Explanatory	Number of retiree healthcare participants	51,080	53,294	54,000	56,160	56,160
Outcome	Number of years of projected balanced spending	6	5	6	5	5

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	2,684.0	2,665.3	2,989.5	2,889.7	8.4
SOURCES TOTAL	2,684.0	2,665.3	2,989.5	2,889.7	8.4
USES					
Personal Services and Employee Benefits	1,547.7	1,712.0	1,966.6	1,866.8	9.0
Contractual Services	286.8	445.2	467.4	467.4	5.0
Other	545.1	508.1	555.5	555.5	9.3
TOTAL USES	2,379.6	2,665.3	2,989.5	2,889.7	8.4
FTE					
Permanent	25.0	25.0	28.0	26.0	4.0
TOTAL FTE POSITIONS	25.0	25.0	28.0	26.0	4.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	1	0	0	0
Efficiency	Satisfaction rating of administrative services provided to all programs	87%	82%	85%	85%	85%
Efficiency	Percent of deposits made within twenty-four hours				100%	100%
Efficiency	Percent of payments made within thirty days				99%	99%
Efficiency	Percent of completed employee performance appraisals at one year	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY15 – 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	13,384.6	13,842.5	14,634.2	14,276.6	3.1
Other Transfers	10,715.7	9,554.3	12,418.4	12,081.6	26.5
Other Revenues	385,829.7	438,076.3	483,869.4	481,123.6	9.8
Fund Balance	40,081.2	13,671.6	4,399.6	4,380.5	-68.0
SOURCES TOTAL	450,011.2	475,144.7	515,321.6	511,862.3	7.7
USES					
Personal Services and Employee Benefits	15,091.6	18,621.8	19,347.2	18,845.8	1.2
Contractual Services	37,929.8	46,910.4	44,620.6	42,974.6	-8.4
Other	390,157.7	400,058.2	438,935.4	437,960.3	9.5
Other Financing Uses	10,715.6	9,554.3	12,418.4	12,081.6	26.5
TOTAL USES	453,894.7	475,144.7	515,321.6	511,862.3	7.7
FTE					
Permanent	338.5	331.5	310.0	310.0	-6.5
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	340.5	333.5	312.0	312.0	-6.4

BUDGET ISSUES:

The request included increases of \$40.2 million, or 8.5 percent, from the FY14 operating budget. Of this amount, \$28.7 million, or 71 percent, is from increasing health premiums 10 percent and \$9 million, or 22 percent, is from increasing public liability and workers' compensation risk rates. Of the remaining \$2.5 million, or 6 percent, \$600 thousand is for GSD employer risk coverage rates and employee benefit increases, \$1 million is to purchase new vehicles under the state motor pool vehicle replacement program, and the remainder supports increases in operations that include \$712 thousand for the Risk Management Division (RMD) from transfers from six risk funds and the group self-insurance fund and \$180 thousand for Program Support (PS) from internal transfers from the other divisions.

The request also included increases from the general fund of \$792 thousand, or 5.7 percent, for the Facilities Management Division (FMD) and Transportation Services Division (TSD), including \$500 thousand for property insurance, utilities, and maintenance, \$150 thousand for five custodians, and \$141.5 thousand for fixed operating costs for the state airplane. Funding for required aircraft maintenance will be requested as a special appropriation in years needed.

As of December, the agency is projecting to spend only 87 percent of its FY14 operating budget for personal services and employee benefits because of delays in hiring three new bureau chiefs and related staff under a reorganization that included merging building services and property control. Other human resources actions include deleting 21.5 authorized FTE across four divisions; increasing two half-time transportation mechanic positions to full-time for the TSD, increasing janitors to at least \$10.51 per hour and reclassifying eight custodians as plant operators or engineers for the FMD, and reclassifying seven office workers as various levels of procurement specialists for the SPD. Most of these actions require increases for compensation adjustments reflecting greater competencies.

The overall recommendation is \$36.7 million, or 7.7 percent, above the FY14 operating budget and includes an increase of \$434 thousand, or 3.1 percent, from the general fund. The general fund appropriation in the State Purchasing program is reduced \$58 thousand near FY12 levels. Of the recommended increase from all revenue sources, \$35.1 million funds projected health and risk claims expenditures. Of the remaining \$1.6 million, \$1 million funds year two of the state motor pool vehicle replacement program, \$224 thousand supports increases in GSD employer risk coverage rates and personnel changes including compensation adjustments, and the remainder provides smaller increases for contracts and other costs including attorneys, supplemental staffing, and information technology. The recommendation reduces funding from the six risk funds for Risk Operations to reflect savings from outsourcing administrative functions for the Employee Group Health Benefits program (EGHB).

RMD is tasked with setting risk premiums to reflect an agency's loss history and exposure to future losses with regards to a particular line of coverage. This allows agencies to be recognized and rewarded for their efforts in loss prevention and safety. However, while the aggregate total of premiums assessed to agencies since the recession remained relatively flat, the methodology used to apportion premiums was not always equitable, especially as it pertained to medical malpractice, which are typically large exposures. For FY15, the program improved rate setting because of the ability to generate more accurate financial reports.

The recommendation for RMD includes increases of \$5.2 million for the Public Liability Program, to rebuild reserves after inadequate premium calculations, particularly for medical malpractice and Rail Runner exposures, and \$4 million for the Workers' Compensation Program primarily due to medical inflation. The request reduces the budget by a portion of the premium calculation dedicated to rebuilding fund balances. The recommendation also reduces budget authority for contract attorneys in support of more in-house handling of claims. For most lines of coverage, the number of claims decreased over the past five years, due to lower numbers of workers, while the average cost per claim increased. For FY15, the program proposes increasing overall risk coverage rates 40 percent, which reflects increases of 90 percent for civil rights, 48 percent for workers' compensation, 38 percent for medical malpractice, and 28 percent for law enforcement. In addition, total premiums now include \$10 million to rebuild reserve levels.

According to the 2013 actuarial study of the risk funds, in the past five years, the average cost per civil rights claim increased 210 percent, from \$28.5 thousand to \$88.5 thousand, largely due to exposure under the Whistleblower Protection Act; the average cost per workers' compensation claims increased 95 percent, from \$6.5 thousand to \$12.7 thousand, due to medical inflation; and the average cost per law enforcement claims increased 212 percent, from \$17.8 thousand to \$55.5 thousand, for reasons not clearly apparent. For medical malpractice, however, in the past four years the average cost per claim increased 139 percent, from \$56 thousand to \$134 thousand, mostly due to medical malpractice claims incurred by the University of New Mexico Hospital (UNMH). (See LFC Volume III)

The projected financial position of the public liability fund as of June 30, 2013, is a negative \$73.3 million. However, this excludes maximum exposure under a pending class action medical malpractice lawsuit against UNMH that alleges children with leukemia received substandard treatment over two decades. Since that time, the state has paid \$45 million in losses to these families; however, the hospital's risk insurance premium calculations have not reflected the true impact from the losses to date or possible future losses from these claims and others. Instead, UNMH losses have been apportioned across many state agencies and local government employers. Finally, the public liability fund has not been adequately reserved to pay future claims expenses.

The top 10 departments in terms of the highest totals for public liability claims for FY13 included the University of New Mexico Hospital (\$11.4 million); Department of Transportation (\$3.8 million); Department of Health (\$3.8 million); New Mexico Corrections Department (\$1.8 million); Children, Youth and Families Department (\$1.7 million); Miners' Colfax Medical Center (\$893 thousand); General Services Department, (\$829 thousand); Department of Public Safety (\$828 thousand); Regulation and Licensing Department (\$509 thousand); and University of New Mexico (\$396 thousand). To reduce property and auto claims expenses, the program plans to increase property deductibles from \$1,000 to \$2,500.

The Employee Group Health Benefits (EGHB) program is responsible for administering employee benefits, including medical, pharmacy, dental, vision, disability, and life insurance. Between FY09 and FY13, the agency held health insurance premiums flat for employers and employees and shifted more costs to employees when accessing health care. In January 2013, despite these efforts, the program was projected to run out of money in FY14. In response, the Legislature in 2013 appropriated \$25 million, of which \$10.4 million was for general fund employers, and included \$1.9 million to update the benefits module in the state's financial system called SHARE. The governor vetoed \$14.6 million attributed to non-general fund employers.

The FY15 expenditures for EGHB are dependent on additional health premium increases of 10 percent. In the past five years, membership fell 13 percent and claims expenses fell 4 percent. However, average per member costs increased 9 percent over this same time period. The LFC recommendation includes increases of \$25 million for health claims expenses reflecting a medical trend of 5.5 percent for FY14 and FY15 built on FY13 actual expenses, and fees under the Patient Protection and Affordable Care Act of \$4.5 million based on July 1, 2013, enrollment. In addition, the group self-insurance fund is not solvent by actuarial standards, defined as having fund balance of \$30 million for one month of claims expenses. This will likely require more plan design changes to reduce spending if costs are not better controlled. The program should seek to reduce costs with more annual screenings, better online pricing tools, and bundled payments for some high-cost procedures.

The Facilities Management Division is reorganized for facilities maintenance, capital projects, and business operations. The Facilities Maintenance Bureau oversees 1.5 million square feet and staffing includes one custodian per eight hour shift per 39,473 square feet, high for office buildings. The Capital Projects Bureau oversees construction projects for most executive agencies.

As of September 2013, the program had 74 outstanding projects totaling \$143.7 million funded with new or reauthorized appropriations. Of that amount, 10 projects totaling \$19.7 million had no activity as of the first quarter of FY14. The Business Operations Bureau oversees 400 leases for 750 buildings. Since 2011, the program achieved \$2.5 million in lease savings, about 6 percent of \$47 million in annual spending by the state. However, during this same time, the state reduced the number of workers 14 percent while the overall office space footprint increased 6.5 percent. (See LFC Volume III)

The GSD secretary is required to post a schedule of building use fees as established by the Property Control Act, Section 15-3B NMSA 1978. To charge a greater share of utilities, maintenance, and rent costs to users of state-owned buildings and reduce operating expenses for FMD from the general fund, the Legislature in 2013 appropriated building use fees for the first time starting FY14. However, the governor vetoed the appropriation causing a shortfall in the program's operating budget. The recommendation does not include building use fees; however, personnel services and employee benefits was reduced to reflect budget adjustments that transferred funds to other areas of the budget.

GSD analyzed the Department of Transportation (DOT) campus as an alternative site for the proposed health and human services (HHS) complex at Las Soleras. The analysis indicated project costs of \$202 million versus \$80 million at the Las Soleras site. However, the \$202 million, if true, would not only build the HHS complex but also replace the old Department of Transportation headquarters and place both facilities adjacent to the largest transportation hub in the city of Santa Fe. GSD reported the governor will not hold up the project at Las Soleras waiting for a Rail Runner stop; however, the Rail Runner stop was one reason the project scored so high over the other sites during the original site selection process.

GSD is also analyzing if the state needs city of Santa Fe approval to move forward with the executive office building (EOB). In response to a request to demolish four casitas to make room for the EOB, the city decided to maintain a "significant" status on three and upgrade the fourth to "significant". The Legislature authorized the Board of Finance to issue \$21.7 million in bonds for construction. The long-term plan includes moving the Department of Finance and Administration, Higher Education Department, and Public Education Department into the EOB and Secretary of State, Office of the State Auditor, and State Treasurer's Office into the Bataan Building, resulting in lease savings of \$9.6 million per year and room in Capital North for the Legislature. However, the recently built parking garage next to the EOB may no longer be sufficient because staff of the new nearby court building is using it.

For FY12 and FY13, the Transportation Services Division (TSD) motor pool vehicle lease rates were lower than private sector rates and did not include vehicle replacement, resulting in a higher mileage fleet. This approach led to increased costs for the state for maintenance, repair, and fuel, which are higher for older vehicles. During 2013, 1,034 of 1,979 vehicles, or 52 percent of the fleet, exceeded their life cycle at a replacement cost of \$22 million. This number is expected to decline once TSD begins purchasing newer vehicles in FY14. The LFC recommendation for personal services and employee benefits includes a 3 percent increase; for contractual services and other costs, supports the agency's request to maintain a safe and efficient fleet. About 95 percent of the request for the other costs budget category is for maintaining, operating, and replacing older fleet vehicles.

Over the years, the State Aviation Bureau has received special and supplemental general fund appropriations to offset lower revenues from user fees. In FY13, the program did not request a general fund appropriation due to proceeds from the sale of aircraft. However, for FY14, with most of those aircraft sales proceeds exhausted, the Legislature appropriated \$800 thousand from the general fund. The recommendation includes \$643.5 thousand from the general fund to cover annual fixed operating costs and will require special appropriations to pay for required maintenance in some years. Passengers will only have to pay for fuel, which is expected to result in increased use of the state aircraft. The recommendation for the Surplus Property Bureau includes increases for employee compensation.

The State Purchasing Division (SPD) also reorganized into three bureaus for information technology procurements, all other procurement services, and contract management. The program has two sources of revenue, general fund and enterprise fees. The general fund supports two-thirds and enterprise fees one-third of funding needs. Since the recession, the general fund support was reduced 11 percent. In 2012, vendor registration fees were discontinued; however, for FY13 the program saw fees revenue increase over \$500 thousand. This was due to SPD leading more Western States Contracting Alliance cooperative solicitations and efforts to collect outstanding vendor fees. The program is concerned about declining general fund because fees are unpredictable and fund balances are needed to complete the state's transition to electronic procurement and online contract management. The recommendation includes increases for compensation and replaces general fund with fees revenue.

To assist executive agencies in complying with Laws 2013, Chapter 40 (Senate Bill 182), sponsored by LFC, the SPD implemented an online notification system for sole source procurements, and to assist the Department of Finance and Administration, added emergency procurements. The site also has a guest feature that allows local public bodies to use it for notification purposes. The site includes the name, quantity, and amount of each pending contract, in addition to access to contract documents and the ability to protest a sole source within 15 days. After the first quarter of operation, 47 sole sources and 26 emergency procurements were posted by state agencies and local public bodies.

The recommendation for State Printing Services deletes 2 FTE and decreases the budget accordingly because revenues are too dependent upon orders generated during the legislative session and insufficient to support operations in off-years. The program hopes to increase revenue opportunities by consolidating print and postage usage in other departments state-wide and increase marketing efforts.

Program Support includes the Office of the Secretary, Human Resources Bureau, Technology and Systems Services Bureau, and Administrative Services Division and is funded by internal transfers from the other divisions. The recommendation includes the transfer of 2 FTE from RMD and FMD to support core functions which include streamlining and standardizing financial processes and providing information technology services across the divisions. The LFC recommendation supports the FTE move and includes an increase of \$180 thousand that is equitably divided between the divisions.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2015 shall revert to the procurement services, state printing services, risk management, employee group benefits, facilities management and transportation services programs based on the proportion of each individual program's assessment for program support.

EMPLOYEE GROUP HEALTH BENEFITS

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

**BUDGET SUMMARY
(dollars in thousands)**

	FY15 - 2014-2015					Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
Other Revenues	297,309.5	346,636.8	375,334.6	375,290.0		8.3
Fund Balance	31,824.6	0.0	0.0	0.0		
SOURCES TOTAL	329,134.1	346,636.8	375,334.6	375,290.0		8.3
USES						
Contractual Services	18,373.7	18,116.0	20,562.8	20,562.8		13.5
Other	318,431.3	328,520.8	353,660.1	353,660.1		7.7
Other Financing Uses	1,569.1	0.0	1,111.7	1,067.1		
TOTAL USES	338,374.1	346,636.8	375,334.6	375,290.0		8.3
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0		

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Outcome	Percent of state group prescriptions filled with generic drugs	83%	84%	80%	82%	82%
Explanatory	Percent of eligible state employees purchasing state health insurance	95%	93%	90%	90%	90%
* Efficiency	Percent change in state employee medical premium compared with industry average	0%	0%	≤ 7%	</=10%	</=3%
Efficiency	Percent change in dental premium compared with industry average	0%	0%	≤ 7%	</=7%	<=3%
* Outcome	Percent reduction in claims costs for the top three diagnostic causes		3.5%	3%	3%	3%
Outcome	Percent increase in employee participation in health benefit wellness programs or events		47%	3%	3%	3%
Output	Percent increase in annual wellness visits				New	5%
* Output	Average monthly per-participant claim cost				New	\$350

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)				
		<u>FY15 - 2014-2015</u>				
		FY13	FY14	Agency	LFC	Percent
		2012-2013	2013-2014	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Transfers	7,278.0	5,784.7	8,468.4	8,131.6	40.6
	Fund Balance	0.0	1,971.9	0.0	0.0	-100.0
	SOURCES TOTAL	7,278.0	7,756.6	8,468.4	8,131.6	4.8
USES						
	Personal Services and Employee Benefits	3,200.9	3,951.4	4,330.5	4,197.4	6.2
	Contractual Services	70.5	277.3	169.3	169.3	-38.9
	Other	595.9	566.3	726.6	522.9	-7.7
	Other Financing Uses	2,838.2	2,961.6	3,242.0	3,242.0	9.5
	TOTAL USES	6,705.5	7,756.6	8,468.4	8,131.6	4.8
FTE						
	Permanent	61.0	59.0	58.0	58.0	-1.7
	Term	2.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	63.0	61.0	60.0	60.0	-1.6

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		Actual	Actual	Budget	Request	Recomm
*	Outcome	Percent decrease in overall legal counsel dollars spent	16%	5%	5%	5%
	Outcome	Percent increase in the number of unemployment claims challenged	5%	5%	2%	2%
*	Outcome	Number of state employees trained on loss control and prevention			New	300

RISK MANAGEMENT FUNDS

		BUDGET SUMMARY (dollars in thousands)				
		<u>FY15 - 2014-2015</u>				
		FY13	FY14	Agency	LFC	Percent
		2012-2013	2013-2014	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Revenues	80,539.1	80,779.1	98,801.9	96,225.8	19.1
	Fund Balance	6,465.5	9,553.7	524.0	504.9	-94.7
	SOURCES TOTAL	87,004.6	90,332.8	99,325.9	96,730.7	7.1
USES						
	Contractual Services	18,394.1	27,696.2	23,077.5	21,431.5	-22.6
	Other	59,857.0	56,851.9	68,891.7	68,234.7	20.0
	Other Financing Uses	5,708.9	5,784.7	7,356.7	7,064.5	22.1
	TOTAL USES	83,960.0	90,332.8	99,325.9	96,730.7	7.1
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Explanatory	Projected financial position of the public property fund	127%	285%	50%	50%	50%
* Explanatory	Projected financial position of the workers' compensation fund	34%	52%	30%	50%	50%
* Explanatory	Projected financial position of the public liability fund	46%	32%	50%	35%	50%
Outcome	Percent reduction in the number and average cost of public liability claims per year				New	3%
Outcome	Percent reduction in the number and average cost of public property claims per year				New	3%
Outcome	Percent reduction in the number and average cost of workers' compensation claims per year				New	3%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,397.9	1,711.6	1,652.3	1,652.3	-3.5
SOURCES TOTAL	1,397.9	1,711.6	1,652.3	1,652.3	-3.5
USES					
Personal Services and Employee Benefits	764.4	934.0	897.5	897.5	-3.9
Contractual Services	2.8	18.0	12.0	12.0	-33.3
Other	527.2	652.5	683.1	683.1	4.7
Other Financing Uses	51.6	107.1	59.7	59.7	-44.3
TOTAL USES	1,346.0	1,711.6	1,652.3	1,652.3	-3.5
FTE					
Permanent	18.0	17.0	15.0	15.0	-11.8
TOTAL FTE POSITIONS	18.0	17.0	15.0	15.0	-11.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Revenue generated per employee compared with previous fiscal year	\$82,500	\$120,400	\$90,000	\$95,000	\$120,000
* Outcome	Sales growth in state printing revenue compared with previous fiscal year	12.5%	5%	10%	7%	7%
Outcome	Percent increase in new customer base				5%	5%

FACILITIES MANAGEMENT DIVISION

The purpose of the facilities management division program is to provide employees and the public with effective property management so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,993.6	11,914.7	12,564.9	12,265.6	2.9
SOURCES TOTAL	11,993.6	11,914.7	12,564.9	12,265.6	2.9
USES					
Personal Services and Employee Benefits	5,440.6	6,682.2	6,449.9	6,265.0	-6.2
Contractual Services	393.4	279.3	333.8	333.8	19.5
Other	5,595.0	4,838.8	5,666.8	5,552.4	14.7
Other Financing Uses	98.6	114.4	114.4	114.4	0.0
TOTAL USES	11,527.6	11,914.7	12,564.9	12,265.6	2.9
FTE					
Permanent	157.5	156.5	138.0	138.0	-11.8
TOTAL FTE POSITIONS	157.5	156.5	138.0	138.0	-11.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent of preventive maintenance service requirements completed on time			75%	75%	75%
Outcome	Percent reduction in natural gas consumption		13%	3%	5%	5%
Outcome	Percent reduction in electricity consumption		14%	3%	5%	5%
Output	Percent of severance tax bond funded projects in design within six months of approved budget		92%	75%	95%	95%
* Efficiency	Percent of facilities management division capital projects on schedule and within approved budget	95%	93%	92%	93%	93%
* Outcome	Percent decrease in lease costs from previous year		3%	5%	3%	3%
* Outcome	Percent decrease in leased space compared with the previous fiscal year			5%	3%	3%
Outcome	Percent of time major facility equipment is operational		99%	80%	95%	95%
Output	Percent of repair work orders completed on time			80%	80%	80%
* Explanatory	Percent of agencies in compliance with facilities management division office space standards				New	75%

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	0.0	502.0	643.5	643.5	28.2
Other Revenues	5,168.3	8,091.5	7,091.6	6,999.2	-13.5
Fund Balance	1,791.1	2,135.8	3,875.6	3,875.6	81.5
SOURCES TOTAL	6,959.4	10,729.3	11,610.7	11,518.3	7.4
USES					
Personal Services and Employee Benefits	2,035.5	2,277.4	2,438.4	2,346.0	3.0
Contractual Services	102.3	114.7	127.0	127.0	10.7
Other	4,460.2	7,871.8	8,627.5	8,627.5	9.6
Other Financing Uses	359.4	465.4	417.8	417.8	-10.2
TOTAL USES	6,957.4	10,729.3	11,610.7	11,518.3	7.4
FTE					
Permanent	36.0	34.0	33.0	33.0	-2.9
TOTAL FTE POSITIONS	36.0	34.0	33.0	33.0	-2.9

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Explanatory	Percent of state vehicle fleet beyond five years	15%	29%	20%	20%	20%
* Explanatory	Percent increase in short term vehicle use	45%	47%	5%	5%	5%
* Efficiency	Percent of passenger vehicle lease revenues to expenses	97%	76%	90%	90%	90%
Outcome	Percent increase in vehicles that accumulate at least one thousand miles per month		41%	10%	15%	15%
Outcome	Percent increase in revenue generated through surplus property		23%	5%	3%	3%

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,391.0	1,425.8	1,425.8	1,367.5	-4.1
Other Revenues	1,414.2	857.3	989.0	956.3	11.5
Fund Balance	0.0	10.2	0.0	0.0	-100.0
SOURCES TOTAL	2,805.2	2,293.3	2,414.8	2,323.8	1.3
USES					
Personal Services and Employee Benefits	1,307.4	1,876.5	2,024.0	1,933.0	3.0
Contractual Services	97.6	0.0	35.0	35.0	
Other	189.8	295.7	239.7	239.7	-18.9
Other Financing Uses	89.8	121.1	116.1	116.1	-4.1
TOTAL USES	1,684.6	2,293.3	2,414.8	2,323.8	1.3
FTE					
Permanent	29.0	28.0	27.0	27.0	-3.6
TOTAL FTE POSITIONS	29.0	28.0	27.0	27.0	-3.6

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of government employees trained on procurement code compliance and methods	636	754	600	600	700
* Output	Percent reduction in procurement code violations compared with the previous fiscal year		55%	5%	5%	5%
Output	Number of small business clients assisted	327	1,361	325	600	600
* Outcome	Percent increase in awards to companies receiving a New Mexico preference			5%	5%	5%
Outcome	Percent increase in "best value" awards above one hundred thousand		4.1%	15%	3%	3%
* Outcome	Percent decrease in sole source procurements		9%	10%	3%	3%

PROGRAM SUPPORT

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

**BUDGET SUMMARY
(dollars in thousands)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,437.7	3,769.6	3,950.0	3,950.0	4.8
Other Revenues	0.7	0.0	0.0	0.0	
SOURCES TOTAL	3,438.4	3,769.6	3,950.0	3,950.0	4.8
USES					
Personal Services and Employee Benefits	2,342.8	2,900.3	3,206.9	3,206.9	10.6
Contractual Services	495.4	408.9	303.2	303.2	-25.8
Other	501.3	460.4	439.9	439.9	-4.5
TOTAL USES	3,339.5	3,769.6	3,950.0	3,950.0	4.8
FTE					
Permanent	37.0	37.0	39.0	39.0	5.4
TOTAL FTE POSITIONS	37.0	37.0	39.0	39.0	5.4

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of audit findings resolved from prior fiscal year excluding findings related to fund solvency		50%	100%	90%	90%
Efficiency	Percent of payments to vendors within thirty days		100%	100%	100%	100%
Output	Percent of accounts receivable dollars collected by fiscal year end				New	90%
Output	Percent of time information technology systems are available				95%	95%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	25,256.8	31,971.3	36,614.0	29,963.7	-6.3
SOURCES TOTAL	25,256.8	31,971.3	36,614.0	29,963.7	-6.3
USES					
Personal Services and Employee Benefits	4,318.9	5,758.4	5,758.4	5,503.8	-4.4
Contractual Services	20,218.0	25,387.4	29,678.0	23,548.2	-7.2
Other	719.9	825.5	1,177.6	911.7	10.4
TOTAL USES	25,256.8	31,971.3	36,614.0	29,963.7	-6.3
FTE					
Permanent	60.0	63.0	63.0	63.0	0.0
Term	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	62.0	65.0	63.0	63.0	-3.1

BUDGET ISSUES:

ERB requested a 14 percent increase from the FY14 operating budget that included \$4.3 million more for investment management fees and \$314 thousand more to expand office space for new investment staff and implement an off-site disaster recovery plan for business continuity. The committee recommends \$30 million, a decrease of \$2 million, or about 6 percent. The recommendation reduces professional services contracts to support investment management fees more in line with long-term earnings assumptions and applies a more conservative increase above FY13 actual spending for other costs; including leased office space, information technology support, and specialized attorneys.

The recommendation for personal services and employee benefits is 27 percent above FY13 actual expenditures to pay for large increases in public liability insurance, employee compensation adjustments, and to fill vacancies; including two internal fixed-income managers and one auditor authorized by the Legislature for FY14. The recommendation also applies a vacancy savings rate of 5 percent, due to reduction in staff through normal means, such as retirement and resignation. The agency added two term positions the past three years that were funded with an information technology enhancement appropriation that will be completed in FY14. Thus, these two term positions are eliminated from the base budget for FY15.

The dramatic swing in fund value over the past decade coupled with an 11 percent return for FY13 and 2 percent return for FY12, complicates projections for investment management fees for FY15. In addition, performance-based fee arrangements make these costs particularly difficult to predict. The recommendation for investment management expenses for FY15 is based on an 8 percent increase in asset values consistent with the rate of return assumption under the current asset allocation strategy. If investments underperform, the budgeted fees will revert to the fund. If investments outperform, the recommendation supports budget adjustment language in the General Appropriation Act to pay additional asset management fees if necessary.

The agency does not request management fees for alternative assets in the appropriation process. The agency reports these assets net of fees; the market value represents the asset value after fees are deducted. As a general rule, fees on alternative assets range from 0.75 percent to 1 percent. Management fees for these types of investments were \$106.9 million in FY13 due to higher allocations to this asset class.

This was in addition to fees of \$18.6 million on more traditional assets, such as stocks and bonds, which require direct payments to managers through the operating budget. For FY13, the agency paid \$125.5 million in total investment management fees, including both off-budget and on-budget expenses. In turn, investment gains were \$1 billion. In contrast, for FY12 the agency paid \$78.7 million in total investment management fees, and in turn, investment gains were \$178 million.

ERB's investment performance ranking the last three years is the 73rd percentile, increasing to the 26th percentile over the last five years. ERB should join the other investment agencies in reevaluating active management and reviewing manager fees as well as developing a uniform reporting format for better comparative analysis. This review could identify opportunities for better cooperation among the agencies. Administrative and other costs could be reduced through uniform fee schedules, shared internal management of certain assets, shared information regarding due diligence of firms, and coordinated trainings for board members and investment staff.

Ongoing litigation resulted in large increases in the public liability premium charged by the General Services Department. The premium rates reflect the increased exposure to loss when the agency is the defendant. However, the request also includes an increase of \$575 thousand to pay legal fees when the agency is the plaintiff, in addition to specialized attorneys who review all investment contracts. ERB is currently suing financial firms that formerly advised the agency on how to invest the pension fund. Other pending cases include whether the 2009 pension contribution shift constituted a "taking" and whether legislation changing the annual cost-of-living adjustment (COLA) to ERB retiree pensions is constitutional. The recommendation supports smaller increases for legal fees above FY13 actual expenditures.

Investment losses due to the recession and a slow-growing workforce coupled with pay freezes worsened the agency's actuarial condition. By the end of FY12, the percentage of the plan that was funded had dropped to 60 percent. In response, the Legislature in 2013 increased employee contributions, delayed the cost-of-living adjustment (COLA) from age 65 to age 67, and applied a COLA reduction if the fund was less than 90 percent funded. The Legislature also enacted a minimum retirement age of 55 for new hires. The plan is now adequately funded, as long as economic assumptions that include annual payroll growth of 3.5 percent and investment earnings of 7.75 percent over time hold true.

Because ERB is a mature plan, meaning that contributions are less than the benefits paid, the agency is working with stakeholders to gain support for legislation to further enhance the fund. Changes being proposed include (1) requiring return-to-work (RTW) Public Employee Retirement Association crossovers to pay contributions, (2) eliminating or placing a cap on how long one can work under the RTW program, (3) strengthening anti-spiking laws to reduce the negative impact to the fund from employees receiving large pay increase and then subsequently retiring, (4) changing the pension calculation for employees who work part-time most of their career and then work full-time the last five years to receive a full pension, and (5) reducing the service credit for new members.

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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Average rate of return over a cumulative five-year period	2.3%	5.8%	7.75%	7.75%	7.75%
Outcome	Average number of days to process refund requests	3.42	7	15	15	15
Outcome	Percent of members' satisfaction with seminars and trainings	98.7%	98.0%	95%	95%	95%
Output	Number of benefit estimates and purchase of service requests computed annually	7,425	6,009	7,000	6,000	6,000
Output	Number of member workshops conducted	28	26	30	30	30
* Outcome	Funding period of unfunded actuarial accrued liability in years	Infinite	Infinite	<=30	<=30	<=30

STATUTORY AUTHORITY:

The New Mexico Sentencing Commission was created in 1994 under Section 9-3-10 NMSA 1978 as the Criminal and Juvenile Justice Coordinating Council. Laws 2003, Chapter 75, changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 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-related 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.

In FY13 the agency released several important reports, including “New Mexico Prison Population Forecast: FY2014-FY2023,” which will help plan for expected prison population growth. Another report, “New Mexico’s Female Prisoners: Exploring Recent Increases in the Inmate Population,” reported causes of the recent increase in the female population, providing policy options to address this issue.

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013	2013-2014	Agency	LFC	Request	Recommendation	
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>			
SOURCES							
General Fund Transfers	529.8	529.8	579.8	579.8			9.4
Other Revenues	30.0	30.0	30.0	30.0			0.0
SOURCES TOTAL	559.8	559.8	609.8	609.8			8.9
USES							
Contractual Services	555.2	555.2	604.5	604.5			8.9
Other	4.6	4.6	5.3	5.3			15.2
TOTAL USES	559.8	559.8	609.8	609.8			8.9
FTE							
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0			

BUDGET ISSUES:

The commission request included a \$50 thousand expansion item to continue collecting data for a Pew-MacArthur Results First Initiative piloted in New Mexico in FY12. With the expansion funding, Results First aims to employ more researchers to systematically evaluate recidivism reduction programs for return on investment.

Through a contract with the University of New Mexico (UNM), the commission pays a 9 percent fee for administrative costs and nearly the entire remaining budget pays for staff. The commission has 24 members with an array of criminal justice backgrounds. The UNM staff assigned to the commission includes a full-time director, a full-time deputy director, and two managers, each considered three-quarter employees. The agency supplements personnel with undergraduate, graduate, and doctoral-level researchers to complete its 13 targeted research projects per year.

BASE EXPANSION:

One of the vital duties of the commission is to compile data from multiple criminal justice agencies and provide that data in a clean and functional to policymakers. The recommended \$50 thousand expansion will allow the commission to provide data used in the New Mexico Results First Initiative to LFC and the New Mexico Corrections Department (NMCD). The Results First Initiative has already resulted in NMCD dropping a program found to be ineffective and replacing it with the Residential Drug Abuse Program.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>New Mexico results first initiative</u>	<u>(P636)</u>	<u>50.0</u>	<u>50.0</u>
TOTAL			50.0	50.0

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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of criminal and juvenile justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	13	13	13	13	15
Output	Number of website hits per month	350,000	350,000	360,000	350,000	350,000

STATUTORY AUTHORITY:

The Public Defender Department (PDD) 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 or death. The department also sets standards of indigence the courts use in determining which defendants are eligible for state-funded defenses.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	40,145.3	42,024.6	44,840.2	43,520.1	3.6
Other Revenues	465.6	250.0	270.0	270.0	8.0
Fund Balance	527.0	0.0	0.0	0.0	
SOURCES TOTAL	41,137.9	42,274.6	45,110.2	43,790.1	3.6
USES					
Personal Services and Employee Benefits	23,691.5	26,679.4	28,357.6	27,520.6	3.2
Contractual Services	11,031.5	10,403.6	10,980.0	10,653.6	2.4
Other	5,771.9	5,191.6	5,772.6	5,615.9	8.2
TOTAL USES	40,494.9	42,274.6	45,110.2	43,790.1	3.6
FTE					
Permanent	391.0	394.0	420.0	398.0	1.0
Term	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	393.0	394.0	420.0	398.0	1.0

BUDGET ISSUES:

For FY15, the Public Defender Department requested an increase of \$2.8 million, or 6.7 percent, and including \$1.7 million for 26 new FTE. The requested base increase in the personal services and employee benefits category of \$39 thousand is less than the cost of the rate increases in health insurance, retirement, and risk coverage rates, anticipated to be \$418 thousand. The request for personal services and employee benefits included a 6.2 percent agency-imposed vacancy rate.

In FY13, PDD used budget adjustments to reduce the personal services and employee benefits category by \$1 million, or 4.3 percent. The funds were transferred to the contractual services and other costs categories. The FY15 request increased the funding level in the contractual services and other costs categories to reflect the FY13 actual expenditure level.

The committee recommends a \$1.5 million, or 3.6 percent, increase for PDD in FY15, including \$289.5 thousand for expansion requests. The increase includes a vacancy rate of 4.5 percent and provides additional funding in the contractual services and other costs categories. The committee recommendation increases the personal services and employee benefits category by \$552 thousand, or 2.1 percent. In the contractual services category, an additional \$250 thousand for contract attorney representation is included, along with \$424 thousand in the other costs category, to fully fund the agency's request for operational expenses.

The FY15 recommendation increases the personal services and employee benefits category by 16 percent over the FY13 actual expenditures. The large increase is necessary to allow PDD to fill as many vacant positions as possible to maintain parity within the criminal justice system. In FY13, PDD had 212 attorney positions and 397 total FTE, district attorneys in FY13 had 336 attorneys and 945 total FTE. The average PDD attorney caseload is 103 felony cases per year while the average district attorney caseload is 65 felony cases per year. In FY14, the PDD received a general fund appropriation of \$42 million while district attorneys received \$60.4 million.

BASE EXPANSION:

The request included \$1.8 million in expansion funds and an additional 26 FTE. The request for expansion comprises two items: 6 FTE to allow PDD to change its representation structure for domestic violence and DWI cases heard in Metro Court and the restoration of 20 FTE positions removed during the 2012 legislative session. The committee recommendation includes 4 FTE and \$290 thousand to allow PDD to hire additional attorneys for Bernalillo County Metropolitan Court. The additional attorneys will allow PDD to begin assigning attorneys to clients rather than courtrooms. The current “horizontal” representation structure assigns attorneys to courtrooms, which results in PDD clients having multiple lawyers over the course of their case. The expansion will allow PDD to implement a “vertical” representation structure in which a case is assigned to an attorney who represents the client through the duration of their case.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Six Bernalillo Metro Court FTE	(P720)	471.4	289.5
2	<u>Additional 20 FTE</u>	(P720)	<u>1,324.0</u>	<u>0.0</u>
TOTAL			1,795.4	289.5

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of alternative sentencing treatment placements for felony and juvenile clients	9,679	8,726	10,000	10,000	10,000
* Efficiency	Percent of cases in which application fees were collected	35%	35.6%	45%	45%	45%
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	61.3%	52.3%	65%	65%	65%
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	N/A	N/A	65%	65%	65%
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	N/A	N/A	65%	65%	65%

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals	2013-2014 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,391.6	3,609.0	3,609.0	3,609.0	0.0
SOURCES TOTAL	3,391.6	3,609.0	3,609.0	3,609.0	0.0
USES					
Personal Services and Employee Benefits	2,464.9	2,991.8	2,991.8	2,991.8	0.0
Contractual Services	94.3	100.8	100.8	100.8	0.0
Other	414.7	516.4	516.4	516.4	0.0
TOTAL USES	2,973.9	3,609.0	3,609.0	3,609.0	0.0
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

BUDGET ISSUES:

Although the agency's FY15 budget request was flat with its FY14 operating budget, it was 21 percent greater than FY13 actual spending. The request included a substantial increase for personal services and employee benefits because of increases for liability insurance, as well as increases for employee compensation and benefits for 27 exempt FTE. The request also included increases in contractual services for filming legislative committee hearings and increases in other costs for out-of-state travel for the governor and staff, subscriptions and dues for legal counsel, and registration fees for seminars and other training costs for employees.

The agency reverted \$417.9 thousand, or 14 percent, of its appropriation for FY13. The vacancy rate is averaging about 4 percent.

The request included \$80 thousand for the governor's contingency fund for discretionary spending, a slight increase from FY13. The fund is an account used by each administration for a range of expenses, from official travel to state-sponsored social functions. Administrations are given wide latitude on the fund, but expenses must be for purposes connected with obligations of the Office of the Governor. The balance in the fund carries over from year to year, and although governors can keep unspent money as an income supplement, some have returned it.

The committee recommendation for FY15 supports the agency's request.

EXECUTIVE MANAGEMENT AND LEADERSHIP

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

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Output	Number of days to answer or refer constituent requests for information	2	5	4	8	8
Output	Number of days to process extraditions	13	14	14	14	14
Output	Number of days public meetings recorded by the office of the governor will be posted to the website		2	2	2	2
Efficiency	Percent of financial disclosure forms required of office of the governor exempt employees that are posted to the website		100%	100%	100%	100%
Output	Number of days to review recommendations from notary compliance and endorsement unit and issue a final order		10	10	10	10
Output	Number of days to acknowledge receipt and determine eligibility for consideration of pardon requests		10	10	10	10
Efficiency	Number of cabinet secretaries who make more than \$125 thousand annually		0	0	4	4
Output	Number of cabinet meetings held by the governor		12	12	12	12
Outcome	Percent of constituent service cases closed within thirty days		90%	90%	90%	90%
Efficiency	Percent of employees who sign the code of conduct within thirty days of hire		100%	100%	100%	100%
Output	Number of days executive orders will be posted to the website after signed by the governor and the secretary of state		1	1	1	1
Output	Number of days press releases will be posted to the website		1	1	1	1
Output	Number of meetings the office of the governor holds with each department's public information officer		4	4	4	4

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 – 2014-2015</u>					<u>Percent Incr (Decr)</u>
	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	579.9	589.8	589.8	589.8	589.8	0.0
SOURCES TOTAL	579.9	589.8	589.8	589.8	589.8	0.0
USES						
Personal Services and Employee Benefits	373.5	501.1	501.1	501.1	501.1	0.0
Contractual Services	29.4	44.8	44.8	44.8	44.8	0.0
Other	46.9	43.9	43.9	43.9	43.9	0.0
TOTAL USES	449.8	589.8	589.8	589.8	589.8	0.0
FTE						
Permanent	5.0	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	5.0	0.0

BUDGET ISSUES:

Although the agency's FY15 budget request was flat with its FY14 operating budget, it was 31 percent greater than FY13 actual spending. The request included an increase of \$127.6 thousand, or 34 percent, over FY13 expenditure levels for personal services and employee benefits, partly due to increases for employee compensation and benefits for 5 exempt FTE. The request also included a small increase over FY13 expenditures levels for contract staff.

The agency reverted \$130.1 thousand, or 22 percent, of its appropriation for FY13.

The committee recommendation for FY15 supports the agency's request.

STATE OMBUDSMAN

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of constituent service files closed within thirty days		80%	80%	80%	80%
Output	Percent of border authority meetings or teleconferences held and attended		90%	90%	90%	90%
Output	Percent of mortgage finance authority meetings held and attended		90%	90%	90%	90%
Output	Percent of board of finance meetings held and attended		90%	90%	90%	90%
Output	Percent of days in session and presided over (gavel down)		90%	90%	90%	90%
Output	Percent of community development council meetings held and attended		90%	90%	90%	90%
Output	Number of constituent service mobile office days held		4	4	4	4
Output	Percent of spaceport authority meetings or teleconferences held and attended		90%	90%	90%	90%
Output	Number of constituent town hall meetings and economic forums held		4	4	4	4

STATUTORY AUTHORITY:

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

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

The Information Technology Commission (ITC) consists of 15 voting members, 10 of whom are governor-appointed, and four nonvoting members. The ITC focuses on developing and implementing the state information technology (IT) plan and reviews and approves strategies for identifying IT projects that impact multiple agencies and proposed rules by the secretary. Although the commission is statutorily required to meet at least quarterly, the commission only met once since November 3, 2010.

MISSION:

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)

	FY15 – 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	844.5	860.0	865.5	865.5	0.6
Other Transfers	3,598.3	9,118.5	10,261.9	10,219.5	12.1
Other Revenues	52,757.7	51,940.7	52,055.7	51,970.1	0.1
SOURCES TOTAL	57,200.5	61,919.2	63,183.1	63,055.1	1.8
USES					
Personal Services and Employee Benefits	13,806.0	19,054.7	18,568.1	18,440.1	-3.2
Contractual Services	7,755.1	9,520.7	10,625.0	10,657.4	11.9
Other	28,199.8	24,225.2	23,728.0	23,738.0	-2.0
Other Financing Uses	8,026.8	9,118.6	10,262.0	10,219.6	12.1
TOTAL USES	57,787.7	61,919.2	63,183.1	63,055.1	1.8
FTE					
Permanent	200.0	210.0	210.0	210.0	0.0
Term	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	200.0	210.0	211.0	211.0	0.5

BUDGET ISSUES:

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

To improve accountability and reporting, in 2010 the Legislature authorized a new program within the General Appropriation Act authorizing expenditures from the equipment replacement revolving fund (ERF). Prior to the creation of DoIT, depreciation and amortization expenses recovered through rates were spent on operating costs rather than on equipment replacement. As a result, DoIT was unable to replace aging infrastructure and equipment. DoIT has since replenished the ERF (there is both a SHARE ERF and an enterprise ERF) and reports in FY13 it used the funds for planning and design of the SHARE financials upgrade and to replace network, radio communications equipment, and servers that had served their useful life.

In July 2013, DoIT proposed new service rates for information technology (IT) and telecommunication services to take effect July 1, 2014. The approved rates for FY15 are virtually flat with FY14. DoIT estimates \$8.9 million in FY15 revenue collections from agencies for SHARE assessments and \$43.1 million for enterprise service assessments. About \$7 million in assessment revenue is allocated to the ERF funds described above; the rest will be used for ongoing operations of the department. In FY15, DoIT is offering some new services, such as email encryption, wireless local-area network, interactive voice response, and text-to-speech.

For FY14, DoIT increased the SHARE subscription fee from \$310 per FTE to \$350 per FTE as part of a new SHARE roadmap that was to include hardware and software upgrades and improved functionality for the outdated and unstable system. However, attempts to move the system to new hardware during FY13 were not successful; at a September 2013 LFC hearing the department reported all SHARE upgrades would be on hold as it continued efforts to stabilize the system.

Delays in upgrading SHARE hardware and software pose significant risks. For example, in December 2012, the DoIT SHARE team disabled the SHARE financials module for more than a week as it worked to isolate corrupted data that occurred as the team tested new hardware for SHARE. Further, delayed upgrades have impacted the progress of other critical projects, including the Department of Human Services' ASPEN project and the State Treasurer's SHARE module for tracking state investments. The DoIT secretary reported at the September 2013 LFC hearing that he has assembled a team of both internal staff and contract support to stabilize SHARE and develop a new plan for eventual upgrades of the system.

DoIT accomplishments in the past year include improving the state's public safety network with digital upgrades, and assisting in New Mexico becoming the first state to negotiate with the federal First Responder Network Authority (FirstNet) for access to its 700 MHz public safety broadband spectrum. DoIT also completed a critical needs assessment and has requested capital outlay funding in FY15 for public safety radio modernization.

The DoIT base budget request for FY15 was \$63.2 million, an increase of \$1.3 million, or 2 percent, over the FY14 operating budget. DoIT attributes the increase almost entirely to costs associated with SHARE. The DoIT request was essentially flat for Program Support and the Compliance and Project Management Program, the only program funded with revenue from the state's general fund.

The recommendation reduces the internal transfer of general fund revenue from Compliance and Project Management Program to Program Support by \$42.4 thousand (revenue reduction is compensated with a 1.5 percent vacancy rate to program support) and reprioritizes the money for planning, design, and implementation of a content management IT system (CMS) for state agency IT projects. A CMS is critical to support the program's initiative to report regularly to the executive, Legislature, and ITC on the status of the state's IT project portfolio. The CMS will reduce manual reporting processes and other administrative burdens for the program and consolidate IT project information currently difficult to track with accuracy. In ongoing years, DoIT should establish a method to fund maintenance of the CMS with enterprise service revenue.

The recommendation supports the request of \$52 million for the Enterprise Services Program. However, there is concern that DoIT did not adequately clarify or justify its spending priorities as well as it could have. Despite predictable vacancies within the program, DoIT did not apply a vacancy rate and instead requested full funding for personal services and employee benefits (PS&EB). In FY13, the program maintained a vacancy rate of about 30 percent and transferred approximately \$2.5 million in personal services and employee benefits to contractual services (\$1.5 million) and other costs (\$1 million); currently, the program's vacancy rate is about 24 percent. The program should make every effort to fill vacancies; however, contractual services should be used as necessary to ensure critical needs, such as SHARE stabilization and upgrades, are accomplished in FY15.

The recommendation for Program Support is \$3.2 million, \$123 thousand, or about 3.7 percent, below the FY14 operating budget. This reflects the transfer of 1 FTE to the Enterprise Services Program billings unit to improve collections and application of a modest vacancy rate. Program Support is, in part, responsible for leadership and administrative policies and procedures for the department; however, a number of policy areas within the department's purview have not been properly addressed. For example, statutes, rules, policies, and procedures relating to the Information Technology Commission and the IT Project Certification Committee are out of date or in critical need of refining and updating. DoIT should embrace its role to provide critical IT leadership, strategic planning, and oversight in New Mexico and resolve to address these deficiencies in FY15.

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)				
				<u>FY15 - 2014-2015</u>		
		FY13	FY14	Agency	LFC	Percent
		2012-2013	2013-2014	Request	Recommendation	Incr
		Actuals	Budgeted			(Decr)
SOURCES						
	General Fund Transfers	844.5	860.0	865.5	865.5	0.6
	SOURCES TOTAL	844.5	860.0	865.5	865.5	0.6
USES						
	Personal Services and Employee Benefits	559.3	690.6	706.2	706.2	2.3
	Contractual Services	10.0	0.0	0.0	32.4	
	Other	22.9	43.4	32.2	42.2	-2.8
	Other Financing Uses	157.4	126.0	127.1	84.7	-32.8
	TOTAL USES	749.6	860.0	865.5	865.5	0.6
FTE						
	Permanent	7.0	7.0	7.0	7.0	0.0
	TOTAL FTE POSITIONS	7.0	7.0	7.0	7.0	0.0

PERFORMANCE MEASURES

		FY12	FY13	FY14	FY15	FY15
		Actual	Actual	Budget	Request	Recomm
Explanatory	Number and budget requested for nonrecurring information technology appropriations as incorporated within annual agency information technology plans		18/\$24.8M	n/a	n/a	n/a
Explanatory	Number and appropriated budget of executive agency certified projects reviewed monthly for oversight requirements		64/\$340.2M	n/a	n/a	n/a
Output	Percent of certified projects reviewed that are aligned with agencies' annual information technology plans or amended plans on a monthly basis			80%	80%	100%
Explanatory	Monthly number and budget of approved information technology professional services contracts and amendments		99/\$235.9M	n/a	n/a	n/a

ENTERPRISE SERVICES

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 - 2014-2015</u>					Percent Incr (Decr)
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency Request	LFC Recommendation		
SOURCES						
Other Revenues	52,757.7	51,940.7	52,055.7	51,970.1		0.1
SOURCES TOTAL	52,757.7	51,940.7	52,055.7	51,970.1		0.1
USES						
Personal Services and Employee Benefits	10,376.2	15,381.9	14,942.7	14,857.1		-3.4
Contractual Services	7,674.9	6,980.7	6,836.0	6,836.0		-2.1
Other	23,699.4	20,585.5	20,142.1	20,142.1		-2.2
Other Financing Uses	7,869.4	8,992.6	10,134.9	10,134.9		12.7
TOTAL USES	49,619.9	51,940.7	52,055.7	51,970.1		0.1
FTE						
Permanent	152.0	168.0	169.0	169.0		0.6
Term	0.0	0.0	1.0	1.0		
TOTAL FTE POSITIONS	152.0	168.0	170.0	170.0		1.2

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Queue-time to reach a customer service representative at the help desk, in seconds	0:14	0:12	<0:20	<0:20	<0:20
Outcome	Percent of the state voice communication network in service	99.9%	99.9%	99.9%	99.9%	99.9%
Outcome	Percent increase of applications running on virtualized enterprise servers		99%	35%	50%	50%
Outcome	Percent of co-located and enterprise hosted systems with documented system security plans		not given	65%	65%	65%
Outcome	Number of anchor institutions using the forthcoming 700Mhz long-term evolution public safety network		not given	5	5	5
Outcome	Percent of phone systems using internet protocol or other similar technologies to achieve virtual local calling within the state enterprise		8%	30%	10%	30%
* Output	Percent of service desk incidents resolved within the timeframe specified for their priority level		67%	90%	90%	90%
Output	Percent of scheduled uptime the financial suite of the statewide human resource, accounting and management reporting system is available during business hours		99.7%	99.5%	99.5%	99.5%
Output	Percent of scheduled uptime the human capital management suite of the statewide human resources, accounting and management reporting system is available during business hours		100%	99.5%	99.5%	99.5%
Outcome	Percent on-time delivery of statewide human resource, accounting, and management reporting system approved projects to the implementation date			80%	80%	80%
Outcome	Percent of mainframe uptime affecting user access or batch scheduling		100%	99.9%	99.9%	99.9%
Output	Number of enterprise services instrumented with quantitative metrics for evaluating savings or cost avoidance resulting from consolidation		3	5	5	5
Output	Number of days to respond to an agency project request for the statewide human resource, accounting and management reporting system		new	30	30	30

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Number of enterprise data systems with a disaster recovery or resilience presence at the state secondary data center		2	5	5	5
Outcome	Amount of information technology savings or cost avoidance as calculated for enterprise systems with existing and documented metrics		\$3,511,483	\$3,000,000	\$3,000,000	\$3,000,000
Outcome	Percent reduction of past end-of-life systems refreshed or replaced with equipment replacement funds		not given	50%	50%	50%
Outcome	Number of perimeter and security-logged systems reporting security metrics to the network operations center		80%	80%	80%	80%

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)

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,569.2	3,293.6	3,212.9	3,170.5	-3.7
SOURCES TOTAL	3,569.2	3,293.6	3,212.9	3,170.5	-3.7
USES					
Personal Services and Employee Benefits	2,870.5	2,982.2	2,919.2	2,876.8	-3.5
Contractual Services	36.4	39.0	40.0	40.0	2.6
Other	217.9	272.4	253.7	253.7	-6.9
TOTAL USES	3,124.8	3,293.6	3,212.9	3,170.5	-3.7
FTE					
Permanent	41.0	35.0	34.0	34.0	-2.9
TOTAL FTE POSITIONS	41.0	35.0	34.0	34.0	-2.9

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	50%	not given	95%	95%	95%
Output	Percent of accounts receivable dollars collected within sixty days of the invoice due date	81%	62%	75%	75%	75%
* Outcome	Dollar amount of account receivables over sixty days old	\$7,150,000	\$5,328,693	\$7,500,000	\$7,500,000	\$7,500,000
Outcome	Percent of mainframe services meeting federal standards for cost recovery	not given	not given	100%	100%	100%
Outcome	Percent of voice, data and radio services meeting federal standards for cost recovery	not given	not given	100%	100%	100%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	37,764.7	35,406.9	41,478.6	40,599.0	14.7
SOURCES TOTAL	37,764.7	35,406.9	41,478.6	40,599.0	14.7
USES					
Personal Services and Employee Benefits	5,221.6	5,821.6	6,151.8	5,694.4	-2.2
Contractual Services	29,948.1	28,387.0	34,104.6	33,849.7	19.2
Other	921.4	1,198.3	1,222.2	1,054.9	-12.0
TOTAL USES	36,091.1	35,406.9	41,478.6	40,599.0	14.7
FTE					
Permanent	75.0	77.0	80.0	77.0	0.0
TOTAL FTE POSITIONS	75.0	77.0	80.0	77.0	0.0

BUDGET ISSUES:

PERA requested \$41.5 million for FY15, 17 percent above the FY14 operating budget, which included increases of \$5.7 million for investment management fees, \$150 thousand for 3 additional FTE, and \$26 thousand to increase office space. The committee recommends \$40.6 million, an increase of \$5.2 million, or 14.7 percent, from the FY14 operating budget. The recommendation for personal services and benefits is 9 percent above FY13 actual spending to fill positions authorized for FY14, reduce vacancies, and pay for increases in compensation. In general, the recommendation supports professional services contracts as requested, except for a lobbyist contract, and applies a conservative increase above FY13 actual spending for attorneys and other costs.

During FY13, seven budget adjustments increased the base budget by more than \$8 million. The increases were primarily due to investment management and operations, including building maintenance and utilities. The agency's beginning budget for investment management fees was \$21 million. Manager performance grew those fees to about \$28 million. As for the increase in building costs, the PERA building was touted as being low maintenance and having superior insulation when built in 2009. However, the building is costly to heat and cool because it is 65 percent glass and rain water leaks onto the rammed earth walls causing unsightly cracks. The agency may ask for a special appropriation to repair and reseal the exterior, which could be costly and may need to be repeated every few years.

The dramatic swing in fund value the past decade, coupled with a 13 percent return for FY13, and negative 0.4 percent return for FY12, complicates manager fee projections for FY15. In addition, performance-based fee arrangements make these costs particularly difficult to predict. The agency developed its base request for investment management fees as a result of the 13 percent return on investments for FY13, then a 7.75 percent annual rate of return was applied to FY14 and then again in FY15. If investments underperform, the budgeted fees will revert to the fund. If investments outperform, the recommendation supports budget adjustment language in the General Appropriation Act to pay additional investment management fees if necessary.

The agency did not request management fees for alternative assets in the appropriation process. The agency reports these assets net of fees; the market value represents the asset value after fees are deducted. As a general rule, fees on alternative assets range from 0.75 percent to 2 percent. Management fees for these types of investments were \$41.5 million for FY13 and \$41.7 million for FY12. This is in addition to fees on traditional assets, like stocks and bonds, that require direct payments to managers through the operating budget. For FY13, the agency paid \$66.3 million in total investment management fees, including both off-budget and on-budget expenses. In turn, investment gains were \$1.2 billion. In contrast, for FY12 the agency reported the fund declined \$400 million from FY11.

The PERA's investment performance ranking the last three years is in the 51st percentile; it falls to the 89th percentile if ranked using the last five years. PERA should join the other investment agencies in reevaluating active management and reviewing manager fees as well as developing a uniform reporting format for better comparative analysis. This review could identify means for better cooperation among the agencies. Administrative and other costs could be reduced through the establishment of uniform manager fee schedules, shared internal management of certain assets, shared information regarding due diligence of firms, and coordinated trainings for board members and investment staff.

Increases in employee benefits, the desire to fill vacant positions, and 3 additional FTE produced a \$930 thousand, or 18 percent, increase in the request for personal services and employee benefits from FY13 actual expenditures. In other costs, the request included \$61 thousand for board-related travel and training and \$52 thousand to expand the Albuquerque office space, among other increases. Unlike the State Investment Council and the Educational Retirement Board members, PERA board members attend out-of-state due diligence reviews with staff. The recommendation does not include funding for more FTE and, therefore, does not support increases for more office space. The recommendation applies a vacancy savings rate of 5 percent, due to reduction in staff from retirements and resignations and supports smaller increases in other costs.

Of continuing concern is the agency's retirement information online (RIO) system that requires the vendor to make changes, which holds the agency hostage for maintenance and upgrade costs. These charges have added \$6.4 million over the RIO system implementation costs of \$13.5 million. Due to the inability of the state to implement and ensure the success of a pension module within SHARE, the recommendation includes \$961 thousand for vendor support for FY15.

Significant investment earnings fluctuations and a slow growing workforce worsened PERA's actuarial condition the last decade. As a result, PERA's unfunded liability increased to \$6.2 billion by the end of FY12, and the fund's funded status had dropped to 65 percent. The increases in liabilities were not only due to lower returns and rate-of-return assumption but also to an automatic 3 percent cost-of-living adjustment (COLA) after two full years of retirement. To restore solvency, the Legislature in 2013 raised employee and employer contributions, decreased the COLA to 2 percent for most retirees, and decreased the benefit for new hires about 30 percent. It is too early to tell what the impact of these benefits changes that lower take-home pay will have on New Mexico's competitiveness for recruitment and retention of employees.

While most PERA plans are now in good shape, the judicial retirement plans are not. As of June 30, 2013, the funded ratios of the judges' and magistrates' plans were 55.7 percent and 58.4 percent, respectively. To restore solvency, the judiciary will propose legislation once again in 2014. The bills will be similar to Senate Bill 25 vetoed in 2013, with changes that include (1) requiring employers to pay member's share for non-participants, (2) modifying the survivor benefit to mirror other plans, and (3) a one-time general fund appropriation of \$5 million to shore up the magistrate's plan. The proposal also suspends the COLA for two out of every three years if the funded ratio is at or below 80 percent. The proposed changes move the plans' funding status in an upward trend, but the plans will not be considered fully funded according to governmental accounting standards.

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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Quality	Percent of accurately computed retirements	99.5%	99.8%	99%	99%	99%
* Outcome	Funding period of unfunded actuarial accrued liability, in years			New	New	<=30
Efficiency	Average number of days to respond to requests for benefit estimates, military buy-backs, and service credit verifications	25-30	24-28	25-30	25-30	25-30
* Outcome	Average rate of return on investments over a cumulative five-year period			New	New	7.75%
Outcome	Ten-year average annualized investment returns to exceed internal benchmark, in basis points.		205	≤30	<=30	<=30

STATUTORY AUTHORITY:

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

MISSION:

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

	BUDGET SUMMARY (dollars in thousands)					Percent Incr (Decr)
	FY13	FY14	FY15 – 2014-2015			
	2012-2013	2013-2014	Agency	LFC		
	Actuals	Budgeted	Request	Recommendation		
SOURCES						
General Fund Transfers	2,544.0	2,637.9	2,911.1	2,685.9	1.8	
Federal Revenues	47.3	0.0	26.2	26.2		
Other Revenues	223.9	116.7	117.1	117.1	0.3	
Fund Balance	0.0	101.7	101.3	101.3	-0.4	
SOURCES TOTAL	2,815.2	2,856.3	3,155.7	2,930.5	2.6	
USES						
Personal Services and Employee Benefits	1,909.5	2,407.8	2,682.0	2,456.8	2.0	
Contractual Services	90.4	54.0	60.5	60.5	12.0	
Other	439.1	394.5	413.2	413.2	4.7	
TOTAL USES	2,439.0	2,856.3	3,155.7	2,930.5	2.6	
FTE						
Permanent	40.0	40.0	42.0	42.0	5.0	
Term	2.0	2.0	0.0	0.0	-100.0	
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0	

BUDGET ISSUES:

The FY15 budget request for the State Commission of Public Records (SCPR) of \$3.2 million, a 10.5 percent increase from FY14 operating levels, included a 10.4 percent increase in the general fund appropriations that would be used almost entirely for personal services and employee benefits (PS&EB).

The committee recommendation for the agency is \$2.9 million, \$2.7 million of which is in general fund appropriations. The increase will provide funding for an additional FTE considered essential for the effective implementation of the Central Electronic Records Repository (CERR) project.

The recommendation also concurs with the agency request to make 2 term FTE positions into permanent positions. These FTE were created approximately 10 years ago for special projects, but the responsibilities now focus entirely on outreach to regional and local entities for effective historical document preservation and the management of the state archives. Most of the funding for the 2 FTE positions already comes from the general fund appropriations.

The recommendation concurs with the remainder of the agency budget request, including the continued use of revolving fund balance. The revolving fund balance continues to decline. A fund balance of \$63 thousand is projected for the end of FY15, compared with a projected balance of \$164.3 thousand at the end of FY14 and an adjusted balance of \$266 thousand at the end of FY13. Fund balance revenues come from the sale of boxes for storage and preservation and publishing fees obtained from agencies for legal notices and rules.

Intensive recruitment efforts, reinforced by funding increases in the PS&EB category in FY13 and FY14 by the Legislature, have allowed the agency to make important progress on critical administrative tasks mandated by statute. The archives research room is now open on a regular basis and the public has consistent access to state historical document holdings. Activities related to the preservation and digitalization of state historic records has intensified. The state historian continues efforts to ensure greater outreach to New Mexico communities for both research and education purposes. Significantly, training programs related to historical record treatment and preservation by local governments, Native American tribes and pueblos, and other entities have been re-established across the state. Inspection of Public Records Act requests are being completed in a more timely fashion.

The issue of records storage capacity remains a serious concern for the agency. To meet statutory requirements, the commission operates two records centers, one in Albuquerque and one in Santa Fe. Both storage facilities are now at full capacity, and state agencies have been notified that records will only be accepted when currently stored records reach their required retention period and are destroyed. During the 2013 legislative session, the Legislature appropriated \$600 thousand to the commission for the development of architectural plans for an expanded records center in Santa Fe. The request for proposal and planning process is expected to take at least a year. Additional funding for the construction of the storage facility has been requested through the FY15 infrastructure capital improvement plan.

Although the electronic repository project is designed to transfer records to digital format and funding for the project has been fully appropriated, the current situation suggests many agencies will be forced to store and maintain records in their own buildings. This will entail significant outreach on the part of the records center to ensure agency officials are cognizant of appropriate storage and maintenance procedures.

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Maximum number of days between rule effective date and online availability	30	30	32	32	32
Outcome	Percent of requests for access to public records in its custody that the commission is able to satisfy	99.5%	100%			
Outcome	Percent of New Mexico historical records grant projects that are achieving stated objectives	100%	100%	100%	100%	100%
Outcome	Percent of annual strategic plan performance measures achieved or on schedule	60%	71%	75%	75%	85%
* Outcome	Percent of total records items scheduled, reviewed, amended or replaced within a five-year period	27.5%	29%	40%	40%	40%
Output	Number of research documents and educational activities provided by the state historian	20	26	12	12	25
Output	Number of times during a fiscal year that visitors accessed information on the New Mexico history website	143,080	213,716	150,000	150,000	150,000
Outcome	Percent of requests for access to public records in its custody that the commission is able to satisfy within 24 hours			75%	75%	75%

STATUTORY AUTHORITY:

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

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals	2013-2014 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	5,172.7	6,447.2	10,254.6	6,834.0	6.0
Other Transfers	0.0	0.0	0.0	18.0	
Other Revenues	1,696.0	1,250.0	0.0	1,500.0	20.0
SOURCES TOTAL	6,868.7	7,697.2	10,254.6	8,352.0	8.5
USES					
Personal Services and Employee Benefits	2,837.9	3,491.1	4,330.7	3,800.8	8.9
Contractual Services	1,018.2	866.0	1,193.5	892.6	3.1
Other	2,956.6	3,340.1	4,730.4	3,658.6	9.5
TOTAL USES	6,812.7	7,697.2	10,254.6	8,352.0	8.5
FTE					
Permanent	58.0	58.0	58.0	55.0	-5.2
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	59.0	59.0	59.0	56.0	-5.1

BUDGET ISSUES:

A significant part of the general fund increase in the FY15 appropriation request for the Secretary of State (SoS), 59 percent over the FY14 operating budget, was the result of the SoS request to replace public election fund revenues with general fund revenue. The public election fund finances election campaigns for certain offices and pays for the administration of the Voter Action Act (Sections 1-19A-1 to 1-19A-17 NMSA 1978). The fund receives approximately \$1.5 million per year in recurring revenues typically designated for the recurring operating expenses of the elections program.

The FY14 operating budget includes the transfer of 20 FTE and slightly more than \$1 million from the general fund for staff and related expenses associated with the transfer of the authority to charter and regulate corporations from the Public Regulation Commission (PRC) to SoS. The FY15 appropriation request proposed full funding of all 20 FTE at a cost of \$1.2 million.

The Administration and Operations Program request for personal services and employee benefits did not apply a vacancy savings, but rather, full funding of salaries and benefits for both filled and vacant positions. The current vacancy rate is approximately 16.9 percent, and the average vacancy rate of the agency over the last two years is approximately 20.6 percent. In FY13, the agency transferred \$205 thousand, or the equivalent of 8.1 percent of the total general fund appropriation, from the personal services and employee benefits category to other categories and reverted \$53.6 thousand to the general fund. The request also included a \$223.5 thousand increase for rates assessed by the General Services Department (GSD), mostly for public liability.

The agency request for the Elections Program included an additional \$1.7 million in general fund appropriations over the FY14 operating budget for paper ballots, voter guides and forms, advertising of constitutional amendments, contracts for information technology and legal services, postage fees and change of address notices, training manuals, and other election supplies necessary for carrying out statutory responsibilities associated with the primary and general elections. By statute, primary and general elections are the fiscal responsibility of the state. Since FY10, the Legislature has increased the appropriation from the general fund for the Elections Program by more than 81 percent in recognition that these are recurring expenses and should be included in the base.

The committee recommendation for the agency is \$8.4 million, an increase of \$654.8 thousand, or 8.5 percent over the FY14 operating budget and about \$2 million less than the agency request. The recommendation increases general fund appropriations to the agency by \$386.8 thousand, or 6 percent over the FY14 operating budget. The recommendation includes \$1.5 million from the public election fund.

In the Administration and Operations Program, the recommendation deletes 3 FTE that have been vacant for more than one year, saving \$124.6 thousand, and applies a 15 percent vacancy rate for a savings of \$405.3 thousand. The recommendation is consistent with the current vacancy rate of 16.9 percent and average two-year rate of 20.6 percent. The recommendation fully funds the General Services Department (GSD) risk coverage rate increases, primarily the increase in employee liability insurance. In the Elections Program, the recommendation increases contractual services by \$23.7 thousand for additional IT contracts, does not support the request for \$40 thousand for attorney fees, and increases the other category by 11.9 percent for expenses associated with primary and general elections.

The recommendation also includes \$18 thousand for fees collected from various political subdivisions of the state for providing training and seminars on the administration of the Election Code prior to each statewide election by Elections Program staff. The agency requested budget adjustment authority for this purpose and this recommendation is in lieu of providing such authority because the agency collected \$18.4 thousand and \$18 thousand in FY12 and FY13 respectively.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 1-19A-10 NMSA 1978, the other state funds appropriation to the elections program of the secretary of state includes one million five hundred thousand dollars (\$1,500,000) from the public elections fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2015 from appropriations made from the public elections fund shall revert to the public elections fund.

ADMINISTRATION AND OPERATIONS

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,573.5	4,152.0	5,026.5	4,446.6	7.1
SOURCES TOTAL	3,573.5	4,152.0	5,026.5	4,446.6	7.1
USES					
Personal Services and Employee Benefits	2,837.9	3,491.1	4,330.7	3,800.8	8.9
Contractual Services	303.4	151.2	204.1	154.1	1.9
Other	376.2	509.7	491.7	491.7	-3.5
TOTAL USES	3,517.5	4,152.0	5,026.5	4,446.6	7.1
FTE					
Permanent	58.0	58.0	58.0	55.0	-5.2
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	59.0	59.0	59.0	56.0	-5.1

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	100%	92%	100%	100%	100%
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	100%	100%
* Output	Average number of days to issue charter documents	35	N/A	7	15	10

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)

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,599.2	2,295.2	5,228.1	2,387.4	4.0
Other Transfers	0.0	0.0	0.0	18.0	
Other Revenues	1,696.0	1,250.0	0.0	1,500.0	20.0
SOURCES TOTAL	3,295.2	3,545.2	5,228.1	3,905.4	10.2
USES					
Contractual Services	714.8	714.8	989.4	738.5	3.3
Other	2,580.4	2,830.4	4,238.7	3,166.9	11.9
TOTAL USES	3,295.2	3,545.2	5,228.1	3,905.4	10.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of county clerks satisfied with the election training provided by the secretary of state's office	100%	100%	100%	100%	100%
Output	Number of training sessions provided to all county clerks on changes to the Election Code	1	1	1	1	1
* Outcome	Percent of eligible voters who are registered to vote	78%	Invalid	80%	Invalid	80%
Outcome	Percent of campaign reports filed electronically by the due date	81%	88%	90%	98%	98%
* Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	97%	95%	100%	100%	100%
Outcome	Percent of voting machines tested	100%	100%	100%	100%	100%
* Efficiency	Percent of public requests and complaints responded to within the three day statutory deadline	95%	Invalid	100%	Invalid	100%
* Outcome	Percent of eligible Native American voters who are registered to vote	57%	Invalid	65%	Invalid	80%
Outcome	Percent of statutorily required documents provided to the county clerks		100%	100%	100%	100%
Outcome	Percent of counties visited by the secretary of state's office to obtain input regarding the election code and its application		95%	90%	100%	100%

STATUTORY AUTHORITY:

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

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

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,896.1	4,190.7	4,536.2	4,233.2	1.0
Other Revenues	337.8	359.7	345.3	216.5	-39.8
SOURCES TOTAL	4,233.9	4,550.4	4,881.5	4,449.7	-2.2
USES					
Personal Services and Employee Benefits	3,513.7	4,188.9	4,520.0	4,108.6	-1.9
Contractual Services	53.5	54.5	54.5	50.6	-7.2
Other	500.8	307.0	307.0	290.5	-5.4
TOTAL USES	4,068.0	4,550.4	4,881.5	4,449.7	-2.2
FTE					
Permanent	57.0	53.0	53.0	51.0	-3.8
Term	0.0	0.0	4.0	0.0	
TOTAL FTE POSITIONS	57.0	53.0	57.0	51.0	-3.8

BUDGET ISSUES:

Over the last two years, SPO vacancies in positions classified as permanent were as high as 14 FTE, or 25 percent, and generally not less than 12 FTE, or 23 percent. High vacancy rates have been documented for SPO since FY09 when LFC reported three historical rates that ranged from 15 percent to more than 23 percent and recommended the elimination of 8 FTE. Over the years, the number of authorized FTE decreased to the current level of 53 FTE. In accordance with the executive's budget request instructions and LFC guidelines, the recommendation eliminates 2 of 4 long-standing, unfunded vacant FTE. The recommendation funds the remaining FTE, including eight vacant positions at mid-point of the salary range, does not assign a vacancy savings rate to the agency, and leaves 2 FTE unfunded.

To help smaller agencies with limited resources and few FTE with human resource (HR) functions, SPO piloted a "shared-services" initiative to perform these functions while agency staff was trained. In FY14, HR functions were performed by SPO for nine agencies, including the State Investment Council, Tourism Department, Economic Development Department, Office of Insurance Superintendent, Department of Military Affairs (DMA), Office of African American Affairs, Indian Affairs Department, Department of Homeland Security and Emergency Management (DHSEM), and Higher Education Department. These agencies have authorized FTE that range from 5 FTE to 96 FTE and pay SPO \$250 to \$10.6 thousand a month for HR services and training. Shared-service agreements that continue year after year are of a concern, except for tiny agencies with 20 FTE or less. SPO should report to the committee and the Legislature the long-term plans for the shared-services initiative, the criteria for determining when agreements are necessary, and the rates agencies are charged for this service.

For FY15, SPO requested \$345.3 thousand for shared-services agreements with many of the same FY14 agencies; however, DMA and DHSEM have terminated their agreement with SPO while the Governor's Commission on Disability and the State Fair are entering into agreements with SPO. The agency operating budget and request included 4 unauthorized term FTE supported with the shared-services revenue. The committee recommends \$216.5 thousand for the shared-services pilot initiative, \$128.8 thousand less than the amount requested and an amount that reflects the Office of Insurance Superintendent's budget request for funding for HR staff. The committee also recommends the term FTE remain unauthorized until a long-range plan is developed for this pilot project.

SPO submitted a request for a new information technology (IT) system to consolidate and digitize personnel records. According to a records retention schedule, personnel records are required to be retained for 50 years; however, the decentralized personnel system allows agencies to maintain personnel files separately from SPO and often files are lost. The \$6.8 million project would be phased in, with much of work in FY15 resulting in the hiring of a consultant, posting a request for information and later a request for proposals to procure and implement the system. The IT request proposes to fund the project with a general fund appropriation to the computer systems enhancement fund for hardware and software and recurring system costs of \$500 thousand to SPO in FY17 and beyond. The request does not allocate project cost to federal and other state revenue sources, which could offset a large portion of the general fund request. The need to digitize important documents is a statewide problem, and the committee suggests the Information Technology Commission and the Commission for Public Records work together to develop a plan and platform to help guide agencies in this endeavor.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>	
*	Outcome	Average number of days to fill a vacant position from the date of posting	69	73	40	55	40
*	Explanatory	Percent of new employees who successfully complete their probationary period	58%	58%	85%	75%	85%
*	Explanatory	Percent of classified employees voluntarily leaving state service			new	14%	14%
*	Explanatory	Percent of classified employees involuntarily leaving state service			new	4%	4%
	Efficiency	Average state employee sick leave usage per capita		24 hrs	40 hrs	40 hrs	24 hrs
	Efficiency	State employee average overtime usage per month			new	12 hrs	8 hrs
	Outcome	Percent of state employees receiving overtime			new	25%	>10%
	Outcome	Percent of department or agencies with over ninety percent of personnel evaluations completed		95%	95%	95%	100%
	Explanatory	Number of disciplinary actions for union-covered positions appealed to arbitration rather than personnel board			new	40	40
	Explanatory	Average cost paid by state for arbitration of disciplinary actions for union covered positions appealed to arbitration rather than to state personnel board			new	\$7,500	\$7,500
	Outcome	Number of rule-compliance audit reviews performed during the fiscal year	5	8	5	5	5
	Outcome	Percent of managers and supervisors who successfully complete the management and supervision training sponsored by the state personnel office within six months of hire or promotion to the managerial or supervisory position			95%	95%	95%
	Output	Percent of rule-compliance audit exceptions corrected within six months of discovery	100%	100%	100%	100%	100%
*	Explanatory	Statewide classified service vacancy rate	19.7%	16.8%	12%	12%	10%
*	Efficiency	Average state classified employee compa-ratio		99.5%	95%	95%	95%
	Efficiency	Average state classified new hire compa-ratio		94.4%	91%	91%	91%
	Explanatory	Percent turnover for employees leaving state service		7.9%	18%	deleted	deleted
	Explanatory	Ratio of disciplinary actions to number appealed to state personnel board		5:1	5:1	deleted	deleted
*	Output	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	58%	93%	99%	95%	95%
	Explanatory	Number of disciplinary actions for union covered positions appealed to arbitration rather than to state personnel board and average cost paid by the state for arbitration		34/\$3,809	40/\$7,500	deleted	deleted
	Efficiency	State employee average overtime usage per month and percent of state employees receiving overtime		16hrs/16%	12 /25%	deleted	deleted

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>	2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	214.0	215.5	257.7	231.8	7.6
SOURCES TOTAL	214.0	215.5	257.7	231.8	7.6
USES					
Personal Services and Employee Benefits	144.5	163.0	163.0	164.2	0.7
Contractual Services	11.5	6.4	14.9	8.5	32.8
Other	60.6	46.1	79.8	59.1	28.2
TOTAL USES	216.6	215.5	257.7	231.8	7.6
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

The Public Employee Labor Relations Board (PELRB) overspent its FY13 appropriation of \$214 thousand by \$2.6 thousand and continues to owe the Department of Information Technology for prior year billings. The excess spending in FY14 occurred even though 1 of its 2 FTE was vacant for one quarter of the year, which created significant vacancy savings. The LFC suggests the department present a plan to the Legislature to be administratively attached to another agency for administrative and fiscal support and have the administrative assistant assume some of the programmatic duties of the board.

For FY15, the board requested an increase of nearly 20 percent over the FY14 operating budget. The increase is attributable to full funding for the 2 FTE for the year, two new contracts to supervise elections (\$6,000), a hearing officer (\$2,500), training for staff and board members, and more board meetings.

The committee recommendation provides an increased level of funding from the FY14 operating level but below the FY13 expenditure level. The recommended funding increase includes full funding for personal services and employee benefits, the hearing officer contract, and funding for employee and board member training.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent compliance with statutes, with particular attention to due process, equal protection, the Public Employee Bargaining Act and board rules	100%	100	100%	100%	100%
Outcome	Percent of decisions overturned on appeal	1%	50%	1%	1%	1%
Output	Percent of determinations of approval of local labor relations boards within one hundred days of request for approval	100%	100%	100%	100%	100%
Output	Percent of bargaining unit recognition petitions processed within one hundred eighty days of filing	38%	83%	95%	95%	85%
Outcome	Percent of cases resolved through agreement, mediation or arbitration prior to hearing		34%	New	34%	35%
Output	Percent of prohibited practice complaints, not settled or withdrawn, decided within one hundred eighty days of filing		71%	New	95%	75%

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)				
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,572.3	3,708.8	3,784.6	3,739.6	0.8
Other Transfers	122.3	122.3	122.3	122.3	0.0
Federal Revenues	0.0	4.0	4.0	4.0	0.0
SOURCES TOTAL	3,694.6	3,835.1	3,910.9	3,865.9	0.8
USES					
Personal Services and Employee Benefits	2,785.5	3,129.2	3,171.9	3,126.9	-0.1
Contractual Services	173.5	180.0	207.0	207.0	15.0
Other	607.7	525.9	532.0	532.0	1.2
TOTAL USES	3,566.7	3,835.1	3,910.9	3,865.9	0.8
FTE					
Permanent	40.0	40.0	40.0	38.0	-5.0
TOTAL FTE POSITIONS	40.0	40.0	40.0	38.0	-5.0

BUDGET ISSUES:

The total agency request of \$3.9 million, an increase of 2 percent over the FY14 operating budget, included a 1.4 percent increase in personal services and employee benefits for a payout of annual leave for executive staff that will leave the agency at the end of the State Treasurer's term of office in December 2014. The agency request applied a 7.3 percent vacancy rate to the personal services and employee benefits category. The increase in the base request will fill two vacant Information Technology (IT) positions in anticipation of the implementation of the treasury management system in the statewide financial system called SHARE. STO reports implementation of this IT project is not yet underway, pending completion of the statewide SHARE stabilization and disaster recovery projects. The request included a 15 percent increase in the contractual services category to fund an annual "cyber review" of the agency, intended to assess system security.

The committee recommendation of \$3.87 million for FY15 applies an additional 1.3 percent vacancy savings in the personal services and employee benefits category, deletes 2 vacant FTE, and funds the requested increase for the annual leave payout through vacancy savings. The recommendation includes transfers of \$122.3 thousand from management fees charged to participants in the local government investment pool (LGIP) and \$4,000 in federal reimbursements. LGIP fees are state funds that would otherwise revert directly to the general fund.

STO manages its holdings differently depending on the liquidity needs of different beneficiaries. For example, the liquidity needs of the various bond funds and the local government investment pool are such that they are invested in relatively short-term securities, which reduces yield. Further, STO segregates general fund holdings into two accounts. As the name implies, the liquidity account is managed solely for cash needs and generally invested in overnight securities. The core account is managed on a relatively long-term basis and is invested in longer duration securities. STO reduced liquidity accounts to approximately \$500 million, allowing a larger portion of state balances to be invested in higher-yielding securities. The implementation of the proposed cash-management modules for SHARE should allow STO to manage state monies even more efficiently.

The extremely low interest rate environment negatively impacted investment returns. Interest earnings on state balances have decreased significantly, from more than \$100 million in FY08 to \$12.7 million in FY13. The base for many short-term interest rates, the annual federal funds rate, was 0.12 percent in the fourth quarter of FY13, compared with 5.25 percent in the fourth quarter of FY07. Short-term rates are expected to increase with the federal funds rate, although the timing of such an increase remains uncertain.

The balance of the State Treasurer's fund, comprising state general fund and other self-earning accounts, was \$2 billion at the end of FY13, approximately \$35 million less than a year ago. These balances may be reduced through appropriations, tax cuts, or transfers from reserves when revenues come in below estimated levels.

STATE TREASURER'S OFFICE

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

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>	
*	Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	1.02	18	5	5	5
	Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	-20	15	5	5	5
	Outcome	Percent of reconciling items cleared within thirty days of identification	100%	99%	90%		
	Outcome	Maximum number of audit findings	5	NA	2	2	2
	Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	New	New	New	90%	90%

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-51-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act. As of June 30, 2013, 2,205 architects were registered in New Mexico: 712 in-state registrants and 1,493 out-of-state registrants.

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	59.5	370.4	52.2	52.2	-85.9
Fund Balance	292.1	0.0	318.2	318.2	
SOURCES TOTAL	351.6	370.4	370.4	370.4	0.0
USES					
Personal Services and Employee Benefits	205.8	268.7	253.7	253.7	-5.6
Contractual Services	9.0	18.2	19.4	19.4	6.6
Other	77.0	83.5	97.3	97.3	16.5
TOTAL USES	291.8	370.4	370.4	370.4	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

BUDGET ISSUES:

For FY15, the board requested and the LFC recommends a total budget of \$370.4 thousand, flat with the FY14 operating budget. The board’s projected fund balance at the end of FY14 will be approximately \$866 thousand.

ARCHITECTURAL REGISTRATION

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of registration applications processed	2,065	2,205	2,100	2,100	2,200
Outcome	Percent of registrants audited to ensure compliance with continuing education requirements	2%	Off year	2%	Off year	Off year
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement committee	2.8	3.0	7	9	3

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	333.4	337.4	330.1	330.1	-2.2
Other Revenues	138.1	138.1	177.9	160.9	16.5
SOURCES TOTAL	471.5	475.5	508.0	491.0	3.3
USES					
Personal Services and Employee Benefits	293.4	321.1	313.8	313.8	-2.3
Contractual Services	50.7	52.5	92.3	82.3	56.8
Other	93.0	101.9	101.9	94.9	-6.9
TOTAL USES	437.1	475.5	508.0	491.0	3.3
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

BUDGET ISSUES:

The agency request for FY15, which included a 2 percent decrease in general fund revenue, increased other revenues from projected parking fee revenues by \$39.8 thousand and placed the additional funding into contractual services to pay for project planning and management for the Santa Teresa rail bypass study.

The LFC recommendation concurs with the agency's general fund request of \$330.1 thousand.

The Border Authority expends significant effort improving the flow and number of vehicles passing through the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells, and developing a fourth border crossing in Sunland Park. At Antelope Wells, the federal government, with U.S. Customs heading the project, completed construction of a new port of entry that should open to the public by the end of 2013.

The federal government recently completed a \$3.5 million commercial traffic bypass to reduce the time commercial vehicles spend crossing the border at the Columbus port of entry, and the bypass is now fully operational. The Border Authority and the Department of Transportation supported the project management efforts headed by Luna County. The federal government acquired an additional 11 acres around the port of entry and plans to use the land for a \$50 million port expansion. However, the expansion is still in the design stage and awaits congressional approval for construction funding.

The \$12 million expansion at the Santa Teresa port of entry is complete and operational, adding two new commercial and two new passenger lanes. Another port of entry project broke ground in May to build a new inspection station for northbound trucks. Additionally, a dual customs clearance facility is under construction on the Mexican side and is expected to increase commercial traffic.

In addition to the infrastructure improvements at the ports of entry, the Border Authority is working with Foxconn, Mexico's largest maquiladora operator and the second largest private employer in the world, and several of its suppliers and distributors on border crossing needs. As evidenced by performance measure results, the new industrial facilities, suppliers, and distributors in the Santa Teresa area have assisted in pushing the state's trade share significantly higher in the West Texas and New Mexico region -- from 7 percent in FY12 to 21 percent in FY13. New Mexico's exports grew by 42 percent from December 2011 to December 2012, growing faster than any other state.

Due to increasing business expansions in Santa Teresa and across the border in San Jeronimo, Mexico, the governors of New Mexico and Chihuahua announced plans for a bi-national master-planned community, hoping this collaboration will create a strong industrial center. The basic skeleton for the master plan is in place, outlining additional rail and highway infrastructure, open areas, and residential, mixed commercial, and light industrial zoning. Creating a master plan while Santa Teresa and San Jeronimo are still largely undeveloped should reduce the likelihood of future congestion and sprawl found in existing twin cities along the U.S.-Mexico border. The plans also call for foreign trade zones on both sides of the border, which should assist cross-border business.

In addition to the current construction of the Union Pacific multimodal rail facilities at Santa Teresa, another major rail operation is under consideration. The Border Authority continues to work on feasibility studies for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa. The agency proposes developing a sub-port with commercial lanes adjacent to the planned rail border crossing.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	6.5%	21.0%	6.5%	6.5%	21.0%
Outcome	Percent of program objectives obtained as a result of direct agency interaction with the border trade community, both public and private sector	90%	90%	90%	90%	90%
Output	Number of coordination meetings with border community leaders, congressional offices, Mexican federal agencies, federal and state agencies or international funding resources to maintain integrity of the international border in New Mexico	285	260	270	270	270
* Outcome	Commercial and noncommercial vehicular port traffic at New Mexico ports	766,671	824,824	830,000	830,000	830,000

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,300.7	10,332.3	12,832.3	12,352.1	19.5
Other Transfers	1,016.4	1,029.6	1,029.6	1,029.6	0.0
Other Revenues	3,018.0	3,435.1	3,435.1	3,395.6	-1.1
SOURCES TOTAL	12,335.1	14,797.0	17,297.0	16,777.3	13.4
USES					
Personal Services and Employee Benefits	3,498.2	3,866.0	3,972.4	3,923.5	1.5
Contractual Services	1,637.1	1,590.6	1,551.6	1,504.9	-5.4
Other	7,056.4	9,340.4	11,773.0	11,348.9	21.5
TOTAL USES	12,191.7	14,797.0	17,297.0	16,777.3	13.4
FTE					
Permanent	66.5	64.5	62.5	61.5	-4.7
Term	4.0	4.0	6.0	7.0	75.0
TOTAL FTE POSITIONS	70.5	68.5	68.5	68.5	0.0

BUDGET ISSUES:

The Tourism Department requested an additional \$2.5 million for advertising in FY15. The agency received approximately \$2 million additional advertising funding for FY14, and this request would bring total advertising funds for the department to more than \$8 million. The request would allow for continued advertising in existing markets while the department moves forward with its plan to enter new geographic markets, such as California.

The LFC recommendation includes \$2 million for additional advertising funds and \$150 thousand for additional cooperative advertising grants, eliminates \$44 thousand from the contractual services category, eliminates \$20 thousand from the other category due to technical adjustments, and moves the funding for one employee from Tourism Development to Program Support. The move has no impact on the overall funding recommendation. The committee recommends a total general fund appropriation of \$12.4 million.

The Tourism Department hired Longwoods International, an advertising campaign research company, to conduct a return on investment (ROI) study to determine what return the state of New Mexico received for the money spent on the department's 2012 spring and summer tourism "New Mexico True" advertising campaign. The campaign used television, Internet, print, and out-of-home advertisements targeting West Texas, Colorado, and Arizona. The Longwoods study, released in December 2012, reports the ads generated 264 thousand additional trips people would not otherwise have taken, with every \$4.46 spent in advertising generating an additional trip. The incremental trips resulted in \$35.1 million additional visitor spending and \$3.6 million in state and local taxes produced from the \$1.2 million ad campaign, or returns on investment of more than 29-to-1 for sales and 3-to-1 for taxes. The return on investment numbers only reflect actual trips taken. However, Longwoods estimates the campaign influenced the planning of 260 thousand additional trips to New Mexico in 2013, increasing New Mexico's long-term investment beyond the 3-to-1 ratio of tax dollars received for advertising dollars spent.

The Tourism Department has no updated ROI analysis yet for the additional \$2 million appropriated for advertising in FY14, but results should be generally similar to those seen in the study as the money expands the reach of existing efforts using the same branding and media formats.

In 2012, the tourism industry experienced significant growth. According to an annual survey by Longwoods Travel USA, New Mexico set a new high of 32 million travelers, a 2.6 percent increase from 31.2 million in 2011. Tourists also spent a record \$5.9 billion in New Mexico during 2012. The increase in travelers and spending led to leisure and hospitality employment increasing 4.2 percent, or about 3,700 jobs, from June 2012 to June 2013.

The Tourism Department hired Blackboard, a marketing company in Austin, to create the “New Mexico True” brand image. Blackboard’s bid was the lowest of all responses to the department’s request for proposal, and the company now creates and places all of the advertisements for the department. The advertisements, initially targeting West Texas, Arizona, and Colorado, will be expanded to Chicago and farther into Texas, including Dallas and Houston. Colorado and Arizona provide the greatest advertising returns, and the department will continue to target those states.

The department wants to abolish branding fragmentation, assisting branding partners to present a unified message. The agency requires cooperative advertising participants to use the state brand, leveraging local advertising funding with state funds. The department encourages collaborative applications for the cooperative advertising program by awarding significantly greater funds for collaborative versus individual applications. Results significantly exceeded expectations during FY13, with 232 collaborating entities compared with the target of 150. The number of communities advertising with New Mexico True branding increased substantially from seven communities at the beginning of the fiscal year to 27 by year’s end, and these communities plan to spend at least \$1.6 million on related advertising during FY14.

One of the key steps to ensuring effectiveness and enhancing credibility was making the New Mexico Magazine Program self-sufficient, after years of losing money. In addition to cutting costs, the department improved the content, culminating in an award from the Western Publications Association naming it the best regional and state consumer magazine for 2013 -- a great follow-up to an award for “most improved” magazine of the year in 2012. Additional key steps include publishing monthly and quarterly reports on department and industry progress and contracting for the most detailed economic impact and return on investment studies released by the Tourism Department. The staff now uses the results of these studies to guide future spending.

In addition to promotions to draw in visitors from outside the state, the department promotes in-state tourism to encourage New Mexicans to travel locally rather than elsewhere for vacation, leaving their dollars in the state. Increased in-state travel might also generate additional positive word-of-mouth advertising to potential out-of-state visitors. The Tourism Department plans to finalize marketing partnerships with the Department of Cultural Affairs and other agencies to increase the impact of the branding. The department also plans to expand the branding to New Mexico food products, t-shirts, and other items.

RECOMMENDED LANGUAGE:

The general fund appropriation to the marketing and promotion program of the tourism department in the other category includes thirty thousand dollars (\$30,000) for the Santa Fe fiesta council, twenty-five thousand dollars (\$25,000) for advertising the Santa Fe Indian market and twenty-five thousand dollars (\$25,000) for advertising the Santa Fe Spanish market.

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,759.2	7,781.5	10,281.5	9,716.6	24.9
Other Revenues	34.7	30.0	30.0	30.0	0.0
SOURCES TOTAL	5,793.9	7,811.5	10,311.5	9,746.6	24.8
USES					
Personal Services and Employee Benefits	1,413.6	1,569.7	1,621.9	1,606.6	2.4
Contractual Services	478.1	395.5	397.1	352.7	-10.8
Other	3,866.0	5,846.3	8,292.5	7,787.3	33.2
TOTAL USES	5,757.7	7,811.5	10,311.5	9,746.6	24.8
FTE					
Permanent	37.5	36.5	36.5	36.5	0.0
TOTAL FTE POSITIONS	37.5	36.5	36.5	36.5	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent change in visits to New Mexico visitor information centers	-4.1%	-5.7%	4.0%	1.0%	1.0%
Quality	Number of stories placed in the media	406	907	700	300	900
Output	Percent of visitors who choose New Mexico as their primary destination		70%	70%	70%	73%
Output	Dollar amount spent per visitor per day		\$75	\$63	\$63	\$75
* Outcome	New Mexico's domestic overnight visitor market share			1.1%	1.0%	1.1%
Outcome	Percent change in New Mexico leisure and hospitality employment			3%	2%	3%
Output	Percent increase in social media fans			10%	10%	15%
Output	Percent increase in number of visits longer than ten seconds to all department websites			3%	3%	10%
Output	Percent change in number of visitors to New Mexico			3%	2%	3%
* Outcome	Percent increase of gross receipts tax revenue from accommodations revenue				2.0%	2.5%
Outcome	Number of referrals from newmexico.org to partner websites				75,000	75,000

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)**

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,091.6	1,093.5	1,093.5	1,074.2	-1.8
Other Transfers	1,016.4	1,029.6	1,029.6	1,029.6	0.0
SOURCES TOTAL	2,108.0	2,123.1	2,123.1	2,103.8	-0.9
USES					
Personal Services and Employee Benefits	393.1	414.0	421.2	307.7	-25.7
Contractual Services	271.2	203.7	153.8	153.8	-24.5
Other	1,422.6	1,505.4	1,548.1	1,642.3	9.1
TOTAL USES	2,086.9	2,123.1	2,123.1	2,103.8	-0.9
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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of entities participating in collaborative applications for the cooperative advertising program			150	150	230
Outcome	Number of joint tourism ventures between New Mexico tourism department and native american entities			22	22	22
Outcome	Number of new minor and major sporting events attracted to New Mexico			5	5	5
* Outcome	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands				\$1,600.0	\$1,600.0
Output	Number of meetings with regional tourism boards to develop regional tourism infrastructure development plans				6	6
Outcome	Number of communities in New Mexico clean and beautiful clean-up, beautification, recycling and education events				50	50
Outcome	Number of volunteers in New Mexico clean and beautiful clean-up, beautification, recycling and education events.				20,000	20,000

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)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	2,983.3	3,405.1	3,405.1	3,365.6	-1.2
SOURCES TOTAL	2,983.3	3,405.1	3,405.1	3,365.6	-1.2
USES					
Personal Services and Employee Benefits	767.4	883.6	946.4	912.8	3.3
Contractual Services	816.8	949.9	958.7	956.4	0.7
Other	1,317.8	1,571.6	1,500.0	1,496.4	-4.8
TOTAL USES	2,902.0	3,405.1	3,405.1	3,365.6	-1.2
FTE					
Permanent	10.0	10.0	8.0	7.0	-30.0
Term	4.0	4.0	6.0	7.0	75.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Advertising revenue per issue, in thousands	\$65	\$67	\$80	\$70	\$75
* Outcome	Annual circulation rate	93,408	91,197	95,000	95,000	95,000
Output	Collection rate	98%	91%	99%	92%	98%
Output	Number of digital magazine subscribers		229	750	750	750

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)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,449.9	1,457.3	1,457.3	1,561.3	7.1
SOURCES TOTAL	1,449.9	1,457.3	1,457.3	1,561.3	7.1
USES					
Personal Services and Employee Benefits	924.1	998.7	982.9	1,096.4	9.8
Contractual Services	71.0	41.5	42.0	42.0	1.2
Other	450.0	417.1	432.4	422.9	1.4
TOTAL USES	1,445.1	1,457.3	1,457.3	1,561.3	7.1
FTE					
Permanent	14.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	14.0	13.0	13.0	13.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Efficiency	Number of repeat audit findings	4	1	2	0	0
Outcome	Acceptance rate of payment vouchers	99%	99%	95%	95%	99%
Explanatory	Percent of administrative costs of overall agency operating budget	11%	11%	15%	15%	10%
Output	Percentage of purchase orders and payment vouchers processed within forty-eight hours			90%	90%	90%

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,497.2	6,622.7	9,231.3	7,177.9	8.4
SOURCES TOTAL	6,497.2	6,622.7	9,231.3	7,177.9	8.4
USES					
Personal Services and Employee Benefits	3,237.9	3,764.1	4,111.9	3,736.0	-0.7
Contractual Services	2,018.7	2,305.7	3,066.5	2,400.5	4.1
Other	720.4	552.9	2,052.9	1,041.4	88.4
TOTAL USES	5,977.0	6,622.7	9,231.3	7,177.9	8.4
FTE					
Permanent	56.0	52.0	52.0	49.0	-5.8
TOTAL FTE POSITIONS	56.0	52.0	52.0	49.0	-5.8

BUDGET ISSUES:

The Economic Development Department (EDD) FY15 request of \$9.2 million of general fund revenue, 39.4 percent over the FY14 operating budget, performs four functions: First, it moves \$1.5 million for the Job Training Incentive Program (JTIP) from annual nonrecurring appropriations into the base budget. Second, it replaces federal grant revenues with general fund revenues, providing \$50 thousand contracts each to Mexican and Brazilian trade offices. Third, it moves \$500 thousand for the MainStreet Program’s “frontier communities” pilot initiative from a nonrecurring appropriation in FY14 into the base budget. Fourth, it fully funds personal services and employee benefits and budgets some vacant FTE above midpoint of the salary range. The request also moves two vacant positions from Program Support to the Economic Development Program.

The LFC recommendation includes a general fund appropriation of \$7.2 million, an 8.4 percent increase compared with the FY14 operating budget. The recommendation moves two vacant positions from Program Support to the Economic Development Program but also deletes three positions vacant for more than two years -- two in the Economic Development Program and one in the Film Program. Remaining vacancies are funded at midpoint, but vacancy rates are applied, varying by program and averaging 5.1 percent overall for the agency, down from FY13 and initial FY14 average vacancy rates of more than 19 percent.

The LFC recommendation includes \$500 thousand for JTIP but does not include funding for the MainStreet pilot program or to replace the federal grant. The MainStreet “frontier communities” initiative is still in the beginning stage of development, and no data is available regarding the effectiveness of the program. LFC encourages EDD to request a nonrecurring appropriation for this initiative, providing sufficient time to analyze its effectiveness and suitability for ongoing funding in the base budget.

LFC held a series of hearings during 2013 regarding the effectiveness of statewide economic development programs and found many programs remain fragmented and lack coordination and consistent reporting. EDD should enhance research on effectiveness of job creation programs and prioritize funding to those proving cost-effective. LFC staff began ongoing work to determine the cost-effectiveness of programs and tax expenditures related to economic development. See “Cost Per Job” in the LFC Volume III for cost-per-job rankings. The data shows costs ranging from less than \$1,000 to more than \$60 thousand per job created, and many gaps remain due to insufficient tracking and reporting by relevant agencies. However, initial data indicates select tax expenditures are the most expensive methods for job creation, and certified business incubators are the most cost-effective.

Business incubators assist small, entrepreneurial companies during the initial start-up phase -- the most critical time for a company as financial and personnel resources are typically scarce. The incubators provide both a physical location as well as support services, with the goal of graduating incubated businesses into self-supporting companies. New Mexico's five active and certified incubators generate a return on investment (ROI) of more than 57:1, according to a 2011 report. EDD hired Impact DataSource to perform an ROI study to determine the tax revenues the state received for its incubator investment. The study found the state received \$31.5 million in tax revenue for the \$548.6 thousand invested in incubators during 2007 to 2010 and also returned \$20.5 million in local tax revenues. EDD ceased all incubator funding during the depths of the recession, and funding has not resumed. The LFC recommendation includes \$100 thousand to reinstate incubator funding.

The New Mexico Economic Development Partnership was created in 2003 as a nonprofit organization promoting New Mexico to businesses outside the state and recruiting companies to locate in rural and urban areas of New Mexico. Most communities throughout the state do not have sufficient staffing levels or budgets to facilitate business recruitment and rely on the partnership to provide this function. The partnership receives nearly its entire operating budget through a contract with EDD; the contract peaked at \$1.4 million, decreased during the economic downturn to \$630 thousand, and increased in FY14 to \$930 thousand. The LFC recommendation for FY15 concurs with the agency request to keep the partnership's funding flat at \$930 thousand.

The leisure and hospitality industry led the state's job growth in FY13, gaining 3,700 jobs over the year at a growth rate of 4.2 percent. Three smaller industries experienced greater job growth rates but added fewer total jobs: information services at 10.1 percent, financial activities at 7.0 percent, and construction at 4.5 percent. The manufacturing, other services, government, and wholesale trade industry sectors lost jobs during this period. However, government remains the largest industry sector in New Mexico with 24 percent of the labor force. The education and health services sector and the professional and business services sector follow, with 16 percent and 12 percent of the labor force, respectively. Although the mining and logging sector, which includes oil and gas extraction, represents just 3 percent of the state labor force, a report by the Federal Reserve Bank found this industry is substantially oversized on a per-capita basis compared with the national average. On the other end of the scale, the same report found New Mexico's manufacturing sector is significantly undersized compared with national levels.

The Economic Development Commission, created by statute, is required to advise the department on policy matters and is responsible for the annual approval and update of the statewide five-year economic development plan. The commission never met in 2011 and met just once during 2012, but the commission resumed regular meetings in 2013 and began developing the five-year plan.

The Jobs Council interim committee met seven times to create a framework to analyze funding proposals for economic development projects, and the group estimated the state needs to create approximately 16 thousand new economic base jobs each year for the next 10 years to return to full employment. However, the state managed total job creation of just 7,200 during FY13, and EDD's annual economic base jobs target was just 2,500. An analysis produced by the committee's working group prioritized a skilled workforce and broadband infrastructure as the two most important gaps impeding job creation in New Mexico. The results came from committee members, EDD staff members, and industry and local experts for each of seven regions of the state.

New Mexico experienced mild, post-recession economic growth during FY13, although the growth rate of 0.9 percent trails that of the country and all neighboring states except Oklahoma. However, EDD performance results for FY13 demonstrate increased performance throughout the majority of the department's programs, and EDD exceeded its performance target of 2,500 jobs created by nearly 24 percent -- an increase of 409 jobs from FY12 performance levels. Some of the disparity between the department results and the meager job gains can be explained by the department's use of announced, rather than created, jobs. The department will now receive job creation reports from the Workforce Solutions Department for companies receiving assistance from EDD, providing a historical perspective of jobs filled in addition to the forward view of announced jobs.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes nine hundred thirty thousand dollars (\$930,000) for the New Mexico economic development corporation and one hundred thousand dollars (\$100,000) for certified business incubators.

The general fund appropriation to the economic development program of the economic development department in the other category includes five hundred thousand dollars (\$500,000) for the job training incentive program.

ECONOMIC DEVELOPMENT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 - 2014-2015</u>					Percent Incr (Decr)
	FY13	FY14	Agency Request	LFC Recommendation		
	2012-2013 <u>Actuals</u>	2013-2014 <u>Budgeted</u>				
SOURCES						
General Fund Transfers	3,014.6	3,876.9	6,356.0	4,493.4	15.9	
SOURCES TOTAL	3,014.6	3,876.9	6,356.0	4,493.4	15.9	
USES						
Personal Services and Employee Benefits	1,480.2	1,651.1	1,927.4	1,664.8	0.8	
Contractual Services	1,077.3	1,993.0	2,695.8	2,095.8	5.2	
Other	253.6	232.8	1,732.8	732.8	214.8	
TOTAL USES	2,811.1	3,876.9	6,356.0	4,493.4	15.9	
FTE						
Permanent	26.0	23.0	25.0	23.0	0.0	
TOTAL FTE POSITIONS	26.0	23.0	25.0	23.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Total number of jobs created due to economic development department efforts	2,684	3,093	2,500	2,500	3,000
Output	Average annual cost per economic development partnership job created	\$913	\$2,582	\$518	\$518	\$620
* Outcome	Number of workers trained by the job training incentive program	1,015	844	1,000	1,000	1,000
* Outcome	Number of rural jobs created	1,542	1,440	1,250	1,100	1,500
Output	New-to-export clients identified and assisted		9	10	10	10
* Outcome	Number of jobs created through business relocations and competitive expansions facilitated by the economic development partnership	657	244	1,700	1,700	1,500
Output	Dollars of private sector investment in mainstreet districts, in millions		\$22.7	\$9.0	\$9.0	\$15.0
Output	Number of building rehabilitations completed in mainstreet districts		86	150	150	150
Output	Number of businesses provided technical assistance resulting in a funding package and job creation			5	5	5
Outcome	Number of business retention and expansion surveys completed resulting in job creation, retention, business financing or other positive outcome			15	15	15
Output	Number of rural businesses participating in the job training incentive program	9	16	8	12	14
Output	Average annual cost per job training incentive program trainee	\$4,600	\$7,910	\$4,600	\$5,000	\$5,500
Output	Number of businesses participating in the job training incentive program	32	49	28	35	40
Output	Average hourly wage of jobs funded by the job training incentive program		\$18.46	\$20.00	\$20.00	\$20.00
Output	Number of existing exporters assisted in entering new markets		14	10	10	12
Output	Number of new business advocacy cases opened		75	100	100	100
Output	Number of business advocacy cases solved		58	45	40	50

PERFORMANCE MEASURES (continued)

Output	Number of business relocations and competitive expansions facilitated by the economic development partnership			9	8	9
Output	Number of community infrastructure projects moved to financing stage			5	5	5
Output	Percent of employees whose wages were subsidized by the job training incentive program still employed in New Mexico after one year				66%	80%
Output	Average annual cost per announced jobs created through use of Local Economic Development Act funds				\$5,000	\$5,000
Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act				5:1	10:1
Outcome	Total number of jobs filled due to economic development department efforts				1,650	1,650
Outcome	Number of total business expansions assisted by the economic development department	35	57	40	28	50
Outcome	Number of rural business expansions assisted by the economic development department	10	17	12	12	15

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)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	874.8	757.1	890.2	707.4	-6.6
SOURCES TOTAL	874.8	757.1	890.2	707.4	-6.6
USES					
Personal Services and Employee Benefits	447.0	540.4	615.5	502.2	-7.1
Contractual Services	137.2	97.8	155.8	97.8	0.0
Other	135.2	118.9	118.9	107.4	-9.7
TOTAL USES	719.4	757.1	890.2	707.4	-6.6
FTE					
Permanent	9.0	8.0	8.0	7.0	-12.5
TOTAL FTE POSITIONS	9.0	8.0	8.0	7.0	-12.5

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Number of film and media worker days	143,046	216,461	150,000	150,000	200,000
Outcome	Number of films and media projects principally made in New Mexico	61	53	60	60	60
Outcome	Number of major film productions over one million dollars (\$1,000,000) made in New Mexico	14	21	15	15	18
* Outcome	Direct spending by film industry productions, in millions			\$225	\$225	\$225

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	2,607.8	1,988.7	1,985.1	1,977.1	-0.6
SOURCES TOTAL	2,607.8	1,988.7	1,985.1	1,977.1	-0.6
USES					
Personal Services and Employee Benefits	1,310.7	1,572.6	1,569.0	1,569.0	-0.2
Contractual Services	804.2	214.9	214.9	206.9	-3.7
Other	331.6	201.2	201.2	201.2	0.0
TOTAL USES	2,446.5	1,988.7	1,985.1	1,977.1	-0.6
FTE					
Permanent	21.0	21.0	19.0	19.0	-9.5
TOTAL FTE POSITIONS	21.0	21.0	19.0	19.0	-9.5

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	Percentage of vouchers accurately processed within seventy-two hours	120%	75%	75%	75%	75%

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 the responsibility to enforce and administer laws, rules, regulations, and codes relative to licensure and regulation of construction and manufactured housing, financial institutions, securities, and alcohol. Through executive orders and legislative mandates, the department has the responsibility of licensing and enforcement for 30 professional boards and commissions. By statute the department has a minimum of six divisions: Administrative Services, Construction Industries (CID), Manufactured Housing (MHD), Financial Institutions (FID), Securities Industries (SID), and Alcohol and Gaming (AGD).

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY15		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals	2013-2014 Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	12,802.9	13,226.4	14,380.2	13,326.4		0.8	
Other Transfers	1,591.3	2,628.4	2,205.9	2,555.9		-2.8	
Federal Revenues	10.7	10.0	5.9	5.9		-41.0	
Other Revenues	10,567.7	9,168.8	9,492.1	9,492.1		3.5	
Fund Balance	283.4	785.0	1,021.1	1,221.1		55.6	
SOURCES TOTAL	25,256.0	25,818.6	27,105.2	26,601.4		3.0	
USES							
Personal Services and Employee Benefits	15,969.2	19,555.5	20,163.2	19,679.7		0.6	
Contractual Services	1,124.3	1,015.7	1,267.8	1,082.1		6.5	
Other	3,381.6	3,452.0	3,921.6	3,737.0		8.3	
Other Financing Uses	1,271.2	1,795.4	1,752.6	2,102.6		17.1	
TOTAL USES	21,746.3	25,818.6	27,105.2	26,601.4		3.0	
FTE							
Permanent	294.4	295.4	300.4	295.5		0.0	
Term	6.0	4.0	4.0	3.9		-1.5	
TOTAL FTE POSITIONS	300.4	299.4	304.4	299.4		0.0	

BUDGET ISSUES:

Strategic goals for the agency are to simplify the application process, reduce the time to process an application, provide public education to prevent violations and citations, and resolve complaints in a prompt, efficient, and courteous manner. For FY15, the Regulation and Licensing Department requested \$27.1 million, a \$1.3 million, or 5 percent, increase over the FY14 operating budget. The general fund request was \$14.4 million, an increase of \$1.2 million, or 9.1 percent; the request for other transfers decreased \$422.5 thousand mainly because the agency's FY15 request shifts \$350 thousand from the Financial Institution Division settlement proceeds to the general fund. Other revenues and fund balance increased for a combined total of \$559.4 thousand. The agency requested an additional 5 FTE and applied a minimal 1 percent vacancy rate to the request.

The committee recommendation is \$26.6 million, a 3 percent increase from the agency's FY14 operating budget. The recommendation includes \$13.3 million from the general fund, an increase of \$100 thousand over FY14. With an agency vacancy rate of 25 percent, the recommendation keeps the personal services and employee benefits category nearly flat relative to the FY14 operating budget. The recommendation does not support the agency's requested 3 additional FTE within the Construction Industries Division and the requested 2 additional FTE within the Program Support because each of these programs currently has 16 or more vacant positions. The recommendation does not support the request to supplant \$350 thousand of other state funds with \$350 thousand from the general fund within the Financial Institutions Division.

In early 2013, it was reported the RLD's Construction Industries Division (CID) created a computer file that allowed oil and gas companies in southeastern New Mexico to skip electrical system inspections for oil and gas well projects for 10 months. This file titled "E-Vacant" also included failed electrical inspections of water wells and electric hookups of manufactured homes in the same area. A total of 512 electrical inspection requests went uninspected. RLD made these inspections a priority and reports all 512 inspections have been completed.

The failed inspections, in part, reflect that only two inspector positions are in the southeastern part of the state. CID struggles to fill vacant inspector positions in the southeastern region is largely due to a major salary disparity between the state's compensation compared with private sector oil and gas employers.

Unable to attract qualified applicants, the division continuously has large vacancy savings. In FY13, the division reverted \$373 thousand due to vacancy savings. In FY14, based on estimated vacancy savings, the division used a budget adjustment request to transfer \$288.3 thousand from personal services and employee benefits to fund the temporary hiring of electrical inspectors, information technology services, and various operational expenses. The committee recommends the division collaborate with the State Personnel Office to adjust pay ranges for inspector classifications to enhance recruitment and retentions.

In 2012, the Financial Institutions Division (FID) performed 103 mortgage examinations; 88 percent of the companies examined were found in compliance and in satisfactory condition. Currently, FID has begun a full-scope examination of all 621 small-loan companies operating in the state to ensure safe and fair practices.

After Securities Division efforts that resulted in the arrest and conviction of the operator of the Vaughn Real Estate company ponzi scheme, much time and effort has been spent educating New Mexicans about the warning signs common to fraudulent investment opportunities. Focusing on the state's senior population, the division has trained accountants, adult protective service agents, and even doctors and nurses on how to spot vulnerability that leads to the financial exploitation of seniors.

To assist veterans, the Counseling and Therapy Practice Board launched the New Mexico veterans counseling and therapy project that provides New Mexico veterans and their families' mental health services at no cost for a minimum of one year. It is estimated 100 veterans are using this service.

Year-to-date, the Alcohol and Gaming Division has issued 184 citations and resolved 181. The resolution of these citations has resulted in 118 suspension days and \$128.8 thousand in fines paid by liquor licensees for violations to the Liquor Control Act.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Construction and building inspector 1 FTE	(P599)	59.4	0.0
2	Construction and building inspector 1 FTE	(P599)	59.4	0.0
3	Construction and building inspector 1 FTE	(P599)	59.4	0.0
TOTAL			178.2	0.0

BOARDS AND COMMISSIONS

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY15 - 2014-2015</u>				
	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	28.8	28.8	28.8	28.8	0.0
Other Transfers	25.0	25.0	25.0	25.0	0.0
Other Revenues	8,493.9	7,800.2	8,000.2	8,000.2	2.6
Fund Balance	221.2	523.0	579.1	579.1	10.7
SOURCES TOTAL	8,768.9	8,377.0	8,633.1	8,633.1	3.1
USES					
Personal Services and Employee Benefits	4,393.8	5,150.4	5,264.4	5,264.4	2.2
Contractual Services	251.8	326.7	358.8	358.8	9.8
Other	864.7	1,216.2	1,399.9	1,399.9	15.1
Other Financing Uses	1,191.7	1,683.7	1,610.0	1,610.0	-4.4
TOTAL USES	6,702.0	8,377.0	8,633.1	8,633.1	3.1
FTE					
Permanent	84.7	83.4	83.4	83.4	0.0
TOTAL FTE POSITIONS	84.7	83.4	83.4	83.4	0.0

CONSTRUCTION INDUSTRIES AND MANUFACTURED HOUSING

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	8,030.5	7,974.8	8,449.8	8,121.5	1.8
Other Transfers	250.0	250.0	250.0	250.0	0.0
Federal Revenues	10.7	10.0	5.9	5.9	-41.0
Other Revenues	103.3	70.0	91.7	91.7	31.0
Fund Balance	45.1	51.1	40.8	40.8	-20.2
SOURCES TOTAL	8,439.6	8,355.9	8,838.2	8,509.9	1.8
USES					
Personal Services and Employee Benefits	6,491.7	7,057.5	7,244.4	7,136.4	1.1
Contractual Services	136.8	73.0	330.4	144.7	98.2
Other	1,288.0	1,212.6	1,247.2	1,212.6	0.0
Other Financing Uses	10.6	12.8	16.2	16.2	26.6
TOTAL USES	7,927.1	8,355.9	8,838.2	8,509.9	1.8
FTE					
Permanent	113.0	110.0	113.0	110.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	116.0	113.0	116.0	113.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Percent of consumer complaints against licensed contractors and investigations involving unlicensed contracting resolved out of the total number of complaints filed	75%	95%	90%	90%	95%
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request		100%	90%	95%	100%
Outcome	Percent of commercial plans reviewed within ten working days	84%	95%	85%	85%	95%
Outcome	Percent of residential plans reviewed within five working days		95%	85%	90%	95%
* Efficiency	Percent of all construction inspections performed within three days of inspection request	84%	90%	90%	90%	92%

FINANCIAL INSTITUTIONS AND SECURITIES

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	2,323.6	2,526.1	3,059.1	2,526.1	0.0
Other Transfers	0.0	350.0	0.0	350.0	0.0
Other Revenues	1,970.5	1,298.6	1,400.2	1,400.2	7.8
Fund Balance	17.1	210.9	401.2	601.2	185.1
SOURCES TOTAL	4,311.2	4,385.6	4,860.5	4,877.5	11.2
USES					
Personal Services and Employee Benefits	2,466.2	3,572.1	3,844.8	3,661.8	2.5
Contractual Services	405.6	193.0	208.0	208.0	7.8
Other	623.9	521.6	681.3	531.3	1.9
Other Financing Uses	68.9	98.9	126.4	476.4	381.7
TOTAL USES	3,564.6	4,385.6	4,860.5	4,877.5	11.2
FTE					
Permanent	49.0	55.0	55.0	55.0	0.0
TOTAL FTE POSITIONS	49.0	55.0	55.0	55.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	91%	92%	95%	95%	95%
* Outcome	Percent of examination reports mailed to a depository institution within thirty days of exit from the institution or the exit conference meeting	40%	73%	95%	95%	95%
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt by the securities division of the completed application	99%	99%	99%	99%	100%
Outcome	Percent of investment adviser registrants examined annually	25%	18%	45%	45%	45%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	844.7	965.3	965.3	918.6	-4.8
SOURCES TOTAL	844.7	965.3	965.3	918.6	-4.8
USES					
Personal Services and Employee Benefits	671.1	897.7	897.7	851.0	-5.2
Contractual Services	22.2	22.7	22.7	22.7	0.0
Other	111.5	44.9	44.9	44.9	0.0
TOTAL USES	804.8	965.3	965.3	918.6	-4.8
FTE					
Permanent	16.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	16.0	15.0	15.0	15.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	96	80	125	100	75
* Output	Number of days to resolve an administrative citation that does not require a hearing	62	66	70	70	60
* Outcome	Number of days to issue a restaurant (beer and wine) liquor license	97	77	110	95	75

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,575.3	1,731.4	1,877.2	1,731.4	0.0
Other Transfers	1,316.3	2,003.4	1,930.9	1,930.9	-3.6
SOURCES TOTAL	2,891.6	3,734.8	3,808.1	3,662.3	-1.9
USES					
Personal Services and Employee Benefits	1,946.4	2,877.8	2,911.9	2,766.1	-3.9
Contractual Services	307.9	400.3	347.9	347.9	-13.1
Other	493.5	456.7	548.3	548.3	20.1
TOTAL USES	2,747.8	3,734.8	3,808.1	3,662.3	-1.9
FTE					
Permanent	31.7	32.0	34.0	32.1	0.2
Term	3.0	1.0	1.0	0.9	-6.0
TOTAL FTE POSITIONS	34.7	33.0	35.0	33.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	50%	40%	75%	75%	75%
Output	Percent of payment vouchers the administrative services division submits to the department of finance administration without errors	98%	99%	98%	98%	99%
Output	Percent of information service support tasks completed within the timeframe requested	90%	98%	90%	90%	99%
Quality	Percent of accurate payroll and personnel information entered into human resource management system	90%	98%	90%	94%	99%
Quality	Percent of customers satisfied with information service internal support services	84%	85%	90%	90%	90%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	30	30	30	30

NEW MEXICO PUBLIC ACCOUNTANCY BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	97%	88%	90%	90%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	94%	95%	95%	97%
Output	Percent of complaints logged and processed within five days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	95%	95%	100%

BOARD OF ACUPUNCTURE AND ORIENTAL MEDICINE

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	78%	75%	80%	80%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	80%	90%	90%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	84%	75%	84%	84%	85%

NEW MEXICO ATHLETIC COMMISSION

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	100%	85%	85%	100%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	87%	100%	87%	87%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	90%	100%	80%	80%	100%

ATHLETIC TRAINER PRACTICE BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	97%	90%	90%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	99%	95%	95%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	95%	95%	100%

BOARD OF BARBERS AND COSMETOLOGISTS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	85%	82%	85%	85%	85%
Output	Percent of barber and cosmetology and body art establishments inspected once every eighteen months	65%	94%	80%	80%	95%
Efficiency	Process initial applications and renewals processed within three days of receipt of completed application	85%	83%	80%	80%	85%

CHIROPRACTIC BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	99%	100%	90%	90%	100%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	80%	100%	85%	85%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	92%	75%	92%	92%	92%

COUNSELING AND THERAPY PRACTICE BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	82%	97%	85%	85%	97%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	80%	98%	85%	85%	98%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	71%	82%	80%	80%	92%

NEW MEXICO BOARD OF DENTAL HEALTH CARE

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	100%	95%	95%	100%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	80%	80%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	68%	95%	95%	95%	95%

INTERIOR DESIGN BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	98%	95%	95%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	99%	95%	95%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	95%	95%	100%

BOARD OF LANDSCAPE ARCHITECTS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	64%	89%	80%	80%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	83%	95%	95%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	100%	100%	100%

MASSAGE THERAPY BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	92%	95%	95%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	75%	99%	80%	80%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	73%	91%	80%	80%	90%

BOARD OF NURSING HOME ADMINISTRATORS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	89%	90%	90%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	99%	90%	90%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	85%	95%	95%	95%

NUTRITION AND DIETETICS PRACTICE BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	100%	100%	95%	95%	100%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	95%	95%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	95%	95%	100%

BOARD OF EXAMINERS FOR OCCUPATIONAL THERAPY

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	94%	98%	94%	94%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	83%	99%	85%	85%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	59%	50%	80%	80%	80%

BOARD OF OPTOMETRY

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	81%	92%	85%	85%	92%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	99%	85%	85%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	75%	95%	95%	95%

BOARD OF OSTEOPATHIC MEDICAL EXAMINERS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	75%	94%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	70%	99%	85%	85%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	28%	89%	80%	80%	90%

BOARD OF PHARMACY

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	92%	90%	90%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	93%	90%	90%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	94%	88%	88%	95%

PHYSICAL THERAPY BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	94%	98%	90%	90%	99%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	83%	99%	82%	82%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	84%	100%	85%	85%	95%

BOARD OF PODIATRY

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	78%	90%	90%	90%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	98%	99%	95%	95%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	94%	90%	90%	95%

PRIVATE INVESTIGATIONS ADVISORY BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	75%	91%	80%	80%	92%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	96%	90%	90%	90%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	60%	77%	80%	80%	80%

NEW MEXICO STATE BOARD OF PSYCHOLOGIST EXAMINERS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	97%	90%	90%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	92%	92%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	64%	92%	80%	80%	93%

REAL ESTATE APPRAISERS BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	78%	94%	80%	80%	95%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	90%	92%	90%	90%	93%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	81%	80%	80%	80%	82%

NEW MEXICO REAL ESTATE COMMISSION

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	89%	90%	90%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	85%	79%	90%	90%	98%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	85%	80%	85%	85%	90%

ADVISORY BOARD OF RESPIRATORY CARE PRACTITIONERS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	95%	95%	95%	95%	98%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	85%	98%	85%	85%	98%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	50%	90%	90%	90%

BOARD OF SOCIAL WORK EXAMINERS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	99%	99%	99%	99%	99%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	95%	95%	100%
Efficiency	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	71%	90%	80%	85%	90%

SPEECH LANGUAGE PATHOLOGY, AUDIOLOGY, AND HEARING AID DISPENSING PRACTICES BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	99%	98%	99%	99%	99%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	67%	100%	80%	90%	95%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	93%	94%	94%	97%

BOARD OF FUNERAL SERVICES

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	90%	96%	90%	93%	96%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	100%	100%	100%	100%	100%
Output	Percentage of establishments and crematories inspected once every eighteen months	100%	69%	100%	100%	100%

ANIMAL SHELTERING SERVICES BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	94%	99%	94%	94%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	100%	100%	100%

SIGNED LANGUAGE INTERPRETING PRACTICE BOARD

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	99%	100%	99%	99%	100%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	80%	99%	85%	93%	99%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	100%	100%	100%	100%	100%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,244.8	7,090.4	8,946.9	7,748.5	9.3
Other Transfers	7,242.8	5,878.9	6,001.5	5,858.7	-0.3
Federal Revenues	818.9	910.0	813.5	813.5	-10.6
Other Revenues	0.0	5,643.3	5,796.9	5,654.1	0.2
SOURCES TOTAL	15,306.5	19,522.6	21,558.8	20,074.8	2.8
USES					
Personal Services and Employee Benefits	10,975.9	10,431.5	12,822.2	11,641.3	11.6
Contractual Services	400.6	888.0	683.1	643.6	-27.5
Other	2,100.4	2,559.8	2,256.6	2,135.8	-16.6
Other Financing Uses	0.0	5,643.3	5,796.9	5,654.1	0.2
TOTAL USES	13,476.9	19,522.6	21,558.8	20,074.8	2.8
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

BUDGET ISSUES:

The Public Regulation Commission (PRC) request for FY15 of \$21.6 million, including \$8.9 million from the general fund, would provide for full funding of personal services and employee benefits and pays for additional costs associated with risk coverage rates imposed by the General Services Department (GSD). GSD increased the fees for the workers' compensation premium, unemployment compensation premium, and employee liability insurance by a combined \$458 thousand compared with the FY14 operating budget -- an increase of 124 percent.

The LFC recommendation includes a general fund appropriation of \$7.7 million and a total budget of \$20.1 million. Vacancies are funded at mid-point, but the recommendation applies vacancy rates of 9.4 percent for the Policy and Regulation Program, 3.8 percent for the Public Safety Program, and 5.8 percent for Program Support. The department's average vacancy rate over the previous two years is 9.7 percent. The FY15 recommendation for personal services and employee benefits is 11.6 percent above the FY14 operating level to fix an expected budget shortfall in FY14.

The agency request included \$5.8 million in other revenues and other financing uses for a generally accepted accounting principles (GAAP) adjustment. The Legislature approved a special revenues program beginning in FY14 to allow revenues from other state funds to flow into the operating budget and then out to the various programs. The funding associated with the new special revenues program does not increase the overall expenditure authority; instead, it properly budgets the revenue to show transfers in and transfers out. The GAAP adjustment is not included in the FY13 actual expenditures, which is the primary reason for the apparent budget increase from FY13 to FY15. The LFC recommendation includes the GAAP adjustment but adjusts it downward slightly from the request to match recommended program funding levels.

The primary issue facing PRC is the loss of insurance fund revenues in the Policy and Regulation Program and Program Support in the wake of the Insurance Division's departure into a standalone agency on July 1, 2013. Insurance funds covered \$1.4 million of PRC general administrative costs, and the commission is unable to reduce expenditures to a sufficient level to avoid furloughs without a supplemental appropriation. Agency budget projections show an anticipated shortfall of \$678 thousand by the end of FY14 after increasing other state funds by 5 percent and exhausting all measures to reduce or delay costs, including delayed hiring for any nonessential positions. The average vacancy rate for the department rose from 11.4 percent at the beginning of FY13 to 12.3 percent at the start of FY14.

The Legislature made significant structural changes to the agency in the 2013 legislative session as required by the 2012 constitutional amendments. The alterations reduced the breadth of responsibilities for the commission -- unprecedented among the states for its power and influence prior to the changes -- and implemented minimum experience levels and educational requirements to be a commissioner.

In addition to removing authority and personnel to regulate insurance industries, legislation removed the Corporations Bureau from the PRC and relocated it to the Office of the Secretary of State. The Corporations Bureau had 19 FTE -- less than one-tenth the authorized FTE for PRC -- and PRC reports a smooth transition of personnel and records between the agencies.

PRC should reevaluate how it handles cases, with expedited processing for routine renewals and thresholds established for a hearing before the commission. In instances where rates are increasing nominally, a full commission hearing could be an unnecessary expenditure of agency resources. Additionally, the agency should review regulatory policies and allotment of staff time related to motor carrier issues, following changes to the Motor Carrier Act in the 2013 legislative session streamlining industry regulations.

PRC personnel are spread across multiple floors of the building in which it is located, and employees are interspersed with others from the Office of Superintendent of Insurance (OSI) and the Children, Youth, and Families Department. The three agencies requested the General Services Department perform a space utilization study to determine the optimal way to redistribute space amongst the agencies. PRC and OSI also share a server room, although the agencies now have separate servers and communications cables.

Each year, an increasing amount of revenue in the fire protection fund is statutorily transferred to the fire protection grant fund -- 20 percent in FY14. The Fire Protection Grant Council reviews and approves grant requests, and the grants can only be used for new or replacement equipment rather than operational funding. Each grant is capped at a maximum of \$100 thousand, but as the amount transferred to the fund grows each year, the council has the ability to award more grants. However, these increases provide an offsetting decrease in reversions to the general fund, and by 2025, general fund reversions will cease. The grants over the last seven years totaled \$20.5 million for 280 awards, funding equipment such as pumpers, generators, and respiratory protection.

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,739.5	4,963.3	7,450.9	6,442.3	29.8
Other Transfers	1,450.2	589.5	569.5	569.5	-3.4
SOURCES TOTAL	7,189.7	5,552.8	8,020.4	7,011.8	26.3
USES					
Personal Services and Employee Benefits	6,042.8	4,773.9	7,227.6	6,338.7	32.8
Contractual Services	58.0	168.6	115.0	105.0	-37.7
Other	531.0	610.3	677.8	568.1	-6.9
TOTAL USES	6,631.8	5,552.8	8,020.4	7,011.8	26.3
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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of docketed cases closed in a fiscal year	91%	91%	91%	90%	92%
Output	Number of docketed cases completed	394	376	410	no request	400
* Efficiency	Average number of days for a rate case to reach final order	331	215	<300	<270	<250
Efficiency	Percent of cases processed in less than the statutory time allowance	100%	100%	100%	100%	100%
* Outcome	Comparison of average commercial electric rates between major New Mexico utilities and selected utilities in regional western states	-2.2%	-2.2%	+/- 5.0%	+/- 4.0%	+/- 4.0%
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$799.9	\$762.1	\$956.0	\$225.0	\$400.0
Explanatory	Number of docketed cases opened in a fiscal year	434	415	415	400	415
* Explanatory	Percent of kilowatt hours of renewable energy provided annually by New Mexico's electric utilities, measured as a percent of total retail kilowatt hours sold by New Mexico's electric utilities to New Mexico's retail electric utility customers	8.4%	8.6%	10.0%	9.0%	11.0%
* Explanatory	Comparison of average residential electric rates between major New Mexico utilities and selected utilities in regional western states	1.2%	1.1%	+/-5.0%	+/-3.0%	+/-3.0%
Efficiency	Kilowatt hours of electricity saved as a result of utility energy efficiency programs, in millions	108.0	108.7	100.0	100.0	110.0

PUBLIC SAFETY

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY13</u> <u>2012-2013</u> <u>Actuals</u>	<u>FY14</u> <u>2013-2014</u> <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Transfers	4,803.6	4,838.9	4,999.5	4,856.7	0.4
Federal Revenues	818.9	910.0	813.5	813.5	-10.6
SOURCES TOTAL	5,622.5	5,748.9	5,813.0	5,670.2	-1.4
USES					
Personal Services and Employee Benefits	3,193.5	3,554.3	3,928.4	3,791.8	6.7
Contractual Services	295.8	597.6	462.6	462.6	-22.6
Other	1,327.4	1,597.0	1,422.0	1,415.8	-11.3
TOTAL USES	4,816.7	5,748.9	5,813.0	5,670.2	-1.4
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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of inspection and audit hours performed by the state fire marshal's office	7,702	7,329	34,000	7,000	7,300
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau		146,766	130,000	125,000	140,000
* Output	Number of personnel completing training through the state firefighter training academy	4,861	4,224	3,500	3,250	4,250
Quality	Pass rate for state certification exams administered by the state firefighter academy	82%	87%	85%	85%	85%
Output	Percent of counties and municipalities participating in the arson task force or partnerships with the state fire marshal	78%	76%	78%	75%	77%
Outcome	Percent of fire departments' insurance service office ratings of nine or ten that have been reviewed by survey or audit	100%	100%	100%	100%	100%
* Outcome	Percent of statewide fire districts with insurance office ratings of eight or better	67%	63%	66%	65%	65%
Explanatory	Number of fire districts statewide	362	368	365	368	368
Output	Number of inspection and audit hours performed by the pipeline safety bureau	3,684	4,235	4,000	4,000	4,200

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,505.3	2,127.1	1,496.0	1,306.2	-38.6
Other Transfers	989.0	450.5	432.5	432.5	-4.0
SOURCES TOTAL	2,494.3	2,577.6	1,928.5	1,738.7	-32.5
USES					
Personal Services and Employee Benefits	1,739.6	2,103.3	1,666.2	1,510.8	-28.2
Contractual Services	46.8	121.8	105.5	76.0	-37.6
Other	242.0	352.5	156.8	151.9	-56.9
TOTAL USES	2,028.4	2,577.6	1,928.5	1,738.7	-32.5
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

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of information technology projects completed within timeframe and budget referenced in the information technology project plan	100%	100%	100%	100%	100%
Efficiency	Percent of fully functional information technology applications systems	100%	100%	100%	100%	100%
Outcome	Opinion of previous fiscal year independent agency audit	Unqual	Unqual	Unqual	Unqual	Unqual
Outcome	Number of user sessions on public regulation commission webpages	500,000	532,233	750,000	500,000	500,000
Outcome	Percent of prior-year audit findings eliminated	90%	90%	100%	100%	100%
Explanatory	Number of prior-year audit findings	1	2	1	1	1

SPECIAL REVENUES

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	0.0	5,643.3	5,796.9	5,654.1	0.2
SOURCES TOTAL	0.0	5,643.3	5,796.9	5,654.1	0.2
USES					
Other Financing Uses	0.0	5,643.3	5,796.9	5,654.1	0.2
TOTAL USES	0.0	5,643.3	5,796.9	5,654.1	0.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

Article XI, Section 20, of the New Mexico Constitution created the Office of Superintendent of Insurance in a separation from the Public Regulation Commission. 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)

	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>	2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	6,046.5	7,758.0	9,334.3	7,758.0	0.0
Other Revenues	22,243.4	7,192.9	8,638.5	7,092.9	-1.4
Fund Balance	16,109.1	16,124.7	16,637.0	16,501.7	2.3
SOURCES TOTAL	44,399.0	31,075.6	34,609.8	31,352.6	0.9
USES					
Personal Services and Employee Benefits	5,164.3	6,802.2	7,378.4	6,510.1	-4.3
Contractual Services	397.2	885.2	1,297.8	1,045.4	18.1
Other	13,111.9	15,630.2	16,599.3	16,039.1	2.6
Other Financing Uses	7,285.1	7,758.0	9,334.3	7,758.0	0.0
TOTAL USES	25,958.5	31,075.6	34,609.8	31,352.6	0.9
FTE					
Permanent	88.0	95.0	104.0	95.0	0.0
Term	1.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	89.0	96.0	104.0	96.0	0.0

BUDGET ISSUES:

The Office of Superintendent of Insurance (OSI) request for FY15 was \$34.6 million -- all from other state funds; however, funding for the Insurance Policy Program largely reverts to the general fund. Any balance in the insurance operations fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation reverts to the general fund; the remainder is kept as fund balance. The request represented an increase of \$3.5 million, or 11.4 percent, over the FY14 operating level. The requested increase would allow funding of personal services and employee benefits with a slight vacancy rate. The increase would also pay for an additional 8 FTE -- four to provide additional health-insurance-related administration, three to handle information technology (IT) projects, and one to add a second layer of administration to the patient's compensation fund.

The FY15 budget request also significantly increases the contractual services category by 46.6 percent, primarily funding additional IT contracts. The other cost category rises by a smaller degree but includes \$287 thousand for the agency's E-IDEAL IT project; however, the Legislature provided funds for the E-IDEAL project through a 2013 data processing appropriation. The agency agreed the duplicate amount in the FY15 request should be eliminated. The remainder of the increase in the other cost category is largely due to combining annual replacement schedules with one-time replacements of significantly outdated equipment, such as vehicles and computers. LFC recommends the agency request a special appropriation to cover the one-time replacement costs, leaving only the annual replacement schedule in the recurring budget.

The LFC recommendation includes an appropriation of \$31.4 million. Due to the high current vacancy rate for the agency, the recommendation does not include any additional FTE but applies a small vacancy rate of 5 percent in the Insurance Policy Program. Although this results in a decrease in budget authority for personal services and employee benefits compared with the FY14 operating budget, the recommendation is \$1.5 million, or 30 percent, greater than FY13 expenditures. The department's current vacancy rate is 26 percent, and the average vacancy rate over the previous two years is 21 percent.

The agency request included \$8.6 million in other revenues and other financing uses for a generally accepted accounting principles (GAAP) adjustment. The Legislature approved a special revenues program beginning in FY14 to allow revenues from other state funds to flow into the operating budget and then out to the two programs. The funding associated with the new special revenues program does not increase the overall expenditure authority; instead, it properly budgets the revenue to show transfers in and transfers out. The GAAP adjustment is not included in the FY13 actual expenditures, which contributes to the budget increase from FY13 to FY15. The LFC recommendation includes the GAAP adjustment but adjusts it downward slightly from the request to match recommended program funding levels.

The insurance nominating committee appoints and has the power to remove the superintendent. The superintendent serves for a term of four years, except for the initial term beginning July 1, 2013, which will end on December 31, 2015. An incumbent superintendent may apply to the insurance nominating committee for appointment to additional terms. The committee unanimously selected John Franchini, superintendent at the Insurance Division of PRC, as the first superintendent for the newly adjunct agency. The enabling legislation for OSI requires the Legislature to establish the superintendent's annual salary in an appropriations act. This is provided below.

The enabling legislation also transferred authority from PRC to the Court of Appeals to hear petitions from any person aggrieved by the superintendent's order or refusal to hold a hearing. The decision of the superintendent shall be set aside only if it is shown that the decision is arbitrary, capricious, or reflects an abuse of discretion; is not supported by substantial evidence; or is otherwise not in accordance with law.

On July 1, 2013, all personnel, property, functions, contracts, agreements, and other obligations transferred from the Insurance Division of PRC to OSI; this includes legal disputes, one of which PRC settled but did not pay out before July 1, obligating OSI to make a payment of \$144 thousand after separation and impacting the FY14 operating budget of the new agency.

The Patient's Compensation Program is a flow-through expenditure program that pays physician malpractice settlements for member physicians who pay premiums. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice coverage that caps the amount of damages awarded against the member healthcare providers. The program acts as a re-insurer over private market medical malpractice insurance. The number of settlement awards paid from the patient's compensation fund (PCF) has increased over the last several years. However, the most recent actuarial study completed for PCF balances on June 30, 2012, indicates the fund is sound. The next study, required by statute every two years, will be conducted in 2014. The current fund balance is \$32.8 million.

OSI has a substantial revenue collection function, collecting \$239 million of premium taxes in 2012, but an evaluation by LFC staff in 2005 found significant weaknesses in the revenue collection processes, some of which persist. In addition, the agency noted internal auditing could be substantially improved, in part because of minimal staff performing revenue audits; although, with the agency's transition from paper to electronic filing, audit staff should be able to replace time spent entering data with time reviewing premium tax submissions. However, it might be beneficial to transfer the revenue collection and auditing functions to the Taxation and Revenue Department, which is set up for that exact purpose and has far greater resources and financial controls. OSI staff recently improved premium tax reporting, sending advance revenue estimates to LFC staff to compensate for the lengthy delays before receiving finalized premium tax amounts from the Department of Finance and Administration.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfer appropriations to the insurance policy program of the office of superintendent of insurance in the personal services and employee benefits category include one hundred fourteen thousand dollars (\$114,000) for the salary of the superintendent.

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)

	<u>FY15 - 2014-2015</u>					Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
Other Transfers	6,046.5	7,758.0	9,334.3	7,758.0	0.0	
Other Revenues	8.5	0.0	0.0	0.0		
SOURCES TOTAL	6,055.0	7,758.0	9,334.3	7,758.0	0.0	
USES						
Personal Services and Employee Benefits	5,109.2	6,744.6	7,215.8	6,450.8	-4.4	
Contractual Services	203.5	395.9	831.4	579.0	46.2	
Other	429.4	617.5	1,287.1	728.2	17.9	
TOTAL USES	5,742.1	7,758.0	9,334.3	7,758.0	0.0	
FTE						
Permanent	88.0	95.0	102.0	95.0	0.0	
TOTAL FTE POSITIONS	88.0	95.0	102.0	95.0	0.0	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	98%	95%	98%	98%	98%
Outcome	Percent of employers whose workers' compensation accident frequency is reduced through counseling, advice and training	48%	63%	75%	75%	75%
Output	Percent of producer applications, appointments and renewals processed within ten business days	98%	100%	98%	98%	99%
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for either further administrative action or closure within sixty days	82%	66%	88%	88%	88%
Output	Percent of domestic company examination reports adopted within eighteen months of the examination period	100%	90%	100%	100%	100%
Output	Percent of insurance division interventions conducted with domestic insurance companies when risk-based capital is less than two hundred percent				100%	100%
Output	Percent of form and rate filings processed within ninety days within the life and health bureau				95%	99%
Output	Percent of form and rate filings processed within ninety days within the property and casualty bureau				90%	99%
Output	Number of managed healthcare outreach activities conducted annually				112	120

PATIENT'S COMPENSATION FUND

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,166.4	0.0	0.0	0.0	
Fund Balance	16,109.1	16,124.7	16,637.0	16,501.7	2.3
SOURCES TOTAL	27,275.5	16,124.7	16,637.0	16,501.7	2.3
USES					
Personal Services and Employee Benefits	55.1	57.6	162.6	59.3	3.0
Contractual Services	193.7	489.3	466.4	466.4	-4.7
Other	12,682.5	15,012.7	15,312.2	15,310.9	2.0
Other Financing Uses	551.0	565.1	695.8	665.1	17.7
TOTAL USES	13,482.3	16,124.7	16,637.0	16,501.7	2.3
FTE					
Permanent	0.0	0.0	2.0	0.0	
Term	1.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	2.0	1.0	0.0

SPECIAL REVENUES

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,068.5	7,192.9	8,638.5	7,092.9	-1.4
SOURCES TOTAL	11,068.5	7,192.9	8,638.5	7,092.9	-1.4
USES					
Other Financing Uses	6,734.1	7,192.9	8,638.5	7,092.9	-1.4
TOTAL USES	6,734.1	7,192.9	8,638.5	7,092.9	-1.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

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

In lieu of a possible licensure revocation, 236 physicians and 17 physician assistants participated in the board's monitored treatment program in FY13; 79 participants were treated voluntarily. Twelve individuals successfully completed the program.

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,821.1	1,734.8	1,766.0	1,766.0	1.8
Fund Balance	0.0	0.0	200.0	120.0	
SOURCES TOTAL	1,821.1	1,734.8	1,966.0	1,886.0	8.7
USES					
Personal Services and Employee Benefits	955.9	1,139.9	1,254.3	1,224.3	7.4
Contractual Services	237.5	293.9	291.9	241.9	-17.7
Other	349.7	301.0	419.8	419.8	39.5
TOTAL USES	1,543.1	1,734.8	1,966.0	1,886.0	8.7
FTE					
Permanent	14.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	14.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

For FY15, the board request included a \$114.4 thousand increase in the personal services category to adjust for increased risk coverage rates, health insurance, and retirement contributions, and the reclassification of a part-time lawyer. The request also increased the other category by 39.5 percent to reflect FY13 actual expenditures and to acquire additional building space not on the current lease agreement. The contractual services category remained nearly flat. Fund balance is projected to be \$2 million at the end of FY15.

The committee recommends an 8.7 percent increase over the FY14 operating budget, less than requested. The recommendation increases personal services and employee benefits by \$84.4 thousand, or 7.4 percent, and fully funds the requested increase in the other category. The recommendation will allow the board to acquire more space within the current building because of the increased number of FTE. The contractual services category was decreased by nearly 18 percent, near FY13 actual expenditures levels.

New Mexico continues to face difficulty in recruiting and retaining healthcare providers in rural areas. A broader scope of practice for healthcare providers, other than physicians, can begin to remedy the problem. A recent LFC evaluation reports nurse practitioners (NPs) and physician assistants (PAs) could help mitigate the doctor shortage, but their numbers are also inadequate, and the availability of NPs and PAs in urban areas is approximately twice that for rural areas. Nurse practitioners and physician assistants are growing in importance in the provision of primary care and, in some cases, specialty medicine.

The state currently has 970 licensed NPs, and 577 PAs. In New Mexico, NPs are licensed to practice fully independent of a physician and can perform 70 percent to 80 percent of the procedures performed by a primary care doctor. A PAs scope of practice is more limited because they must have a supervisory physician on their license. However, PAs have the same prescribing authority as NPs and a physician need not be physically present when a PA practices.

The Medical Board should consider changes to the scope of practice for PAs to allow these professionals the same degree of independence that NPs are allowed. Physician assistants should be allowed this independent practice status after completing three to five years of clinical supervision by a physician.

LICENSING AND CERTIFICATION

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

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	1,098,402	1,214,724	1,000,000	1,000,000	1,200,000
* Output	Number of triennial physician licenses issued or renewed	3,820	3,661	3,600	3,600	3,600
* Output	Number of biennial physician assistant licenses issued or renewed	342	398	300	300	350
Output	Number of biennial anesthesiologist assistant licenses issued or renewed	2	24	5	10	15
Output	Number of complaints resolved within twelve months	244	243	240	240	250
Output	Number of participants in monitored treatment program	223	255	110	120	225
Outcome	Percent of participants who relapse	1.0%	1.0%	1.5%	1.5%	1.5%
Outcome	Number of days to issue a physician license	79	72	65	70	70

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	0.0	0.0	200.0	200.0	
Other Revenues	1,670.4	1,704.0	1,800.0	1,800.0	5.6
Fund Balance	485.4	651.9	588.4	537.0	-17.6
SOURCES TOTAL	2,155.8	2,355.9	2,588.4	2,537.0	7.7
USES					
Personal Services and Employee Benefits	1,157.1	1,429.9	1,560.9	1,509.5	5.6
Contractual Services	139.4	209.2	172.1	172.1	-17.7
Other	402.6	486.8	655.4	655.4	34.6
Other Financing Uses	400.0	230.0	200.0	200.0	-13.0
TOTAL USES	2,099.1	2,355.9	2,588.4	2,537.0	7.7
FTE					
Permanent	17.0	19.0	19.0	19.0	0.0
TOTAL FTE POSITIONS	17.0	19.0	19.0	19.0	0.0

BUDGET ISSUES:

The board's budget request for FY15 of \$2.6 million included a \$200 thousand increase to budget the annual transfer of revenue from the nursing excellence fund to the operating budget. In previous years, the board submitted a budget adjustment request to transfer funding from the nursing excellence fund. This fund was established to enhance recruitment and retention of professional nurses, increase career and educational opportunities via scholarships, and improve interactions with health facility administrations, the medical profession, and institutions of higher education. The committee recommendation supports the agency request except for minor technical adjustments to personal services and employee benefits and the other category.

The state's Expansive Practice Act has successfully integrated Nurse Practitioners (NPs) into the healthcare workforce. In New Mexico, NPs are licensed to practice independent of a physician, and can perform nearly 80 percent of the procedures performed by a primary care physician.

An NP is a registered nurse with an advanced graduate degree and extensive clinical training in medicine. NPs must have a master degree or doctorate to be licensed. Currently, 970 NPs are licensed in the state. According to the Kaiser Foundation, the national average is 58 NPs per 100 thousand in population; New Mexico has 56 NPs per 100 thousand in population, a shortage of 236. University of New Mexico surveyed provider organizations about their need for NPs and received 110 requests for additional NPs. Presbyterian Health Care reported a need for 60 additional NPs.

The state spends approximately \$5 million annually from the Higher Education Department's nursing enhancement performance fund for state university and college nursing expansion programs; however, the number of nurses with a bachelor's degree has not increased. Better alignment of nursing funds with clearer performance outcomes must occur.

A 2013 LFC evaluation recommended New Mexico's public universities not require all NPs earn a doctorate degree because this may restrict the number of NPs providing direct care. It recommended universities maintain a master level clinical nurse training program.

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	95%	98%	95%	98%	98%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented to board of nursing for resolution of disciplinary matter within six months	90%	68%	90%	90%	90%
* Output	Number of licensed practical nurse, registered nurse, advanced practice nurse licenses and unlicensed assistive personnel certificates issued	15,606	15,081	13,000	15,000	15,000
Quality	Percent of nursing education programs in full compliance with rule requirements	96%	100%	97%	98%	100%
Quality	Number of public information announcements for board meetings, rules hearings and conferences	7	4	6	8	8
Quality	Number of quality assurance audits reviewed for continuing education for unlicensed assistive personnel, licensed practical nurses, registered nurses, and advanced practice nurses	172	174	175	180	180
Quality	Number of current active nursing licenses	New	New	31,000	31,000	31,000
Output	Number of certificates issued per rule requirement of one month for certified medication aides and certified hemodialysis technicians	30	14	10	10	15

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	0.0	0.0	75.0	
Other Transfers	843.9	690.2	381.2	381.2	-44.8
Other Revenues	10,801.7	11,686.3	11,385.0	11,418.5	-2.3
Fund Balance	0.0	0.0	375.0	375.0	
SOURCES TOTAL	11,645.6	12,376.5	12,141.2	12,249.7	-1.0
USES					
Personal Services and Employee Benefits	4,700.7	5,251.0	5,416.4	5,507.4	4.9
Contractual Services	2,814.8	3,185.4	2,871.0	2,857.7	-10.3
Other	3,659.9	3,940.1	3,853.8	3,884.6	-1.4
TOTAL USES	11,175.4	12,376.5	12,141.2	12,249.7	-1.0
FTE					
Permanent	51.0	35.0	35.0	35.0	0.0
Temporary	0.0	24.8	0.0	0.0	-100.0
TOTAL FTE POSITIONS	51.0	59.8	35.0	35.0	-41.5

BUDGET ISSUES:

The New Mexico State Fair request for FY15 was a decrease from the FY14 operating budget and reflected a reduction in the number of FTE. However, the cut in FTE was somewhat artificial because the 59.8 authorized for FY14 included partial counting of temporary, seasonal employees. The agency currently employs 33 FTE.

For FY15, LFC recommends a budget of \$12.2 million, more than requested but less than FY14. The recommendation makes technical adjustments to accurately reflect the cost of employee benefits and risk coverage rates, and it concurs with the request to reduce the number of FTE to 35, as this accurately reflects the number of permanent positions.

Since 2009, the State Fair has trimmed the number of permanent positions from 78 FTE to 35 FTE, including reducing exempt positions from 12 to four. Beginning in FY12, the budget shifted a portion of the funds for temporary or seasonal employees from the personal services and employee benefits category to the contractual services category; the State Fair hoped to reduce costs by using a temporary employment agency. The fees charged by the employment agency were higher than expected, so the budget shift reverses in the FY15 budget request and recommendation as the State Fair gradually moves the temporary employees over from the staffing agency and hires them directly.

The New Mexico State Fair Commission met just twice in the last two years, fulfilling its legal obligation to meet at least annually but providing little oversight for the agency. However, the State Fair improved its financial condition during this time, emerging from years of operating losses to generate net operating income of \$659 thousand in FY12, excluding depreciation. Additionally, the agency transitioned most of its financial accounting to SHARE in FY13 and will complete the process in FY14, increasing financial oversight. The State Fair has a current cash balance of \$3.8 million, down from \$4.4 million one year ago due to additional current debt payments, and the agency is now current with most vendors. The agency relies on the remaining cash balance to support operations until the next annual fair event, the agency's primary source of revenue.

Except for \$1.8 million owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage, the State Fair has paid back the debt amassed during the years of insolvency. The State Fair is making payments to GSD for current insurance obligations but currently has no schedule for paying off this accumulated debt using internal revenues. The agency plans to request a \$1.8 million special appropriation to repay the debt.

To reduce payroll and other costs during the New Mexico State Fair event, the agency shortened the length of the event from 17 days to 12, all consecutive, in 2012 and 2013. This brings the length of the State Fair down to a span of time similar to those of other states and reduces overhead costs. However, while 2012 fair attendance increased compared with 2011, attendance remains far lower than in prior years. The agency is also taking significant steps toward solving previous cash-handling issues. The fee model was changed for the 2012 and 2013 fairs, with free parking and moderately higher ticket prices. The free parking eliminated cash handling at one of the locations with the least amount of oversight. The State Fair also partnered with the University of New Mexico to use its online ticketing capabilities for the 2013 fair, increasing non-cash ticket purchases and reducing cash handled by temporary employees.

The long-time racetrack operator, the Downs at Albuquerque, completed a new \$25 million casino in July 2013 as part of the agreement under its 25-year lease with the State Fair signed in 2011. The State Fair is dependent on cash flow from monthly rent payments made by the Downs. Base rent payments are \$2 million per year for 2012 and 2013, increasing to \$2.8 million annually thereafter. In addition to base rent, the Downs must pay participation rent on a sliding scale based on net revenue from the casino's slot machines and net revenue from horse racing operations. The total participation rent can vary each year from nothing to \$1.3 million. The Downs is also required to spend at least \$300 thousand per year for marketing and advertising events at the fairgrounds. Any amount not spent by the end of the contract year must be paid to the State Fair.

In 2011, the governor vetoed a \$349 thousand general fund appropriation that supported the African American Performing Arts Center (AAPAC) located on the fairgrounds. The veto essentially crippled AAPAC operations and placed an additional burden on the enterprise revenue that typically supports the State Fair; funding has not resumed since 2011. The facility now receives only moderate and variable use. The LFC recommendation includes a \$75 thousand general fund appropriation to support AAPAC, and the committee recommends the State Fair coordinate with the Martin Luther King, Jr. Commission and the Office of African American Affairs to relocate the agencies inside the performing arts center.

For FY15, the State Fair budgeted \$381 thousand from the daily capital outlay tax, or parimutuel tax, on amounts wagered at horse races. This is the amount needed to pay the prorated portion of the annual debt service on bonds for capital improvements, but the tax amount is variable and might be more or less than the required debt service. The last debt payment is due November 2014, and the agency budgeted \$375 thousand out of cash reserves for the required closing debt service payment. After this final payment, the State Fair will receive an additional \$555 thousand from debt service funds encumbered for the capital improvement bonds, and the State Fair will need to consult bond counsel to determine if the money is restricted to capital improvements or if it can be used for other purposes, such as making a partial payment of debts owed to GSD.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the New Mexico state fair is contingent on the state fair commission meeting monthly.

The internal service funds/interagency transfers appropriation to the New Mexico state fair in the other category includes three hundred eighty-one thousand two hundred dollars (\$381,200) from parimutuel revenues for debt service and debt service interest on negotiable bonds issued for capital improvements.

The general fund appropriation to the New Mexico state fair in the other category includes seventy-five thousand dollars (\$75,000) for the African American performing arts center and exhibit hall for operations, administration, programs and services.

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	76.1%	91%	94%	95%	96%
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	370,000	377,123	450,000	400,000	400,000
Output	Percent of surveyed attendees at the annual state fair event indicating the state fair has improved	45%	97%	48%	50%	75%
Output	Number of total attendees at annual state fair event	399,529	407,265	600,000	430,000	430,000

STATUTORY AUTHORITY:

The Engineering and Surveying Practice Act, Sections 61-23-1 through 61-23-32 NMSA 1978, established a 10-member State Board of Licensure for Professional Engineers and Surveyors to administer and exercise the authority granted by the act, including licensure and oversight. More than 9,000 thousand practicing engineers and surveyors are currently licensed in New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,043.8	778.6	926.8	793.5	1.9
SOURCES TOTAL	1,043.8	778.6	926.8	793.5	1.9
USES					
Personal Services and Employee Benefits	215.6	422.4	555.3	555.3	31.5
Contractual Services	67.0	86.1	73.5	73.5	-14.6
Other	106.1	135.1	164.7	164.7	21.9
Other Financing Uses	0.0	135.0	133.3	0.0	-100.0
TOTAL USES	388.7	778.6	926.8	793.5	1.9
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

The board's expenditure level in FY13 was low due to a vacancy rate of more than 60 percent, including the director position vacant since January of 2011.

For FY15, the board request for a 19 percent increase included the continuance of a \$133.3 thousand agreement with the Regulation and Licensing Department under which RLD provides fiscal oversight and human resource assistance and established and maintained an electronic license renewal process.

Since the inception of the agreement, the board reduced its vacancy rate from 62 percent to 25 percent by hiring 3 FTE.

The committee recommends fully funding the personal services and employee benefits category due to recent hiring of staff and plans to fill the director and chief financial officer positions. On the successful hiring of an agency director and chief financial officer, the agreement with the RLD will no longer be needed and funding is not recommended for FY15. The recommendation also funds increases in the other category, totaling \$29.6 thousand, to allow board members to travel to national conferences and conduct meetings outside of Santa Fe to be more accessible to the licensees and public. Nearly half of the increase in the other category would be offset by a decrease in the contractual services category.

REGULATION AND LICENSING

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100	100%	100%	100%
Output	Number of examinations administered	624	565	725	600	600
* Output	Number of licenses or certifications issued	629	649	675	675	675
Output	Number of complaints processed	30	36	45	40	40
Efficiency	Percent of cases resolved through compliance or legal action within one year	95%	93	90%	90%	95%

STATUTORY AUTHORITY:

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

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	5,467.5	5,577.9	6,033.6	5,665.6	1.6
SOURCES TOTAL	5,467.5	5,577.9	6,033.6	5,665.6	1.6
USES					
Personal Services and Employee Benefits	3,309.7	3,838.6	4,211.0	3,897.4	1.5
Contractual Services	815.5	775.1	773.9	773.9	-0.2
Other	1,100.5	964.2	1,048.7	994.3	3.1
TOTAL USES	5,225.7	5,577.9	6,033.6	5,665.6	1.6
FTE					
Permanent	58.0	57.0	59.0	57.0	0.0
TOTAL FTE POSITIONS	58.0	57.0	59.0	57.0	0.0

BUDGET ISSUES:

For FY15, the agency request fully funded the personal services and employee benefits category and included an increase of \$118.8 thousand for 2 FTE. The contractual services category remained flat, while the other category increased by 8.8 percent because the board anticipates greater oversight effort costs.

The committee recommends \$5.67 million, a 1.6 percent increase. The recommendation does not support the requested 2 FTE but increases the personal services and employee benefits \$58.8 thousand, or 1.5 percent, over the FY14 funding level to reduce the vacancy rate. The recommendation also increases the other category by \$30.1 thousand to allow for more field work.

With a limited number of audit staff, the Gaming Control Board (GCB) is tasked with reviewing New Mexico’s 86 gaming locations: 26 tribal gaming facilities, five racetrack casinos, and 55 non-profit locations. According to a 2013 LFC evaluation “Operational Effectiveness of Gambling Oversight in New Mexico,” GCB must perform regular and special audits of gaming facilities. However, the regulations do not specify the frequency with which the facilities should be visited nor does it distinguish the level of audit required of a small nonprofit venue or a large casino. As a result, GCB staff audit a larger number of nonprofit gaming facilities, instead of prioritizing tribal and racetrack casinos. Tribal and racetrack casinos accounted for \$993.1 million in gaming and generated \$129.6 million in revenue to the state in FY13.

As of September 2013, the statewide gaming machine count is 2,997 at racetrack casinos, 659 at nonprofit venues, and approximately 15,900 at tribal locations. For FY13, net wins for racetrack casinos was \$236.2 million and for tribal casinos, \$756.9 million.

In FY13, racetracks paid a total of \$61.4 million in gaming taxes and an additional \$1.96 million was paid by manufacturers and distributors, for a total of \$63.4 million. The tribes paid a total of \$67.2 million in revenue share and \$1 million in regulatory fees.

The Indian Gaming Regulatory Act (IGRA) separates tribal gaming into three distinct categories that designate whether the tribe, state, or federal government has civil regulatory jurisdiction. Under the IGRA, class I gaming includes social games of minimal value or traditional forms of gaming and is within exclusive jurisdiction of tribes. The IGRA defines class II gaming, in part, as bingo (whether or not electronic, computer, or other technologic aids are used). Tribes and the National Indian Gaming Commission have exclusive jurisdiction over class II games. Class III gaming regulated by the Gaming Control Board (GCB) includes all types of gaming that are neither class I or class II gaming, such as slot machines and table games.

GCB reports the Hogback casino operates 120 class II machines, not subject to revenue sharing with the state. Other tribal casinos have an additional 100 class II machines. According to GCB, gaming patrons typically do not prefer class II machines because they operate at a slower pace than that of class III machines. Advances in information technology make it seem likely that class II machines could proliferate and reduce state revenue from Indian gaming.

Recently the state and the Navajo Nation reached an agreement on a new compact. The draft compact includes language that limits the number of class II machines the Navajo Nation can operate to 20 percent among all facilities.

In early 2012, GCB reported tribal casinos could be paying \$13 million to \$20 million less than what is owed under revenue-sharing compacts through its accounting of the promotional tool “free play,” which allows gamblers to play with casino credits. GCB states that, although free play does not involve money spent by a gambler, the casinos wrongly use a formula that eliminates the total value of free plays used by patrons from the total amount gambled but deducts the winnings that came from the “free play” promotion to arrive at a casino’s net win. Net win is the amount gambled in machines minus the amount paid out in cash and noncash prizes. GCB notified tribal casinos that excluding the value of free play from the net win places them out of compliance with the gaming compact. The Legislature provided GCB with a special appropriation of \$200 thousand in FY13 for possible arbitration expenses related to tribal gaming. GCB has spent \$44.3 thousand thus far.

The Navajo Nation draft compact addresses “free play” by defining the net win as the win from gaming activities, the difference between gaming wins and losses before deducting costs and expenses or deducting incentives or adjusting for changes in progressive jackpot liability accruals. Generally, net win is the difference between wagers and payouts made on winning wagers. The 2013 LFC evaluation indicated the draft language for “free play” does not benefit the state.

Following a legal opinion in December 2011 by the US Department of Justice that left Internet gaming regulation up to individual states, the Navajo Nation’s proposed compact heavily addresses Internet gaming in New Mexico. If the state should allow Internet gaming, the Navajo Nation would be authorized to conduct Internet gaming as well, and the revenue contribution from Internet gaming will continue to follow the current revenue sharing formula within the compact.

Currently, four gaming tribes and pueblos have not signed the 2007 amended gaming compact: the Jicarilla Apache, Mescalero Apache, Pueblo of Acoma, and Pojoaque Pueblo. Each of their compacts expires on June 30, 2015. Compact renegotiations are currently in progress and being handled by the executive. Details of the progress are unknown. The renegotiation of these compacts should address revenue sharing for class II machines and Internet gaming.

The 2013 LFC evaluation recommends the Legislature should exercise its authority under the Compact Negotiation Act to request negotiations with compacted gaming tribes allow for increased legislative oversight of tribal gaming. Currently, the Legislature lacks access to tribal gaming data and is unable to independently verify the state’s gaming representative’s level of oversight and the tribe’s adherence to the compacts. Neither the 2001 nor 2007 compacts clearly define which state entities can access data. The confidentiality clause in tribal gaming compacts limits information the Legislature can access to monitor tribal compacts.

BASE EXPANSION:

Due to the agency's historically high vacancy rate, the recommendation does not support the requested 2 FTE.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Accountant/auditor - 1 FTE	(P680)	59.4	0.0
2	Accountant/auditor - 1 FTE	(P680)	59.4	0.0
TOTAL			118.8	0.0

GAMING CONTROL

The purpose of the gaming control board is to provide strictly regulated gaming activities and to promote responsible gaming to the citizens of New Mexico so they can attain a strong level of confidence in the board's administration of gambling laws and assurance the state has competitive gaming free from criminal and corruptive elements and influences.

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Quality	Percent of work permit and work permit renewals processed within nine business days	84%	85%	90%	90%	90%
Quality	Percentage of incidents reported to the central monitoring system help desk closed within three calendar days	N/A	N/A	95%	95%	95%
* Output	Percent of all tribal inspection reports completed and mailed within thirty days of field work completion	N/A	N/A	93%	93%	95%
* Output	Percent of racetrack audit reports completed and mailed within thirty days of field work completion	N/A	N/A	90%	90%	95%
Outcome	Percent increase in inspection rate	N/A	N/A	<7%	<7%	<7%
Output	Percent decrease in citation rate	N/A	N/A	>10%	>10%	>10%

STATUTORY AUTHORITY:

The primary functions of the State Racing Commission as defined in Sections 60-1-1 through 60-1-26 NMSA 1978 are to license horseracing industry participants, make rules and regulations surrounding the operations of race meets, and set race dates.

BUDGET SUMMARY
(dollars in thousands)

	FY13	FY14	FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>	2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,983.0	2,352.2	2,816.1	2,422.3	3.0
Other Transfers	0.0	0.0	0.0	350.0	
SOURCES TOTAL	1,983.0	2,352.2	2,816.1	2,772.3	17.9
USES					
Personal Services and Employee Benefits	938.8	1,281.5	1,573.1	1,381.5	7.8
Contractual Services	892.0	923.9	1,131.8	1,273.9	37.9
Other	105.7	146.8	265.8	116.9	-20.4
TOTAL USES	1,936.5	2,352.2	2,970.7	2,772.3	17.9
FTE					
Permanent	16.3	17.3	20.3	19.3	11.6
Term	0.6	0.6	0.6	0.6	0.0
Temporary	1.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	18.7	19.7	22.7	21.7	10.2

BUDGET ISSUES:

For FY15, the State Racing Commission (SRC) request included \$137 thousand in the personal services and employee benefits category to fully fund all positions and provide for 3 additional FTE. The contractual services category included \$207.9 thousand more for additional equine testing.

The FY15 recommendation of \$2.77 million represents a 17.9 percent increase over the agency's FY14 operating level. This increase includes \$100 thousand in the personal services and employee benefits category to hire an additional 2 FTE to assist in the reconciliation of parimutuel revenues. The recommendation increases the contractual services category by \$350 thousand over the FY14 operational budget for additional equine testing. Coinciding with the expense, the recommendation also reflects \$350 thousand revenue in the other transfers to budget a half year of funds from parimutuel revenues beginning in 2015. The recommendation reduced funds in the other category to better align it with FY13 actuals.

The enactment of the provisions of Laws 2013, Chapter 102, (Senate Bill 72) created the racehorse testing fund to be administered by SRC. The legislation takes effect on January 2015, and stipulates that 50 percent of the parimutuel tax collected from both class A and class B racetrack licensees will be transferred to the racehorse testing fund instead of the general fund. As a result, roughly \$350 thousand for the second half of FY15, and roughly \$700 thousand beginning in FY16 will be transferred to the racehorse testing fund. Money in the fund is appropriated to the commission for the handling and testing of urine and other specimens taken from racehorses pursuant to the Horseracing Act. The legislation further amended the Horseracing Act to require that SRC contract only with independent laboratories that meet or exceed the current national laboratory standards for testing in horses, as established by the Association of Racing Commissioners International (ARCI).

In relation to Laws 2013, Chapter 102, (Senate Bill 72) LFC notes concerns over SRC's inability to create a competitive procurement for an independent equine testing laboratory. With Laws 2013, Chapter 102, (Senate Bill 72) providing funding for more equine testing, and Laws 2013, Chapter 103, (Senate Bill 444) requiring a higher standard of drug testing while also allowing SRC to apply stiffer penalties to violators, issuance of a newly revised and completed request for proposal should be a priority for the SRC.

Currently, the commission completes all equine testing with the University of California, Davis (UC Davis), on a month-to-month basis. Although UC Davis is regarded as a high-quality testing facility, other nationally accredited labs could also provide the service.

SRC has reported a proliferation of illegal racetracks, yet the agency only has statutory enforcement authority at licensed facilities. The committee continues to recommend the agency seek expanded enforcement powers or work with the Department of Public Safety to begin an investigation process to shut down illegal racetracks.

A nine-month "New York Times" investigation revealed five racetracks in New Mexico have among the worst safety records in the nation, with Ruidoso at the top of the list. Since the New York Times exposed New Mexico's horseracing issues, policy makers have launched an effort to remedy the problems.

In May 2013, LFC released a completed evaluation of SRC, titled “Operational and Effectiveness of Gambling Oversight in New Mexico,” that presents findings and the recommended steps to remedy illegal activity in the sport. The report states SRC needs to have two enforcement officers at a minimum on a track during live race meets. If SRC is unable to provide this type of oversight, the report recommends contracting with the Department of Public Safety to ensure adequate presence is at each meet to discourage doping. The report also recommends SRC institute a monthly reconciliation process of parimutuel revenues that results in the production of a tax bill for payment of parimutuel and capital outlay taxes to the Taxation and Revenue Department, similar to the current process at the Gaming Control Board (GCB), along with a cross-audit with GCB to validate proper transfer of these revenues. To this end, SRC requested and the committee recommended 2 additional accountant-and-auditor FTE. The evaluation also suggests SRC be granted more power to determine when a track requires intervention, allowing SRC the authority to put contingencies on license renewals of tracks with high financial risk or poor safety records.

In May 2010, the board voted to revoke the gaming license for a planned racetrack casino in Raton because the developer lacked the financial resources to operate the casino. The developer obtained an injunction to prevent the board from reissuing the only remaining license authorized under state law. On June 12, 2012, the state Court of Appeals upheld GCB’s decision. However, SRC could not reopen the application process for the license until an appeal against SRC had been resolved. After three years of dispute, the conflict between the Raton racino developer and SRC has been resolved, and a racino will not be constructed in Raton.

To discuss the need for a sixth racino, SRC consulted with the New Mexico Horseman’s Association, the New Mexico Horse Breeders Association, and local municipalities. The New Mexico Horseman’s Association, the Jockeys’ Guild, and Zia Park in Hobbs supported a sixth racino, while the Downs at Albuquerque, Ruidoso Downs, Sunland Park, and SunRay Park did not. Opponents argued the state does not have enough race horses to support a sixth venue. The New Mexico Breeders Association has withheld their opinion in this matter until the location of the sixth license is announced.

BASE EXPANSION:

The committee recommendation provides the State Racing Commission an additional \$117.7 thousand for the hiring of an additional 2 new FTE to assist in the reconciliation of pari-mutuel revenues.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Accountant/auditor - 1 FTE	(P681)	58.8	58.8
2	Accountant/auditor - 1 FTE	(P681)	58.8	58.8
3	Financial Specialist - 1 FTE	(P681)	37.0	0.0
TOTAL			154.6	117.6

HORSE RACING REGULATION

The purpose of the horse racing regulation program is to provide regulation in an equitable manner to New Mexico’s parimutuel horse racing industry and to protect the interest of wagering patrons and the state of New Mexico in a manner that promotes a climate of economic prosperity for horsemen, horse owners and racetrack management.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	0.02%	0.03%	0.03%	0.05%	0.03%
* Output	Total amount collected from parimutuel revenues, in millions	\$0.9	\$1.1	\$0.9	\$1.0	\$1.0
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,300	\$4,400	\$4,500	\$5,000	\$4,500
Efficiency	Average number of days to close investigation cases	30	30	30	30	30
Output	Number of audit exceptions noted on annual financial statement	1	1	0	1	0
Outcome	Percent of prior-year audit findings resolved	99%	99%	100%	99%	100%
Outcome	Timely collections of penalty fees by licensee to the general fund	30	30	30	30	30
Outcome	Number of equine tests per live race	New	New	New	2	2
Efficiency	Average number of days to bring case to prosecution	New	New	New	30	30
Outcome	Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check	New	New	New	20	20

STATUTORY AUTHORITY:

The seven-member Board of Veterinary Medicine was established under the Veterinary Practice Act, Sections 61-14-1 through 61-14-20 NMSA 1978. Approximately 950 veterinarians are registered to practice in New Mexico.

MISSION:

The mission of the Board of Veterinary Medicine is to protect the public by promoting quality veterinary care through regulation of the practice of veterinary medicine. The board also serves as a resource in providing assistance and disseminating current information affecting the public, applicants, and licensees.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	285.4	285.4	297.5	297.5	4.2
Fund Balance	42.8	44.2	42.9	42.9	-2.9
SOURCES TOTAL	328.2	329.6	340.4	340.4	3.3
USES					
Personal Services and Employee Benefits	147.8	154.0	154.5	154.5	0.3
Contractual Services	126.3	121.4	127.9	127.9	5.4
Other	54.1	54.2	58.0	58.0	7.0
TOTAL USES	328.2	329.6	340.4	340.4	3.3
FTE					
Permanent	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0

BUDGET ISSUES:

For FY15, the LFC recommends the agency request including an increase in the contractual services category to budget funds for a civil attorney due to inadequate legal representation provided by the New Mexico Attorney General’s Office. The FY15 projected fund balance would drop to \$770.3 thousand from a balance of \$868.2 thousand in FY13 and a projected FY14 balance of \$813.2 thousand

VETERINARY LICENSING AND REGULATORY

The purpose of the veterinary licensing and regulatory program is to regulate the profession of veterinary medicine in accordance with the Veterinary Practice Act and to promote continuous improvement in veterinary practices and management to protect the public.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of facility licenses issued annually	307	307	300	300	300
Output	Number of facilities inspected annually	136	153	153	150	150
Outcome	Percent of inspected facilities meeting minimum standards	97%	99%	95%	97%	97%
Outcome	Percent of inspected facilities requiring a plan of correction	3%	.001%	10%	5%	1%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	0%	.01%	1%	5%	1%
Output	Number of registered veterinary technicians licenses issued annually	170	182	180	190	180
* Output	Number of veterinarian licenses issued annually	1,110	939	1,000	1,000	1,000
Output	Number of bovine artificial insemination or bovine pregnancy diagnosis permits issued annually	80	77	80	75	80
Outcome	Attrition rate of all licensees annually	5%	3%	5%	5%	5%
Outcome	Percent of formal complaints resolved without disciplinary action	62%	92%	90%	93%	93%
Output	Number of months to resolution of disciplinary matter	5	4	5	5	5
Outcome	Percent of complaints resolved through adjudication	10%	1%	1%	1%	1%

STATUTORY AUTHORITY:

The Cumbres and Toltec Scenic Railroad Compact was ratified by the New Mexico and Colorado legislatures and given the consent of Congress in 1974. Ratification of the compact and statutory authorization of the commission appears in Sections 16-5-1 through 16-5-13 NMSA 1978 (the Cumbres and Toltec Scenic Railroad Act) and Sections 24-60-1901 through 24-60-1908 of the Colorado Revised Statutes. The compact was approved by the president on October 24, 1974. The commission comprises four members, two from New Mexico and two from Colorado, appointed by the governors of each state.

MISSION:

The mission of the Cumbres and Toltec Scenic Railroad Commission is to preserve and develop the Cumbres and Toltec Scenic Railroad, a historic 19th century railroad "museum on wheels," for the education, enlightenment, and enjoyment of future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	87.0	98.7	210.0	117.0	18.5
Other Revenues	3,202.9	3,693.4	3,605.0	3,679.2	-0.4
SOURCES TOTAL	3,289.9	3,792.1	3,815.0	3,796.2	0.1
USES					
Personal Services and Employee Benefits	134.6	124.6	127.2	127.2	2.1
Contractual Services	3,112.0	3,597.9	3,461.6	3,444.6	-4.3
Other	43.3	69.6	226.2	224.4	222.4
TOTAL USES	3,289.9	3,792.1	3,815.0	3,796.2	0.1
FTE					
Permanent	2.1	2.1	2.1	2.1	-1.0
TOTAL FTE POSITIONS	2.1	2.1	2.1	2.1	-1.0

BUDGET ISSUES:

The FY15 budget request totaled \$3.8 million, with the requested general fund appropriation of \$210 thousand an increase of 113 percent compared with FY14. The LFC recommendation makes minor technical adjustments to the contractual services and other cost categories and includes general fund revenues of \$117 thousand.

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Operating expenses over the last nine years have fluctuated considerably, depending on ridership, from a low of \$2.6 million to a high of \$3.8 million. In five of those nine years, operating expenditures were greater than operating revenue, resulting in an operating shortfall, with FY13 being within \$8,000 of breaking even. This was a significant improvement from the \$89 thousand loss in FY12. Ridership reached 30 thousand passengers for FY13, compared with ridership of 28 thousand passengers for FY12 as the railroad continued to recover from the significant decrease following the Lobato trestle fire.

Revenue per rider increased from \$90 in FY11 to \$124 in FY12 due to the addition of parlor and tourist cars, liquor sales, retail sales, the packaging of train and bus rides, special trains, and family pricing. In FY13, the agency reduced base coach fares slightly, and the revenue per rider dropped to \$114. The commission's primary goal is to increase ridership to the pre-Lobato Trestle fire levels of 40 thousand annual passengers by holding rates at their current levels, promoting special offers including "kids ride free," and using advertising dollars more effectively.

The Cumbres and Toltec Scenic Railroad suffered from years of capital infrastructure neglect. Funding for capital infrastructure upgrades gradually increased from \$1 million for FY06, reaching nearly \$2 million in combined revenues from Colorado and New Mexico for FY14. Infrastructure projects include track upgrades (more than 70 percent complete), locomotive and passenger car rehabilitation, and facility upgrades.

In the 2013 session, \$850 thousand of capital outlay was appropriated for infrastructure improvements, including track, locomotive, and passenger car needs. The Legislature also approved a nonrecurring \$300 thousand appropriation from the general fund for improvements to the historic depot in Chama. The LFC's Volume III "Supplemental Tables and Charts" provides a combined and consolidated financial statement and capital outlay projection. The agency reports it needs enhanced track rehabilitation for two more years before expenditures can level out at \$250 thousand per state per year. Federally required maintenance after 1,472 days of service is required on three locomotives at a projected cost of \$1.5 million to be spread over three years. The first locomotive service is complete and a second will occur this winter. Additional capital improvements are needed for the track project, passenger cars, rehabilitation of locomotive boilers, and phase two of the Cumbres Pavilion improvements. The Lobato trestle reconstruction diverted \$410 thousand of capital funds intended for the track upgrade project. In addition to the state-funded projects, private funding of approximately \$1.5 million was secured to rebuild the historic Steam Locomotive 463 and construct a pavilion at Cumbres Pass. In FY13, Colorado provided \$1.3 million for infrastructure needs.

For the 2013 operating season from late May until late October, the commission successfully implemented a new operating model, which included incorporation of Cumbres Toltec Operations (CTO), a non-profit operating company, to manage the railroad. The commission serves as the board of directors of CTO and hired an experienced president to oversee the operations. This eliminated what proved to be an unnecessary layer of management and also saved significant funds paid to a third party to oversee operations. However, the executive director of the commission resigned in late September, the second director to resign within the last year, creating discontinuity and additional work for the commissioners as they search for a new director.

In 2012, the Cumbres and Toltec Scenic Railroad achieved the designation of national landmark from the U.S. Department of the Interior, joining 46 other such designations in New Mexico. In April 2013, CNN Travel International named the railroad one of "49 journeys that will change your life." This worldwide listing included only five other selections from the United States.

CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION

The purpose of the Cumbres and Toltec scenic railroad commission is to provide railroad excursions through, into and over the scenic San Juan mountains.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Total number of passengers	35,441	31,138	40,000	37,000	37,000
* Output	Revenue generated from ticket sales, in millions	\$3.2	\$3.3	\$3.5	\$3.5	\$3.5

STATUTORY AUTHORITY:

The Office of Military Base Planning and Support was created in 2003 pursuant to the Office of Military Base Planning and Support Act, Section 9-15-48 NMSA 1978, and is administratively attached to the Economic Development Department. The director of the office is appointed by the governor's homeland security adviser.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	125.6	145.5	156.0	146.4	0.6
SOURCES TOTAL	125.6	145.5	156.0	146.4	0.6
USES					
Personal Services and Employee Benefits	109.9	111.8	112.7	112.7	0.8
Contractual Services	0.0	20.0	29.6	20.0	0.0
Other	15.0	13.7	13.7	13.7	0.0
TOTAL USES	124.9	145.5	156.0	146.4	0.6
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

BUDGET ISSUES:

The Office of Military Base Planning and Support (OMBPS) general fund request for FY15 would fund required premium increases in employee health benefits and pay for the annual audit, previously performed through the Economic Development Department (EDD). However, the requested audit funding is exceedingly high for an agency with 1 FTE and one contract. The LFC recommendation includes the premium increases but assumes EDD will continue to absorb the audit.

Like OMBPS, the Military Base Planning Commission (MBPC) is administratively attached to EDD. The 17-member commission includes the lieutenant governor, the secretary of EDD, and 15 members from counties near New Mexico's four military bases appointed by the governor and approved by the Senate. The commission met three times in FY13.

OMBPS played a critical role in retaining Cannon Air Force Base, as well as working to identify a new mission for Cannon. The initial phase of a \$5 million capital outlay expansion at Cannon was completed in FY13, including a lease expanding the Melrose Air Force Range by more than 10 thousand acres.

The agency is working with White Sands Missile Range (WSMR) and Holloman AFB on airspace expansion to ensure New Mexico is well-positioned to support the transition of two squadrons, 24 planes each, of F-16s to Holloman, arriving in April 2014 and April 2015. The director also held informal discussions regarding the possibility of the U.S. Air Force and the German air force bringing the Eurofighter to Holloman. Additionally, the director is playing a key role in an effort to bring together five New Mexico counties (Lincoln, Otero, Dona Ana, Sierra, and Socorro), El Paso county, the city of El Paso, Alamogordo, and Las Cruces, along with three military installations, into the largest joint land-use study in U.S. Department of Defense (DOD) history and the first to cross state boundaries.

The agency is addressing specific military value issues in federal legislation proposed by DOD, including current and future mission capabilities of New Mexico's military installations. This work includes comparing the cost of operations at New Mexico's installations with those at other installations in the southwestern United States, reviewing the availability and condition of land and facilities, and determining the ability to meet potential new DOD force requirements.

The OMBPS director supported responses from MBPC, the Governor's Office, WSMR, and Holloman to the proposed siting of the SunZia transmission line across the northern extension area of WSMR. The transmission line would create significant new capabilities to transfer energy produced by wind generation in the eastern region of the state and solar generation in the southern region to Arizona, California, and other markets. However, WSMR and DOD criticize the planned siting within a northern extension area used for occasional missile testing, saying it could severely impact mission capabilities and threaten jobs and investment related to the military installation.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 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	5	8	8	8	8
Output	Number of communities assisted by the office of military base planning and support	5	8	8	8	8

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Sections 58-31-1 through 58-31-17 NMSA 1978 and is administratively attached to the Economic Development Department.

MISSION:

The mission of the Spaceport Authority is to plan, develop, and operate the world's first inland commercial spaceport.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	456.2	459.9	459.9	459.9	0.0
Other Revenues	871.7	3,933.5	7,206.2	5,584.1	42.0
SOURCES TOTAL	1,327.9	4,393.4	7,666.1	6,044.0	37.6
USES					
Personal Services and Employee Benefits	640.3	799.9	1,461.2	1,128.4	41.1
Contractual Services	100.5	2,252.5	4,408.1	3,597.8	59.7
Other	414.4	1,341.0	1,796.8	1,317.8	-1.7
TOTAL USES	1,155.2	4,393.4	7,666.1	6,044.0	37.6
FTE					
Permanent	7.0	9.0	18.0	13.0	44.4
TOTAL FTE POSITIONS	7.0	9.0	18.0	13.0	44.4

BUDGET ISSUES:

For FY15, the Spaceport Authority request of \$7.7 million represented a \$3.3 million, or 75 percent, increase from the FY14 operating budget due to base expansion requests. The increase is funded primarily by expected Virgin Galactic launch fees and expected tourism revenue. The general fund request remained flat compared with FY14 at \$459.9 thousand. The agency also requested an expansion of 9 FTE for a total of 18.

In FY13, the agency reported it would not request a general fund appropriation for FY15, believing the operations would become self-sustaining with enterprise revenues from tourism and rocket launches during FY14. However, enterprise revenues were delayed, and the agency now estimates it will be partially dependent on general fund appropriations for FY15 and FY16.

First, construction of the visitor experience centers was delayed. The Board of Finance authorized the Spaceport Authority to seek a loan of nearly \$21 million to outfit the visitor centers, but the agency has not yet secured the financing package or begun construction. Without the visitor centers in place, and without the draw of launches from anchor tenant Virgin Galactic, visitor levels remain low. The FY15 budget request assumed nearly 133 thousand visitors will arrive and spend money at Spaceport America, generating \$1.6 million in revenue. Any additional delays in visitor center construction or Virgin Galactic's launches will reduce that revenue and could lead to a budget shortfall.

Second, Virgin Galactic launch revenue has been delayed repeatedly. Virgin's Richard Branson initially expected to begin launches five years ago, but development of the spacecraft, its carrier ship, and the rocket engine are requiring far more time than anticipated. In mid-2013, Branson reported the company would launch its first passengers into space by Christmas of that year. However, Virgin now estimates commercial service will begin in mid-2014. A company official reported up to 20 powered test flights of the rocket plane, SpaceShipTwo, might be necessary before initiation of commercial service; however, a powered flight in September was only the second since testing began in April. After repeated delays, the initial launch date remains tentative, creating risk and uncertainty for the launch revenues. Additionally, Virgin Galactic could choose to launch SpaceShipTwo, when ready for service, from one of numerous other spaceports across the country instead of Spaceport America.

The agency's FY15 budget request assumed \$2.2 million in launch revenues from Virgin Galactic, but most of this will not materialize if delays push the launch date into late FY15 or FY16. If that happens, unless new tenants are recruited to replace this lost revenue, the Spaceport Authority would need to request an emergency supplemental appropriation during the 2015 legislative session. If the worst-case scenario occurs, and tourist levels remain near current low levels and Virgin Galactic launches late in FY15 (if at all), the emergency supplemental request could be nearly half the size of the FY15 budget, and the agency might be hard-pressed to continue operations without layoffs, prolonged furloughs, or suspended contracts until any emergency supplemental funding arrived.

The LFC recommendation fully funds the FY15 base budget request, including a \$459.9 thousand general fund appropriation and minor technical adjustments to the contractual services category and the other category. The committee suggests a phased-in approach to the requested expansion of \$3.3 million and 9 FTE due to the uncertain timing of visitor and launch revenues. The recommendation adds \$283.7 thousand for the expansion of 4 FTE and adds \$1.3 million in contractual services as the preoperational costs, previously paid with funds from the local gross receipts tax, transfer into the operations budget.

The Spaceport Authority plans to request \$6.9 million in capital outlay from the Legislature in 2014 to repay funds from a special spaceport district gross receipts tax -- funds previously allocated for construction of the southern road. The agency reallocated the funds to cover a budget shortfall in FY14 caused by underperforming visitor and launch revenues. The agency ramped up operations in anticipation of Virgin Galactic's initial launch without holding the company to a firm date or requiring repayment of costs incurred during delays. To maintain near-operational status for FY14, the agency is using the \$6.9 million of gross receipts tax revenues to cover operations costs, leaving just \$8.1 million for road construction. The capital outlay request would replenish the southern road funding and allow construction to continue as originally planned. However, this transition of funds will not be possible again if a similar funding emergency arises in FY15, because no significant gross receipts tax revenues will remain.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
01	Spaceport Maintenance Supervisor	(P770)	68.7	0.0
02	Spaceport Maintenance Technician	(P770)	171.6	0.0
03	Aerospace Engineer	(P770)	68.7	68.7
04	Flight Control Specialist	(P770)	65.0	65.0
05	IT Project Manager	(P770)	47.8	47.8
06	IT Technical Support Specialist	(P770)	30.0	30.0
07	Employee Benefits - 9 FTE	(P770)	165.2	72.2
08	Debt Service - Interest	(P770)	452.1	0.0
09	Professional Services	(P770)	2,155.6	1,355.6
10	<u>Exempt Position Benefit Amendment</u>	<u>(P770)</u>	<u>48.0</u>	<u>0.0</u>
TOTAL			3,272.7	1,639.3

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of visitors to spaceport		1,800	5,000	5,000	132,980
* Outcome	Annual number of jobs created due to New Mexico spaceport authority efforts		150	200	150	200

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 9-4A-18 NMSA 1978). The new law elevated the agency to cabinet status and elevated the individual museums in the Museum of New Mexico to division status, placing them on equal footing with other museums and facilities within DCA. In addition to the Cultural Affairs Department Act, divisions within DCA are authorized by the following statutes: Sections 18-2-1 through 18-2-23 NMSA 1978 (creating the Library Division); Sections 18-3-1 through 18-3-8 NMSA 1978 (establishing the Museum of New Mexico); Sections 18-3A-1 through 18-3A-9.1 NMSA 1978 (the Natural History and Science Museum Act); Section 18-5-1 through 18-5-7 NMSA 1978 (creating the Arts Division); Sections 18-6-1 through 18-6-23 NMSA 1978 (the Cultural Properties Act); Sections 18-7-1 through 18-7-4 NMSA 1978 (creating the Museum of Space History); Sections 18-11-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA (Cultural Properties Preservation Easement Act).

MISSION:

The department's mission is to lead in the preservation, development, promotion, and access to New Mexico's cultural resources for the use, education, and enjoyment of present and future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	27,313.1	29,044.7	30,319.7	29,535.0	1.7
Other Transfers	32.4	181.0	112.0	112.0	-38.1
Federal Revenues	3,057.0	3,280.9	4,226.3	4,226.3	28.8
Other Revenues	5,723.0	6,573.4	7,497.2	7,497.2	14.1
Fund Balance	463.9	2,007.7	1,709.3	1,759.3	-12.4
SOURCES TOTAL	36,589.4	41,087.7	43,864.5	43,129.8	5.0
USES					
Personal Services and Employee Benefits	24,653.6	28,679.3	30,259.2	29,304.5	2.2
Contractual Services	3,296.0	3,570.7	4,488.2	4,508.2	26.3
Other	8,601.8	8,837.7	9,117.1	9,317.1	5.4
TOTAL USES	36,551.4	41,087.7	43,864.5	43,129.8	5.0
FTE					
Permanent	417.5	425.8	420.3	420.3	-1.3
Term	85.0	89.0	89.0	87.5	-1.7
Temporary	3.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	505.5	514.8	509.3	507.8	-1.4

BUDGET ISSUES:

The Cultural Affairs Department (DCA) submitted an overall FY15 budget request of \$43.9 million, \$2.8 million, or 6.8 percent, over the FY14 operating budget. The general fund appropriations request was \$30.3 million, \$1.3 million, or 4.4 percent, over the FY14 operating budget.

The FY15 request for the Museums and Monuments Program was \$1.3 million, or 5 percent, above the FY14 operating budget, attributable primarily to increases in the personal services and employee benefits category. The request for the Preservation Program was \$1.2 million, or 24 percent, above the FY14 operating budget, with the increase primarily in the contractual services category for historic preservation. Approximately \$600 thousand of the request is for term positions. The requests were flat for the Library Services and Arts programs and relatively flat for Program Support.

The committee recommendation for the department represents a \$2 million, or 5 percent, increase above the FY14 operating budget and a 6.5 million, or 17.9 percent, increase over FY13 actual expenditures. The recommendation for general fund transfers is \$490.3 thousand, or 1.7 percent, above the FY14 operating budget. The recommendation for personal services and employee benefits for the department represents a \$625.2 thousand, or 2.2 percent increase, above the FY14 operating budget and a \$4.7 million, or nearly 19 percent increase, above FY13 actual expenditures.

The recommendation applies an additional \$753.7 thousand in vacancy savings to the Museums and Monuments Program. Although the department is making some progress on filling vacant positions in FY14, it transferred nearly \$1.5 million to other categories and reverted more than \$307 thousand from the personal services and benefits category to the general fund in FY13.

The recommendation concurs with the requested increase of \$235.5 thousand in the personal services and employee benefits category and \$139.5 thousand in the contractual services category in the Museums and Monuments Program for the Space History Museum. The recommendation also provides \$150 thousand to the Museums and Monuments Program for statewide improvements and another \$50 thousand for marketing. The recommendation also provides \$40 thousand to the Arts Program for the Music Commission. One FTE is transferred from the Museums and Monuments Program to the Arts Program for Music Commission activities.

The department requested \$134.5 thousand in funding for operational costs at Los Luceros but still has not provided a detailed strategic plan to use the property. A facility use study was completed in January 2013 providing three options for the property: 1) manage the property as a state monument or museum, 2) sell the property with deed restrictions in place, and 3) enter into public-private partnerships focusing on different aspects of the property. Department officials have not indicated if they intend to pursue any of these options.

Over the last year, the department has made an effort to improve the conditions of the Los Luceros property – buildings and grounds – which has deteriorated under state ownership. The committee recommends funding continue for Los Luceros but emphasizes the buildings and the farmland on the property, including the land directly abutting the Rio Grande river, offer an opportunity for profitable activities and, as such, the property should be used far more effectively. The department should also explore opportunities for the property to be purchased by an entity that would allow the use of the buildings and property while ensuring the protection of its unique cultural legacy.

The state museums and monuments suffer from significant levels of deferred maintenance that potentially threaten priceless collections, pose hazards to visitors, and limits the department's capacity to earn much-needed revenue. All state monuments confront funding shortfalls required for operations and maintenance, with many exhibits being inadequate to their designed purpose. In many instances, structures of historic and cultural significance are disintegrating or collapsing due to a lack of funding. In the case of Fort Selden, plans for restoration have been abandoned. Most of the state monuments now rely on volunteers to staff facilities, give tours, take attendance and repair buildings. Given these problems, the department should avoid the acquisition of new properties and emphasis should be placed on the proper maintenance of existing facilities.

DCA senior management should make a more serious and sustained effort to identify critical development funding in cooperation with the Museum of New Mexico Foundation and other international, national, and state foundations for the preservation and use of state properties.

DCA continues to rely on fund balance revenues to fund nearly \$1.9 million in operations across all categories. The most recent projections provided by the department indicate a continuing decline of fund balance, with a projected \$2.3 million remaining at the end of FY15.

Data provided by the department indicates attendance at the museums increased in FY13, but this is attributable almost exclusively to attendance at three museums – the Museum of Folk Art, the Museum of Space History, and the Museum of Natural History and Science. With the exception of Jemez State Monument, attendance at the monuments declined over FY13. The department should work individually and in cooperation with the Tourism Department to both deepen and broaden marketing activities and identify promising markets.

The department should be more aggressive and creative in its efforts to maximize the efficient use of state office space, in particular the Stewart L. Udall Building for Museum Resources.

The department requested \$505 thousand in funding for the New Mexico Coalition of Literacy for FY15, an amount flat with the FY14 operating budget.

The audit completed by the New Mexico Office of the State Auditor for the year ending June 30, 2012, indicated the department has made significant progress in the resolution of FY11 audit findings, with two significant deficiencies indicated for the fiscal year 2012 audit.

RECOMMENDED LANGUAGE:

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

MUSEUMS AND MONUMENTS

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

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	18,021.1	19,208.5	20,237.2	19,683.5	2.5
Other Transfers	32.4	181.0	112.0	112.0	-38.1
Federal Revenues	59.0	113.0	123.0	123.0	8.8
Other Revenues	3,900.5	3,384.3	3,998.5	3,998.5	18.1
Fund Balance	259.2	1,468.7	1,142.8	1,142.8	-22.2
SOURCES TOTAL	22,272.2	24,355.5	25,613.5	25,059.8	2.9
USES					
Personal Services and Employee Benefits	15,524.4	17,815.1	18,822.7	18,069.0	1.4
Contractual Services	655.3	943.3	1,134.9	1,134.9	20.3
Other	5,617.9	5,597.1	5,655.9	5,855.9	4.6
TOTAL USES	21,797.6	24,355.5	25,613.5	25,059.8	2.9
FTE					
Permanent	303.8	300.8	300.8	299.8	-0.3
Term	39.0	37.5	37.5	37.5	0.0
TOTAL FTE POSITIONS	342.8	338.3	338.3	337.3	-0.3

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Attendance to museum and monument exhibitions, performances, films and other presenting programs	802,797	826,716	810,000	820,000	825,000
Output	Number of participants at off-site educational, outreach and special events related to museum missions	71,007	68,272	80,000	75,000	75,000
Output	Number of participants at on-site educational, outreach and special events related to museum missions	267,204	311,290	280,000	300,000	310,000
Outcome	Percent increase in joint curriculum partnerships between local school districts and DCA educational units			New	10	10

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	523.0	539.3	635.6	514.6	-4.6
Federal Revenues	812.0	1,231.9	2,156.5	2,156.5	75.1
Other Revenues	1,760.8	3,122.4	3,412.0	3,412.0	9.3
Fund Balance	77.2	189.4	90.3	90.3	-52.3
SOURCES TOTAL	3,173.0	5,083.0	6,294.4	6,173.4	21.5
USES					
Personal Services and Employee Benefits	2,933.6	3,513.2	3,747.7	3,606.7	2.7
Contractual Services	209.6	404.6	1,423.0	1,443.0	256.6
Other	466.4	1,165.2	1,123.7	1,123.7	-3.6
TOTAL USES	3,609.6	5,083.0	6,294.4	6,173.4	21.5
FTE					
Permanent	28.0	28.0	23.0	23.0	-17.9
Term	29.5	33.5	33.5	33.5	0.0
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	58.5	61.5	56.5	56.5	-8.1

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Number of participants in educational, outreach and special events related to preservation mission	18,031	24,150	15,000	19,000	22,000
* Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	60%	97%	60%	60%	60%
Output	Number of historic structures preservation projects completed annually using preservation tax credits	42	29	45	45	45
Output	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$8	\$28.3	\$8.5	\$7.5	\$7.5
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		72%	70%	70%	70%
Output	Number of events conducted by the historic preservation division to inform the public of the certified local government program, the small grants program, site watch, preservation tax credits, and other division programs			New	40	40

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,396.6	3,909.3	3,909.3	3,909.3	0.0
Federal Revenues	1,505.0	1,363.9	1,373.2	1,373.2	0.7
Other Revenues	28.7	35.0	35.0	35.0	0.0
Fund Balance	22.7	31.3	152.1	152.1	385.9
SOURCES TOTAL	4,953.0	5,339.5	5,469.6	5,469.6	2.4
USES					
Personal Services and Employee Benefits	2,113.1	2,592.4	2,772.7	2,772.7	7.0
Contractual Services	1,094.4	1,062.3	769.8	769.8	-27.5
Other	1,745.5	1,684.8	1,927.1	1,927.1	14.4
TOTAL USES	4,953.0	5,339.5	5,469.6	5,469.6	2.4
FTE					
Permanent	34.0	34.0	33.5	33.5	-1.5
Term	13.0	14.5	14.5	13.0	-10.3
TOTAL FTE POSITIONS	47.0	48.5	48.0	46.5	-4.1

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	89%	88%	88%	88%	88%
* Output	Number of participants in educational, outreach and special events related to library mission	24,000	20,981	24,000	20,000	22,000
Output	Number of searches in statewide informational databases provided by the state library		10,216,772	9,000,000	10,000,000	10,000,000

ARTS

The purpose of the arts program is to preserve, enhance and develop the arts in New Mexico through partnerships, public awareness and education.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,368.7	1,386.4	1,386.4	1,426.4	2.9
Federal Revenues	681.0	572.1	573.6	573.6	0.3
Fund Balance	43.8	62.2	63.6	63.6	2.3
SOURCES TOTAL	2,093.5	2,020.7	2,023.6	2,063.6	2.1
USES					
Personal Services and Employee Benefits	625.7	866.8	869.7	909.7	4.9
Contractual Services	1,145.9	989.2	989.2	989.2	0.0
Other	321.9	164.7	164.7	164.7	0.0
TOTAL USES	2,093.5	2,020.7	2,023.6	2,063.6	2.1
FTE					
Permanent	10.0	10.0	10.0	11.0	10.0
Term	3.5	3.5	3.5	3.5	0.0
TOTAL FTE POSITIONS	13.5	13.5	13.5	14.5	7.4

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of clients provided professional development training in arts industry	5,220	2,855	5,000	3,000	3,000
* Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	34%	35%	35%	32%	35%
Output	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,000,674	960,647	1,000,000	1,000,000	1,000,000
* Output	Number of participants in educational and outreach programs and workshops, including participants from rural areas	4,985	4,094	5,000	3,000	3,000

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>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,003.7	4,001.2	4,151.2	4,001.2	0.0
Other Revenues	33.0	31.7	51.7	51.7	63.1
Fund Balance	61.0	256.1	260.5	310.5	21.2
SOURCES TOTAL	4,097.7	4,289.0	4,463.4	4,363.4	1.7
USES					
Personal Services and Employee Benefits	3,456.8	3,891.8	4,046.4	3,946.4	1.4
Contractual Services	190.8	171.3	171.3	171.3	0.0
Other	450.1	225.9	245.7	245.7	8.8
TOTAL USES	4,097.7	4,289.0	4,463.4	4,363.4	1.7
FTE					
Permanent	41.7	53.0	53.0	53.0	0.0
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	43.7	53.0	53.0	53.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of performance targets in the General Appropriation Act met (excluding this measure)	59%	67%	80%	80%	90%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	90	45	20	30	30
* Outcome	Percent of material weaknesses noted in next-to-last completed external audit that are resolved or eliminated in the last completed external audit		100%	100%	100%	100%
Outcome	Percent of significant deficiencies noted in next-to-last completed external audit that are resolved or eliminated in the last completed external audit		100%	100%	50%	100%

STATUTORY AUTHORITY:

The New Mexico Livestock Board was created by Sections 77-2-1 through 77-2-29 NMSA 1978. The board is responsible for controlling disease, preventing theft or illegal movement of livestock, and promoting greater economy, service, and efficiency in the administration of laws relating to the livestock industry of New Mexico. The board is composed of nine members appointed by the governor to staggered six-year terms. Seven members of the board must raise and own cattle and sheep in the state and be residents of New Mexico. An executive director manages the agency under the direction of the board.

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015					Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	459.4	981.2	2,502.6	1,380.0	40.6	
Other Revenues	3,828.7	4,261.7	3,806.3	4,166.7	-2.2	
Fund Balance	981.7	653.6	0.0	350.0	-46.5	
SOURCES TOTAL	5,269.8	5,896.5	6,308.9	5,896.7	0.0	
USES						
Personal Services and Employee Benefits	4,225.6	4,503.0	4,823.2	4,503.2	0.0	
Contractual Services	196.3	283.1	299.8	283.1	0.0	
Other	847.9	1,110.4	1,185.9	1,110.4	0.0	
TOTAL USES	5,269.8	5,896.5	6,308.9	5,896.7	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	

BUDGET ISSUES:

For FY15, the Livestock Board request of \$6.3 million, an overall 7 percent increase, reflected a 155 percent increase in general fund revenue because the board requested to not use fund balance and decreased the use of other revenues by \$455.4 thousand. The agency request fully funded the personal services and employee benefits category for FY15, keeping the contractual services category and the other category relatively flat compared with the FY14 operating budget.

With near, to well above, normal precipitation from July through September, conditions improved for the state's livestock industry. The National Weather Service reports that, although New Mexico is no longer considered to be in an exceptional drought, 75 percent of the state is still classified to be in moderate to extreme drought.

The state's ongoing drought triggered a significant reduction in herds. According to the New Mexico Department of Agriculture, as of January 2013 the inventory of beef cows was 390 thousand, down 45 thousand from the January 2012 count of 435 thousand and down nearly 100 thousand from January 2011. Another big decline is anticipated for 2014.

Drought conditions have also caused a dramatic increase in the number of animal cruelty cases, because some ranchers have abandoned or neglected their livestock. In May 2013, the New Mexico Livestock Board (NMLB) seized approximately 1,500 head of cattle at the Double V Ranch in Fort Sumner after reports the herd was starving to death due to drought conditions. NMLB immediately trucked the cattle to a feed lot in Clayton. A judge allowed a buyer to purchase the cattle with the condition that the buyer be responsible for all transportation and feeding expenses. Fortunately for the board, in this instance, the court acted swiftly, yet between the per-diem, feed, and medical care, this five-day episode forced the board to spend approximately \$50 thousand. The board reports that from FY10 through FY13, the number of animal cruelty cases rose from 67 to over 160, a 240 percent increase. Horses account for most of the reported cases, and each case costs about \$1,200.

In FY13, the board received a special appropriation of \$500 thousand to purchase 22 new vehicles. For FY14 it received an additional special appropriation of \$350 thousand to purchase 14 more new vehicles. Currently, the board has only 10 vehicles with mileage greater than 120 thousand; therefore, for FY15 the recommendation does not include additional funding to purchase vehicles.

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The board had an FY13 fund balance of \$1.8 million and projects an FY15 ending fund balance of \$409.5 thousand. In FY13, actual revenue fell \$312 thousand, or 8.2 percent, below the board’s projected amount, with the decrease in three major revenue sources -- property levy on cattle, brand recording, and license and permitting fees. Additional revenue in FY15 is expected because brand recording fees are due at the start of FY15; however, stock owners can now choose a three-, six-, or nine-year branding license, which will affect the amount of revenue realized.

The committee recommends \$5.9 million, flat relative to the FY14 overall budget. Due to the depleted fund balance, the recommendation increases the use of general fund by \$398.8 thousand, or 40.6 percent. The recommendation includes \$350 thousand from fund balances, up from the zero requested, but down from the FY14 appropriated level. Taking into account brand recording fees due at the start of FY15, the recommendation increases the use of other revenues by \$360.4 thousand.

The key to financial stability for the board is the ability to maintain or increase revenues associated with its services. An area to investigate is the disparity between the mill levy for dairy (assessed at 5 mills per head) and beef cattle (assessed at 10 mills per head). Otherwise, the board might need to curtail operations or become increasingly dependent on appropriations from the general fund.

LIVESTOCK INSPECTION

The purpose of the livestock inspection program is to protect the livestock industry from loss of livestock by theft or straying and to help control the spread of dangerous livestock diseases.

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Efficiency	Average percentage of investigation findings completed within one month	75%	76%	75%	75%	80%
* Output	Number of road stops per month	16	29	75	75	50
Output	Number of payment vouchers processed	2,067	1,687	2,500	2,000	2,000
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	100	90	90	90	90
* Outcome	Number of livestock thefts reported per one thousand head inspected	1	0.005	1	0.01	0.01
* Outcome	Number of disease cases per one thousand head inspected	1	0.05	0.15	0.15	0.05
Output	Number of on-site verifications of animal health, disease control and movement	35,997	35,744	30,000	30,000	30,000
Outcome	Percent of vouchers processed within ten business days	90%	60%	95%	95%	95%

STATUTORY AUTHORITY:

Sections 17-1-1 through 17-7-3 NMSA 1978 charge the Department of Game and Fish (DGF) with protecting game and fish and providing these resources for public recreation. The department operates under the direction of a seven-member State Game Commission appointed by the governor with the advice and consent of the Senate. The department is divided into four programs: Field Operations, which regulates all hunting and fishing activities statewide; Conservation Services, responsible for habitat management, biological support, and land acquisition; Depredation Services, which oversees depredation complaints as well as the implementation of intervention options for dealing with animals causing property damage; and Administration, which provides agencywide administrative direction, oversight, and infrastructure support services. The commission employs a director responsible for the administration of the department.

MISSION:

The mission of the Department of Game and Fish is to provide and maintain an adequate supply of wildlife and fish within the state of New Mexico by using a flexible management system that provides for their protection, propagation, regulation, conservation, and use as public recreation and food supply.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	13,310.8	12,070.6	12,555.9	12,555.9	4.0
Other Revenues	22,827.2	25,015.6	25,172.1	24,900.5	-0.5
Fund Balance	272.3	2,294.9	2,363.0	605.5	-73.6
SOURCES TOTAL	36,410.3	39,381.1	40,091.0	38,061.9	-3.3
USES					
Personal Services and Employee Benefits	16,764.0	21,440.0	21,439.9	19,795.8	-7.7
Contractual Services	3,544.4	3,899.7	4,021.9	3,899.7	0.0
Other	14,446.9	13,544.1	14,131.9	13,869.1	2.4
Other Financing Uses	497.3	497.3	497.3	497.3	0.0
TOTAL USES	35,252.6	39,381.1	40,091.0	38,061.9	-3.3
FTE					
Permanent	296.0	296.0	296.0	276.0	-6.8
Term	10.0	10.0	10.0	10.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	309.0	309.0	309.0	289.0	-6.5

BUDGET ISSUES:

The agency receives no support from the general fund; revenue is generated from fees, penalties, income from department-owned property, and federal revenues. Projected FY15 hunting and fishing license sales total approximately \$24.5 million and are budgeted in the various programs. The agency projects federal funding to total \$12.6 million in FY15. For FY15, the New Mexico Department of Game and Fish (DGF) overall base request of \$40.1 million represented a \$709.9 thousand increase over the FY14 operating budget.

Over the past two years, the agency experienced an average vacancy rate of 19 percent, which the agency reports results from promoting from within the department, leaving the vacancy rate stagnant. The high vacancies also contributed to the agency's actual FY13 expenditures falling 10 percent below its operating budget. Fiscal year 2014 actual expenditures likely will also fall below the operating budget.

The FY15 recommendation of \$38.1 million is a \$1.3 million decrease from the FY14 operating budget of \$39.4 million. While the recommendation represents a 3.3 percent reduction from the FY14 operating budget, it is 8 percent above actual FY13 expenditures of \$35.3 million. The reduction is due to the application of an agencywide vacancy rate of 5 percent, much lower than the average historical vacancy rate, to enable the agency to increase its staffing levels. Additionally, the recommendation deletes 20 FTE, 10 of which have been vacant for more than two years. The committee recommends the Legislature request the agency provide a supplemental compensation plan targeted at law enforcement and key technical positions to aid with recruitment and retention.

The game protection fund is the department's operating fund and its largest fund. It is nonreverting and receives revenue from license fees, federal funds, court fines and forfeitures, other penalties, crop sales, interest on investments, and land rental or lease income. The projected unreserved and undesignated fund balance at the end of FY14 is \$38.9 million, and the DGF estimates FY15 revenues at \$34.1 million.

The FY15 recommendation includes \$22.6 million from the fund, leaving fund balance at the end of FY15 at \$50.3 million. At the beginning of FY08, the fund balance for the game protection fund was \$22 million, since then the fund balance has more than doubled. Given the agency's high fund balance, and its trend of actual expenditures falling well below its operating budget, the agency should pass savings on to hunting and fishing licensees. One option is for the Legislature to consider lowering license fees and having the agency rely more on fund balance; another option is to invest the fund balance in capital projects that would benefit licensees in New Mexico.

The total capital outlay request for 2014 is \$5.2 million: severance tax bonds (\$450 thousand), the bond interest reinvestment fund (\$150 thousand), the general fund (\$1.1 million), fees generated from hunters and anglers (\$400 thousand), the habitat management fund (\$200 thousand) and federal sources (\$2.9 million.) The department's capital priorities include compliance with dam safety rules, upgrades and construction at hatcheries, watershed education, upgrades to shooting ranges, and statewide habitat projects. The committee encourages the department to work closely with the Office of the State Engineer (OSE) to coordinate, prioritize, and explore options to apply nongeneral fund revenues and sizeable fund balances to support repair and maintenance funding requests related to dams and spillways owned by the State Game Commission (SGC). OSE classified the condition of nine of the 11 SGC-owned dams as fair or poor and estimates it would cost \$36.2 million for remediation. Further, the balance of the agency's bond interest and retirement fund, projected to total \$800 thousand at the end of FY15, should be applied to capital projects that benefit DGF licensees.

The department has a significant opportunity to enhance the DGF-owned properties in Pecos Canyon and the four campgrounds the department manages in the canyon for the direct benefit of anglers and hunters. Persistent problems -- including degraded riparian vegetation and mounting trash left by thousands of campers, anglers, and hikers during the peak summer months -- produce a negative effect on wildlife and wildlife habitat. The lack of law enforcement presence in the canyon has been a major contributing factor to the deficient conditions. The neglected properties and campgrounds are in need of major improvements to be safe and appealing to anglers and hunters and protect fragile resources. The committee encourages DGF to continue to explore options to apply nongeneral fund revenues and fund balances to Pecos Canyon infrastructure projects. Recognizing DGF lacked the structure to administer these sites as campgrounds, Senate Joint Memorial 16 and House Joint Memorial 16 in 2009 requested the Energy, Minerals and Natural Resources Department (EMNRD) establish Pecos Canyon State Park on lands owned by the State Game Commission. The committee encourages DGF and EMNRD to establish a memorandum of understanding to transfer the management of DGF properties within Pecos Canyon to the State Parks Division of EMNRD.

In addition to the game protection fund, the agency manages six other funds with earmarked revenue: the share with wildlife fund, the Sikes Act fund, the big game enhancement fund, the big game depredation damage fund, the habitat management fund, and the trail safety fund. The combined projected unreserved and undesignated fund balance at the end of FY15 for these six funds totals \$9.5 million. DGF estimates the total FY15 revenue for these funds is \$3.6 million. The FY15 recommendation includes \$2.8 million from these six funds.

FIELD OPERATIONS

The purpose of the field operations program is to promote and assist the implementation of law enforcement, habitat and public outreach programs throughout the state.

BUDGET SUMMARY (dollars in thousands)

	FY13		FY14		FY15 - 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
Federal Revenues	9,198.2		210.7		213.1	213.1	1.1
Other Revenues	9,247.9		7,572.4		7,505.0	7,505.0	-0.9
Fund Balance	0.0		987.1		747.9	220.9	-77.6
SOURCES TOTAL	18,446.1		8,770.2		8,466.0	7,939.0	-9.5
USES							
Personal Services and Employee Benefits	11,174.9		6,996.4		6,692.2	6,165.2	-11.9
Contractual Services	1,165.7		72.8		72.8	72.8	0.0
Other	7,045.7		1,701.0		1,701.0	1,701.0	0.0
Other Financing Uses	497.3		0.0		0.0	0.0	
TOTAL USES	19,883.6		8,770.2		8,466.0	7,939.0	-9.5
FTE							
Permanent	200.0		96.0		96.0	91.0	-5.2
Term	2.0		0.0		0.0	0.0	
Temporary	2.5		0.0		0.0	0.0	
TOTAL FTE POSITIONS	204.5		96.0		96.0	91.0	-5.2

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of conservation office hours spent in the field checking for compliance		31,096	30,000	30,000	31,000
* Output	Number of hunter and conservation education programs delivered by field staff		351	350	350	350
* Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators		137	45	45	130

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	3,801.0	11,743.7	12,020.4	12,020.4	2.4
Other Revenues	4,311.0	8,956.6	9,375.2	9,375.2	4.7
Fund Balance	272.3	1,063.1	989.4	168.8	-84.1
SOURCES TOTAL	8,384.3	21,763.4	22,385.0	21,564.4	-0.9
USES					
Personal Services and Employee Benefits	1,957.8	9,950.7	10,447.3	9,656.7	-3.0
Contractual Services	1,278.3	3,127.8	3,157.8	3,127.8	0.0
Other	3,969.4	8,187.6	8,282.6	8,282.6	1.2
Other Financing Uses	0.0	497.3	497.3	497.3	0.0
TOTAL USES	7,205.5	21,763.4	22,385.0	21,564.4	-0.9
FTE					
Permanent	32.0	141.0	144.0	134.0	-5.0
Term	8.0	10.0	10.0	10.0	0.0
Temporary	0.5	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	40.5	154.0	157.0	147.0	-4.5

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of recreational days provided by the gaining access into nature project	10,000	153,510	10,000	10,000	10,000
Output	Number of state threatened and endangered species studied and conserved through recovery planning and the comprehensive wildlife conservation strategy for New Mexico	35	39	35	35	39
* Outcome	Number of days of elk hunting opportunity provided to New Mexico resident hunters on an annual basis	169,795	206,222	165,000	165,000	200,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	90.3%	86%	84%	84%	86%
* Output	Annual output of fish from the department's hatchery system, in pounds	592,247	621,721	455,000	455,000	600,000
Output	Number of mentored and youth hunting opportunities	5,041	4,770	4,000	4,000	5,000
Outcome	Percent of anglers satisfied with opportunity and success	82.1%	82%	83%	83%	83%
Output	Acres of accessible sportsperson opportunity through the open gate program	130,606	133,745	60,000	60,000	60,000

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	28.9	0.0	0.0	0.0	
Other Revenues	1,133.1	826.4	826.4	826.4	0.0
Fund Balance	0.0	215.8	215.8	215.8	0.0
SOURCES TOTAL	1,162.0	1,042.2	1,042.2	1,042.2	0.0
USES					
Personal Services and Employee Benefits	261.0	282.2	282.2	282.2	0.0
Contractual Services	95.8	125.7	125.7	125.7	0.0
Other	355.7	634.3	634.3	634.3	0.0
TOTAL USES	712.5	1,042.2	1,042.2	1,042.2	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	96%	97%	90%	90%	95%
Output	Number of educational publications distributed with a message about minimizing potentially dangerous encounters with wildlife	400,000	708,000	250,000	250,000	700,000
Output	Number of wildlife complaints responded to	982	807	300	300	750

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	282.7	116.2	322.4	322.4	177.5
Other Revenues	8,135.2	7,660.2	7,465.5	7,193.9	-6.1
Fund Balance	0.0	28.9	409.9	0.0	-100.0
SOURCES TOTAL	8,417.9	7,805.3	8,197.8	7,516.3	-3.7
USES					
Personal Services and Employee Benefits	3,370.3	4,210.7	4,018.2	3,691.7	-12.3
Contractual Services	1,004.6	573.4	665.6	573.4	0.0
Other	3,076.1	3,021.2	3,514.0	3,251.2	7.6
TOTAL USES	7,451.0	7,805.3	8,197.8	7,516.3	-3.7
FTE					
Permanent	60.0	55.0	52.0	47.0	-14.5
TOTAL FTE POSITIONS	60.0	55.0	52.0	47.0	-14.5

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Output	Percent of special hunt applications processed without error	99.8%	99.9%	99.8%	99.8%	99.8%
Outcome	Percent of vacancies filled within one hundred twenty days of occurrence	0%	43%	5%	5%	43%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	25	45	20	20	20

STATUTORY AUTHORITY:

The Energy, Minerals and Natural Resources Department (EMNRD) was created by Sections 9-5A-1 through 9-5A-7 NMSA 1978. The statute creates six divisions: Energy Conservation and Management, Forestry, State Parks, Mining and Minerals, Oil Conservation, and Administrative Services.

MISSION:

The mission of 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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	20,159.7	21,117.7	22,892.6	21,622.7	2.4
Other Transfers	4,247.2	3,914.7	4,274.1	4,274.1	9.2
Federal Revenues	16,123.0	25,636.6	18,377.9	18,377.9	-28.3
Other Revenues	16,705.8	15,953.3	15,735.8	15,735.8	-1.4
Fund Balance	217.0	3,150.9	2,954.2	2,095.9	-33.5
SOURCES TOTAL	57,452.7	69,773.2	64,234.6	62,106.4	-11.0
USES					
Personal Services and Employee Benefits	26,216.4	30,138.9	30,780.9	29,056.3	-3.6
Contractual Services	8,956.8	11,943.9	11,721.7	11,605.8	-2.8
Other	16,127.9	22,705.1	16,662.5	16,374.8	-27.9
Other Financing Uses	4,252.4	4,985.3	5,069.5	5,069.5	1.7
TOTAL USES	55,553.5	69,773.2	64,234.6	62,106.4	-11.0
FTE					
Permanent	417.0	392.0	392.0	387.0	-1.3
Term	38.0	36.0	39.0	38.0	5.6
Temporary	48.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	503.0	481.0	484.0	478.0	-0.6

BUDGET ISSUES:

The agency's overall FY15 request of \$64.2 million represented a \$5.6 million reduction from the FY14 operating budget of \$69.8 million, primarily from federal funds. The FY15 general fund request for the agency totaled \$22.9 million, a \$1.8 million increase over FY14 levels, mainly to fund the increase in the Healthy Forests Program for 12 FTE, to establish a veteran's firefighting crew, and lower vacancy rates. The FY15 request for federal funds was \$18.4 million, a decrease of 28 percent, attributable to the Healthy Forests Program not including federal funds that may carry-over at the end of FY14. The request assumed an agencywide vacancy savings rate of 5 percent.

The committee recommendation totals \$62.1 million, a reduction of \$7.7 million, or 11 percent, from the FY14 operating budget. The appropriation recommendation from the general fund is \$21.6 million, a \$505 thousand increase, or 2.4 percent, over the FY14 operating budget. The FY15 recommendation applies an average vacancy savings rate of 8 percent.

The Energy Conservation and Management Program recommendation totals \$3.1 million, with a flat \$604 thousand general fund recommendation relative to the FY14 operating budget. The recommendation supports the agency request to transfer 3 FTE from other programs to administer and provide compliance and fiscal oversight for the Waste Isolation Pilot Plant (WIPP) grant.

The FY15 recommendation for the Healthy Forests Program is \$8.2 million, with \$3.5 million from the general fund. The general fund recommendation represents an increase of \$505 thousand for six forester positions and one manager to establish firefighting crews comprising armed forces veterans. The permanent positions will oversee three 10 person crews deployed to fight wildland fires and ensure the veteran crew members are trained, using the program's federal funds, to meet national firefighter standards. The crew members will be hired as "emergency hires" and will be charged to the appropriation contingency fund only as is necessary to minimize economic or physical harm until a fire becomes stabilized.

It is imperative to ensure the agency is not expanding its appropriation authority by hiring these crews permanently using emergency declarations. If these crews fight fires on federal lands, a portion of the funds expended from the appropriation contingency fund to hire these crews may be reimbursable by federal funds. The initiative enables the Healthy Forests Program to train and hire more New Mexicans to fight fires within the state as opposed to hiring firefighters from other states during peak fire season.

Although the veteran employment for this program is temporary, the agency should incorporate performance measures to track the success of this initiative, such as number of veterans successfully trained to meet national firefighter standards and the percent of program participants who achieve full-time employment. During the off-season, the permanent forester positions will treat acres in New Mexico's forests and watersheds, conduct wildfire protection planning with at-risk communities, and provide fire training, also increasing the performance of the agency.

The overall FY15 recommendation for the State Parks Program is \$27.8 million, \$1 million less than the FY14 operating budget due to diminishing revenue. The general fund recommendation is flat, relative to the FY14 operating budget. To offset declining revenues, the recommendation deletes 4 vacant permanent FTE and realigns 12 FTE in other programs. The recommendation includes a 4.6 percent increase in personal services and employee benefits over FY13 actual expenditures to fill critical vacant positions to ensure the safety of visitors to state parks and maximize revenue collection.

The other revenues category recommendation for the State Parks Program totals \$9.8 million and includes \$5.1 million of governmental gross receipts tax, \$1.1 million from park admissions, \$3.3 million from campground rentals, and other park-related incomes. These other revenues, combined with \$700 thousand in fund balance, comprise 38 percent of the program's total revenue in FY15, a decrease from 42 percent in FY13.

The State Parks Program faces challenges related to drought, wildland fires, high fuel prices, and low water levels and lake closures throughout the state, which have discouraged visitation and recreational boating. The number of visitors dropped 800 thousand over the last two years, while self-generated revenue per-visitor decreased by 7.6 percent in FY13. Given these challenges, the program should look for new ways to generate revenue and simultaneously realign park operations, as other states have proposed, to reduce administrative functions and apply remaining resources to core activities.

The FY15 overall recommendation for the Mine Reclamation Program is a \$160.2 thousand decrease due to the sequestration of federal revenue for the abandoned mine program and the coal mine reclamation program. The general fund remained flat with the FY14 operating budget. The recommendation is \$157.5 thousand, or 5.8 percent, higher in the personal services and benefits category than FY13 actual expenditures to fund increased workload due to renewed interest in exploration for hard rock minerals.

The FY15 recommendation for the Oil and Gas Conservation Program (OCD) is \$625.2 thousand over the FY14 operating budget, primarily funded with increased oil and gas conservation tax revenues. This will support an increase in demand for timely permit processing, inspections, and hearings due to high exploration, drilling, and production activity in the Permian Basin. Inspections of oil and gas wells increased 7.3 percent in FY13, as oil production increased 17 percent from FY12 to FY13. The recommendation increases the personal services and employee benefits category by 20 percent over FY13 actual expenditures funded by increased oil and gas conservation tax revenues, in an effort to enhance customer services related to permitting and inspection efforts. Even with this increase, the recommendation represents a vacancy savings rate of 6 percent.

In FY13, OCD made significant progress complying with the mandate to plug abandoned wells by expending \$4.5 million of the oil and gas reclamation funds, an increase of \$1.5 million over FY12, to plug 57 wells. OCD will continue to focus on plugging abandoned wells and reclamation activities in FY15, with a recommended target of plugging 50 of the 225 abandoned wells in New Mexico. The agency designated \$4.5 million from the oil and gas reclamation fund for emergency remediation related to the brine well site in Carlsbad. Fiscal year 2014 is the second year of a two-year \$3.3 million contract to evaluate and upgrade the existing monitoring program in Carlsbad.

The FY15 recommendation for Program Support includes an increase of 1 FTE realigned from the State Parks program to the IT bureau. The recommendation does not include a recommendation to fund an exempt policy analyst position.

ENERGY CONSERVATION AND MANAGEMENT

The purpose of the renewable energy and energy efficiency program is to develop and implement clean energy programs to decrease per capita energy consumption, utilize New Mexico's substantial renewable energy resources, minimize local, regional and global air emissions, lessen dependence on foreign oil and reduce in-state water demands associated with fossil-fueled electrical generation.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	594.3	604.0	604.0	604.0	0.0
Federal Revenues	444.1	2,847.1	2,483.7	2,483.7	-12.8
SOURCES TOTAL	1,038.4	3,451.1	3,087.7	3,087.7	-10.5
USES					
Personal Services and Employee Benefits	581.8	1,318.3	1,024.9	1,024.9	-22.3
Contractual Services	338.3	487.4	688.4	688.4	41.2
Other	77.4	179.8	127.3	127.3	-29.2
Other Financing Uses	39.5	1,465.6	1,247.1	1,247.1	-14.9
TOTAL USES	1,037.0	3,451.1	3,087.7	3,087.7	-10.5
FTE					
Permanent	10.0	9.0	12.0	12.0	33.3
TOTAL FTE POSITIONS	10.0	9.0	12.0	12.0	33.3

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of waste isolation pilot plant-related emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	76	80	45	45	80
Output	Number of inventoried clean energy projects evaluated annually	54	55	50	50	55
Outcome	Percent of applications for clean energy tax credits reviewed within thirty days of receipt		99%	60%	60%	90%
Outcome	Percent reduction in energy use in public facilities upgraded by clean energy projects		16%	10%	10%	16%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,938.6	3,017.6	4,492.5	3,522.6	16.7
Federal Revenues	7,293.4	10,546.4	4,214.3	4,214.3	-60.0
Other Revenues	306.1	403.3	400.2	400.2	-0.8
Fund Balance	64.5	80.7	82.8	82.8	2.6
SOURCES TOTAL	10,602.6	14,048.0	9,189.8	8,219.9	-41.5
USES					
Personal Services and Employee Benefits	4,162.4	4,454.9	5,460.2	4,651.3	4.4
Contractual Services	714.7	1,160.2	459.4	459.4	-60.4
Other	5,719.9	8,404.9	3,194.6	3,033.6	-63.9
Other Financing Uses	2.2	28.0	75.6	75.6	170.0
TOTAL USES	10,599.2	14,048.0	9,189.8	8,219.9	-41.5
FTE					
Permanent	58.0	58.0	70.0	65.0	12.1
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	68.0	68.0	80.0	75.0	10.3

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,474	1,687	600	600	1,700
* Output	Number of acres treated in New Mexico's forest and watersheds	11,971	18,669	8,000	8,000	20,000
Output	Percent of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training		89	60	60	90

STATE PARKS

The purpose of the state parks program is to create the best recreational opportunities possible in state parks by preserving cultural and natural resources, continuously improving facilities and providing quality, fun activities and to do it all efficiently.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,854.6	10,823.4	10,923.4	10,823.4	0.0
Other Transfers	2,596.7	2,750.0	2,850.5	2,850.5	3.7
Federal Revenues	2,029.2	3,794.7	3,600.0	3,600.0	-5.1
Other Revenues	10,526.6	10,698.8	9,790.6	9,790.6	-8.5
Fund Balance	152.5	1,652.0	1,554.5	696.2	-57.9
SOURCES TOTAL	25,159.6	29,718.9	28,719.0	27,760.7	-6.6
USES					
Personal Services and Employee Benefits	11,073.8	12,872.4	12,300.0	11,584.3	-10.0
Contractual Services	957.4	1,245.5	1,401.8	1,285.9	3.2
Other	8,905.3	12,571.0	11,887.5	11,760.8	-6.4
Other Financing Uses	3,055.0	3,030.0	3,129.7	3,129.7	3.3
TOTAL USES	23,991.5	29,718.9	28,719.0	27,760.7	-6.6
FTE					
Permanent	231.0	204.0	188.0	188.0	-7.8
Term	6.0	6.0	6.0	6.0	0.0
Temporary	48.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	285.0	263.0	247.0	247.0	-6.1

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Number of visitors to state parks	4,101,098	3,785,332	4,000,000	3,800,000	3,800,000
* Explanatory	Self-generated revenue per visitor, in dollars	\$1.05	\$0.97	\$0.87	\$0.95	\$0.97
Output	Number of interpretive programs available to park visitors	3,962	2,566	2,800	1,800	2,500
Output	Miles added to state parks trails and the Rio Grande trail	31.1	8.2	10	1	10
Output	Number of persons who complete a certified New Mexico boating safety education course	625	772	800	500	775

MINE RECLAMATION

The purpose of the mine reclamation program is to implement the state laws that regulate the operation and reclamation of hard rock and coal mining facilities and to reclaim abandoned mine sites.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	485.9	387.0	387.0	387.0	0.0
Other Transfers	11.6	0.0	0.0	0.0	
Federal Revenues	4,981.4	6,997.6	6,863.9	6,863.9	-1.9
Other Revenues	813.0	752.5	735.0	735.0	-2.3
Fund Balance	0.0	125.6	116.6	116.6	-7.2
SOURCES TOTAL	6,291.9	8,262.7	8,102.5	8,102.5	-1.9
USES					
Personal Services and Employee Benefits	2,693.6	2,942.2	2,851.1	2,851.1	-3.1
Contractual Services	3,176.1	4,854.8	4,773.5	4,773.5	-1.7
Other	304.8	349.5	343.4	343.4	-1.7
Other Financing Uses	0.0	116.2	134.5	134.5	15.7
TOTAL USES	6,174.5	8,262.7	8,102.5	8,102.5	-1.9
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
Term	15.0	15.0	17.0	17.0	13.3
TOTAL FTE POSITIONS	32.0	32.0	34.0	34.0	6.3

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	100%	100%	100%	100%	100%
Outcome	Percent of required inspections conducted on active mining operations per year to ensure mining is being conducted in compliance with approved permits and regulations	100%	100%	100%	100%	100%

OIL AND GAS CONSERVATION

The purpose of the oil and gas conservation program is to assure the conservation and responsible development of oil and gas resources through professional, dynamic regulation.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,587.3	3,618.8	3,618.8	3,618.8	0.0
Other Transfers	0.0	10.0	0.0	0.0	-100.0
Federal Revenues	339.2	323.2	339.4	339.4	5.0
Other Revenues	5,060.1	4,098.7	4,810.0	4,810.0	17.4
Fund Balance	0.0	1,292.6	1,200.3	1,200.3	-7.1
SOURCES TOTAL	8,986.6	9,343.3	9,968.5	9,968.5	6.7
USES					
Personal Services and Employee Benefits	3,812.6	4,254.5	4,539.2	4,539.2	6.7
Contractual Services	3,642.7	4,037.0	4,241.7	4,241.7	5.1
Other	683.2	706.3	705.0	705.0	-0.2
Other Financing Uses	241.4	345.5	482.6	482.6	39.7
TOTAL USES	8,379.9	9,343.3	9,968.5	9,968.5	6.7
FTE					
Permanent	56.0	56.0	56.0	56.0	0.0
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	61.0	61.0	61.0	61.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	35,147	37,707	23,500	23,500	37,500
Outcome	Number of abandoned oil and gas wells properly plugged	New	57	50	25	50

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,699.0	2,666.9	2,866.9	2,666.9	0.0
Other Transfers	1,638.9	1,154.7	1,423.6	1,423.6	23.3
Federal Revenues	1,035.7	1,127.6	876.6	876.6	-22.3
SOURCES TOTAL	5,373.6	4,949.2	5,167.1	4,967.1	0.4
USES					
Personal Services and Employee Benefits	3,892.2	4,296.6	4,605.5	4,405.5	2.5
Contractual Services	127.6	159.0	156.9	156.9	-1.3
Other	437.3	493.6	404.7	404.7	-18.0
Other Financing Uses	914.3	0.0	0.0	0.0	
TOTAL USES	5,371.4	4,949.2	5,167.1	4,967.1	0.4
FTE					
Permanent	45.0	48.0	49.0	49.0	2.1
Term	2.0	0.0	1.0	0.0	
TOTAL FTE POSITIONS	47.0	48.0	50.0	49.0	2.1

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <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		14	30	30	30

STATUTORY AUTHORITY:

Sections 9-5B-1 through 9-5B-11 NMSA 1978 establish the New Mexico Youth Conservation Corps Act. The purpose of the act is to provide employment for youth in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. The corps is administratively attached to the New Mexico Energy, Minerals and Natural Resources Department (EMNRD).

MISSION:

The Youth Conservation Corps' mission is to promote the education, success, and well-being of the youth of New Mexico through the conservation and enhancement of the state's natural resources and lasting community benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	3,660.5	3,400.0	4,015.0	3,774.7	11.0
Fund Balance	0.0	905.9	735.0	735.0	-18.9
SOURCES TOTAL	3,660.5	4,305.9	4,750.0	4,509.7	4.7
USES					
Personal Services and Employee Benefits	153.9	160.2	164.0	164.0	2.4
Contractual Services	3,088.0	3,846.9	4,242.0	4,046.9	5.2
Other	62.4	48.8	94.0	73.8	51.2
Other Financing Uses	218.3	250.0	250.0	225.0	-10.0
TOTAL USES	3,522.6	4,305.9	4,750.0	4,509.7	4.7
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

The Youth Conservation Corps (YCC) is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. For FY15, the agency request of \$4.75 million included \$4.2 million in the contractual services category for contracts with local governments, nonprofit organizations, and Native American tribes and pueblos. The General Services Department no longer provides office space in state-owned facilities for the YCC staff. The request increased the other category by \$25 thousand for rent.

The committee recommends an appropriation of \$4.5 million, a \$203.8 thousand, or 4.7 percent, increase over the FY14 operating budget to fund increases in health insurance costs, employer retirement contributions, and grants for projects. The recommendation increases the other category for rent and decreases the other financing uses by \$25 thousand to defund the memorandum of understanding for rental of a state-owned facility. To support this level of expenditure, the recommendation includes \$3.8 million of governmental gross receipts tax revenues from the other revenues category and \$735 thousand of fund balance. Budgeting this level of fund balance would leave \$800 thousand available for FY16. The agency did not expend fund balance in FY13, although \$948 thousand was budgeted. The agency indicates it budgets the balance of the YCC fund annually, and actual expenditures fall short of the budgeted amount because the awards are generally not fully expended. The Youth Conservation Corps should demonstrate greater accountability in managing these award contracts to increase project effectiveness and oversight.

In FY13, YCC awarded funds for 41 projects employing a total of 807 youth. Examples of projects funded in FY13 include trail construction in Lincoln, Taos and Los Alamos counties, construction of an outdoor classroom, ecological monitoring, and improvements to senior centers.

YOUTH CONVERSATION CORPS

The purpose of the youth conservation program is to provide funding for the employment of New Mexicans between the ages of fourteen and twenty-five to work on projects that will improve New Mexico's natural, cultural, historical and agricultural resources.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of youth employed annually	724	807	800	800	800
Outcome	Percent of grant awards used for wages for corps members	79%	80%	70%	70%	75%
Outcome	Percent of projects completed within one year	95%	95%	95%	95%	95%

STATUTORY AUTHORITY:

The Intertribal Ceremonial Office was created pursuant to the Intertribal Ceremonial Act, Sections 9-15C-1 to 9-15C-5 NMSA 1978, and is administratively attached to the Tourism Department.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	105.0	105.0	105.0	105.0	0.0
SOURCES TOTAL	105.0	105.0	105.0	105.0	0.0
USES					
Contractual Services	104.5	105.0	105.0	105.0	0.0
TOTAL USES	104.5	105.0	105.0	105.0	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

Four entities administer, promote, and produce the intertribal ceremonial event: the Intertribal Ceremonial Office (ICO), a state agency; the Gallup Intertribal Ceremonial Association (GICA), a nonprofit organization; the Intertribal Ceremonial Board, part of the nonprofit; and the New Mexico Tourism Department, the state agency that provides administrative oversight.

The 2010 Government Restructuring Task Force endorsed legislation to repeal the Intertribal Ceremonial Act and transfer the assets and function of ICO to the Tourism Department or a consolidated Commerce Department. In addition, the governor vetoed 93.8 percent of the FY10 operating budget and all of its FTE without an explicit explanation. ICO has remained at 0 FTE, but general fund appropriations increased from \$30 thousand in FY12 to \$105 thousand for FY13 and FY14. The agency requested an FY15 budget flat with FY14.

The LFC recommendation supports the agency request for flat funding as the community works to build local funding sources for the event.

Results for the FY13 ceremonial show a significant decrease in tickets sold, down from nearly 8,000 in FY12 to almost 5,000 in FY13. This was due in large part to the unexpected cancellation of the traditional three-day pow-wow, originally slated for the weekend of the ceremonial and usually responsible for bringing significant numbers of spectators and participants to the ceremonial. Despite this, the organization increased the dollar value of sponsorships beyond the FY12 level and the percent of operating revenue from sources other than the general fund declined just 0.1 percent.

ICO spent the FY13 appropriation of \$105 thousand for the 2012 ceremonial in the following categories: \$4.5 thousand for the state audit, \$30 thousand for dance and arena performers, \$17.5 thousand for security, \$35.5 thousand for artist awards, \$2 thousand for tent rentals, and \$15 thousand for the ceremonial magazine, with \$500 left unspent.

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

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	7,905	4,963	7,000	7,000	7,500
Output	Dollar value of sponsorships	\$169,139	\$185,636	\$145,000	\$145,000	\$170,000
Outcome	Percent of operating revenue from sources other than the general fund	82.6%	82.5%	94.0%	94.0%	94.0%
Output	Number of sponsorships	108	101	115	115	115

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)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	16,314.5	13,798.5	15,092.6	14,512.6	5.2
SOURCES TOTAL	16,314.5	13,798.5	15,092.6	14,512.6	5.2
USES					
Personal Services and Employee Benefits	10,130.8	10,651.2	11,360.0	11,186.7	5.0
Contractual Services	638.4	684.8	1,184.8	884.8	29.2
Other	1,813.7	1,956.7	1,927.2	1,820.5	-7.0
Other Financing Uses	493.7	505.8	620.6	620.6	22.7
TOTAL USES	13,076.6	13,798.5	15,092.6	14,512.6	5.2
FTE					
Permanent	153.0	154.0	156.0	154.0	0.0
TOTAL FTE POSITIONS	153.0	154.0	156.0	154.0	0.0

BUDGET ISSUES:

The State Land Office (SLO) FY15 request of \$15.1 million, an increase of \$1.3 million, or 9.4 percent, over the FY14 operating budget, was solely from other program revenue from the land office maintenance fund. Surplus balances of the maintenance fund are distributed to the 21 beneficiaries, with the public school beneficiary distribution going into the general fund. These allotments are an important revenue source for the receiving entities. Because the SLO operating revenue comes from the maintenance fund, the higher the SLO appropriation, the lower the balance that can be distributed to the beneficiaries, including the general fund. For FY15, the agency requested expansion totaling \$617.3 thousand, that included additional funding for 2 FTE -- an oil and gas management analyst supervisor and a field operations administrative support position -- and funding for hazardous fuel reduction and dump-site cleanup. The request included a vacancy rate of 3 percent.

The committee recommendation of \$14.5 million, \$714 thousand, or 5.2 percent, over the FY14 operating budget, includes increases for health insurance and retirement costs, unemployment and employee liability insurance, and Department of Information Technology rates to support ONGARD. Over the last year, SLO made significant strides to reduce the agency's vacancy rate by reclassifying hard-to-recruit positions to ensure the agency has the ability to recruit qualified candidates. SLO also decreased hiring time by more than a month by assuming responsibility from the State Personnel Office to certify lists and post job listings on the state personnel information technology system, NEOGOV. Therefore, the FY15 recommendation includes a vacancy rate of 4.5 percent. The total recommendation for SLO is approximately 2.2 percent of total income revenue generated, below the average rate of 2.6 percent since FY08.

Royalty income received by SLO from nonrenewable resources, such as potash, coal, sand and gravel, and oil and gas royalties, as well as land sale proceeds, accrue to the land grant permanent fund. For FY15, SLO estimates \$597.2 million will be transferred to the permanent fund. Revenues from renewable resources, such as commercial leasing, agricultural leases, rights-of-way, and interest on earnings and bonuses, are deposited into the maintenance fund for SLO's operating and special projects expenses. Revenue earned over and above operating costs is distributed monthly to trust beneficiaries. After SLO operating expenses are deducted, the total available for direct allocation to the beneficiaries is approximately \$44.3 million.

SLO exceeded its FY13 performance target for “bonus income per leased acre from oil and gas activities” because of increased oil and gas industry interest in the Permian Basin tracts. For FY15, the agency added performance measures to track audit and compliance activities.

BASE EXPANSION:

The committee recommends \$72.3 thousand and 1 expansion FTE, an oil and gas management analyst supervisor. The continued increase in oil and gas exploration, drilling, and production activity led to continued increases in workload for oil and gas lease assignments with SLO and a need to enhance the level of service. Timely and accurate leasing transactions are vital to the time-sensitive processes of the oil and gas industry. The position will enable the agency to reduce the turnaround time for assignment of leases to 29 days and increase the ability of SLO to manage 350 more oil and gas leases, ultimately generating more revenue for the land grant permanent fund. Concurrently, the committee recommends deleting 1 unfunded FTE in the base budget, for no change in the total authorized FTE for the agency.

The committee recommends \$200 thousand in contractual services for hazardous fuel reduction and dump-site cleanup on state lands. With the sustained drought and heavy fuel loads on state land, forest fires continue to threaten communities near the wildland urban interface. SLO manages 25 thousand acres in urban interface areas that need to be treated, and the expansion recommendation will allow additional acres in the urban interface area to be treated each year. Projects should be prioritized using the New Mexico State Forestry report “Communities Most at Risk from Catastrophic Wildfire.” Additionally, the funding will clean up caliche pits and known illegal dumpsites on state trust land. Hazardous dump-sites near communities should be prioritized.

RECOMMENDED LANGUAGE:

The commissioner of public lands is authorized to hold in suspense amounts received pursuant to agreements entered into for the sale of state royalty interests that, as a result of the sale, became eligible for tax credits under Section 29 of the Internal Revenue Code, above those amounts required by law to be transferred to the land grant permanent fund. The commissioner may expend as much of the money so held in suspense, as well as additional money held in escrow accounts resulting from the sales and money held in fund balance, as is necessary to re-purchase the royalty interests pursuant to the agreements.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Oil and gas mgmt. analyst supervisor- 1 FTE	(P615)	72.3	72.3
2	Field operations admin. support- 1 FTE	(P615)	45.0	0.0
3	Hazardous fuel reduction/ dump-site cleanup	(P615)	500.0	200.0
TOTAL			617.3	272.3

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Total trust revenue generated, in millions	\$652.3	\$577.5	\$592.2	\$612.1	\$612.1
* Outcome	Bonus income per leased acre from oil and gas activities, in dollars	\$1,047.00	\$433.00	\$700.00	\$500.00	\$500.00
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$5.9	\$1.0	\$2.0	\$1.5	\$1.5
* Output	Average income per acre from oil, natural gas and mineral activities, in dollars	\$221.55	\$189.00	\$181.67	\$180.00	\$189.00
Output	Percent of total trust revenue generated allocated to beneficiaries	98%	98%	98%	97%	98%
Output	Number of acres restored to desired conditions for future sustainability	2,658.9	3,580	2,700	3,947	3,947
Output	Average income per acre from wind and solar leasing	\$1.74	\$17.99	\$5.11	\$29.32	\$29.32
Output	Percent of active lease and attachment documents imaged	71%	95%	90%	99%	99%
Output	Percent of identified unauthorized uses on agricultural leases brought into compliance		n/a	New	100%	100%

STATUTORY AUTHORITY:

The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are companion agencies. Pursuant to Section 72-2-1 through 72-2-18 NMSA 1978, the state engineer, appointed by the governor and confirmed by the Senate, is responsible for supervision of New Mexico's water resources, including the measurement, appropriation, and distribution of the resources.

ISC consists of nine members. Eight are appointed by the governor, and the ninth member is the state engineer, who serves as the commission secretary. Pursuant to Section 72-14-1 through 72-14-44 NMSA 1978, ISC negotiates compacts with other states, settles interstate water controversies, and is responsible for fostering equitable distribution and division of water in interstate stream systems. New Mexico is currently party to eight interstate stream compacts. ISC also operates and maintains the Ute Dam. ISC has an administrative director who also serves as the deputy state engineer.

Agency functions include water rights application and disposition; administrative hearings; water rights adjudication; computer database abstraction, imaging, and population; water delivery via interstate compacts; water metering; water conservation; dam inspection; acequia and community ditch improvement; and collaboration with federal agencies and New Mexico water users to meet the requirements of the Endangered Species Act.

MISSION:

The mission of OSE is to actively protect and manage the water resources of New Mexico for beneficial uses by its people and in accordance with law.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	14,776.9	15,651.2	18,710.3	17,650.5	12.8
Other Transfers	19,178.8	19,975.5	20,112.8	19,084.5	-4.5
Federal Revenues	468.6	59.8	123.5	123.5	106.5
Other Revenues	12,483.1	11,438.1	9,968.7	10,748.4	-6.0
Fund Balance	5,038.3	6,601.2	8,239.6	6,431.6	-2.6
SOURCES TOTAL	51,945.7	53,725.8	57,154.9	54,038.5	0.6
USES					
Personal Services and Employee Benefits	20,613.2	23,081.5	25,660.1	24,102.4	4.4
Contractual Services	7,896.2	7,597.9	7,713.7	7,713.7	1.5
Other	6,382.0	5,720.1	6,317.4	5,787.0	1.2
Other Financing Uses	16,973.9	17,326.3	17,463.7	16,435.4	-5.1
TOTAL USES	51,865.3	53,725.8	57,154.9	54,038.5	0.6
FTE					
Permanent	322.0	322.0	342.0	324.0	0.6
Term	5.0	5.0	3.0	3.0	-40.0
TOTAL FTE POSITIONS	327.0	327.0	345.0	327.0	0.0

BUDGET ISSUES:

For FY15, the Office of the State Engineer (OSE) request of \$57.2 million represented a \$3.5 million increase from the FY14 operating budget of \$53.7 million. The request included \$18.7 million from the general fund, an increase of \$3.4 million, or 20 percent, from FY14 levels for lower vacancy rates, a planner position and recurring operating costs to fund the state and regional water plan update, the conversion of 3 FTE from term to perm positions at the Silvery Minnow Refugium, and software licenses. The 20 percent increase in general fund also included \$1.3 million for the agency's expansion request of 18 FTE for the Water Resources Allocation Program. The request included an average vacancy rate of 3.1 percent.

The FY15 committee recommendation of \$54 million is a \$312.7 thousand increase from the FY14 operating budget of \$53.7 million. The recommendation includes \$17.7 million from the general fund, a \$2 million increase, or 13 percent, over FY14 levels. Of this increase, \$1 million constitutes a substitution of general fund revenue for fund balance from the irrigation works construction fund in the Water Resources Allocation Program (WRAP). Additionally, close to \$800 thousand of the \$1.5 million increase is to fully fund the 167 authorized FTE in WRAP to enable the program to fill critical vacancies. This increase will enhance the program's ability to adequately serve water users and address aging and deteriorating dam infrastructure. In FY13, the number of dams inspected was only 93, missing the target by seven. The agency increased inspections of dams in FY13 by

using contract engineers funded by a federal national dam safety grant to reduce the backlog caused by understaffing. The ongoing drought and high oil and gas production activity in the Permian Basin of southeastern New Mexico continue to contribute to a high workload for the program, which resulted in a backlog of 1,332 water rights applications at the end of FY13, a 34 percent increase over FY12 levels. The average time to process a water rights application is three to six months. Additionally, \$206.5 thousand of the general fund increase is to convert 3 FTE from term to permanent positions at the Silvery Minnow Refugium in ISC because of a decrease in federal funds. With the continued drought, state funding of the Silvery Minnow Refugium is increasingly critical to compliance with the Endangered Species Act.

Despite difficulty with recruitment and retention, the agency made progress in lowering vacancy rates. In FY13, the department's average vacancy rate was 15 percent, down from 18 percent in FY12 and 22 percent in FY11. Overall, the FY15 recommendation for the personal services and employee benefits category is \$3.5 million higher, or 17 percent, than FY13 actual expenditures to enable the agency to fill vacant positions to overcome backlogs. The recommendation includes an agencywide vacancy savings rate of 9 percent.

The overall recommendation for ISC represents a \$1.4 million increase, or 11 percent, from the FY13 actual expenditures to fill vacant positions and for increased contract costs related to the Endangered Species Act, data collection, and management of stream flow gauges. The recommendation includes \$206.5 thousand of general fund revenue to convert 3 FTE from term to permanent status. The recommendation also includes 2 FTE and \$403.8 thousand from federal funds made available through the federal 2004 Arizona Water Settlements Act (AWSA) to work on assessments of the projects in the Gila Basin. The AWSA granted New Mexico 14 thousand additional acre feet of Gila River water and up to \$128 million in federal funding. ISC expects to have a final decision on projects to be funded by the AWSA by November 2014.

ISC has been successful in maintaining a positive credit in its delivery requirements to Texas in both the Rio Grande and Pecos River compacts. The ongoing drought will strain the already limited water supply, and ISC projects this might result in a reduction of the delivery credit. However, ISC projects it will not continue to pump groundwater from augmentation fields to meet delivery requirements of the Pecos River settlement in the near future, a noteworthy change from last year. Mid-September storms filled Pecos reservoirs to near storage limits. As a result, the Carlsbad Irrigation District was able to provide more water to its farmers during the last several weeks of the 2013 irrigation season, and it will be starting the 2014 irrigation season with significant reservoir storage for the first time in three years.

The current vacancy rate in the Litigation and Adjudication Program (LAP) is the highest of all OSE programs at 22 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The recommendation includes an increase of \$565 thousand, or 13.5 percent, from the FY13 actual expenditure level in the personal services and employee benefits category. LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contracts to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use. The recommendation for contractual services for LAP is \$1.4 million, flat with the FY14 operating budget.

Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund, the improvement of the Rio Grande income fund, the emergency drought water agreement fund, and the New Mexico Finance Authority water project fund. The irrigation works construction fund and the improvement of the Rio Grande income fund receive an annual revenue distribution from the land grant permanent fund, State Land Office, and other minor sources.

Revenue to the irrigation works construction fund is projected to be \$8 million for FY15 and the LFC recommendation distributes \$13.8 million in revenues and fund balances from the irrigation works construction fund. At this rate of income and expenditure, the LFC projects the year-end fund balance for the irrigation works construction fund in FY16 will be below \$600 thousand. Revenue to the improvement of the Rio Grande income fund is estimated at \$2 million, with an estimated ending fiscal year balance of \$6.2 million. The FY15 recommendation distributes \$2 million in revenues and balances from the Rio Grande income fund. The agency receives 10 percent of the water project fund's annual distribution. The recommendation for LAP includes \$2.5 million from the water project fund.

The agency's FY14 capital projects request totaled \$25.9 million. Top ranked projects include Indian water rights settlements (\$15 million), surface-water and groundwater measurement statewide (\$1 million), and dam rehabilitation (\$2.5 million).

BASE EXPANSION:

Although the LFC recommendation did not include the requested \$1.3 million general fund increase to fund an additional 18 FTE for the Water Resources Allocation Program, the recommendation fully funded the personal services and benefits category for the Water Resources Allocation Program in FY15 to allow the agency sufficient funding to fill critical vacant positions. Although the agency made progress in lowering vacancy rates in this program, OSE should work with the State Personnel Office to reclassify positions, adjust pay ranges, and provide appropriate compensation adjustments to enhance recruitment and retention to fill all positions funded in FY15 before the Legislature can consider an expansion.

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program:

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of Rio Grande income fund and one million four hundred seventy-eight thousand nine hundred dollars (\$1,478,900) from the New Mexico irrigation works construction fund.

For the Interstate Stream Commission:

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million eight hundred nine thousand dollars (\$1,809,000) from the improvement of Rio Grande income fund and seven million eight hundred seventy-nine thousand six hundred dollars (\$7,879,600) from the irrigation works construction fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with state engineer use of the revenue is appropriated to the interstate stream commission for the conservation and recovery of the listed species in the middle Rio Grande basin, including optimizing middle Rio Grande conservancy district operations.

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer includes one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations. Any unexpended balances remaining at the end of fiscal year 2015 from this appropriation shall revert to the game protection fund.

The internal service funds/interagency transfer appropriation to the interstate stream compact compliance and water development program of the state engineer in the other category includes eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balances remaining at the end of fiscal year 2015 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) for the construction, restoration, repair and protection of dams, reservoirs, ditches, diversions, flumes and appurtenances of acequias and community ditches in the state. The one million nine hundred thousand dollars (\$1,900,000) appropriation is authorized for acequia and community ditch projects through the interstate stream commission as a 90/10 match program, provided that: a) 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, and b) state money shall not be used to meet the acequia's or community ditch's ten percent share of project costs. Any unexpended amount reverts to the irrigation works construction fund for use for acequia and community ditch projects in subsequent years. The interstate stream commission shall report twice a year to the legislative finance committee on expenditures of funds for acequia and community ditch projects. The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer in the contractual services category includes up to three hundred thousand dollars (\$300,000) for engineering services for approved acequia or community ditch projects.

The interstate stream commission's authority to make loans for irrigation improvements includes five hundred thousand dollars (\$500,000) for loans to acequia, irrigation and conservancy districts. The interstate stream commission's authority also includes five hundred thousand dollars (\$500,000) for loans to irrigation districts, conservancy districts and soil and water conservation districts for re-loan to farmers for implementation of water conservation improvements.

The interstate stream commission's authority to make loans from the irrigation works construction fund includes two million dollars (\$2,000,000) for irrigation districts, acequias, conservancy districts and soil and water conservation districts for purchase and installation of meters and measuring equipment. The maximum loan term is five years.

For the Litigation and Adjudication Program:

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include three million three hundred forty thousand three hundred dollars (\$3,340,300) from the New Mexico irrigation works construction fund and two million four hundred sixty-six thousand eight hundred dollars (\$2,466,800) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For Program Support:

The internal service funds/interagency transfers appropriations to the program support program of the state engineer include one million one hundred thirty-two thousand six hundred dollars (\$1,132,600) from the New Mexico irrigation works construction fund.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Water Resources Allocation Program - 18 FTE</u>	(P551)	1,329.7	0.0
TOTAL			1,329.7	0.0

IRRIGATION WORKS CONSTRUCTION FUND

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	10,395.4	8,898.4	7,730.0	8,047.2	-9.6
Fund Balance	4,669.1	5,962.0	7,259.6	5,784.2	-3.0
SOURCES TOTAL	15,064.5	14,860.4	14,989.6	13,831.4	-6.9
USES					
Other Financing Uses	15,064.5	14,860.4	14,989.6	13,831.4	-6.9
TOTAL USES	15,064.5	14,860.4	14,989.6	13,831.4	-6.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

IMPROVEMENT OF THE RIO GRANDE INCOME FUND

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,540.2	1,826.7	1,494.1	1,956.6	7.1
Fund Balance	183.2	0.0	332.6	0.0	
SOURCES TOTAL	1,723.4	1,826.7	1,826.7	1,956.6	7.1
USES					
Other Financing Uses	1,723.4	1,826.7	1,826.7	1,956.6	7.1
TOTAL USES	1,723.4	1,826.7	1,826.7	1,956.6	7.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state to any person so they can maintain their quality of life and to provide safety inspections of all nonfederal dams within the state for owners and operators of such dams so they can operate the dam safely.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	9,438.7	9,960.7	11,741.4	11,753.5	18.0
Other Transfers	3,041.9	2,626.5	2,626.5	1,626.5	-38.1
Federal Revenues	187.2	0.0	0.0	0.0	
Other Revenues	423.4	593.0	624.6	624.6	5.3
SOURCES TOTAL	13,091.2	13,180.2	14,992.5	14,004.6	6.3
USES					
Personal Services and Employee Benefits	9,773.5	11,178.9	12,745.5	11,938.8	6.8
Contractual Services	1,175.6	624.7	624.7	624.7	0.0
Other	2,136.0	1,376.6	1,622.3	1,441.1	4.7
TOTAL USES	13,085.1	13,180.2	14,992.5	14,004.6	6.3
FTE					
Permanent	167.0	167.0	185.0	167.0	0.0
TOTAL FTE POSITIONS	167.0	167.0	185.0	167.0	0.0

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	46	32	65	65	65
* Explanatory	Number of unprotested and unaggrieved water right applications backlogged	991	1,332	650	650	650
* Outcome	Number of dams inspected per year and notices delivered to owners notifying of potential problems	64	93	100	100	100
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	98%	98%	100%	100%	100%
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	85%	85%	85%	100%	100%
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	24,678	22,331	23,000	23,000	23,000
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	85%	85%	85%	85%	88%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,841.8	1,894.5	2,541.0	2,101.0	10.9
Other Transfers	9,782.9	10,591.9	10,574.9	10,518.3	-0.7
Federal Revenues	281.4	59.8	123.5	123.5	106.5
Other Revenues	124.1	120.0	120.0	120.0	0.0
Fund Balance	186.0	639.2	647.4	647.4	1.3
SOURCES TOTAL	12,216.2	13,305.4	14,006.8	13,510.2	1.5
USES					
Personal Services and Employee Benefits	3,587.6	3,902.5	4,175.2	4,027.8	3.2
Contractual Services	5,169.3	5,365.7	5,403.0	5,403.0	0.7
Other	3,209.5	3,398.0	3,781.2	3,432.0	1.0
Other Financing Uses	186.0	639.2	647.4	647.4	1.3
TOTAL USES	12,152.4	13,305.4	14,006.8	13,510.2	1.5
FTE					
Permanent	44.0	44.0	46.0	46.0	4.5
Term	5.0	5.0	3.0	3.0	-40.0
TOTAL FTE POSITIONS	49.0	49.0	49.0	49.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Cumulative state-line delivery credit per the Pecos river compact and amended decree at the end of calendar year, in acre feet	100,100	102,000	0	0	0
* Outcome	Rio Grande river compact accumulated delivery credit or deficit at end of calendar year, in acre feet	<80,000	3,000	0	0	0

LITIGATION AND ADJUDICATION

The purpose of the litigation and adjudication program is to obtain a judicial determination and definition of water rights within each stream system and underground basin to effectively perform water rights administration and meet interstate stream obligations.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	504.9	719.3	1,240.0	719.3	0.0
Other Transfers	5,533.0	5,732.5	5,732.5	5,807.1	1.3
SOURCES TOTAL	6,037.9	6,451.8	6,972.5	6,526.4	1.2
USES					
Personal Services and Employee Benefits	4,190.0	4,680.6	5,201.3	4,755.2	1.6
Contractual Services	1,382.6	1,435.8	1,435.8	1,435.8	0.0
Other	465.3	335.4	335.4	335.4	0.0
TOTAL USES	6,037.9	6,451.8	6,972.5	6,526.4	1.2
FTE					
Permanent	68.0	68.0	68.0	68.0	0.0
TOTAL FTE POSITIONS	68.0	68.0	68.0	68.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>	
*	Outcome	Number of offers to defendants in adjudications	640	501	600	None	600
*	Outcome	Percent of all water rights that have judicial determinations	53%	54%	54%	None	54%
	Efficiency	Objections resolved informally without referral to mediation			New	85%	85%
	Outcome	Objections unresolved in mediation and now on trial track			New	10	10

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
	General Fund Transfers	2,991.5	3,076.7	3,187.9	3,076.7	0.0
	Other Transfers	821.0	1,024.6	1,178.9	1,132.6	10.5
	SOURCES TOTAL	3,812.5	4,101.3	4,366.8	4,209.3	2.6
USES						
	Personal Services and Employee Benefits	3,062.1	3,319.5	3,538.1	3,380.6	1.8
	Contractual Services	168.7	171.7	250.2	250.2	45.7
	Other	571.2	610.1	578.5	578.5	-5.2
	TOTAL USES	3,802.0	4,101.3	4,366.8	4,209.3	2.6
FTE						
	Permanent	43.0	43.0	43.0	43.0	0.0
	TOTAL FTE POSITIONS	43.0	43.0	43.0	43.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent of department contracts that include performance measures	100%	100%	100%	None	100%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	45	15	15	None	15

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Sections 28-21-1 through 28-21-4 NMSA 1978. The agency is attached administratively to the Human Services Department.

MISSION:

The agency's mission is to study 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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	681.0	704.1	756.9	720.0	2.3
SOURCES TOTAL	681.0	704.1	756.9	720.0	2.3
USES					
Personal Services and Employee Benefits	349.2	377.5	458.3	421.2	11.6
Contractual Services	169.5	186.0	158.0	158.0	-15.1
Other	135.2	140.6	140.6	140.8	0.1
TOTAL USES	653.9	704.1	756.9	720.0	2.3
FTE					
Permanent	5.0	5.0	7.0	6.0	20.0
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	6.0	5.0	7.0	6.0	20.0

BUDGET ISSUES:

The Office of African American Affairs requested \$756.9 thousand from the general fund for an FY15 increase of \$52.8 thousand, or 7.5 percent, over the FY14 appropriation. The request included funding for 2 additional FTE. Currently, the agency is authorized 5 FTE and is fully staffed.

The committee recommendation supports the base request with a minor increase of \$200 to correct the General Services Department rate for auto-insurance.

BASE EXPANSION:

The Office of African American Affairs requested \$98.8 thousand from the general fund for 2 additional FTE, an executive secretary and a healthcare specialist. The executive secretary would assist the director and agency staff while acting as a frontline contact for the public. The healthcare specialist would work to reduce health disparities of African Americans by collaborating with community providers to coordinate educational forums and trainings on a variety of topics, including the Affordable Care Act and the Health Insurance Exchange. The committee recommends the first priority, the executive secretary, partially funded by a reduction in contractual services, but does not recommend the healthcare specialist, which duplicates services of other agencies.

BASE EXPANSION LISTING
FY15 - 2014-2015

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Executive secretary	(P692)	44.9	47.1
2	Health care specialist	(P692)	53.9	0.0
TOTAL			98.8	47.1

PUBLIC AWARENESS

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

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of educational conferences, town hall meetings, workshops and forums to increase awareness pertaining to the New Mexico African American community	25	19	20	11	20
Output	Number of informative meetings, documents and publications to increase awareness of health disparities that adversely affect the New Mexico African American community	5	6	5	5	5
Outcome	Percent of participants who indicate on the program survey that their awareness of services provided by the Office of African American Affairs has increased	25%	20%	75%	25%	75%
Output	Number of individuals and organizations recognized for their achievements in improving the quality of life for African Americans in the state of New Mexico			new	50	50
Output	Number of stakeholders receiving information from the agency			new	750	750

STATUTORY AUTHORITY:

Sections 28-11B-1 through 28-11B-4 and Sections 63-9F-1 through 63-9F-13 NMSA 1978 created the Commission for Deaf and Hard-of-Hearing Persons. The commission consists of seven members, a majority of whom are deaf or hard-of-hearing. Three members are ex officio and four are appointed by the governor without regard for party affiliation.

MISSION:

The commission is responsible for overseeing the New Mexico telecommunications relay network for deaf and hard-of-hearing citizens in government agencies, institutions, and businesses, as well as for hearing individuals affiliated with those who have a hearing loss. The commission operates a single program providing advocacy, outreach, referral, and educational services and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	300.0	300.0	300.0	300.0	0.0
Other Transfers	2,985.9	3,252.6	2,952.6	2,952.6	-9.2
Fund Balance	0.0	200.0	500.0	450.0	125.0
SOURCES TOTAL	3,285.9	3,752.6	3,752.6	3,702.6	-1.3
USES					
Personal Services and Employee Benefits	813.9	1,087.4	1,021.2	1,021.2	-6.1
Contractual Services	1,657.5	1,844.4	1,849.7	1,849.7	0.3
Other	287.2	329.8	390.7	340.7	3.3
Other Financing Uses	491.0	491.0	491.0	491.0	0.0
TOTAL USES	3,249.6	3,752.6	3,752.6	3,702.6	-1.3
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

The commission budget request, overall flat with FY14, sought a \$70 thousand increase in other costs. Given uncertainty with future revenues, the committee recommendation reduces the request in other costs by \$50 thousand, leaving the commission with a 3.3 percent increase over FY14 in this category. The total FY15 recommendation for the commission of \$3.7 million is 1.3 percent lower than the FY14 operating budget and includes the use of \$450 thousand in fund balance.

The recommendation includes \$300 thousand from the general fund for deaf and deaf-blind support service provider programs. The recommendation also includes \$491 thousand for other financing uses to cover a \$466 thousand transfer to the Division of Vocational Rehabilitation to match federal funds for deaf and hard-of-hearing rehabilitation services and \$25 thousand to the Signed Language Interpreting Practices Board to support licensure activities for interpreters.

Revenue for the commission comes from a surcharge of 0.33 percent on telephone services and New Mexico-based mobile phone accounts. In FY13, revenue from these charges into the telecommunications access (TRS) fund totaled almost \$3 million. The agency requested \$2.9 million for FY15 in transfers from the TRS fund to support operations, a reduction of \$300 thousand compared with FY14. This reduction is offset by the budget request for \$500 thousand in fund balances, a \$300 thousand increase compared with FY14. The TRS fund is nonreverting and had a balance of approximately \$1.4 million at the end of FY13. However, yearly collections have been mixed and over time the number of land lines in service continues to decline, eroding the tax base. The commission is working with the Taxation and Revenue Department (TRD) to improve collection of revenue from landline and wireless carriers.

Agency staff notes a recent peak in TRS revenue of \$3.9 million occurred in FY11 when TRD audited several telecommunications carriers. This level of TRD oversight was not sustained, contributing to a loss of revenues. Use of \$450 thousand in fund balance in the FY15 recommendation will drop the TRS fund balance to about \$750 thousand at the end of FY15. Future appropriations of agency fund balance to support operations may not occur at prior levels.

The commission hired a new executive director at the beginning of FY13 but that person left after only one year. A hiring decision on a new director was pending in October 2013.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for the deaf and hard-of-hearing persons in the other financing uses category includes four hundred sixty-six thousand dollars (\$466,000) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide deaf and hard-of-hearing rehabilitation services.

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

The general fund appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the contractual services category includes three hundred thousand dollars (\$300,000) for deaf and deaf-blind support service provider program.

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

		FY12	FY13	FY14	FY15	FY15
		Actual	Actual	Budget	Request	Recomm
Output	Number of workshops and training sessions conducted	110	125	100	100	100
Output	Number of outreach events coordinated	102	76	100	70	100
Output	Average number of relay calls per month	12,772	11,141	10,000	10,000	10,000
* Output	Number of accessible technology equipment distributions	1,609	956	1,000	1,000	1,000
Output	Staff hours devoted to reducing communication barriers	19,697	21,858	12,000	15,000	15,000
* Output	Number of clients provided assistance to reduce or eliminate communication barriers	997	465	1,000	800	800
Output	Number of information referral and outreach contacts	5,543	14,746	7,500	10,000	10,000
Output	Number of newly issued New Mexico community signed language interpreter licenses	8	12	15	15	15
Output	Number of signed language interpreters who participated in agency-sponsored professional development			New	200	200

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)						
				<u>FY15 – 2014-2015</u>		
		<u>FY13</u>	<u>FY14</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2012-2013</u>	<u>2013-2014</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	198.8	214.8	317.8	225.5	5.0
	SOURCES TOTAL	198.8	214.8	317.8	225.5	5.0
USES						
	Personal Services and Employee Benefits	102.7	122.6	173.5	124.9	1.9
	Contractual Services	7.4	11.0	33.6	12.7	15.5
	Other	80.5	81.2	110.7	87.9	8.3
	TOTAL USES	190.6	214.8	317.8	225.5	5.0
FTE						
	Permanent	2.0	2.0	3.0	2.0	0.0
	TOTAL FTE POSITIONS	2.0	2.0	3.0	2.0	0.0

BUDGET ISSUES:

The Martin Luther King, Jr. Commission request for a 48 percent increase, over the FY14 appropriation included funding for an additional FTE and an anti-bullying curriculum. Two FTE are currently authorized and the agency is fully staffed.

The requested expansion of FTE was for a financial specialist. Currently the director is performing the financial duties for the commission. In FY13, the commission received a \$38 thousand special appropriation to implement an anti-bullying curriculum in FY13 and FY14. For FY15, the commission requested a \$21 thousand increase in professional service contracts to continue the anti-bullying curriculum initiative; however, no data was submitted to evaluate the success of this pilot program. The committee does not recommend either request.

The LFC recommends an increase of \$10.7 thousand, or 5 percent, over the FY14 appropriation level for increased health insurance, retirement contributions, General Services Department rates, and property lease costs.

MARTIN LUTHER KING, JR. COMMISSION

The purpose of the Martin Luther King, Jr. commission is to promote Martin Luther King, Jr.'s nonviolent principles and philosophy to the people of New Mexico through remembrance, celebration and action so that everyone gets involved in making a difference toward the improvement of interracial cooperation and reduction of youth violence in our communities.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of program objectives achieved	100%	100%	100%	100%	100%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	1	1	1	1	1
Output	Number of statewide holiday commemorative programs supported	11	10	10	10	10
Output	Number of youth anti-violence workshops conducted	9	12	9	9	12

STATUTORY AUTHORITY:

The Commission for the Blind was created by Sections 28-7-15 through 28-7-23 NMSA 1978. The commission consists of three members appointed by the governor for staggered three-year terms. The agency provides a variety of services enabling the blind and visually impaired to become fully participating members of society.

MISSION:

The Commission for the Blind's mission is to enable persons who are blind to achieve vocational, economic, and social equality. This is to be accomplished by providing career preparation, training in the skills of blindness, and, above all, promoting the belief that blindness is not a barrier to successful employment or to living an independent and meaningful life.

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,030.6	2,061.1	2,078.5	2,078.5	0.8
Other Transfers	0.0	0.0	80.0	80.0	
Federal Revenues	4,608.8	5,219.6	5,668.9	5,668.9	8.6
Other Revenues	213.8	5,072.2	5,010.1	5,010.1	-1.2
SOURCES TOTAL	6,853.2	12,352.9	12,837.5	12,837.5	3.9
USES					
Personal Services and Employee Benefits	3,903.5	4,521.5	4,869.0	4,869.0	7.7
Contractual Services	136.2	186.9	158.2	158.2	-15.4
Other	2,767.8	7,644.5	7,810.3	7,810.3	2.2
TOTAL USES	6,807.5	12,352.9	12,837.5	12,837.5	3.9
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

BUDGET ISSUES:

As measured by Rehabilitation Services Administration, the commission continues to be one of the nation's leading rehabilitation agencies in its ability to place blind persons in well-paying positions, ranking first for the percentage of clients' employment outcomes that were competitive, the percentage of clients significantly disabled who were competitively employed, and the percentage of clients who are self-supporting at closure. The commission also ranked ninth for client average wage measured against the state average wage. However, the number of quality employment opportunities obtained dropped from 34 in FY12 to 19 in FY13. The commission attributed this drop to a reduction in job opportunities at the federal, state, and municipal government levels. The average hourly wage for hires was \$16.98 in FY13.

The commission continues to serve an increasing caseload of elderly people who are blind or suffering vision impairment, as well as a growing number of children suffering from optic nerve deficiencies. The commission opened its skills center for the blind and visually impaired at its Albuquerque headquarters in March 2012. The center provides a setting to instruct participants in the commission's Students in Transition to Employment Program. Blind students between the ages of 14 and 21 are taught Braille, computer skills, personal management, and cooking. The center is also used to train seniors in blind skills. A total of 568 individuals were trained in the skills of blindness to enable them to live independently at seven different locations across the state, including the residential facility in Alamogordo. The commission continues to note a discrepancy in federal support for independent living services in comparison with funding for vocational rehabilitation services, with about \$300 thousand of \$5.6 million in projected FY15 federal funds authorized for use in this area.

The recommendation supports the agency funding request, a 0.8 percent increase in general fund revenue over the FY14 operating budget to cover increases in pension and insurance rates. The budget request included \$5 million in other revenues, first added to the budget in FY14, to show a federal Randolph Sheppard Act contract to provide food services at the Federal Law Enforcement Training Center in Artesia and the inclusion of the Business Enterprise Program (BEP) set-aside account. The set-aside fund exists to facilitate specific business activities of the BEP administered by the commission.

RECOMMENDED LANGUAGE:

Any unexpended balances in the commission for the blind remaining at the end of fiscal year 2015 from appropriations made from the general fund shall not revert.

BLIND SERVICES

The purpose of the blind services program is to assist blind or visually impaired citizens of New Mexico to achieve economic and social equality so they can have independence based on their personal interests and abilities.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Average hourly wage for the blind or visually impaired person	\$12.75	\$16.98	\$13.00	\$13.50	\$13.50
* Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	34	19	40	25	25
* Output	Number of blind or visually impaired clients trained in the skills of blindness to enable them to live independently in their homes and communities	554	568	600	600	600
Output	Percent of clients who rely on their own earnings exiting from vocational rehabilitation services				90%	90%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	11	5	20	30	10

STATUTORY AUTHORITY:

Section 9-21-1 through 9-21-16 NMSA 1978 created the Indian Affairs Department and the advisory Indian Affairs Commission. The commission consists of 10 members appointed by the governor.

MISSION:

The mission of the Indian Affairs Department (IAD) is to lead and improve the quality of the life for all New Mexico Indian citizens by affecting policy that strengthens tribal-state relations.

BUDGET SUMMARY
(dollars in thousands)

	FY15 – 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,399.9	2,422.5	2,543.2	2,493.2	2.9
Other Transfers	249.3	249.3	249.3	249.3	0.0
SOURCES TOTAL	2,649.2	2,671.8	2,792.5	2,742.5	2.6
USES					
Personal Services and Employee Benefits	916.4	1,133.9	1,185.7	1,135.7	0.2
Contractual Services	333.4	639.4	641.0	641.0	0.3
Other	1,094.9	898.5	965.8	965.8	7.5
TOTAL USES	2,344.7	2,671.8	2,792.5	2,742.5	2.6
FTE					
Permanent	15.0	15.0	16.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	16.0	15.0	0.0

BUDGET ISSUES:

The FY15 committee base budget recommendation supports the agency base budget request of \$2.7 million, which represents a 1.9 percent increase over FY14. The request included \$249.3 thousand in tobacco settlement funds to support anti-tobacco initiatives.

IAD plays a key role in coordinating relations between 22 tribal governments and the state under the auspices of the State Tribal Collaboration Act, which includes a yearly summit for tribal nations and the executive branch. In addition to coordinating tribal relations, the current cabinet secretary is emphasizing tribal economic development. Three of the department’s 15 FTE have been dedicated to economic development, in particular helping tribes, pueblos, and Indian nations leverage infrastructure-related capital outlay funding into the development of viable tribal commercial enterprises.

The department plays a major role in managing capital outlay projects and the tribal infrastructure fund (TIF) infrastructure projects. Fiscal year 13 was the second full year of the 5 percent allocation of severance tax bond funds to the TIF, and the Tribal Infrastructure Board awarded \$16.3 million to 19 infrastructure projects in tribal nations. Approximately \$1.4 million was awarded for planning projects for eight tribes, and \$14.8 million was awarded for 11 design and construction projects. Progress on spending the \$13.2 million of TIF funds awarded in 2012 has been slow, with \$9.4 million, or 71 percent of the balance, remaining.

During FY13, IAD transitioned to internal management of capital project oversight after a period of using contract support from the Department of Environment. With \$30 million of TIF projects and another \$10 million in capital outlay projects under IAD supervision, IAD might not have the capacity to properly oversee these 80 projects with the current 2 FTE. The TIF statute allows up to 5 percent of the amount available for project award to be allocated to project oversight, but to date the Department of Finance and Administration (DFA) has not approved this allocation. IAD staff presented a plan to spend approximately \$252 thousand in support of TIF oversight. It included funding 1 additional FTE at IAD for oversight and contractual support and outreach. Because the department believed these costs were eligible to be covered using the TIF set-aside, they were not included in the appropriation request. Absent a change in DFA’s position, a reallocation of internal funding or additional general fund would be needed to increase TIF program oversight.

Within IAD’s budget is more than \$1 million in funds for contractual services and grants, primarily for Native American pueblos and nations. Projects and contracts in FY13 ranged widely in scope, and included \$150 thousand for Navajo Nation emergency management, \$250 thousand for the Santa Fe Indian School Leadership Academy, \$205 thousand for the Albuquerque Indian Center, and \$49 thousand for the nonprofit People Living through Cancer. While many of these contracts and grants help address community needs, the department should encourage these entities to seek a broad base of funding support. Also, the department is encouraged to include outcome performance measures in its contracts and grants and to maintain strong budget and management oversight of projects.

BASE EXPANSION:

The department's expansion request included \$75 thousand from the general fund for two items: \$50 thousand for a records clerk supervisor and \$25 thousand to support the annual state-tribal summit. The recommendation includes \$25 thousand from the general fund to support the state-tribal summit, offsetting the loss of grant revenue for this purpose.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the Indian affairs program of the Indian affairs department includes two hundred forty-nine thousand three hundred dollars (\$249,300) from the tobacco settlement program fund for tobacco cessation and prevention programs for Native American communities throughout the state.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Records clerk/supervisor- 1 FTE	(P696)	50.0	0.0
2	<u>Tribal summit</u>	(P696)	25.0	25.0
TOTAL			75.0	25.0

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of tribes, pueblos and Indian nations that have developed or enhanced tourism plans as a result of consultation and support provided by the department			New	11	11
Output	Number of capital outlay or tribal infrastructure project training sessions conducted	16	12	15	20	20
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	75%	96%	80%	80%	80%
Output	Number of cabinet-level agencies that have fully complied with the State-Tribal Collaboration Act	25	29	25	25	31
* Outcome	Percent of capital and tribal infrastructure fund projects over fifty thousand dollars (\$50,000) completed and closed		69%	75%	75%	75%
Output	Number of tribes, pueblos and Indian nations that have developed or enhanced economic development plans as a result of consultation and support provided by the department			New	11	11
Output	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical or economic infrastructure			50%	50%	50%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD), the Traumatic Brain Injury (TBI) Program from the Department of Health (DOH), and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the health-related programs (D&E waiver, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

ALTSD is now composed of four programs: the Consumer and Elder Rights Program, which administers the Long-Term Care Ombudsman Program and the Aging and Disability Resource Center; the Aging Network Program, which administers the federal Older Americans' Act and encompasses the functions of the former Older Worker and Community Involvement programs; the Adult Protective Services Program, which investigates cases of elder neglect, abuse, and exploitation; and Program Support, which provides clerical, record-keeping and administrative support to the department in the areas of personnel, budget, procurement, and contracting.

MISSION:

The mission of the Aging and Long-Term Services Department is to provide accessible, integrated services to older adults, adults with disabilities, and caregivers to assist them in maintaining their independence, dignity, autonomy, health, safety and economic well-being, thereby empowering them to live on their own terms in their own communities as productively as possible.

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 <u>Actuals</u>		2013-2014 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	42,702.2		45,008.0		47,911.5	46,485.7	3.3
Other Transfers	2,880.2		2,957.5		2,957.5	2,957.5	0.0
Federal Revenues	11,531.4		10,530.8		10,530.8	10,530.8	0.0
Other Revenues	101.2		129.0		129.0	129.0	0.0
SOURCES TOTAL	57,215.0		58,625.3		61,528.8	60,103.0	2.5
USES							
Personal Services and Employee Benefits	13,991.6		15,069.7		15,398.9	15,200.9	0.9
Contractual Services	3,719.4		3,873.9		4,634.7	4,020.4	3.8
Other	38,801.5		39,681.7		41,495.2	40,881.7	3.0
TOTAL USES	56,512.5		58,625.3		61,528.8	60,103.0	2.5
FTE							
Permanent	227.5		227.5		227.5	227.5	0.0
Term	7.5		7.5		7.5	7.5	0.0
TOTAL FTE POSITIONS	235.0		235.0		235.0	235.0	0.0

BUDGET ISSUES:

The agency's FY15 total request of \$61.5 million reflected a 5 percent increase over the FY14 operating budget, all from the general fund. The \$2.9 million new dollars would provide additional service units as well as offset any reduction in federal funds, 23 percent of the department's total revenue. The \$1.8 million increase requested for the Aging Network Program would provide 280 thousand more service units to reduce food insecurity for seniors, increase home services and transportation, and fund fitness initiatives such as the "know your numbers" program. The \$355 thousand increase requested for the Consumer and Elder Rights Program would allow for improved service at the Aging and Disability Resource Center. The \$586 thousand increase requested for the Adult Protective Services Program would provide more funding for contract home-care services and support staffing levels. Program Support also requested an increase of \$149 thousand to improve staffing levels. The requested number of 235 FTE is flat with the FY14 operating budget, as the agency reduced 14 FTE in FY13 and 16 FTE in FY12 and transferred 16 FTE to the Human Services Department along with the move of the Long-Term Services Program.

The recommendation is \$60.1 million, an increase of \$1.5 million, or 2.5 percent, over the FY14 operating budget. The recommendation for general fund revenue is \$46.5 million, a 3.3 percent increase over the FY14 level. The recommendation includes funding for the retirement and health insurance premium increases, as well as additional funding for adult daycare services, staffing at the Aging and Disability Resource Center, senior employment job training, in-home care, and congregate and home-delivered meals. The recommendation applies an average 4 percent vacancy savings rate across programs.

The recommendation for the Consumer and Elder Rights Program is \$3.6 million, a 2.5 percent increase over FY14. The recommended level for general fund revenue is \$2.1 million, an increase of \$89.1 thousand, or 4.5 percent. The recommendation funds half of the requested increase for additional staffing at the Aging and Disability Resource Center to assist seniors with Medicaid and Medicare program changes. The Aging Disability Resource Center is recognized nationally as an innovative single point of entry to assist people navigating the complex long-term services system. The center serves more than 43.2 thousand people as a contact to report adult abuse, access a home-delivered meal, obtain in-home and community-based care, or volunteer in a local community. The Medbank program assists seniors and others in obtaining prescription drugs by working with pharmaceutical companies to get free or reduced-price prescription drugs. The long-term care ombudsman ensures nursing home residents' rights are protected 24 hours a day, seven days a week, and assists residents who wish to re-integrate into communities. The ombudsman resolved more than 4,000 complaints and made more than 52 thousand resident contacts at nursing homes and assisted living facilities.

The Aging Network recommendation is \$38.8 million, an increase of \$1.2 million, or 3.2 percent, over FY14. General fund support for the program is recommended at \$29.8 million, an increase of 4.2 percent. The increase of \$1.2 million will provide an additional approximately 190 thousand units of Aging Network program services. The Aging Network delivers services to more than 90 thousand older adults throughout New Mexico, including in rural and tribal areas, and helps seniors maintain economic independence. The program is the safety net for New Mexico's elders and caregivers who promote older adults residing in their homes remaining active, valuable resources of their communities. In FY13, 50 thousand New Mexicans were served 3.5 million congregate and home-delivered meals in 33 counties and on all tribal lands, caregivers received 380 thousand hours of respite care, 5,853 clients received prescription drug assistance, and 36 percent of seniors served by agency employment programs were placed in jobs.

The recommendation for the Adult Protective Services (APS) Program is \$13.3 million, an increase of 1.1 percent over the FY14 operating budget. Allocations from the general fund are increased by 1.4 percent to \$10.8 million, and include an increase of \$147 thousand to fund additional adult daycare services. The APS program investigates reports of abuse, neglect, or exploitation of adults unable to protect themselves. There were more than 6,000 APS investigations in FY13.

The recommendation for Program Support is \$4.4 million, an increase of 1 percent over the FY14 operating budget. Allocations from the general fund are increased by 1.1 percent to \$3.8 million. The recommendation applies an additional 4 percent vacancy savings rate to personal services and employee benefits. The agency's FY12 audit indicates the agency resolved 14 prior-year findings and had four findings regarding inventory and disposal of capital assets, overdraw and lack of internal controls of federal funds, and an untimely reversion to the state general fund.

RECOMMENDED LANGUAGE:

The general fund appropriation to the aging network program of the aging and long-term services department in the other category to supplement the federal Older Americans Act shall be contracted to the designated area agencies on aging.

Any unexpended balances remaining at the end of fiscal year 2015 in other state funds from conference registration fees shall not revert.

CONSUMER AND ELDER RIGHTS

The purpose of the consumer and elder rights program is to provide current information, assistance, counseling, education and support to older individuals and persons with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,924.3	1,986.2	2,341.1	2,075.3	4.5
Other Transfers	510.9	458.9	458.9	458.9	0.0
Federal Revenues	1,858.7	1,073.4	1,073.4	1,073.4	0.0
SOURCES TOTAL	4,293.9	3,518.5	3,873.4	3,607.6	2.5
USES					
Personal Services and Employee Benefits	3,046.1	3,059.0	3,238.9	3,148.1	2.9
Contractual Services	160.2	77.0	252.0	77.0	0.0
Other	729.9	382.5	382.5	382.5	0.0
TOTAL USES	3,936.2	3,518.5	3,873.4	3,607.6	2.5
FTE					
Permanent	41.5	41.5	41.5	41.5	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	47.5	47.5	47.5	47.5	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of resident-requested transitions from nursing homes to home- and community-based services completed to the satisfaction of the resident within nine months from the request	90%	90%	90%	85%	90%
Quality	Percent of calls to the aging and disability resource center that are answered by a live operator		75%	90%	85%	85%
* Outcome	Percent of ombudsman complaints resolved within sixty days			90%	90%	90%
Quality	State ranking for the number of complaints received per nursing and assisted living facility beds			Top 25%	Top 25%	Top 25%
Outcome	Percent of medicare beneficiaries who received benefits counseling for medicare and medicaid programs including changes in their medicare prescription drug plan			14%	14%	14%
Quality	State ranking of New Mexico state health insurance assistance program			17	12	12
Outcome	Percent of uninsured medbank patients who are qualified to receive critical medication at low or zero cost			47%	47%	47%
Quality	Percent of people accessing the aging and disability resource center who indicate changes in health or social service programs have affected their quality of life			New	40%	40%
Outcome	Percent of people receiving options counseling who indicate the information received regarding long-term support services made a positive difference in their decisions			New	90%	90%
Outcome	Percent of clients appointed as legal guardians of kinship children in their care			90%	90%	90%
Outcome	Percent meeting or exceeding the benchmark set by the centers for medicare and medicaid services for beneficiaries who receive benefits counseling including changes in their prescription drug plan			New	14%	14%

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and persons with disabilities so they can remain independent and involved in their communities and to provide training, education and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	27,127.0	28,597.5	30,411.0	29,797.5	4.2
Federal Revenues	9,047.9	8,832.6	8,832.6	8,832.6	0.0
Other Revenues	101.2	129.0	129.0	129.0	0.0
SOURCES TOTAL	36,276.1	37,559.1	39,372.6	38,759.1	3.2
USES					
Personal Services and Employee Benefits	82.9	145.3	145.3	145.3	0.0
Contractual Services	109.5	102.8	102.8	102.8	0.0
Other	35,906.9	37,311.0	39,124.5	38,511.0	3.2
TOTAL USES	36,099.3	37,559.1	39,372.6	38,759.1	3.2
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
Term	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	1.5	1.5	1.5	1.5	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
*	Outcome	Percent of individuals exiting from the federal older worker program who obtain unsubsidized employment	31.4%	36.4%	31.4%	37.0%
	Outcome	Community service hours provided by the state older worker program as a percent of work hours budgeted	81.6%	83.8%	81.6%	84.0%
	Output	Number of one-way trips provided to community services for eligible consumers	646,430	656,493	750,000	750,000
	Output	Number of hours of respite care provided	139,225	379,866	125,000	370,000
*	Output	Number of persons receiving aging network community services	94,289	90,055	95,000	95,500
*	Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network		60%	60%	60%
	Output	Number of hours of service provided by senior volunteers, statewide		1,614,794	3,500,000	1,700,000
	Outcome	Percent of older adults served by the 50+ older worker connection who obtain unsubsidized employment		34.9%	20%	20%
					20%	35%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	10,106.7	10,670.1	11,255.9	10,816.6	1.4
Other Transfers	2,369.3	2,498.6	2,498.6	2,498.6	0.0
SOURCES TOTAL	12,476.0	13,168.7	13,754.5	13,315.2	1.1
USES					
Personal Services and Employee Benefits	7,345.6	7,980.5	7,980.5	7,980.5	0.0
Contractual Services	3,309.0	3,565.4	4,151.2	3,711.9	4.1
Other	1,719.5	1,622.8	1,622.8	1,622.8	0.0
TOTAL USES	12,374.1	13,168.7	13,754.5	13,315.2	1.1
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

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of adults who receive in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,120	1,311	1,120	1,150	1,300
* 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		97.5%	95%	95%	98%
Quality	Percent of contracted homecare and daycare service providers receiving no deficiencies during annual on-site audits by adult protective services		95.7%	90.0%	90.0%	96.0%
Output	Number of senior center contacts conducted to provide outreach on identifying and reporting adult abuse, neglect and exploitation			25%	25%	25%
* Output	Number of adult protective services' investigations of abuse, neglect or exploitation			New	6,000	6,000
Outcome	Percent of senior centers within adult protective services jurisdiction receiving outreach visits			New	25%	25%

PROGRAM SUPPORT

The purpose of program support is to provide clerical, record-keeping and administrative support in the areas of personnel, budget, procurement and contracting to agency staff, outside contractors and external control agencies to implement and manage programs.

**BUDGET SUMMARY
(dollars in thousands)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,544.2	3,754.2	3,903.5	3,796.3	1.1
Federal Revenues	624.8	624.8	624.8	624.8	0.0
SOURCES TOTAL	4,169.0	4,379.0	4,528.3	4,421.1	1.0
USES					
Personal Services and Employee Benefits	3,517.0	3,884.9	4,034.2	3,927.0	1.1
Contractual Services	140.7	128.7	128.7	128.7	0.0
Other	445.2	365.4	365.4	365.4	0.0
TOTAL USES	4,102.9	4,379.0	4,528.3	4,421.1	1.0
FTE					
Permanent	53.0	53.0	53.0	53.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	54.0	54.0	54.0	54.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of vouchers and purchase orders accepted by the department of finance and administration without rejection			96%	96%	96%
Outcome	Percent of draws of federal funds that meet federal timeliness standards			New	90%	90%

STATUTORY AUTHORITY:

The Human Services Department was created by Sections 9-8-1 through 9-8-12 NMSA 1978. The agency is responsible for administering a number of programs related to providing medical and financial assistance for eligible populations and child support collection activities. The agency consists of five divisions: Administrative Services, Child Support Enforcement, Medical Assistance (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.

Additional authority and definition of responsibilities are found in the Public Assistance Act (Sections 27-2-1 through 27-2-47 NMSA 1078) for the Income Support, Medical Assistance, and Child Support Enforcement divisions.

MISSION:

The Human Services Department (HSD) administers several large state and federally funded programs that provide health care, financial assistance, child support, and food assistance to New Mexico's most needy citizens. The agency manages nearly \$5.4 billion of federal and state funding that provide life's most basic services to New Mexico's poorest individuals and families, touching the lives of one in three New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,007,384.7	1,036,615.3	1,018,027.0	1,010,887.9	-2.5
Other Transfers	126,320.6	142,818.9	144,786.9	144,786.9	1.4
Federal Revenues	3,540,219.8	4,120,084.3	4,558,361.0	4,543,665.6	10.3
Other Revenues	143,370.0	133,094.1	106,059.5	106,059.5	-20.3
SOURCES TOTAL	4,817,295.1	5,432,612.6	5,827,234.4	5,805,399.9	6.9
USES					
Personal Services and Employee Benefits	95,410.4	108,433.1	111,688.0	108,249.6	-0.2
Contractual Services	152,487.0	154,289.1	161,498.4	156,964.3	1.7
Other	4,474,943.4	5,108,037.5	5,493,293.9	5,468,081.9	7.0
Other Financing Uses	54,694.6	61,852.9	60,754.1	72,104.1	16.6
TOTAL USES	4,777,535.4	5,432,612.6	5,827,234.4	5,805,399.9	6.9
FTE					
Permanent	1,782.5	1,878.5	1,895.5	1,863.5	-0.8
Term	52.0	74.0	77.0	74.0	0.0
Temporary	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	1,884.5	2,002.5	2,022.5	1,987.5	-0.7

BUDGET ISSUES:

Fiscal year 2015 will be a transition year for the Human Services Department (HSD). It will be the first full year of Medicaid expansion for low-income adults under the Patient Protection and Affordable Care Act (ACA) and HSD is expecting a big impact on the behavioral health services program, with many clients currently served by general-fund-supported programs moving into the Medicaid program. The recession-era growth in Temporary Assistance for Needy Families (TANF) caseloads has ended, and HSD is reprioritizing spending away from cash assistance to work supports for clients. With lower TANF enrollment, cash balances have continued to grow, providing policymakers with options for directing funds to key priorities, including early childhood services.

HSD's FY15 budget request was \$5.83 billion from all revenue sources, a \$395 million, or 7.3 percent, increase compared with the FY14 operating budget. Requested FY15 general fund of \$1.018 billion represented an \$18.6 million decrease, or 1.8 percent, compared with FY14. Reflecting updated financial forecasts for the Medicaid and Income Support programs, the committee recommendation is \$5.8 billion in total funding, an increase of 6.9 percent compared with FY14. The FY15 recommendation for general fund is \$1.011 billion, a 2.5 percent decrease compared with FY14.

Due to HSD's 15.9 percent average staff vacancy rate, the LFC recommendation for personal services and employee benefits remains essentially flat at \$108.2 million. The recommendation provides 1,987.5 positions and deletes 20 positions vacant for more than two years in Income Support and six positions from Program Support. The recommendation includes additional vacancy savings of \$3 million (\$1.3 million from the general fund) and provides funding for five additional positions in the behavioral health services area. The recommendation includes \$178 thousand from the general fund for 6 FTE (2 FTE in Medical Assistance and 4 FTE in Program Support) for fair hearing services for clients on the developmental disabilities waiver.

As noted above, major changes are coming in the Medicaid program. Starting January 1, 2014, all adult residents with incomes up to 138 percent of the federal poverty level (about \$15,864 for a single person) will be eligible for Medicaid under the Affordable Care Act (ACA). HSD projects expansion-related enrollment of almost 163 thousand by the end of FY15, including newly eligible adults and transfers from the State Coverage Insurance program. With the federal government covering 100 percent of the cost for new enrollees from 2014 through 2016, the impact on the FY15 Medicaid budget exceeds \$500 million in federal funds. In addition, the request for state general fund revenues for Medicaid is a net reduction of \$25.7 million in FY15 due to a higher federal match rate (FMAP) of 69.65 percent for the regular Medicaid program, an \$18 million increase in drug rebate revenue, and lower projected utilization of Medicaid services, particularly fee-for-service, after considering \$1.8 million of increased administrative costs.

The general fund recommendation for Medical Assistance (Medicaid) is \$809.6 million, a \$29.1 million, or 3.5 percent, decrease compared with FY14. The recommendation essentially funds the HSD request but includes a \$13.4 million reduction reflecting the December Medicaid cost projection. The LFC recommendation fully funds the HSD request for Medicaid behavioral health, which includes \$4.9 million of additional general fund due to projected increases in utilization. Of note, HSD will provide another Medicaid forecast update in January; some small changes are expected because HSD had not finalized Medicaid rates in December for Centennial Care contractors starting on January 1, 2014.

The general fund recommendation for Medicaid includes two additional items: \$500 thousand for a limited Medicaid home-visiting program for families with infants and \$10 million for a hospital provider rate increase. Of note, the governor vetoed \$500 thousand included in the 2013 General Appropriation Act for FY14 for evidence-based home-visiting services. The committee has discussed home visiting extensively with HSD and hopes the executive will support a limited Medicaid waiver program for a small, targeted sub-group of the 20 thousand children whose births were covered by Medicaid. The advantage of this approach is that many Medicaid clients are already in the system and the state can leverage federal funds at a 69 percent federal match rate.

The \$10 million recommendation for a hospital provider rate increase is to help offset the reduction in funding available for hospitals for uncompensated care (the former Sole Community Provider program, or SCP). At its peak, the SCP program provided more than \$275 million in annual funding to hospitals. However, problems surfaced with the methods counties used to provide the match for federal funds and the methodology used by HSD to calculate program payments. As a result of these issues, and the projected decrease in uncompensated care due to Medicaid expansion, the SCP program is being replaced by an uncompensated care pool (UC) estimated at \$69 million in 2014.

To offset the loss of SCP funds for hospitals, HSD proposed a hospital provider rate increase of approximately \$125 million to supplement the \$69 million UC program. This approach will require a state general fund contribution of approximately \$10 million, included in the LFC recommendation. However, to fund this \$194 million program, HSD sought county support to dedicate the second one-eighth gross receipt tax increment that currently goes to counties primarily for indigent care to support the hospital rate increase. Counties have objected, noting that in addition to using the one-eighth increment for matching Medicaid, the funds have supported a number of non-Medicaid behavioral health programs in the counties.

Nevertheless, HSD maintains the net gain to hospitals from the increased funding due to the federal match outweighs any loss to the counties from the transfer. Further, if counties retain the taxing authority, counties could receive an aggregate windfall of up to \$40 million due to counties no longer matching the uncompensated care program or spending substantial amounts for indigent health care, a reflection of the expansion of Medicaid to low-income adults. Without a guaranteed funding source from the counties, the hospital rate increase is likely not viable. Therefore, the LFC recommendation makes the \$10 million appropriation contingent on guaranteed county cost-sharing, which will require legislative action.

The recommendation supports HSD's \$9.2 million request for tobacco settlement program funds, which include \$1.3 million for breast and cervical cancer treatment and \$7.9 million for Medicaid, flat from FY14. A recent decision by the tobacco master settlement agreement arbitration panel on the 2003 arbitration puts the FY14 distribution at risk; DFA started reducing budget allotments in December, in anticipation of a \$24 million loss in funds. Whether or not the tobacco companies will pursue future arbitration on additional years is unclear, making future funding levels uncertain. LFC is recommending either legislation amending the tobacco statute to offset any reductions in the settlement distributions by intercepting transfers to the tobacco permanent fund or equivalent language in the General Appropriation Act.

In Income Support, TANF enrollment declined to 14,005 cases in October 2013, a 35 percent reduction since 2011. Major factors in the decline include a 15 percent reduction in benefits implemented in 2011 making the program less desirable, stronger enforcement of work-related requirements, and a higher number of clients opting for one-time diversion payments. However, federal block grant funding continues at \$110 million annually and, with the receipt of contingency funds of almost \$18 million in the past two years, HSD projects the carryover balance will be \$41 million at the end of FY14.

The total Income Support recommendation of \$932 million holds the general fund appropriation essentially flat while using TANF fund balance to support a number of key early childhood initiatives at the Children, Youth and Families Department, including new funding of \$6.1 million for prekindergarten and \$2 million for home visiting. The \$2 million for home visiting should allow another 572 families to receive services. The \$30.5 million recommendation for childcare is a \$3.25 million increase compared with FY14. With an average childcare subsidy of \$4.1 thousand, an additional 314 families could receive assistance.

The department is proposing \$2 million for substance abuse services for TANF clients (an increase of \$750 thousand) and \$1.7 million for the transitional employment program (an increase of \$600 thousand). Unlike the \$1 million wage subsidy program, which hires TANF clients into temporary positions mostly at income support offices, the transitional employment program includes a blend of work and paid hours to meet work-related requirements, such as obtaining a general equivalency diploma (GED) or attending substance abuse treatment. The LFC recommendation funds the transitional employment program at the requested level based on promising early results with employers. The recommendation provides a \$500 thousand increase for the substance abuse program; the program is just starting but TANF clients appear willing to participate in substance abuse counseling.

HSD's budget submission projected \$704 million in spending for the federal Supplemental Nutritional Assistance program (SNAP) in FY15 for over 200 thousand cases (almost 700 thousand individuals). The recommendation reduces the SNAP funding by \$10 million following a December forecast update. The SNAP program is due for federal reauthorization and multiple proposals under consideration could change eligibility or reduce benefit levels.

The Behavioral Health Services Division (BHSD) administers non-Medicaid federal and state funds for substance abuse and mental health services and provides key staff support to the Behavioral Health Collaborative, which provides behavioral health services statewide through a contract with OptumHealth. The recommendation of \$60.4 million includes \$38 million in general fund support, reflecting a \$3 million overall reduction in state-funded services due to Medicaid expansion, \$1 million in savings from discontinuing the managed care contract, and \$110.4 thousand in vacancy savings.

HSD is projecting savings of \$15.3 million of the \$42 million base general fund in the Behavioral Health Services Division (BHSD) due to an estimated 15 thousand clients newly eligible for Medicaid coverage starting in 2014 for behavioral health services out of the 25 thousand currently receiving services. However, HSD requested to reallocate \$12.1 million of the general fund savings in an expansion request in three areas: First, HSD would increase funding for non-Medicaid services by \$4 million, including \$2.5 million for supportive housing, veterans' services, and mental health peer support workforce development and \$1.5 million to increase provider base funding for non-Medicaid services. Second, HSD would include \$3.5 million in value-added services, including \$2.5 million for transitional living services for clients with mental illness and \$1 million to fund the behavioral health phone crisis line. Finally, HSD proposed \$4.6 million for quality and compliance initiatives, including \$350 thousand to fund an in-house compliance and audit function with 5 FTE, \$1.2 million for audit support, and \$3 million in technical services and training of provider agencies.

HSD's request for quality and compliance staff and related contract support has been highly scrutinized because of the controversy over HSD's actions with 15 behavioral health contractors and the role of behavioral health managed care contractor, OptumHealth. At a cost of approximately \$1.7 million, HSD used the Public Consulting Group (PCG) in early 2014 to audit 15 New Mexico behavioral health providers in response to concerns about billing and treatment practices. PCG's report identified \$36 million in potential overpayments due to questionable billing practices from 2009-2012 attributable to the 15 providers. In addition to poor recordkeeping, the audit also identified a number of questionable related-party transactions.

HSD referred the report to the Attorney General for investigation by the Medicaid Fraud Unit. HSD also placed a hold on Medicaid reimbursements effective July 1, 2013, for all 15 providers, asserting that federal regulations require a pay-hold when there are credible allegations of Medicaid fraud. With cash-strapped providers at risk of closing during July, the pay-holds proved very controversial, particularly because federal guidance appeared to provide the HSD with ample flexibility to avoid a pay-hold if doing so might damage the behavioral health system. The pay-holds did disrupt services; 12 of 15 providers eventually ran short on funds and closed their doors after transitioning their clients to five Arizona-based providers selected by HSD. During the transitions, clients lost timely access to services, often due to medical staff shortages at some of the new providers, and disruptions continued well into fall 2013.

The PCG audit demonstrated HSD and OptumHealth exercised inadequate control and oversight over the provision and billing of behavioral health services. Because OptumHealth was intimately involved with approval of provider billings as well as oversight and quality assurance, many have questioned how the behavioral health system could reach such a state of disarray under OptumHealth and BHSD that 12 providers would essentially be put out of business by HSD. HSD's contract with OptumHealth expires at the end of 2013 with the implementation of Centennial Care; however, HSD is planning to extend the contract for up to 12 months and has not released a request for proposals for new vendors to help manage non-Medicaid behavioral health funding.

It does not appear a full-fledged managed care contractor is needed by HSD to assist in managing a reduced program for an estimated 10 thousand to 12 thousand remaining BHSD clients. Therefore, the LFC staff recommendation reflects cost savings of \$1 million from not using a managed care organization. However, the HSD expansion request for 5 FTE has some merit due to shortcomings in oversight identified in the PCG report. For a full discussion of the expansion request, see the narrative under the expansion section.

The Child Support Enforcement Program (CSEP) \$7.8 million general fund request for FY15 is essentially flat with FY14. CSEP receives a match rate of 66 percent federal funds to 34 percent state funds. CSEP benefited from additional federal incentive payments for meeting performance targets and expects incentive funding of \$1.3 million in FY15. CSEP reported FY13 child support collections of \$132.2 million, 2 percent higher than FY12. Key initiatives of the division to address delinquent support payments include a bench warrant amnesty program as well as a pilot project to charge select delinquent parents with abandonment of a child, a fourth-degree felony under New Mexico law.

For Program Support, the recommendation of \$48.3 million represents a 7.4 percent decrease compared with FY14, which included \$10 million of health exchange grant funds. The general fund recommendation includes \$11.3 million in base funding and \$3.5 million in expansion funding for information technology discussed below in the expansion section. As noted above, the LFC recommendation deletes 6 FTE vacant for at least two years; the program's average vacancy rate was 19.2 percent over the past two years.

BASE EXPANSION:

HSD requested \$11.7 million (\$4.9 million from the general fund and \$6.8 million in federal funds) to support the operations of its integrated eligibility system project (ASPEN), which will be fully operational in 2014. The \$11.7 million includes funding for 20 FTE, including 6 new regional help desk FTE (14 FTE are moved from capital outlay into the operating budget). The request also includes \$7.1 million for contractual software maintenance and \$2.8 million for hardware support and Department of Information Technology services. The recommendation provides \$8.3 million, including \$3.5 million from the general fund for ASPEN support. The 6 new FTE are not recommended given the high vacancy rate in the Program Support area for IT specialists.

As noted earlier, HSD requested \$12.1 million of base general fund support for the BHSD to be reallocated for other purposes. HSD requested a lump sum approval of \$12.1 million; the LFC approach breaks out the request and provides a recommendation for the three major components of the expansion identified by the department. First, the recommendation provides \$1.6 million of the \$4.6 million requested by HSD, including \$355 thousand for 5 FTE and \$1.2 million for contract support, to enhance program management and oversight. The recommendation does not include \$3 million requested by HSD primarily for technical assistance and training for behavioral health providers; the responsibility for this resides primarily with managed care contractors and the provider organizations. In addition, the LFC recommendation includes language specifying contractual services funding is not to be used for a managed care contractor; the BHSD should be able to manage the oversight of behavioral health contractors with BHSD staff and the Medicaid Centennial Care contractors. The department and LFC have discussed use of a third-party administrator to help BHSD pay claims from multiple funding sources; the distinction is that the primary role of the third-party administrator will be paying claims, not management or oversight.

LFC recommends a total of \$7 million for non-Medicaid services (including \$3 million reallocated from the oversight request). Given the new availability of Medicaid benefits for adults it will be critical to reprioritize future general fund appropriations to address behavioral health service gaps. For example, some key services not eligible for Medicaid reimbursement may be worthy of increased state support, including treatment for undocumented aliens, in-patient substance abuse treatment for adults, treatment for adults in freestanding psychiatric hospitals, transportation, certain medications, and room and board for clients in supportive housing. Finally, the LFC recommendation includes the HSD's request for \$3.5 million in value-added services, such as transitional living and the behavioral health crisis and access phone line.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include one million three hundred twelve thousand four hundred dollars (\$1,312,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and seven million nine hundred seven thousand three hundred dollars (\$7,907,300) from the tobacco settlement program fund for Medicaid programs.

The general fund appropriation to the medical assistance program of the human services department in the other category includes five hundred thousand dollars (\$500,000) for a centennial care or other managed care waiver to include evidence-based home visiting services for pregnant women and families of children under two years of age identified as high risk by the department.

The general fund appropriation to the medical assistance program of the human services department in the other cost category includes ten million dollars (\$10,000,000) for a Medicaid provider rate increase for hospitals, contingent on enactment of legislation providing for a direct matching contribution from the counties.

The appropriations to the medical assistance program of the human services department assume the state will receive a federal medical assistance percentage (FMAP) rate of 100 percent for those enrolled in the new adult category, including those currently enrolled in the state coverage insurance program, beginning January 1, 2014, 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 FMAP rates established by the Affordable Care Act, the human services department shall reduce or rescind eligibility for the new adult category.

The general fund appropriation to the medical assistance program of the human services department in the contractual services category includes one hundred thousand dollars (\$100,000) to contract with a consortium of primary care training programs.

No less than fifteen percent and no more than twenty-five percent of the federal funds for the low-income home energy assistance program shall be used for weatherization programs.

The federal funds appropriations to the income support program of the human services department include 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-six million six hundred forty-three thousand nine hundred dollars (\$56,643,900) from the federal temporary assistance for needy families block grant to provide cash assistance grants to participants as defined in the New Mexico Works Act, including wage subsidies for participants, clothing allowances, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include nine million seven hundred thousand dollars (\$9,700,000) from the federal temporary assistance for needy families block grant for job training and placement and job-related transportation services, seven hundred thousand dollars (\$700,000) for employment-related costs, one million seven hundred fifty thousand dollars (\$1,750,000) for a substance abuse treatment program and one million seven hundred thousand dollars (\$1,700,000) for a transitional employment program.

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, two million dollars (\$2,000,000) for home visiting and six million one hundred thousand dollars (\$6,100,000) for prekindergarten.

The appropriations to the income support program of the human services department include seven million one hundred twenty-seven thousand three hundred dollars (\$7,127,300) from the general fund and two million eight hundred fifteen thousand three hundred dollars (\$2,815,300) from other state funds for general assistance. Any unexpended balances remaining at the end of fiscal year 2015 from the other state funds appropriation derived from reimbursements received from the social security administration for the general assistance program shall not revert.

The general fund appropriations to the income support program of the human services department include two hundred ten thousand nine hundred dollars (\$210,900) for the Navajo sovereign temporary assistance for needy families program.

The general fund appropriations to the income support program of the human services department include thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The human services department shall provide the department of finance and administration and the legislative finance committee quarterly reports on the expenditures of the federal temporary assistance for needy families block grant and state maintenance-of-effort expenditures.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes seven hundred fifty thousand dollars (\$750,000) for operational expenses of the Los Lunas substance abuse treatment center.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes two hundred fifty thousand dollars (\$250,000) for non-medicaid in-patient psychiatric services in southern New Mexico.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes one hundred fifty thousand dollars (\$150,000) for residential substance abuse treatment for women in northern New Mexico.

The behavioral health services program of the human services department shall not use funding in the contractual services category or other costs category to enter into a contract with a managed care company for management of non-Medicaid behavioral health funds.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	ASPEN - maintenance and operations- 6 FTE	(P522)	11,790.6	8,326.2
2	Behavioral health services division expansion	(P767)	12,100.3	0.0
3	Non-Medicaid behavioral health services	(P767)	0.0	7,000.0
4	Behavioral health oversight, contacts-5 FTE	(P767)	0.0	1,600.0
5	<u>Transitional living and crisis access line</u>	(P767)	0.0	3,500.0
TOTAL			23,890.9	20,426.2

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)**

		FY15 - 2014-2015				
		FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES						
	General Fund Transfers	817,710.8	838,826.7	813,133.1	809,655.1	-3.5
	Other Transfers	126,320.6	142,818.9	144,786.9	144,786.9	1.4
	Federal Revenues	2,433,482.6	2,963,631.5	3,293,230.2	3,283,488.7	10.8
	Other Revenues	132,673.5	119,440.4	93,265.7	93,265.7	-21.9
	SOURCES TOTAL	3,510,187.5	4,064,717.5	4,344,415.9	4,331,196.4	6.6
USES						
	Personal Services and Employee Benefits	11,588.0	13,315.9	13,134.4	12,876.9	-3.3
	Contractual Services	57,554.8	46,038.2	51,840.5	51,340.5	11.5
	Other	3,378,926.1	3,972,896.7	4,246,119.4	4,233,657.4	6.6
	Other Financing Uses	29,165.6	32,466.7	33,321.6	33,321.6	2.6
	TOTAL USES	3,477,234.5	4,064,717.5	4,344,415.9	4,331,196.4	6.6
FTE						
	Permanent	158.5	178.5	180.5	180.5	1.1
	Term	11.0	11.0	11.0	11.0	0.0
	TOTAL FTE POSITIONS	169.5	189.5	191.5	191.5	1.1

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of long-term care recipients who receive services within ninety days of eligibility determination	92%	90%	94%	94%	94%
* Outcome	Percent of children ages two to twenty-one years enrolled in medicaid managed care who had at least one dental visit during the measurement year	70%	70%	72%	72%	72%
* Outcome	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	66%	66%	72%	72%	72%
* Outcome	Average percent of children and youth ages twelve months to nineteen years in medicaid managed care who visited a primary care physician during the measurement year	86%	91%	92%	92%	92%
Outcome	Percent of recipients in medicaid managed care ages eighteen through seventy-five with diabetes who had a HbA1c test during the measurement year	84%	84%	88%	86%	88%
* Outcome	Percent of children in medicaid managed care ages five to eleven years who are identified as having persistent asthmas and who were appropriately prescribed medication during the measurement year.	93%	89%	95%	90%	95%
Output	Number of recipients who transition from nursing facilities who are served and maintained with community-based services for six months		43	150	150	150
* Outcome	Number of emergency room visits per one thousand medicaid member months		59	45	62	45
Outcome	Percent hospital readmissions for children ages two to seventeen years, within thirty days of discharge		7%	10%	10%	10%
* Outcome	Percent hospital readmissions for adults eighteen and over, within thirty days of discharge		7%	10%	10%	10%
Outcome	Rate of return on investments for medicaid recoveries		\$5.00	\$3.00	\$3.00	\$3.00
Output	Expenditures for children and youth receiving services through medicaid school-based service programs				TBD	TBD
Output	Number of recipients in medicaid managed care ages seventy-four and older and ages sixty-five to seventy-four who are identified at risk for falls who have been asked at least annually about the occurrence of falls and the number of members who were treated for related risks				TBD	TBD

MEDICAID BEHAVIORAL HEALTH

The purpose of the medicaid behavioral health program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost health care.

		BUDGET SUMMARY (dollars in thousands)		FY15 - 2014-2015		Percent
		FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	87,329.0	90,620.0	95,611.0	95,611.0	5.5
	Federal Revenues	202,939.0	215,452.0	305,120.0	305,120.0	41.6
	SOURCES TOTAL	290,268.0	306,072.0	400,731.0	400,731.0	30.9
USES						
	Other	289,036.0	306,072.0	400,731.0	400,731.0	30.9
	TOTAL USES	289,036.0	306,072.0	400,731.0	400,731.0	30.9
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <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	7.4%	6.74%	7%	8%
*	Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative statewide entity contract	84,559	86,229	85,000	103,000

INCOME SUPPORT

The purpose of the income support program is to provide cash assistance and supportive services to eligible low-income families so they can achieve self-sufficiency. Eligibility requirements are established by state law within broad federal statutory guidelines.

		BUDGET SUMMARY (dollars in thousands)		FY15 - 2014-2015		Percent
		FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	40,542.9	44,841.1	45,389.9	44,943.3	0.2
	Federal Revenues	839,384.0	868,195.3	885,463.9	883,447.2	1.8
	Other Revenues	3,613.1	3,723.2	3,512.2	3,512.2	-5.7
	SOURCES TOTAL	883,540.0	916,759.6	934,366.0	931,902.7	1.7
USES						
	Personal Services and Employee Benefits	48,068.5	54,033.9	55,044.8	53,981.5	-0.1
	Contractual Services	18,341.6	24,892.2	28,355.5	28,355.5	13.9
	Other	788,311.9	809,800.0	823,533.2	810,783.2	0.1
	Other Financing Uses	24,300.2	28,033.5	27,432.5	38,782.5	38.3
	TOTAL USES	879,022.2	916,759.6	934,366.0	931,902.7	1.7
FTE						
	Permanent	976.0	1,031.0	1,031.0	1,011.0	-1.9
	Term	34.0	54.0	54.0	54.0	0.0
	Temporary	50.0	50.0	50.0	50.0	0.0
	TOTAL FTE POSITIONS	1,060.0	1,135.0	1,135.0	1,115.0	-1.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>	
*	Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	42%	53%	50%	50%	55%
*	Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	49	57%	60%	60%	60%
*	Outcome	Percent of eligible children in families with incomes of one hundred thirty percent of the federal poverty level participating in the supplemental nutrition assistance program	82%	80%	88%	88%	88%
	Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	99%	99%	99%	98%	99%
*	Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	45%	49%	50%	50%	55%
	Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	99%	99%	99%	98%	99%

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to lead and oversee the provision of an integrated and comprehensive behavioral health prevention and treatment system so that the program fosters recovery and supports the health and resilience of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
				<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	General Fund Transfers	42,081.9	42,361.5	39,125.6	38,015.2	-10.3
	Federal Revenues	17,938.9	16,968.1	22,379.2	22,331.9	31.6
	Other Revenues	25.0	21.0	21.0	21.0	0.0
	SOURCES TOTAL	60,045.8	59,350.6	61,525.8	60,368.1	1.7
USES						
	Personal Services and Employee Benefits	1,948.1	2,759.9	3,219.5	3,061.8	10.9
	Contractual Services	56,324.7	54,714.8	57,750.5	56,750.5	3.7
	Other	542.7	523.2	555.8	555.8	6.2
	Other Financing Uses	1,228.8	1,352.7	0.0	0.0	-100.0
	TOTAL USES	60,044.3	59,350.6	61,525.8	60,368.1	1.7
FTE						
	Permanent	26.0	28.0	33.0	33.0	17.9
	Term	7.0	9.0	12.0	9.0	0.0
	TOTAL FTE POSITIONS	33.0	37.0	45.0	42.0	13.5

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>	
	Output	Percent of youth on probation who were served by the statewide entity	40.0%	56.7%	48.0%	54.0%	55.0%
*	Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the alcohol domain	87.7%	79.5%	90.0%	88.0%	90.0%
*	Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the drug domain	72.0%	70.6%	80.0%	77.0%	80.0%

PERFORMANCE MEASURES (continued)

			<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
*	Outcome	Number of suicides among those ages fifteen to nineteen years served by the statewide entity	0	4	2	3	2
	Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	67%	74%	75%	70%	75%
	Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	35.6%	39.6%	45.0%	45.0%	50.0%
*	Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	55.3%	58.8%	60%	65%	65%
	Outcome	Percent increase in the number of pregnant women with substance abuse disorders receiving treatment by the statewide entity		3.5%	5%	10%	10%
	Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age appropriate proficiency scores in math (eighth grade)		13.3%	13.0%	12.5%	13.0%
	Outcome	Percent reduction in the gap between children in school receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in reading (fifth grade).		8.1%	10.0%	7.3%	10.0%
	Output	Increase in the number of persons served through telehealth in rural and frontier counties			1,250	1,300	1,300
	Outcome	Percent of children served who demonstrate improved functioning as measured by the child and adolescent functional assessment scale			60%	44%	60%
	Output	Number of health homes established statewide			2	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				60%	60%

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)

		<u>FY15 - 2014-2015</u>				<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
		<u>FY13</u> <u>2012-2013</u> <u>Actuals</u>	<u>FY14</u> <u>2013-2014</u> <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	7,677.8	7,827.4	7,835.0	7,835.0	0.1
	Federal Revenues	19,309.3	19,792.5	19,807.4	19,807.4	0.1
	Other Revenues	3,646.0	5,918.3	5,229.6	5,229.6	-11.6
	SOURCES TOTAL	30,633.1	33,538.2	32,872.0	32,872.0	-2.0
USES						
	Personal Services and Employee Benefits	18,614.0	20,294.2	20,316.6	20,316.6	0.1
	Contractual Services	6,462.4	7,803.4	7,334.1	7,334.1	-6.0
	Other	4,501.3	5,440.6	5,221.3	5,221.3	-4.0
	TOTAL USES	29,577.7	33,538.2	32,872.0	32,872.0	-2.0
FTE						
	Permanent	383.0	383.0	383.0	383.0	0.0
	TOTAL FTE POSITIONS	383.0	383.0	383.0	383.0	0.0

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
*	Outcome	Percent of cases having current support due and for which support is collected	55.6%	55.8%	60.0%	60.0%
*	Outcome	Amount of child support collected, in millions	\$129.6	\$132.2	\$135	\$136.0
*	Outcome	Percent of cases with support orders	78%	83%	80%	84%
*	Outcome	Percent of children born out of wedlock with paternity establishment in child support cases	99.4%	102.7%	95%	100%

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)

		FY15 - 2014-2015				Percent Incr (Decr)
		FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	General Fund Transfers	12,042.3	12,138.6	16,932.4	14,828.3	22.2
	Federal Revenues	27,166.0	36,044.9	32,360.3	29,470.4	-18.2
	Other Revenues	3,412.4	3,991.2	4,031.0	4,031.0	1.0
	SOURCES TOTAL	42,620.7	52,174.7	53,323.7	48,329.7	-7.4
USES						
	Personal Services and Employee Benefits	15,191.8	18,029.2	19,972.7	18,012.8	-0.1
	Contractual Services	13,803.5	20,840.5	16,217.8	13,183.7	-36.7
	Other	13,625.4	13,305.0	17,133.2	17,133.2	28.8
	TOTAL USES	42,620.7	52,174.7	53,323.7	48,329.7	-7.4
FTE						
	Permanent	239.0	258.0	268.0	256.0	-0.8
	TOTAL FTE POSITIONS	239.0	258.0	268.0	256.0	-0.8

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	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	70.9%	90%	95%	90%	90%
Outcome	Percent of invoice payments completed within thirty days of date of a payable invoice	99.9%	99%	100%	100%	100%
Output	Percent of timely final decisions on administrative disqualification hearings	100%	100%	100%	100%	100%
* Efficiency	Percent compliance with internal schedule for turnaround time associated with the expenditure of federal funds and the request for reimbursement for expenditures from federal treasury	73%	86%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date	100%	100%	100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau		15%	12%	12%	12%
Outcome	Percent of funds for which a quarterly trial balance review is completed within forty-five days after the accounting period has closed		94%	100%	100%	100%

STATUTORY AUTHORITY:

The Workforce Solutions Department was created in 2007 by Sections 9-26-1 through 9-26-15 NMSA 1978 to establish a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Labor Department and the Office of Workforce Development. The department administers the Unemployment Compensation Act, Wagner-Peyser Act of 1993 as amended, Trade Adjustment Act of 1974, Unemployment Tax Act, Human Rights Act, and labor laws and regulations.

MISSION:

The mission of the Workforce Solutions Department is to improve the quality, career mobility, and empowerment of the New Mexico workforce, enhance productivity and competitiveness of New Mexico industry, and increase the self-sufficiency of those entering and moving up in the workforce.

	BUDGET SUMMARY (dollars in thousands)				
			<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,675.1	3,507.4	15,978.9	9,498.8	170.8
Other Transfers	4,731.5	6,273.8	10,170.2	10,881.0	73.4
Federal Revenues	46,005.3	62,781.5	49,477.7	49,477.7	-21.2
Fund Balance	2,189.0	4,688.9	10,170.2	9,981.0	112.9
SOURCES TOTAL	56,600.9	77,251.6	85,797.0	79,838.5	3.3
USES					
Personal Services and Employee Benefits	26,561.7	31,053.8	30,721.6	30,676.7	-1.2
Contractual Services	6,309.6	9,070.1	15,511.0	10,861.5	19.8
Other	21,540.6	32,438.8	29,394.2	28,319.3	-12.7
Other Financing Uses	2,189.0	4,688.9	10,170.2	9,981.0	112.9
TOTAL USES	56,600.9	77,251.6	85,797.0	79,838.5	3.3
FTE					
Permanent	428.0	429.0	420.0	390.0	-9.1
Term	151.0	114.0	137.0	124.0	8.8
Temporary	3.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	582.0	545.0	557.0	514.0	-5.7

BUDGET ISSUES:

The Workforce Solutions Department (WSD) is an agency in transition due to information technology (IT) modernization, declining federal funds, and high volumes of clients. New Mexico was awarded a total of \$49 million in Reed Act, federal stimulus, and federal integrity funds for the unemployment insurance (UI) modernization project. The UI system launched in January 2013; however, the agency also still maintains a toll-free telephone number. The toll-free number allows dislocated workers to apply for unemployment insurance through the WSD call center instead of online. Additionally, WSD is predicting a loss of \$13.3 million, or 21 percent, in federal funds for FY15. To compensate for this large decrease in federal funds, the agency proposes to use a fund balance from the Employment Security Department (ESD) penalty and interest fund and requested \$12.5 million from the general fund, or a 356 percent increase over the FY14 appropriation. Of the \$12.5 million from the general fund requested in FY15, \$11.4 million is for the Workforce Technology Division (WTD) to manage the UI system, the toll-free number, and other miscellaneous IT expenditures.

WSD has fully expended all federal funds appropriated for the UI system over the last several years. In FY15, the agency requested \$7.1 million from the general fund for IT contracts with the same three contractors that implemented the system to address post-implementation issues and continued development mandated through federal directives. LFC recommends \$2.8 million for this purpose and further recommends the agency issue a new request for proposal (RFP) for system maintenance. Of the \$7.1 million requested, \$1.4 million was for project management, which LFC recommends be directly administered by the agency.

WTD also manages the toll-free telephone number for WSD and requested \$1.8 million, or 440 percent, over the FY14 appropriation from the general fund. The phone line is an alternative for dislocated workers to file for unemployment insurance, including non-English speaking clients and those who do not have access or the ability to file electronically. However, in 2013 both wait times and the time to issue a final determination increased. Wait times in 2013 grew to an average of 36 minutes. This growth in time was due to additional information being requested by the department when applying for unemployment insurance

at the front end and the complexity of individual claims. Attaining additional information on the front end has aided the agency in increasing performance on the back end for placement in services and issuing correct benefits to individuals. WSD also has an outstanding debt of \$3.9 million accumulated over several years to the Department of Information Technologies (DoIT) for the toll-free number. WSD has been negotiating with DoIT to address this deficit but will also most likely request a special appropriation for these funds. The LFC recommendation includes a \$1 million increase from the general fund for the toll-free number and recommends the full Legislature consider language allowing the agency to bypass pricing agreement authority set out in Section 9-27-20 and Section 9-27-25 NMSA 1978 that agreement currently results in the agency paying almost double the market rate for the toll-free number. This action would result in significant savings for the department.

The projected reduction of \$13.3 million in federal funds for FY15 is significantly greater than recent experience. Historically, WSD has underestimated federal funds in its budget request. For example, in FY14 the agency budgeted an additional \$11 million of federal funds in the operating budget process over the FY14 request. The greatest loss projected in federal funds for the agency is from the U.S. Department of Labor's (DOL) emergency unemployment compensation (EUC) fund, which accounts for the majority of the \$13.3 million predicted decrease. The uncertainty of federal fund levels due to sequestration, the federal shutdown, and prior emergency federal funds that may not appear in FY15 has lead to the agency requesting replacement of federal funds with general fund appropriations.

The agency is also using a fund balance of ESD penalty and interest fund balance, in the amount of \$8.9 million throughout the department. The ESD fund balance is projected to be \$9.2 million at the end of FY14, leaving \$1.8 million after FY15 appropriations. After FY15, this fund will be mostly depleted, resulting in another possible substantial increase of general fund revenues requested in FY16.

WSD also requested \$900 thousand from the general fund for the Labor Relations Division to replace a transfer of funds from Worker's Compensation Administration (WCA). Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1 million for operations of the Labor Relation Division.

LFC recommends \$9.5 million from the general fund, an increase of \$6 million, or 171 percent, above the FY14 appropriation.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include nine hundred thousand dollars (\$900,000) from the worker's compensation administration fund.

Notwithstanding Sections 9-27-20 and 9-27-25 NMSA 1978, the workforce solutions department shall award a contract for the operation of the toll-free phone number for unemployment insurance claims through a competitive sealed bid or competitive sealed proposal process pursuant to the Procurement Code.

WORKFORCE TRANSITION SERVICES

The purpose of the workforce transition program is to administer an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.

BUDGET SUMMARY					
(dollars in thousands)					
<u>FY15 - 2014-2015</u>					
	FY13	FY14	Agency	LFC	Percent
	2012-2013	2013-2014	Request	Recommendation	Incr
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	1,372.9	1,260.3	1,260.3	1,260.3	0.0
Other Transfers	631.3	2,748.2	4,565.9	4,565.9	66.1
Federal Revenues	16,398.1	18,962.6	15,627.3	15,627.3	-17.6
Fund Balance	639.0	2,213.5	4,565.9	4,565.9	106.3
SOURCES TOTAL	19,041.3	25,184.6	26,019.4	26,019.4	3.3
USES					
Personal Services and Employee Benefits	14,800.0	17,006.8	16,645.8	16,645.8	-2.1
Contractual Services	946.1	1,703.9	1,313.4	1,313.4	-22.9
Other	2,656.2	4,260.4	3,494.3	3,494.3	-18.0
Other Financing Uses	639.0	2,213.5	4,565.9	4,565.9	106.3
TOTAL USES	19,041.3	25,184.6	26,019.4	26,019.4	3.3
FTE					
Permanent	249.0	249.0	239.0	225.0	-9.6
Term	120.0	82.0	105.0	92.0	12.2
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	371.0	331.0	344.0	317.0	-4.2

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new employer accounts completed within ninety days	89%	85%	87%	85%	85%
* Outcome	Percent of youth who entered employment or are enrolled in post secondary education or advanced training after receiving Workforce Investment Act services	57%	57%	57%	57%	57%
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	72%	66%	75%	75%	75%
Output	Number of adults and dislocated workers receiving Workforce Investment Act services	2,206	2,603	3,500	2,500	2,600
* Output	Average time to complete a transaction with the unemployment insurance call center, in minutes	15 min	36 min	10min	20 min	15 min
Outcome	Percent of recently separated veterans entering employment	45%	45%	60%	60%	50%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	39%	39%	45%	45%	45%
Output	Total number of individuals receiving Wagner-Peyser employment services			150,000	150,000	150,000
Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services			51%	51%	51%
* Outcome	Percent of those who received Wagner-Peyser employment services retaining employment after six months			70%	70%	70%
Outcome	Average six-month earnings of people entering employment after receiving Wagner-Peyser employment services			\$12,500	\$12,500	\$12,500
Outcome	Percent of recently separated veterans retaining employment after six months			65%	65%	65%
Outcome	Average six-month earnings of people entering employment after receiving veterans' services			\$16,000	\$16,000	\$16,000
Output	Percent of all first payments made within fourteen days after the waiting week			85%	85%	85%
Output	Percent accuracy rate of claimant separation determinations			75%	75%	75%
* Outcome	Percent of individuals who enter employment after receiving Workforce Investment Act services			65%	65%	65%
* Output	Percent of individuals who receive Workforce Investment Act services that retain employment			85%	85%	85%
Outcome	Percent of member deliveries that received a prenatal care visit in the first trimester or within forty-two days of eligibility			85%	85%	85%
Output	Number of youth receiving Workforce Investment Act services			1,400	1,400	1,400
Output	Percent call adherence measurement within the customer service operations center			75%	75%	75%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,291.2	1,299.5	2,371.0	1,299.5	0.0
Other Transfers	2,550.0	2,146.5	1,249.0	2,149.0	0.1
Federal Revenues	235.8	179.0	179.0	179.0	0.0
Fund Balance	1,550.0	1,249.5	1,249.0	1,249.0	0.0
SOURCES TOTAL	5,627.0	4,874.5	5,048.0	4,876.5	0.0
USES					
Personal Services and Employee Benefits	1,963.7	2,142.3	2,115.2	2,070.3	-3.4
Contractual Services	231.6	63.0	67.0	65.0	3.2
Other	1,881.7	1,419.7	1,616.8	1,492.2	5.1
Other Financing Uses	1,550.0	1,249.5	1,249.0	1,249.0	0.0
TOTAL USES	5,627.0	4,874.5	5,048.0	4,876.5	0.0
FTE					
Permanent	32.0	32.0	34.0	31.0	-3.1
Term	3.0	3.0	2.0	2.0	-33.3
Temporary	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	33.0	-8.3

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Number of backlogged human rights commission hearings pending each quarter	0	0	0	0	0
Outcome	Percent of wage claims investigated and resolved within ninety days	89%	91%	90%	90%	90%
Output	Number of targeted public works inspections completed	1,184	1,730	1,500	1,500	1,500
Outcome	Number of discrimination claims investigated	597	589	500	500	550
Outcome	Percent of human rights cases that receive probable cause determinations that are resolved within one year			90%	90%	90%
Output	Percent of targeted public works inspections completed			90%	90%	90%

WORKFORCE TECHNOLOGY

The purpose of the workforce technology program is to provide and maintain customer-focused, effective and innovative information technology services for the department and its service providers.

**BUDGET SUMMARY
(dollars in thousands)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	841.6	613.4	12,013.4	6,783.0	1,005.8
Other Transfers	800.0	416.3	1,800.0	1,800.0	332.4
Federal Revenues	7,652.4	9,260.7	3,919.0	3,919.0	-57.7
Fund Balance	0.0	381.3	1,800.0	1,800.0	372.1
SOURCES TOTAL	9,294.0	10,671.7	19,532.4	14,302.0	34.0
USES					
Personal Services and Employee Benefits	2,818.0	3,173.7	2,840.4	2,840.4	-10.5
Contractual Services	4,752.1	4,053.0	10,179.4	5,749.0	41.8
Other	1,723.9	3,063.7	4,712.6	3,912.6	27.7
Other Financing Uses	0.0	381.3	1,800.0	1,800.0	372.1
TOTAL USES	9,294.0	10,671.7	19,532.4	14,302.0	34.0
FTE					
Permanent	34.0	34.0	30.0	30.0	-11.8
Term	6.0	5.0	6.0	6.0	20.0
TOTAL FTE POSITIONS	40.0	39.0	36.0	36.0	-7.7

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of time the unemployment framework for automated claims and tax services applications are available during scheduled uptime	100%	100%	100%	100%	100%
Outcome	Response time from system outage to restoration of service on unemployment framework for automated claims and tax services in minutes		13	20	20	20
* Outcome	Percent of time unemployment insurance benefits are paid within two business days of claimant certification	100%	100%	100%	100%	100%

BUSINESS SERVICES

The purpose of the business services program is to provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	0.0	210.7	94.3	
Other Transfers	0.0	54.7	30.0	30.0	-45.2
Federal Revenues	4,164.5	9,668.4	10,067.8	10,067.8	4.1
Fund Balance	0.0	0.0	30.0	30.0	
SOURCES TOTAL	4,164.5	9,723.1	10,338.5	10,222.1	5.1
USES					
Personal Services and Employee Benefits	1,593.8	2,113.5	1,953.0	1,953.0	-7.6
Contractual Services	26.4	126.6	3,203.4	3,087.0	2,338.4
Other	2,544.3	7,483.0	5,152.1	5,152.1	-31.1
Other Financing Uses	0.0	0.0	30.0	30.0	
TOTAL USES	4,164.5	9,723.1	10,338.5	10,222.1	5.1
FTE					
Permanent	28.0	28.0	24.0	22.0	-21.4
Term	3.0	3.0	7.0	7.0	133.3
Temporary	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	31.0	32.0	31.0	29.0	-9.4

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of employers sampled reporting customer satisfaction	99%	98%	99%	99%	99%
Output	Number of days to publish bureau-of-labor-statistics-provided seasonally adjusted business employment dynamics data quarterly at the state level on receipt from the bureau of labor statistics	4	5	4	4	4
* Output	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services	54,858	110,069	50,000	50,000	75,000

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	169.4	334.2	123.5	61.7	-81.5
Other Transfers	750.2	908.1	2,525.3	2,336.1	157.3
Federal Revenues	17,554.5	24,710.8	19,684.6	19,684.6	-20.3
Fund Balance	0.0	844.6	2,525.3	2,336.1	176.6
SOURCES TOTAL	18,474.1	26,797.7	24,858.7	24,418.5	-8.9
USES					
Personal Services and Employee Benefits	5,386.2	6,617.5	7,167.2	7,167.2	8.3
Contractual Services	353.4	3,123.6	747.8	647.1	-79.3
Other	12,734.5	16,212.0	14,418.4	14,268.1	-12.0
Other Financing Uses	0.0	844.6	2,525.3	2,336.1	176.6
TOTAL USES	18,474.1	26,797.7	24,858.7	24,418.5	-8.9
FTE					
Permanent	85.0	86.0	93.0	82.0	-4.7
Term	19.0	21.0	17.0	17.0	-19.0
TOTAL FTE POSITIONS	104.0	107.0	110.0	99.0	-7.5

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	57%	69%	75%	75%	70%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	4	4	4	4	4

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the 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)						
FY15 – 2014-2015						
	FY13	FY14	Agency	LFC	Percent	
	2012-2013	2013-2014	Request	Recommendation	Incr	
	Actuals	Budgeted			(Decr)	
SOURCES						
Other Revenues	12,206.6	11,622.2	11,689.2	12,178.6	4.8	
Fund Balance	0.0	67.0	0.0	0.0	-100.0	
SOURCES TOTAL	12,206.6	11,689.2	11,689.2	12,178.6	4.2	
USES						
Personal Services and Employee Benefits	7,500.0	8,171.6	8,419.4	8,426.3	3.1	
Contractual Services	255.6	365.3	465.0	420.0	15.0	
Other	2,076.6	2,252.3	2,804.8	2,432.3	8.0	
Other Financing Uses	1,000.0	900.0	0.0	900.0	0.0	
TOTAL USES	10,832.2	11,689.2	11,689.2	12,178.6	4.2	
FTE						
Permanent	133.0	123.0	123.0	123.0	0.0	
TOTAL FTE POSITIONS	133.0	123.0	123.0	123.0	0.0	

BUDGET ISSUES:

The Workers' Compensation Administration (WCA) requested \$11.7 million from other revenues. The request was flat compared with the FY14 appropriation. The request did not reflect transferring \$900 thousand to the Workforce Solutions Department (WSD) for FY15 as was included in the operating budget for previous years.

The agency request included a \$247.8 thousand increase, or 3 percent, over the FY14 operating budget for personal services and employee benefits. The FY14 operating budget funds 123 FTE and includes a 1.9 percent vacancy savings rate. Currently, there are seven funded vacancies, which are being actively recruited and six unfunded vacancies. The department requested to shift 1 FTE from the WCA program to the Uninsured Employer's Fund Program, which LFC recommends. The LFC recommendation adjusts employee benefits by \$7,000 to reflect the correct premiums assessed by the General Services Department not included in the agency request.

The agency request for the other category included a \$552.5 thousand increase, or 24.5 percent, over the FY14 operating budget. A majority of the increase, \$362 thousand, was for information technology (IT), including replacement of three file servers, and \$160 thousand to replace outdated furniture and other equipment. Additionally, the agency requested an increase of \$65 thousand, or 142.5 percent, in the subscriptions and dues category to fund license dues for on-staff attorneys, court monitoring fees, and renewals of current subscriptions and publications. LFC recommends an increase of \$180 thousand, or 8 percent over the FY14 operating budget.

WCA receives funding from quarterly fees of \$2 collected from employees and matched with an employer contribution of \$2 and a 30 cent assessment to support the uninsured employer's fund, for a combined total of \$17.20 per employee per year. The 30 cent assessment supports claims filed against employers noncompliant with the law requiring workers' compensation insurance. The base assessment for workers' compensation has not increased since it was first established in 1993.

The WCA fund generated revenues totaling \$12.6 million for FY13. Although, WCA is projecting revenues of \$11.7 million for FY15, the LFC recommendation assumes revenues continue at the FY13 level. The agency also has a fund balance of approximately \$8.6 million. Since 2007, WCA has transferred funds to the Workforce Solutions Department (WSD) for the Labor Relations Program. Historically, workers' compensation fees have provided more than adequate funding for the WCA's operating budget and, therefore, the committee recommends the continued transfer of \$900 thousand from the WCA to WSD.

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.

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of formal claims resolved without trial	73%	96%	86%	86%	86%
Output	Number of reviews of employers to ensure the employer has workers' compensation insurance	1,900	4,556	1,900	1,900	2,500
Output	Number of serious injuries and illnesses caused by workplace conditions	4,395	4,366	4,500	4,500	4,500
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.86	0.58	0.62	0.62	0.62
* Outcome	Percent of employers referred for investigation that are determined to be in compliance with insurance requirements of the Workers' Compensation Act	86%	72%	85%	85%	85%
Outcome	Percent of employers with worker compensation premium liabilities above five thousand dollars that have met reporting requirements for safety inspections	22.5%	19.7%	36%	36%	36%
Efficiency	Percent of employers experiencing three or more accidents within a twelve-month period that demonstrate a reduction in the number of accidents per year following workers' compensation administration safety inspection and consultation	63.4%	62.1%	65%	65%	65%
Efficiency	Average entry time for first reports of injury, in days	1	1	0	0	0
Outcome	Percent of data entry and coding accuracy	96%	95.5%	95%	95%	96%
* Output	Number of first reports of injury processed	31,925	28,738	33,000	37,200	37,200

UNINSURED EMPLOYERS FUND

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY13</u> <u>2012-2013</u> <u>Actuals</u>	<u>FY14</u> <u>2013-2014</u> <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Revenues	893.2	1,146.6	1,225.3	1,225.3	6.9
Fund Balance	0.0	2.0	0.0	0.0	-100.0
SOURCES TOTAL	893.2	1,148.6	1,225.3	1,225.3	6.7
USES					
Personal Services and Employee Benefits	0.0	231.4	308.0	308.0	33.1
Contractual Services	26.5	65.0	65.0	65.0	0.0
Other	560.9	852.2	852.3	852.3	0.0
TOTAL USES	587.4	1,148.6	1,225.3	1,225.3	6.7
FTE					
Permanent	3.0	3.0	4.0	4.0	33.3
TOTAL FTE POSITIONS	3.0	3.0	4.0	4.0	33.3

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)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,619.3	5,636.0	6,285.4	5,686.0	0.9
Other Transfers	466.0	466.0	466.0	466.0	0.0
Federal Revenues	28,226.1	39,875.7	41,781.3	40,429.9	1.4
Other Revenues	13.8	0.0	0.0	0.0	
Fund Balance	3,320.3	0.0	0.0	100.0	
SOURCES TOTAL	37,645.5	45,977.7	48,532.7	46,681.9	1.5
USES					
Personal Services and Employee Benefits	14,705.4	18,801.9	18,972.9	18,802.4	0.0
Contractual Services	503.0	1,116.0	1,179.4	1,116.1	0.0
Other	17,689.4	26,059.8	28,380.4	26,763.4	2.7
TOTAL USES	32,897.8	45,977.7	48,532.7	46,681.9	1.5
FTE					
Permanent	277.0	277.0	277.0	277.0	0.0
Term	24.0	20.0	20.0	20.0	0.0
TOTAL FTE POSITIONS	301.0	297.0	297.0	297.0	0.0

BUDGET ISSUES:

The general fund recommendation of \$5.7 million provides a 0.9 percent increase compared with the FY14 operating budget. The overall recommendation of \$46.7 million provides a 1.5 percent increase over FY14 but represents a large increase over FY13 actual expenditures. The major program for the agency is the Rehabilitation Services Program, which receives federal grant funding at a 78.7 percent match rate to 21.3 percent from the general fund.

The \$28.4 million recommendation for the Rehabilitation Services Program includes a 1.1 percent increase in general fund support for vocational rehabilitation. The agency reports fund balance available of approximately \$1.1 million; the recommendation reflects the use of \$100 thousand of this balance. The overall recommendation provides a 2.5 percent increase compared with the FY14 operating budget and includes a vacancy rate of 4.1 percent. The recommendation includes a transfer of \$466 thousand from the Commission for the Deaf and Hard-of-Hearing Persons to provide vocational training for hearing-disabled individuals. These funds qualify as state matching funds.

The agency requested a general fund increase of \$470.9 thousand, or 10.6 percent, to maximize federal funds potentially available for vocational rehabilitation. However, the agency has struggled to maintain a sufficient staffing level in the vocational rehabilitation program in order to provide services to clients to actually obtain the federal match. For example, actual spending for personal services and employee benefits in FY13 was \$2.2 million, or 22 percent under the FY13 appropriation for this category. Spending in the care and support line item, which funds services for clients, was only \$6.5 million in FY13, well under the provided budget. Although there is no longer a waiting list for vocational rehabilitation services, the total of 9,507 clients served in FY13 was 1,626 under the number of clients served in FY11. In addition, only 42 percent of clients obtained suitable employment outcomes in FY13.

The agency reports it is aggressively working with the administration to fill vacancies, but little progress has been made, with 49 positions vacant and a 24 percent vacancy rate in September 2013 (virtually unchanged since September 2012). The recommendation assumes additional staff will be hired to increase the number of clients served and increase the use of federal funds for clients.

The Independent Living Services Program contracts with five centers throughout the state to provide independent living services and supports to people with disabilities in their communities. The committee’s recommendation provides \$1.4 million in general fund support, flat with FY14. The Disability Determination Program is 100 percent federally funded through the Social Security Administration. The program adjudicates eligibility for supplemental security income (SSI) and social security disability insurance (SSDI) for all applicants from the state of New Mexico. DVR reports it processed approximately 25,884 claims in FY13 and that more than 77 thousand adults and children in New Mexico were on disability status in FY12, with total benefits paid out approaching \$1 billion. The recommendation holds the budget for the program flat compared with FY14 at \$16.7 million. Vacancies remain a concern in the Disability Determination Program. The program’s average vacancy rate over the past two fiscal years was 29 percent; unlike other DVR programs, the agency does not have complete authority to fill all vacancies due to federal requirements to advertise positions.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other category includes four hundred sixty-six thousand dollars (\$466,000) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

Any unexpended or unencumbered balance in the division of vocational rehabilitation remaining at the end of fiscal year 2015 from appropriations made from the general fund shall not revert to the general fund.

REHABILITATION SERVICES

The purpose of the rehabilitation services program is to promote opportunities for people with disabilities to become more independent and productive by empowering individuals with disabilities so they may maximize their employment, economic self-sufficiency, independence and inclusion and integration into society.

BUDGET SUMMARY						
(dollars in thousands)						
	FY13	FY14	FY15 - 2014-2015		Percent Incr (Decr)	
	2012-2013	2013-2014	Agency Request	LFC Recommendation		
	<u>Actuals</u>	<u>Budgeted</u>				
SOURCES						
General Fund Transfers	4,435.4	4,429.4	4,900.3	4,479.4	1.1	
Other Transfers	466.0	466.0	466.0	466.0	0.0	
Federal Revenues	16,548.5	22,829.5	24,580.1	23,383.7	2.4	
Other Revenues	8.6	0.0	0.0	0.0		
Fund Balance	2,064.7	0.0	0.0	100.0		
SOURCES TOTAL	23,523.2	27,724.9	29,946.4	28,429.1	2.5	
USES						
Personal Services and Employee Benefits	10,224.9	12,506.1	12,600.0	12,506.1	0.0	
Contractual Services	336.0	776.9	777.0	777.0	0.0	
Other	10,115.3	14,441.9	16,569.4	15,146.0	4.9	
TOTAL USES	20,676.2	27,724.9	29,946.4	28,429.1	2.5	
FTE						
Permanent	186.0	186.5	186.5	186.5	0.0	
Term	18.0	14.0	14.0	14.0	0.0	
TOTAL FTE POSITIONS	204.0	200.5	200.5	200.5	0.0	

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	718	706	950	800	850
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	42%	42%	60%	56%	56%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	97%	97%	97%	95%	97%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	97%	97%	97%	95%	97%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	9	3	9	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

INDEPENDENT LIVING SERVICES

The purpose of the independent living services program is to increase access for individuals with disabilities to technologies and services needed for various applications in learning, working and home management.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY13</u> <u>2012-2013</u> <u>Actuals</u>	<u>FY14</u> <u>2013-2014</u> <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,183.9	1,206.6	1,385.1	1,206.6	0.0
Federal Revenues	235.0	250.0	256.1	250.0	0.0
Other Revenues	3.6	0.0	0.0	0.0	
SOURCES TOTAL	1,422.5	1,456.6	1,641.2	1,456.6	0.0
USES					
Personal Services and Employee Benefits	36.0	34.6	35.1	35.1	1.4
Other	1,279.0	1,422.0	1,606.1	1,421.5	0.0
TOTAL USES	1,315.0	1,456.6	1,641.2	1,456.6	0.0
FTE					
Permanent	1.0	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	1.0	0.5	0.5	0.5	0.0

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Output	Number of independent living plans developed	859	700	875	875	875
* Output	Number of individuals served for independent living	1,003	1055	1,000	1,000	1,000

DISABILITY DETERMINATION

The purpose of the disability determination program is to produce accurate and timely eligibility determinations to social security disability applicants so they may receive benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	11,442.6	16,796.2	16,945.1	16,796.2	0.0
Other Revenues	1.6	0.0	0.0	0.0	
Fund Balance	1,255.6	0.0	0.0	0.0	
SOURCES TOTAL	12,699.8	16,796.2	16,945.1	16,796.2	0.0
USES					
Personal Services and Employee Benefits	4,444.5	6,261.2	6,337.8	6,261.2	0.0
Contractual Services	167.0	339.1	402.4	339.1	0.0
Other	6,295.1	10,195.9	10,204.9	10,195.9	0.0
TOTAL USES	10,906.6	16,796.2	16,945.1	16,796.2	0.0
FTE					
Permanent	90.0	90.0	90.0	90.0	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim	97.8		90	90	90
* Quality	Percent of initial disability determinations completed accurately	96.5%		98.8%	98.8%	98.8%

STATUTORY AUTHORITY:

Sections 28-10-1 through 28-10-8 NMSA 1978 created the Governor's Commission on Disability. The commission has 15 members, 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)

	<u>FY15 – 2014-2015</u>				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	948.9	1,042.7	1,464.4	1,087.7	4.3
Federal Revenues	53.0	432.6	432.6	432.6	0.0
Other Revenues	27.1	0.0	0.0	0.0	
Fund Balance	101.4	50.0	0.0	77.2	54.4
SOURCES TOTAL	1,130.4	1,525.3	1,897.0	1,597.5	4.7
USES					
Personal Services and Employee Benefits	678.2	901.9	1,037.7	988.2	9.6
Contractual Services	247.7	236.8	283.0	283.0	19.5
Other	150.9	386.6	576.3	326.3	-15.6
TOTAL USES	1,076.8	1,525.3	1,897.0	1,597.5	4.7
FTE					
Permanent	9.0	9.0	11.0	10.0	11.1
Term	0.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	9.0	13.0	15.0	14.0	7.7

BUDGET ISSUES:

The Governor's Commission on Disability's (GCD) budget request of \$1.9 million included an expansion request of 2 FTE and \$371.7 thousand. The request for general fund revenue of \$1.4 million is a \$421.7 thousand, or 40 percent, increase compared with FY14.

The FY15 request included \$432.6 thousand in federal funds and 4 FTE for the Technology Assistance Program (TAP), transferred from the Division of Vocational Rehabilitation (DVR) during the summer of 2013. TAP loans assistive technology devices to the disabled and assists with the financing for equipment purchases and home and vehicle modifications. The FY15 request also included \$120.9 thousand in general fund support and 1 FTE for the Brain Injury Advisory Council, transferred to the commission from the Developmental Disabilities Planning Commission (DDPC) by Laws 2013, Chapter 127 (House Bill 227).

The committee FY15 budget recommendation of \$1.6 million funds the agency's base budget request and provides additional general fund support for one expansion item but uses \$77.2 thousand in agency fund balance. As the commission is dependent on general fund appropriations for its base programs, it should actively seek grants and other revenue sources to support its operations.

The recommendation fully funds the commission's \$40 thousand request for adaptive driving training for the disabled and \$84 thousand for the Youth Leadership Program and the annual Southwest Conference on Disability in Albuquerque.

BASE EXPANSION:

The \$371 thousand general fund expansion request was for three separate items: 1) \$72.2 thousand for an access specialist FTE to ensure accessibility requirements for the disabled are included in construction projects; 2) \$250 thousand for assistive technology and home modifications; and 3) \$49.5 thousand for an administrative support FTE.

The committee recommendation includes funding for the first expansion item. The commission is applauded for the current work done by two staff members who assist architects and builders in meeting access requirements for the disabled. An additional FTE in this area is warranted and the recommendation includes \$72.2 thousand for this purpose. The \$250 thousand request for assistive technology and home modifications also has merit, but non-general funds sources should be explored.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Access specialist- 1 FTE (P698)	72.2	72.2
2	Assistive technology/home modifications (P698)	250.0	0.0
3	Executive secretary- 1 FTE (P698)	49.5	0.0
TOTAL		371.7	72.2

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability is to promote policies and programs that focus on common issues faced by New Mexicans with disabilities, regardless of type of disability, age or other factors. The commission educates state administrators, legislators and the general public on the issues facing New Mexicans with disabilities, especially as they relate to Americans with Disabilities Act directives, building codes, disability technologies and disability culture so they can improve the quality of life of New Mexicans with disabilities.

BUDGET SUMMARY
(dollars in thousands)

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	852.6	921.8	1,343.5	966.8	4.9
Federal Revenues	53.0	432.6	432.6	432.6	0.0
Other Revenues	27.1	0.0	0.0	0.0	
Fund Balance	101.4	50.0	0.0	77.2	54.4
SOURCES TOTAL	1,034.1	1,404.4	1,776.1	1,476.6	5.1
USES					
Personal Services and Employee Benefits	611.9	831.9	969.9	920.4	10.6
Contractual Services	243.2	207.2	248.8	248.8	20.1
Other	127.0	365.3	557.4	307.4	-15.8
TOTAL USES	982.1	1,404.4	1,776.1	1,476.6	5.1
FTE					
Permanent	8.0	8.0	10.0	9.0	12.5
Term	0.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	8.0	12.0	14.0	13.0	8.3

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Output	Number of meetings held to develop collaborative partnerships with other state agencies and private disability agencies to ensure that quality of life issues for New Mexicans with disabilities are being addressed	601	471	600	500	500
Outcome	Number of presentations and events in which agency participates and contributes	95	64	75	75	75
* Outcome	Percent of requested architectural plan reviews and site inspection completed	60%	90%	80%	80%	80%
Outcome	Number of constituent calls related to the Americans with Disabilities Act addressed				100	100
Output	Number of technology assistance program devices loaned statewide				100	100
Output	Number of technology assistance program outreach presentations, trainings and events				25	25

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)						
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	96.3	120.9	120.9	120.9	0.0	
SOURCES TOTAL	96.3	120.9	120.9	120.9	0.0	
USES						
Personal Services and Employee Benefits	66.3	70.0	67.8	67.8	-3.1	
Contractual Services	4.5	29.6	34.2	34.2	15.5	
Other	23.9	21.3	18.9	18.9	-11.3	
TOTAL USES	94.7	120.9	120.9	120.9	0.0	
FTE						
Permanent	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0	

PERFORMANCE MEASURES

Outcome		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Percent of individuals receiving education or training on brain injury issues who demonstrate increased knowledge		80%	99%	95%	95%	95%

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 must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. Laws 2003, Chapter 280, transferred the Office of Guardianship from the Attorney General to DDPC, and the agency is responsible for providing guardianship services to individuals assigned by the judiciary as being unable to manage their financial affairs (Section 45-5-310 NMSA 1978).

MISSION:

The New Mexico Developmental Disabilities Planning Council will engage in advocacy, capacity building, and systemic change activities to contribute to a culturally competent and coordinated system of community services, supports, and other forms of assistance that are individual- and family-centered and directed, and to enable individuals with disabilities to exercise self-determination, be independent, be productive, and be integrated and included in all facets of community life.

BUDGET SUMMARY
(dollars in thousands)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	4,457.7		4,837.6		6,148.7	5,073.8	4.9
Other Transfers	704.4		535.0		535.0	714.0	33.5
Federal Revenues	662.0		509.5		479.4	479.4	-5.9
Other Revenues	3.6		0.0		0.0	0.0	
Fund Balance	229.3		0.0		0.0	0.0	
SOURCES TOTAL	6,057.0		5,882.1		7,163.1	6,267.2	6.5
USES							
Personal Services and Employee Benefits	881.1		973.3		1,052.7	964.6	-0.9
Contractual Services	3,908.8		4,460.4		5,592.1	4,874.4	9.3
Other	505.8		448.4		518.3	428.2	-4.5
TOTAL USES	5,295.7		5,882.1		7,163.1	6,267.2	6.5
FTE							
Permanent	14.0		14.0		14.0	13.0	-7.1
Term	0.0		0.0		1.0	1.0	
TOTAL FTE POSITIONS	14.0		14.0		15.0	14.0	0.0

BUDGET ISSUES:

Three-quarters of DDPC's total requested increase of \$1.3 million, 21.8 percent over FY14, was from the general fund to address estimated client growth in the Office of Guardianship. For FY14 and FY15, DDPC projects to receive \$460 thousand and \$535 thousand annually from its agreement with the Medicaid program for guardianship services.

The Developmental Disabilities Planning Council collaborates with the Department of Health (DOH), Aging and Long-Term Services Department (ALTSD), and the Human Services Department (HSD) on issues of concern for people with developmental disabilities. Due to vacancies, the council has had difficulty meeting the requirement that 60 percent of the members on DDPC have developmental disabilities or be the parent, immediate relative, or legal guardian of a person with a disability.

For the Office of Guardianship, the number of clients receiving corporate guardianship at the end of FY13 was 1,039, an increase of 109 clients from FY12, or 11.7 percent. DDPC projects client growth at approximately 100 per year. Since the guardianship program was transferred from the Attorney General's Office in 2004, the program has grown from \$2.4 million to \$4.9 million, an increase of 100 percent; the number of FTE has grown from 2.5 to 5.5, an increase of 120 percent. Requests and court orders for state guardianship services "of last resort" are increasing faster than growth in revenues to support them, resulting in the need for the Office of Guardianship to enhance its fiscal management and oversight of the guardianship program.

DDPC reports meeting many of its performance targets; however, requested targets for FY15 for some measures were below FY13 performance.

The FY15 LFC recommendation for DDPC is \$6.3 million, a 6.5 percent increase over the FY14 operating budget. The recommendation includes \$5.1 million from the general fund, a 4.9 percent increase over FY14. The recommendation for the Office of Guardianship includes an additional \$179 thousand in Medicaid transfers; the Human Services Department indicates it

has been transferring funds to DDPC based on a capped agreement instead of numbers of served Medicaid clients and is in the process of amending this process to more accurately fund services for Medicaid-eligible clients. The recommendation for personal services and employee benefits adds 0.5 FTE within the DDPC Program, because this position has been filled for over a year, but does not add the additional FTE requested by the agency. The recommendation also deletes 0.5 FTE in the Office of Guardianship as requested and applies a 3 percent vacancy savings rate to the agency. Guardianship contractual services are recommended at \$4.5 million, an increase of 10 percent over FY14, and provide an additional \$250 thousand for corporate guardians and an additional \$163.4 thousand for mental health treatment guardians. The agency had a list of 115 individuals waiting for guardianship services at the end of FY13, and the recommended increase of \$413 thousand can serve 68 corporate guardian clients and 59 mental health treatment guardian clients. Legal services should be provided by the in-house legal staff or legal staff at HSD, and continuation of pro-bono legal services is encouraged to reduce the \$315 thousand in annual legal expenditures. The Office of Guardianship should consider seeking sources of funding other than general fund revenue, such as additional Medicaid funds, donations, and contributions. The office should also consider coordinating legal services with the Veterans' Services Department or Senior Citizens Law Office and researching and emulating other states' approaches to funding guardianship services.

In FY14, the agency consolidated its Santa Fe and Albuquerque offices to a single location in Albuquerque, but instead of moving into a state-owned space and reducing lease costs as recommended by the LFC, the agency doubled its lease costs. The recommendation provides the same amount of lease funding as in FY14 and recommends the agency move to state-owned space.

The agency requested \$130 thousand in contractual services to start a self-advocacy center in Las Cruces. The LFC recommendation does not include funds for a new facility, particularly given the management difficulties the agency experienced in FY13 and FY14, including executing guardianship contracts in a timely manner, paying providers for services rendered, and retaining staff when most were placed on paid administrative leave.

DDPC's FY12 annual external audit included three repeat findings, all based on inadequate internal financial controls. DDPC needs to review its internal control procedures in the preparation, recording, reconciliation, and review of its financial transactions and implement procedures to strengthen controls over its financial records. The agency should implement its plan to cross-train employees and distribute financial functions among administrative personnel, including its managers and directors.

The recommendation includes language so that unexpended revenue within the Office of Guardianship at the end of FY15 not revert and be available for expenditure in FY16 should the Legislature authorize these expenditures for the agency.

RECOMMENDED LANGUAGE:

Any unexpended balance in the office of guardianship of the developmental disabilities planning council remaining at the end of fiscal year 2015 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for persons with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY						
(dollars in thousands)						
	FY13	FY14	FY15 - 2014-2015		Percent Incr (Decr)	
	2012-2013 <u>Actuals</u>	2013-2014 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	689.1	702.6	1,010.7	733.2	4.4	
Other Transfers	273.9	75.0	75.0	75.0	0.0	
Federal Revenues	662.0	509.5	479.4	479.4	-5.9	
SOURCES TOTAL	1,625.0	1,287.1	1,565.1	1,287.6	0.0	
USES						
Personal Services and Employee Benefits	461.7	582.1	677.3	600.9	3.2	
Contractual Services	284.3	329.2	460.8	329.7	0.2	
Other	422.2	375.8	427.0	357.0	-5.0	
TOTAL USES	1,168.2	1,287.1	1,565.1	1,287.6	0.0	
FTE						
Permanent	8.5	8.5	9.0	8.0	-5.9	
Term	0.0	0.0	1.0	1.0		
TOTAL FTE POSITIONS	8.5	8.5	10.0	9.0	5.9	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of client contacts to assist on health, housing, transportation, education, child care, medicaid services and other programs	8,996	8,681	8,500	8,800	9,000
Output	Number of individuals trained on self-advocacy and disability-related issues	2,171	1,630	1,500	1,650	2,000
Output	Number of trainings conducted annually on self-advocacy and disability-related issues	128	120	115	120	130
Outcome	Percent of participants satisfied with trainings and delivery of services, as evidenced by satisfactory survey ratings	98%	98%	97%	98%	98%
Outcome	Percent of participant knowledge gained through education or training on self-advocacy and disability-related issues as evidenced by training tests	80%	82%	80%	82%	82%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who have received leadership and advocacy skill training		5%	5%	5%	5%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who are active on governmental and nonprofit boards, councils, committees and work groups		5%	5%	5%	5%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who participate in the legislative process		5%	5%	5%	5%

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)

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,768.6	4,135.0	5,138.0	4,340.6	5.0
Other Transfers	430.5	460.0	460.0	639.0	38.9
Other Revenues	3.6	0.0	0.0	0.0	
Fund Balance	229.3	0.0	0.0	0.0	
SOURCES TOTAL	4,432.0	4,595.0	5,598.0	4,979.6	8.4
USES					
Personal Services and Employee Benefits	419.4	391.2	375.4	363.7	-7.0
Contractual Services	3,624.5	4,131.2	5,131.3	4,544.7	10.0
Other	83.6	72.6	91.3	71.2	-1.9
TOTAL USES	4,127.5	4,595.0	5,598.0	4,979.6	8.4
FTE					
Permanent	5.5	5.5	5.0	5.0	-9.1
TOTAL FTE POSITIONS	5.5	5.5	5.0	5.0	-9.1

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Quality	Percent of protected persons provided with legal assistance satisfied with services, as evidenced by an annual satisfaction survey	93%	91%	90%	92%	92%
* Outcome	Percent of protected persons properly served with the least restrictive means, as evidenced by an annual technical compliance audit	95%	98%	95%	98%	98%
Quality	Percent of protected persons properly served by professional guardianship providers satisfied with services, as evidenced by an annual satisfaction survey	86%	90%	90%	90%	90%

STATUTORY AUTHORITY:

Sections 23-3-1 through 23-3-3 NMSA 1978 created the Miners' Hospital of New Mexico.

MISSION:

The mission of the Miners' Hospital of New Mexico, an agency of the state of New Mexico, is to be the leader in health care, providing quality acute care, long-term care, and related services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region.

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	4,863.1	5,976.3	6,000.0	5,800.0	-2.9
Federal Revenues	324.3	321.8	324.0	324.0	0.7
Other Revenues	21,159.3	21,923.7	21,897.8	21,890.0	-0.2
SOURCES TOTAL	26,346.7	28,221.8	28,221.8	28,014.0	-0.7
USES					
Personal Services and Employee Benefits	12,358.4	12,510.8	12,484.9	12,484.9	-0.2
Contractual Services	4,208.6	3,533.1	3,926.0	3,926.0	11.1
Other	4,840.7	6,201.6	5,810.9	5,803.1	-6.4
Other Financing Uses	4,863.1	5,976.3	6,000.0	5,800.0	-2.9
TOTAL USES	26,270.8	28,221.8	28,221.8	28,014.0	-0.7
FTE					
Permanent	210.5	210.5	210.5	210.5	0.0
Term	13.5	13.5	13.5	13.5	0.0
TOTAL FTE POSITIONS	224.0	224.0	224.0	224.0	0.0

BUDGET ISSUES:

The request of \$28.2 million was the same as the FY14 operating budget. The hospital receives revenue from the miners' hospital permanent fund, which represents approximately 1 percent of the land grant permanent fund, and had a balance of \$117.3 million at the close of FY13. For FY15, 5.5 percent of the five-year average market value of the miners' hospital permanent fund will be distributed to the miners' trust fund. The miners' trust fund also receives monthly distributions of rents and bonuses from the miners' income fund, a part of the land maintenance fund. The State Land Office projects that together these two revenue sources will generate \$5.8 million for FY15. The agency requested an appropriation of \$6 million from the miners' income fund.

The recommended FY15 funding level is \$28 million. It includes \$200 thousand less than requested from the miners' trust income fund and reduces out-of-state travel, while it fully funds risk coverage rates as prescribed by the General Services Department. Vacant positions are budgeted as requested with no additional vacancy rate applied over the agency applied rate of 13.2 percent. The agency requested a reduction from the FY14 operating budget in personal services and employee benefits because of the difficulty in recruiting and retaining personnel in the northeast region of the state. In FY13, the agency submitted budget adjustment requests that reduced \$1.5 million from the personal services and employee benefits category and added these funds to the contractual services category to provide funding for contract healthcare professionals. The recommendation reduces the other financing uses category below requested levels, ensuring the agency manages its budget and operations within projected revenue levels for the miners' trust fund. Hospital debt and interest payments are included in the recommendation at \$1.26 million.

In addition to being a hospital designated for miners, the hospital serves as the hospital for Colfax County. The acute care hospital provides inpatient and outpatient care and has two state-of-the-art operating rooms. The administration recruited surgeons and other healthcare professionals to the hospital to provide needed care and maximize use of the facilities. However, the inpatient census has been declining over the last two years, with an average of seven patients. The long-term care facility occupancy rate was 85 percent in FY13. The hospital reduced the infection rate following treatment to below 1 percent, and the percent of emergency room patients returning with the same or similar diagnosis to 1.6 percent, both commendable outcomes.

The agency received a capital outlay appropriation for \$3.2 million in FY14 from other state funds to build a new rural healthcare clinic. The agency secured other funds to build the clinic through bond refinancing and will seek reauthorization of these capital outlay funds to build a behavioral health clinic instead.

The medical center's FY12 audit includes two repeat findings. One finding cited security issues with the hospital's financial and medical electronic records such that a former employee still had access to records after leaving the agency. A repeat finding notes concerns over the disposition of long-term care residents' funds.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the healthcare program of miners' hospital of New Mexico in the other financing uses category includes five million eight hundred thousand dollars (\$5,800,000) 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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of budgeted revenue collected	100%	90%	100%	100%	100%
* Outcome	Annual percent of healthcare-associated infections	0%	0.08%	<1.5%	<1.5%	<1.5%
Outcome	Average patient length of stay, in days, for the acute care facility	2.9	2.9	4.0	4.0	3.0
* Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	9.2%	6.7%	<0.5%	<0.5%	<5.0%
Output	Number of outpatient visits	10,526	9,360	13,000	12,000	12,000
Output	Number of visits to the outreach clinic	474	229	500	500	500
Output	Number of surgeries performed	542	600	800	800	800
Outcome	Percent of occupancy at nursing home based on licensed beds	83%	70%	85%	85%	85%
Efficiency	Gross number of days in accounts receivable	62	38	70	50	50
* Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	5%	5.5%	<5%	<5%	<5%
Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes	22.8%	27%	<5%	<15%	<15%
Quality	Percent of emergency room patients returning to the emergency room with same or similar diagnosis within seventy-two hours of their initial visit	1%	1.6%	<1%	<1%	<1%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated		86%	>=80%	>=80%	>=80%
Quality	Rate of medication errors per one thousand medications administered		1.7%	<=2%	<=2%	<=2%
Outcome	Percent of patients who return to mobile outreach clinic every three years to evaluate the progression of their pulmonary disease disability		29%	50%	50%	50%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds		25%	85%	85%	85%
Output	Percent occupancy in acute care facility based on number of licensed beds		29%	60%	40%	40%

STATUTORY AUTHORITY:

The Department of Health (DOH) was created by Sections 9-1-7 through 9-7-15 NMSA 1978 to serve the citizens of New Mexico through programs designed to prevent disease and disability, promote health, and prevent or treat problems of mental health, substance abuse, developmental disabilities, and chronic disease. The agency licenses health and long-term care facilities and operates seven treatment centers, the state scientific laboratory, and public health offices in all counties. The department currently has eight programs: Public Health; Epidemiology and Response; Laboratory Services; Facilities Management; Developmental Disabilities Support; Health Certification, Licensing and Oversight; Administration; and Medical Cannabis.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Veterans' Home in Truth or Consequences, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	291,991.5	302,270.6	304,426.2	305,196.3	1.0
Other Transfers	22,766.5	25,979.7	25,499.9	28,269.2	8.8
Federal Revenues	95,904.2	107,246.9	101,248.9	101,248.9	-5.6
Other Revenues	111,191.6	109,683.5	116,791.6	116,812.8	6.5
Fund Balance	576.9	0.0	250.0	250.0	
SOURCES TOTAL	522,430.7	545,180.7	548,216.6	551,777.2	1.2
USES					
Personal Services and Employee Benefits	189,941.0	213,651.7	208,775.9	207,009.0	-3.1
Contractual Services	80,190.6	85,474.9	79,773.4	81,671.1	-4.5
Other	137,182.1	145,160.5	151,683.1	151,053.9	4.1
Other Financing Uses	96,352.5	100,893.6	107,984.2	112,043.2	11.1
TOTAL USES	503,666.2	545,180.7	548,216.6	551,777.2	1.2
FTE					
Permanent	2,923.5	2,787.5	2,784.0	2,772.0	-0.6
Term	1,001.5	982.5	977.5	977.5	-0.5
Temporary	21.0	21.0	15.0	15.0	-28.6
TOTAL FTE POSITIONS	3,946.0	3,791.0	3,776.5	3,764.5	-0.7

BUDGET ISSUES:

The Department of Health's FY15 total request was \$548.2 million, an increase of \$3 million, or 0.6 percent, over the FY14 operating budget. Transfers from the general fund were requested at \$304.4 million, an increase of \$2.2 million, or 0.7 percent. The department's request absorbed the increased insurance premium rates assessed by the General Services Department, identified 14.5 unfunded vacant FTE to be eliminated, and requested a general fund increase of \$5.2 million for the Family, Infant, Toddler (FIT) Program.

The department also requested the reallocation of general fund revenue and FTE in several program areas. A reallocation of \$330.6 thousand in general fund revenue was requested for the Administration Program to fund 3 existing unfunded information technology (IT) FTE to support provider and hospital electronic data reporting. A decrease of \$1.1 million in general fund revenue was requested in the Public Health Program reflecting vacancy savings. The Epidemiology and Response Program requested an increase of 11 FTE to compile and report data associated with stroke, heart attack, and fetal death registries and the emergency response system; to conduct behavioral health surveys; and to report on child health and education data associated with the federal Race to the Top grant. The request added \$878 thousand to the Laboratory Services Program to allow more laboratory analysts to testify as expert witnesses in court proceedings involving drug and alcohol toxicology reporting.

A reduction of \$868 thousand in general fund revenue was requested for the Facilities Management Program due to vacancy savings. The department requested a \$600 thousand increase for the Developmental Disabilities Support Program to offset a loss of federal funds for Medicaid administration. The Health Certification, Licensing and Oversight Program requested \$150 thousand to support the department's disengagement from the Jackson lawsuit regarding the state's obligation to provide services to developmentally disabled clients in a non-institutional setting.

The department also submitted a revised request in November after collaboration with the Legislative Finance Committee and Department of Finance and Administration (DFA). The department reduced general fund revenue by \$3 million in the Public Health and Facilities Management programs to offset an expected increase in Medicaid collections beginning in January 2014 due to the expansion of Medicaid eligibility for adults up to 138 percent of the federal poverty limit. In its revised request, the department also reduced the tobacco settlement revenue amount by \$3.4 million per instructions from DFA, and reallocated an additional \$1.8 million and 17 FTE from the Public Health and Facilities Management programs to the Developmental Disabilities Support and Health Certification, Licensing and Oversight programs for disengagement from the Jackson lawsuit.

The Department of Health (DOH) is the largest state agency, with 3,791 FTE authorized in FY14, and has maintained a 17 percent to 19 percent vacancy rate during the past year. The total FY15 request for personal services and employee benefits was \$208.8 million, a decrease of \$4.9 million, or 2.3 percent. The department requested 3,776.5 FTE, including elimination of 14.5 vacant FTE. In FY13, DOH transferred \$8.8 million out of personal services and employee benefits to other categories, including contract health services within the facilities. In FY13, DOH reverted \$16.4 million to the general fund, with \$7.7 million of the reversion from the Public Health Program, \$4 million from the Facilities Management Program, and \$4.7 million from the Developmental Disabilities (DD) Support Program due to uncertainties and timing with the rollout of the restructured DD Medicaid waiver that allows Medicaid payments for home-based care for the developmentally disabled.

The LFC recommendation for FY15 is \$551.8 million, an increase of 1.2 percent. The general fund recommendation is \$305.2 million, an increase of 1 percent. The recommendation includes an increase of \$5.2 million to support program growth and to cover the loss of federal funds for the Family, Infant, Toddler (FIT) Program. It also provides an additional \$4.1 million for services under the DD Medicaid waiver which when combined with an enhanced federal match rate of 69.4, would save \$441 thousand and allow the program to serve an additional approximately 225 individuals from the waiting list. The recommendation includes \$6.8 million in tobacco settlement program funds, maintaining the same program funding levels as FY14; an increase of \$125 thousand in the Developmental Disabilities Support Program to fund oral deaf spoken education for children with cochlear implants and hearing aids; and an additional \$50 thousand in the Public Health Program for Spanish dance programs in the schools intended to reduce childhood obesity. The recommendation reduces general fund revenue by \$3 million, \$1.5 million each from the Public Health and Facilities Management Programs, to offset an expected increase in Medicaid revenue collections and also reduces funding for rural primary care clinics by \$300 thousand because these clinics should also receive an increase in Medicaid revenue as the Medicaid program expands to cover more adults in FY14 and FY15. The recommendation also includes the deletion of 12 FTE in addition to the requested elimination of 14.5 FTE, for a total reduction of 26.5 FTE that have been vacant more than two years and are unfunded in the request. The recommendation applies an additional 2 percent vacancy rate to the Laboratory Services and Facilities Management programs and an additional 0.5 percent vacancy savings rate to the Administration Program.

The recommendation for the Public Health Program is \$184.2 million, a decrease of \$2.7 million, or 1.4 percent, from the FY14 operating budget. The general fund appropriation is recommended at \$63.9 million, a reduction of 5.3 percent from FY14. The agency requested and the recommendation includes an 11 percent vacancy savings rate, equating to a reduction of \$1.1 million in funding for personal services and employee benefits, and eliminates 20 unfunded FTE vacant for more than two years. Both the request and the recommendation also reduce an additional \$747 thousand and 3 FTE from the Public Health Program to transfer to the DD Support Program for Jackson lawsuit compliance efforts. The Public Health Program is advancing a voluntary initiative to achieve public health accreditation, although it did not achieve its goal of accreditation in 2012 or 2013.

DOH reports in FY13 New Mexico spent approximately \$90 per person for public health, of which 41 percent came from federal funds. According to the Trust for America's Health, New Mexico ranked 14th in per-capita spending on public health. The Public Health Program should continue to increase its Medicaid collections to offset any further loss of federal revenues and grants. The Public Health Program spends \$14.8 million on contracts with primary care providers, of which a substantial amount is spent on undocumented individuals living in the state. The issue of caring for undocumented persons is not addressed under federal health reform and will continue to put pressure on the public health budget. Other challenges for the program include rising medication and supply costs, including the cost of vaccines and contraceptives; regulation changes, including those for clinical laboratories; and changes in insurance billing and provider accounting for the federal vaccines for children program.

The recommendation for the Laboratory Services Program is \$13.1 million, a 3.8 percent increase over the FY14 operating budget and applies a vacancy savings rate of 10 percent for a savings of \$74 thousand in personal services and employee benefits. The recommendation adds \$306 thousand in general fund revenue to offset declining fees at the laboratory and increases the program's operating expenses by \$282 thousand. The program experienced declining performance in meeting its deadlines for analysis, testing, and reporting, but with the addition of FTE and operating expenses, the laboratories performance should improve.

The recommendation for the Facilities Management Program is \$136.5 million, a 1.9 percent decrease from the FY14 operating budget. The general fund transfers are recommended at \$59.4 million, an 8 percent decrease from the previous year. As requested, the recommendation deletes \$4.3 million and 31.5 FTE from the program, with 8 of these FTE reallocated to other programs. The recommendation applies an additional 2 percent vacancy rate to the program for a savings of \$1.2 million. In FY13, the program reverted \$4 million to the general fund, in addition to transferring \$5.6 million out of personal services and employee benefits to the contractual services and other categories. The recommendation does not include \$322 thousand in first-time general fund support to supplant federal Veterans' Services Administration funding for services at the State Veterans' Center. As requested, LFC recommends a \$1.5 million offset of general fund revenue with Medicaid revenues for FY15.

The Facilities Management Program operates six hospitals and an in-patient program. The average daily occupancy for all licensed beds at the end of FY13 was 66 percent and 87 percent for all staffed beds. The occupancy rate ranged from a high of 94 percent at the Turquoise Lodge behavioral health treatment center in Albuquerque to a low of 33 percent at the New Mexico Rehabilitation Center's medical rehabilitation unit in Roswell. Despite less than optimal occupancy, the Facilities Management Program continues to have considerable overtime costs of \$7.9 million, particularly at the Los Lunas Community Program (LLCP), that should be reduced as positions are filled and contract healthcare providers are deployed.

The Department of Health compiled demographic data regarding substance abuse in New Mexico that indicates the state's drug overdose death rate is the highest in the nation, prescription drug overdose deaths are more common than illicit drug overdose deaths, high substance abuse rates are distributed throughout the state, and the prescription opioid sales rate is greater than that of the United States. To address these alarming statistics, LFC recommends the department review the mission of its three chemical dependency treatment units in Albuquerque, Roswell, and Fort Bayard and determine if together these three facilities could provide a continuum of behavioral health treatment services for the many people in the state needing public assistance with behavioral health treatment, outpatient, and wraparound services.

The Children, Youth and Families Department (CYFD) conducted a survey of the Sequoyah Adolescent Residential Treatment Center in Albuquerque and identified deficiencies regarding medication errors, improper use of seclusion and restraints, improper and unsafe discharge of children, and potential abuse and neglect. DOH removed a physician at the facility who was overmedicating clients, stopped the excessive physical restraint, is investing in facility renovations to mitigate its deficiencies, is creating a restraint-free environment, and is further educating staff on appropriate procedures, including implementation of a new treatment initiative. However, the facility's census remains at 36 percent even though boys are waiting for admittance to the residential treatment center.

The recommendation for the Developmental Disabilities Support Program is \$162.2 million, an 8.3 percent increase from the FY14 operating budget. The general fund transfers are recommended at \$148.3 million, a 7.7 percent increase from the previous year. The recommendation adds \$4.1 million in general fund revenue for the DD Medicaid waiver to reduce the waiting list by about 225 clients, and applies the new federal Medicaid match rate of 69.4 percent instead of 69.23 percent for a savings of \$441 thousand, resulting in a total net increase of \$4.5 million. The recommendation also includes an additional \$5.2 million for the Family, Infant, Toddler (FIT) Program to accommodate the loss of federal funds and projected program growth of 8 percent. The FIT Program is expected to serve an additional 672 children, for a total of 14,127 infants and children. The recommendation includes funding for 6 of the 12 FTE requested to work on Jackson compliance and disengagement and includes \$100 thousand of the additional \$429 thousand requested for additional lawyer fees. The recommendation includes \$125 thousand formerly in the CYFD budget to fund oral deaf spoken education for children with cochlear implants and hearing aids.

At the end of FY13, 3,829 developmentally disabled clients were receiving services under the DD Medicaid waiver. Despite a \$6 million increase in general fund appropriations from FY11 to FY13, the number of clients served by the DD waiver only increased by 17 clients over the same period. However, 6,248 individuals were on the DD waiver waiting list in FY13, an increase of 847 people during the last three years. During the 2013 session, the Legislature appropriated \$4.6 million in general fund revenue for the DD waiver with an expectation to enroll an additional 227 individuals from the waiting list; and during the 2012 session, the Legislature appropriated \$2.8 million to enroll up to 150 additional clients. But to date, the Department of Health has enrolled relatively few of these additional clients and reverted \$4.7 million to the general fund at the close of FY13.

The Jackson lawsuit, filed in 1987, involves the state's obligation to provide services to DD clients in an integrated setting, as opposed to a state facility. The department was ordered to complete a plan of action and other items to ensure compliance with the findings of the court. DOH reports the program continues to address the requirements of the plan of action and other items to move toward full compliance with the court orders. A 2013 hearing indicated DOH was noncompliant with certain disengagement activities but also made progress in several areas. The department requested an additional \$1.6 million and 12 FTE to enhance its Jackson lawsuit compliance activities and efforts to disengage from the lawsuit in FY15. The recommendation adds \$685 thousand and 6 FTE to further these efforts.

The recommendation for the Health Certification, Licensing and Oversight Program is \$12.9 million, a decrease of 5.5 percent. However, transfers from the general fund are \$4.6 million, a 3.4 percent increase, due to the decreasing availability of federal funds to survey certified health facilities. The recommendation funds the initial request for \$150 thousand and 5 FTE reallocated from the Public Health Program to support disengagement from the Jackson lawsuit by conducting provider surveys and investigating reports of abuse, neglect, and exploitation for Jackson class members. However, the recommendation does not include the revised request for another \$394 thousand and 5 FTE for additional Jackson compliance and disengagement activities. The program is experiencing an increase in abuse, neglect, and exploitation complaint investigations, and because these investigations are labor-intensive (the average length of each facility survey is 46.2 hours), it is difficult for the program to hire and retain appropriately trained and credentialed staff. The program has found it increasingly difficult to complete all required provider surveys and incident investigations within specified timelines and its performance remains below target. The program should consider raising licensing fees and using these additional funds to address turnover and retention issues.

DOH is statutorily mandated to administer a program for regulating and ensuring access to medical cannabis for persons suffering from certain health conditions. The FY13 operating budget moved the Medical Cannabis Program from within the Public Health Program to a separate program. For FY15, the department is requesting, and LFC is recommending, 7 FTE and \$765 thousand in revenue generated from producer and client fees.

The recommendation for the Administration Program is \$19.1 million, an increase of 5 percent over the FY14 operating budget, with general fund transfers increased by 0.4 percent to \$12.2 million. The recommendation adds the requested FTE transferred from the Laboratory Services Program to support healthcare provider and hospital electronic data reporting but recommends the FTE be funded from vacancy savings, recommended at 10 percent, with a savings of \$30.6 thousand. The department's FY12 annual audit contained four findings, including accounts receivable and doubtful accounts that required a \$2.5 million adjustment, monthly reconciliations, financial close and reporting issues, purchase order violations, and untimely reversion to the general fund.

The department reports on relatively few performance measures directly relating to its strategic and mission objectives. Further, the department's performance suffers due to vacancies and it consistently performs below targeted levels. The agency should include more meaningful outcome measures, more national benchmark measures, and more efficiency measures denoting average cost per client, particularly for the Public Health, Developmental Disabilities Support and Facilities Management programs.

RECOMMENDED LANGUAGE:

Any unexpended balances in the public health program of the department of health in the contractual services category from appropriations made from the county-supported medicaid fund for the support of primary healthcare services related to the Rural Primary Health Care Act remaining at the end of fiscal year 2015 shall not revert.

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million six hundred eighty-two thousand dollars (\$5,682,000) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred forty-eight thousand dollars (\$748,000) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-eight thousand six hundred dollars (\$128,600) from the tobacco settlement program fund for breast and cervical cancer screening.

The general fund appropriation to the developmental disabilities support program of the department of health in the other financing uses category includes one hundred four million three hundred fifty thousand dollars (\$104,350,000) for medicaid waiver services in local communities: one million two hundred sixty-one thousand five hundred dollars (\$1,261,500) for medically fragile services and one hundred three million eighty-eight thousand five hundred dollars (\$103,088,500) for services to the developmentally disabled.

PUBLIC HEALTH

The purpose of the public health program is to provide a coordinated system of community-based public health services focusing on disease prevention and health promotion to improve health status, reduce disparities and ensure timely access to quality, culturally competent health care.

BUDGET SUMMARY
(dollars in thousands)

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	66,764.5	67,536.0	64,197.6	63,947.6	-5.3
Other Transfers	12,247.9	12,916.8	9,602.5	13,002.5	0.7
Federal Revenues	67,113.2	79,354.5	74,907.0	74,907.0	-5.6
Other Revenues	29,149.3	27,074.0	32,321.2	32,321.2	19.4
SOURCES TOTAL	175,274.9	186,881.3	181,028.3	184,178.3	-1.4
USES					
Personal Services and Employee Benefits	47,332.5	55,233.0	51,286.1	51,474.8	-6.8
Contractual Services	42,240.0	46,832.7	42,600.1	45,497.1	-2.9
Other	74,300.9	84,213.0	86,590.9	86,655.2	2.9
Other Financing Uses	662.1	602.6	551.2	551.2	-8.5
TOTAL USES	164,535.5	186,881.3	181,028.3	184,178.3	-1.4
FTE					
Permanent	343.5	323.5	318.5	318.5	-1.5
Term	613.5	596.5	581.5	581.5	-2.5
TOTAL FTE POSITIONS	957.0	920.0	900.0	900.0	-2.2

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Quality	Percent of quit now enrollees who successfully quit using tobacco at seven-month follow-up			40%	33%	33%
* Output	Percent of preschoolers (ages nineteen to thirty-five months) fully immunized	76.1%	80%	90%	N/A	85%
Outcome	Percent of elementary school students in community transformation communities participating in classroom fruit and vegetable tastings			New	40%	40%
Outcome	Percent of elementary school students in community transformation grant communities participating in walk and roll to school			New	14%	14%
* Quality	Percent of students using school-based health centers that receive a comprehensive well exam			New	25%	50%
* Outcome	Percent of teens participating in pregnancy prevention programs who report not being pregnant, or being responsible for getting someone pregnant, during the school year following participation at the end of the school year			New	100%	100%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,023.4	8,352.6	8,352.6	8,352.6	0.0
Other Transfers	177.2	160.6	439.8	439.8	173.8
Federal Revenues	13,249.7	14,645.1	12,747.3	12,747.3	-13.0
Other Revenues	1,087.0	1,048.3	1,252.2	1,252.2	19.5
Fund Balance	0.0	0.0	250.0	250.0	
SOURCES TOTAL	22,537.3	24,206.6	23,041.9	23,041.9	-4.8
USES					
Personal Services and Employee Benefits	10,228.2	11,885.2	12,354.5	12,354.5	3.9
Contractual Services	4,818.7	5,551.3	4,197.1	4,197.1	-24.4
Other	6,697.9	6,770.1	6,490.3	6,490.3	-4.1
TOTAL USES	21,744.8	24,206.6	23,041.9	23,041.9	-4.8
FTE					
Permanent	45.0	43.0	48.0	47.0	9.3
Term	125.0	123.0	129.0	129.0	4.9
TOTAL FTE POSITIONS	170.0	166.0	177.0	176.0	6.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Quality	Percent of acute care hospitals reporting stroke data into approved national registry			New	13.6%	13.6%
Quality	Percent of acute care hospitals reporting heart attack data into approved national registry			New	18.2%	18.2%
Efficiency	Percent of hospitals reporting bed availability in the healthcare emergency preparedness bed reporting system within four hours of request			New	75%	75%
Outcome	Percent of vital records front counter customers who are satisfied with the service they received			New	85%	85%
* Outcome	Ratio of infant pertussis cases to total pertussis cases of all ages			New	1:15	1:15
Output	Percent of emergency department and intensive care unit licensed staff at developing and existing trauma centers who have received training in traumatic injury care			80%	80%	80%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,206.1	7,606.1	8,483.8	8,388.7	10.3
Federal Revenues	2,381.1	2,138.7	2,138.7	2,138.7	0.0
Other Revenues	2,231.7	2,837.5	2,510.1	2,531.3	-10.8
SOURCES TOTAL	11,818.9	12,582.3	13,132.6	13,058.7	3.8
USES					
Personal Services and Employee Benefits	7,398.5	7,880.5	8,148.2	8,074.3	2.5
Contractual Services	181.5	190.8	190.8	190.8	0.0
Other	4,162.9	4,511.0	4,793.6	4,793.6	6.3
TOTAL USES	11,742.9	12,582.3	13,132.6	13,058.7	3.8
FTE					
Permanent	84.0	84.0	87.0	87.0	3.6
Term	49.0	49.0	49.0	49.0	0.0
TOTAL FTE POSITIONS	133.0	133.0	136.0	136.0	2.3

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen business days			New	90%	90%
* Efficiency	Percent of office of medical investigator cause of death toxicology cases that are completed and reported to the office of medical investigator within sixty business days			New	90%	90%
Efficiency	Percent of public health threat samples for communicable diseases and other threatening illnesses that are completed and reported to the submitting agency within published turnaround times			New	95%	95%
Efficiency	Percent of environmental samples for chemical contamination that are completed and reported to the submitting agency within sixty business days			New	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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	62,479.3	64,473.4	61,053.7	59,380.1	-7.9
Other Transfers	793.9	716.0	716.0	716.0	0.0
Other Revenues	73,585.2	73,893.1	76,360.5	76,360.5	3.3
SOURCES TOTAL	136,858.4	139,082.5	138,130.2	136,456.6	-1.9
USES					
Personal Services and Employee Benefits	97,697.4	107,290.3	103,959.9	102,771.0	-4.2
Contractual Services	10,661.1	9,499.5	11,014.2	10,691.9	12.6
Other	22,453.4	22,292.7	23,156.1	22,993.7	3.1
TOTAL USES	130,811.9	139,082.5	138,130.2	136,456.6	-1.9
FTE					
Permanent	2,206.0	2,093.0	2,067.5	2,067.5	-1.2
Term	5.0	5.0	5.0	5.0	0.0
Temporary	21.0	21.0	15.0	15.0	-28.6
TOTAL FTE POSITIONS	2,232.0	2,119.0	2,087.5	2,087.5	-1.5

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Percent of staffed beds filled at all agency facilities			New	90%	90%
* Explanatory	Percent of uncompensated care at all agency facilities			New	30.9%	20.0%
Outcome	Percent of long-term care residents with healthcare-acquired pressure ulcers			New	6.4%	6.4%
Outcome	Percent of rehabilitation patients experiencing one or more falls with injury			New	2%	2%
* Outcome	Percent of long-term care patients experiencing one or more falls with injury			New	3.3%	3.3%
Efficiency	Percent of behavioral health patient medical records transmitted to the next level of care within five calendar days			New	80%	80%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	131,682.7	137,676.5	145,034.9	148,301.3	7.7
Other Transfers	6,341.9	8,066.4	10,347.1	9,913.4	22.9
Federal Revenues	4,481.7	2,805.2	2,808.3	2,808.3	0.1
Other Revenues	1,242.6	1,200.0	1,200.0	1,200.0	0.0
SOURCES TOTAL	143,748.9	149,748.1	159,390.3	162,223.0	8.3
USES					
Personal Services and Employee Benefits	9,786.5	11,315.5	12,186.4	11,850.2	4.7
Contractual Services	18,541.7	18,603.0	16,784.4	16,257.4	-12.6
Other	21,415.6	19,538.6	22,986.5	22,623.4	15.8
Other Financing Uses	95,690.4	100,291.0	107,433.0	111,492.0	11.2
TOTAL USES	145,434.2	149,748.1	159,390.3	162,223.0	8.3
FTE					
Permanent	69.0	72.0	84.0	78.0	8.3
Term	97.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	166.0	169.0	181.0	175.0	3.6

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment	36%	30%	50%	33%	36%
* Efficiency	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	98%	83%	100%	93%	98%
* Explanatory	Number of individuals on the developmental disabilities waiver receiving services	3,888	3,829	4,000	4,500	4,725
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	5,911	6,248	6,330	6,800	6,100

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)					
FY15 - 2014-2015					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,364.4	4,462.2	4,809.2	4,612.2	3.4
Other Transfers	2,682.5	3,444.9	3,791.0	3,594.0	4.3
Federal Revenues	2,415.0	2,967.9	2,387.1	2,387.1	-19.6
Other Revenues	3,300.9	2,800.0	2,326.5	2,326.5	-16.9
SOURCES TOTAL	12,762.8	13,675.0	13,313.8	12,919.8	-5.5
USES					
Personal Services and Employee Benefits	8,276.5	9,934.0	10,322.0	9,996.0	0.6
Contractual Services	664.4	946.6	487.2	487.2	-48.5
Other	2,586.8	2,794.4	2,504.6	2,436.6	-12.8
TOTAL USES	11,527.7	13,675.0	13,313.8	12,919.8	-5.5
FTE					
Permanent	44.0	44.0	50.0	45.0	2.3
Term	100.0	100.0	104.0	104.0	4.0
TOTAL FTE POSITIONS	144.0	144.0	154.0	149.0	3.5

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Output	Percent of abuse, neglect and exploitation incidents for community-based programs investigated within forty-five days	96%	N/A	N/A	95%	96%
Quality	Percent of reported findings transmitted to provider within twenty business days of exit survey			New	90%	90%

MEDICAL CANNABIS PROGRAM

The purpose of the Medical Cannabis Program is to provide qualified patients with the means to legally and beneficially consume medical cannabis in a regulated system for alleviating symptoms caused by debilitating medical conditions and their medical treatments and to regulate a system of production and distribution of medical cannabis to ensure an adequate supply.

BUDGET SUMMARY (dollars in thousands)					
FY15 - 2014-2015					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	577.4	780.0	765.0	765.0	-1.9
SOURCES TOTAL	577.4	780.0	765.0	765.0	-1.9
USES					
Personal Services and Employee Benefits	343.3	534.2	591.4	591.4	10.7
Contractual Services	26.3	80.5	90.1	90.1	11.9
Other	44.9	165.3	83.5	83.5	-49.5
TOTAL USES	414.5	780.0	765.0	765.0	-1.9
FTE					
Term	7.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	7.0	7.0	7.0	7.0	0.0

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u> New	<u>FY15</u> <u>Request</u> 90%	<u>FY15</u> <u>Recomm</u> 90%
Quality	Percent of complete medical cannabis client applications approved or rejected within thirty calendar days of receipt					

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)

	<u>FY13</u> <u>2012-2013</u> <u>Actuals</u>	<u>FY14</u> <u>2013-2014</u> <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,471.1	12,163.8	12,494.4	12,213.8	0.4
Other Transfers	523.1	675.0	603.5	603.5	-10.6
Federal Revenues	6,263.5	5,335.5	6,260.5	6,260.5	17.3
Other Revenues	17.5	50.6	56.1	56.1	10.9
Fund Balance	576.9	0.0	0.0	0.0	
SOURCES TOTAL	18,852.1	18,224.9	19,414.5	19,133.9	5.0
USES					
Personal Services and Employee Benefits	8,878.1	9,579.0	9,927.4	9,896.8	3.3
Contractual Services	3,056.9	3,770.5	4,409.5	4,259.5	13.0
Other	5,519.7	4,875.4	5,077.6	4,977.6	2.1
TOTAL USES	17,454.7	18,224.9	19,414.5	19,133.9	5.0
FTE					
Permanent	132.0	128.0	129.0	129.0	0.8
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	137.0	133.0	134.0	134.0	0.8

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u> New	<u>FY15</u> <u>Request</u> 30%	<u>FY15</u> <u>Recomm</u> 30%
Efficiency	Percent reduction in the number of electronic files stored on department servers					

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)

	FY13		FY14		FY15 – 2014-2015		Percent Incr (Decr)
	2012-2013 Actuals		2013-2014 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	11,256.2		11,542.8		15,420.1	11,885.2	3.0
Other Transfers	27,620.6		35,240.1		35,412.9	31,323.9	-11.1
Federal Revenues	17,294.4		21,334.2		17,970.0	17,970.0	-15.8
Other Revenues	38,290.5		37,904.0		38,161.9	38,161.9	0.7
Fund Balance	6,963.2		4,755.8		13,291.6	7,556.1	58.9
SOURCES TOTAL	101,424.9		110,776.9		120,256.5	106,897.1	-3.5
USES							
Personal Services and Employee Benefits	40,315.0		48,985.3		50,522.2	44,543.8	-9.1
Contractual Services	11,222.5		14,661.6		13,744.8	12,258.8	-16.4
Other	21,452.3		15,645.2		24,182.5	22,376.5	43.0
Other Financing Uses	24,260.0		31,484.8		31,807.0	27,718.0	-12.0
TOTAL USES	97,249.8		110,776.9		120,256.5	106,897.1	-3.5
FTE							
Permanent	303.0		297.0		303.0	295.5	-0.5
Term	368.5		363.5		357.5	357.5	-1.7
TOTAL FTE POSITIONS	671.5		660.5		660.5	653.0	-1.1

BUDGET ISSUES:

For FY15, the New Mexico Department of Environment's (NMED's) overall base request of \$120.3 million represented a \$9.5 million, or 8.6 percent, increase over the FY14 operating budget. The FY15 general fund request of \$15.4 million included an increase of \$3.9 million, or 34 percent, from the FY14 level. The agency FY15 request for federal funds decreased by \$3.4 million from the FY14 operating budget. The agency requested changing the name of the Field Operations and Infrastructure Program to the Environmental Health Program. The agency also requested transferring the Hazardous Waste Bureau to the Environmental Health Program and realigning several FTE vacant more than two years. The FY15 request included a vacancy rate of 1.2 percent for the Environmental Protection Program but did not include vacancy savings for the other programs.

The FY15 LFC recommendation of \$106.9 million is a \$3.9 million decrease from the FY14 operating budget of \$110.8 million. Although the FY15 recommendation includes a 3.5 percent decrease from the FY14 operating budget, it represents an increase of \$9.6 million, or 10 percent, over FY13 actual expenditures and includes an increase of \$342.4 thousand, or 3 percent, from the general fund. The general fund increase includes \$75 thousand for GSD and DoIT rate increases and \$56.5 thousand and 1 FTE for the office of nuclear workers advocacy to address a 56 percent increase in clients served. The office assists nuclear workers who have become ill as a result of the occupational exposure while working for contractors or subcontractors of the federal Department of Energy (DOE) facilities or in the uranium mining industries throughout New Mexico. The office provides advocacy, technical assistance, and acts as a liaison for claimant's applying for benefits or claimants who have been denied benefits through the Energy Employees Occupational Illness Compensation Act. The general fund increase of \$106.6 thousand replaces federal funds in the radon testing program. The department will no longer receive federal grants to operate a radon testing program that in FY13 obtained 976 radon tests results, 101 of which were for state and public buildings. The \$104.3 thousand increase from the general fund for the radiation inspection program is to fill one vacant position to address the backlog of inspections at 252 facilities and ensure patients and workers are not being unnecessarily exposed to radiation.

The FY15 recommendation did not include general fund revenues for 3 permanent FTE to provide technical assistance for compliance with Water Trust Board policies. As outlined in a November 2013 LFC evaluation, capacity development for financial, managerial, and technical capacities will need to improve for applicants to comply with new eligibility requirements for Water Trust Board funding. The LFC evaluation reported the drinking water state revolving fund (DWSRF) includes set-aside funding

for capacity development in each federal grant award. In addition, nonprofit agencies such as the Rural Water Association, the Rural Community Assistance Corporation, and the New Mexico Acequia Association can be used to provide capacity development and assist communities in complying with the new requirements. The LFC evaluation recognized capacity development is a much-needed step in helping communities achieve sustainability and make better use of Water Trust Board funding but recommended using the local government planning fund or the annual \$4 million distribution from the water trust fund to the water project fund to contract with third-party providers to assist with asset management plans, source water protection plans, and user-rate analysis as opposed to general fund money.

Historic vacancy rates average 18.5 percent and resulted in reduced performance in FY13, particularly in permitting, compliance, and remediation programs. The agency attributes most underperformance to difficulty filling positions because of competition with the private sector in some classifications, such as engineers. The agency also notes the persistent high vacancy rates are due in part to the promotion of employees. Although the FY15 recommendation deletes 7.5 FTE, it only applies an average agencywide vacancy savings rate of 12 percent. The FY15 recommendation represents a \$4.2 million increase over FY13 actual expenditures in the personal services and employee benefits category. With this increase, the agency should work with the State Personnel Office on a human resource plan to increase salary ranges to hire and retain employees, especially positions essential for performing the permitting, compliance, and remediation functions.

The agency's largest requested increase over FY14 operating levels affected the corrective action fund (CAF). The committee recommendation includes a 3.5 percent increase over FY13 actual expenditures for the contractual services and other costs category for direct costs from the CAF. As outlined in a July 2012 LFC evaluation, the state will spend an estimated \$263 million from the corrective action fund over the next 20 years to clean up contaminated underground storage tank sites.

The agency relies on special revenues for its operations across all four programs, and the recommendation includes \$45.6 million from these sources, which include various types of application, certification, and permitting fees. The recommendation also includes \$20.3 million from the corrective action fund; \$7.3 million in revenue from air quality construction and emission permit fees charged to producers of air contaminants; \$2.6 million in revenue from hazardous waste permit fees charged to operators of facilities that treat, store or dispose of hazardous waste; \$3 million in revenue from water conservation fees charged to public water systems; and \$2.3 million in revenue from permit fees charged to food service establishments. Through its regulatory position, NMED collects a significant number of civil penalties and fines, some of which are deposited into funds controlled by the agency, but most of which are transferred to the general fund. In 2012, the agency collected \$2.8 million in fines.

High cash balances in the wastewater facility construction loan fund (clean water state revolving fund) managed by NMED are a concern. The clean water state revolving fund totaled \$105.4 million at the end of October 2013, of which \$54.6 million is committed via signed loan agreements with communities across New Mexico. Additionally, loans in process with Truth or Consequences and Farmington total another \$19 million and five other communities are currently working on loans totaling \$20 million.

Also of concern, the New Mexico drinking water state revolving fund (DWSRF) has the highest percentage of federal grant balances for unspent water project funds in the nation, according to a 2013 unliquidated obligation report from the U.S. Environmental Protection Agency. The report shows that \$37 million, or 32 percent of the total grants, remains unspent. The U.S. Environmental Protection Agency Office of Inspector General (OIG) recently began the fieldwork phase of an audit on the pace of state expenditures in New Mexico's DWSRF program. One of the audit objectives is to determine whether state actions to reduce large balances of DWSRF unliquidated obligations have been effective.

SPECIAL REVENUE

	BUDGET SUMMARY (dollars in thousands)				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	38,286.6	37,829.0	38,061.9	38,061.9	0.6
Fund Balance	6,963.2	4,755.8	13,291.6	7,556.1	58.9
SOURCES TOTAL	45,249.8	42,584.8	51,353.5	45,618.0	7.1
USES					
Contractual Services	2,826.3	3,500.0	3,000.0	3,000.0	-14.3
Other	14,483.5	7,600.0	16,646.5	15,000.0	97.4
Other Financing Uses	24,246.3	31,484.8	31,707.0	27,618.0	-12.3
TOTAL USES	41,556.1	42,584.8	51,353.5	45,618.0	7.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

ENVIRONMENTAL HEALTH PROGRAM

The purpose of the environmental health program is to protect public health and the environment through specific programs that provide regulatory oversight over food service and food processing facilities, compliance with the Safe Drinking Water Act, regulation of on-site treatment and disposal of liquid wastes, regulation of public swimming pools and baths, application of the mosquito abatement regulation and oversight of the waste isolation pilot plant transportation.

BUDGET SUMMARY
(dollars in thousands)

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,922.2	5,160.6	5,603.2	5,160.6	0.0
Other Transfers	11,804.8	11,251.2	16,020.5	14,392.8	27.9
Federal Revenues	1,949.5	1,423.6	2,082.1	2,082.1	46.3
SOURCES TOTAL	18,676.5	17,835.4	23,705.8	21,635.5	21.3
USES					
Personal Services and Employee Benefits	13,954.1	13,277.8	17,712.6	15,787.4	18.9
Contractual Services	2,234.3	2,396.1	3,412.4	3,337.4	39.3
Other	2,481.8	2,161.5	2,580.8	2,510.7	16.2
TOTAL USES	18,670.2	17,835.4	23,705.8	21,635.5	21.3
FTE					
Permanent	142.0	129.0	136.5	133.5	3.5
Term	108.0	64.0	103.0	103.0	60.9
TOTAL FTE POSITIONS	250.0	193.0	239.5	236.5	22.5

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Output	Number of free well water tests	146	175	0	0	175
Outcome	Percent of homeowners with contaminated wells advised on how to eliminate or reduce health risks	100%	100%	100%	100%	100%
Explanatory	Number of compliance orders issued in response to complaints or inspection of new septic tanks	1	0	TBD	≥0	TBD
Output	Percent of new, modified or registered liquid waste systems granted final operating approval inspected by New Mexico Environment Department with photographic documentation submitted by an authorized installer			100%	100%	100%
Output	Percent of annual permitted food establishments inspected within timeframe due			100%	100%	100%
* Outcome	Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments	83%	92%	100%	100%	100%
Outcome	Percent of swimming pools and spas inspections completed within timeframe due			100%	100%	100%
Outcome	Number and location of boil-water advisories issued to consumers when a water system violates the bacteria (or total coliform) standard and the presence of e. coli or fecal coliform is detected	10	3	TBD	TBD	TBD
Efficiency	Percent of the population served by community water systems that meet all applicable health-based drinking water standards			91%	91%	100%
Output	Number of site visits and assistance actions provided to public water systems to ensure compliance with federal Safe Drinking Water Act regulations	449/3675	489/3303	400/3,500	200/3,500	500/3,500

PERFORMANCE MEASURES (continued)

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>	
*	Output	Percent of public water systems surveyed to ensure compliance with drinking water regulations	89.4%	95.4%	89.2%	92.0%	96.0%
	Output	Percent of community water systems that have a sanitary survey conducted once every three years and percent of noncommunity water systems that have a sanitary survey conducted once every five years			90%	90%	95%
	Explanatory	Total number of new projects funded and dollar amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in thousands	≥04/542	5/7,084	TBD	TBD	TBD
	Explanatory	Percent of project interest forms processed for water, wastewater and solid waste projects	100%	100%	100%	100%	100%
	Outcome	Percent of environmental protection agency clean water state revolving fund capitalization grant and matching state funds committed to New Mexico communities for wastewater infrastructure development in the state fiscal year following receipt of an environmental protection agency award	94%	84%	75%	75%	84%
*	Efficiency	Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health	100%	100%	100%	100%	100%
	Quality	Percent customer satisfaction with the construction bureau's technical assistance and engineering services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys	100%	96%	95%	95%	96%
	Quality	Percent customer satisfaction with the construction bureau's administrative services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys	100%	96%	95%	95%	96%
	Output	Percent of cases in which sandia national laboratories and Los Alamos national laboratory are notified of agency action on document submittals within the timeframe specified in the executed consent orders	100%	100%	90%	90%	100%
	Output	Percent reduction of active facilities that have never been inspected	4.0%	26.1%	0%	3.5%	3.5%
*	Output	Percent of large quantity hazardous waste generators inspected	20%	24%	20%	20%	24%
	Output	Percent of enforcement actions brought within one year of discovery of noncompliance with Los Alamos national laboratory and sandia national laboratories consent orders	100%	100%	100%	100%	100%
	Efficiency	Percent of department of energy generator site audits for the waste isolation pilot project on which agency action will be taken within forty-five days	90%	86%	80%	86%	90%

RESOURCE PROTECTION

The purpose of the resource protection program is to protect the quality of New Mexico’s ground- and surface-water resources to ensure clean and safe water supplies are available now and in the future to support domestic, agricultural, economic and recreational activities and provide healthy habitat for fish, plants and wildlife and to ensure that hazardous waste generation, storage, treatment and disposal are conducted in a manner protective of public health and environmental quality.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	FY15 - 2014-2015 Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,924.8	1,940.6	4,469.2	1,940.6	0.0
Other Transfers	5,989.8	10,804.4	6,127.4	5,106.6	-52.7
Federal Revenues	10,339.1	14,287.1	11,123.8	11,123.8	-22.1
SOURCES TOTAL	18,253.7	27,032.1	21,720.4	18,171.0	-32.8
USES					
Personal Services and Employee Benefits	11,201.5	17,452.0	14,022.8	11,887.9	-31.9
Contractual Services	5,126.5	6,890.0	5,449.8	4,077.8	-40.8
Other	1,618.8	2,690.1	2,147.8	2,105.3	-21.7
Other Financing Uses	13.7	0.0	100.0	100.0	
TOTAL USES	17,960.5	27,032.1	21,720.4	18,171.0	-32.8
FTE					
Permanent	44.0	51.0	47.0	47.0	-7.8
Term	138.5	178.5	133.5	133.5	-25.2
TOTAL FTE POSITIONS	182.5	229.5	180.5	180.5	-21.4

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Output	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations	46%	52%	50%	50%	52%
* Outcome	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	71%	71%	70%	70%	72%
Explanatory	Stream miles and acreage of lakes monitored annually to determine if surface water quality is impaired	936/14,848	730/3,393	125/40K	125/40K	125/40K
Output	Number of miles/ acres of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act Section 319 projects	65.6/60	42.7/30	100	100	100
Outcome	Number of new certifications obtained through exams. Number of continuing education hours for existing operators. Number of certifications renewed			New	32K/300/1K	32K/300/1K
Outcome	Number of petroleum storage tank release sites that achieved no further action status			30	30	30
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	69%	60%	70%	70%	70%
Outcome	Number of storage tank release sites where corrective action has been initiated			New	10	10
Explanatory	Unobligated balance at time of fund certification			New	TBD	TBD
Outcome	Number of petroleum storage tank confirmed release sites by priority compared with the previous year’s inventory			New	TBD	TBD

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to regulate medical radiation and radiological technologist certification, provide public outreach about radon in homes and public buildings, ensure solid waste is handled and disposed without harming natural resources, ensure New Mexicans breathe healthy air and ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,999.1	2,014.6	2,329.7	2,225.5	10.5
Other Transfers	7,510.3	9,849.3	9,992.4	8,925.8	-9.4
Federal Revenues	2,708.1	3,401.3	2,580.1	2,580.1	-24.1
SOURCES TOTAL	12,217.5	15,265.2	14,902.2	13,731.4	-10.0
USES					
Personal Services and Employee Benefits	9,611.0	11,821.0	11,919.0	10,748.2	-9.1
Contractual Services	509.5	1,129.8	1,028.8	1,028.8	-8.9
Other	2,076.1	2,314.4	1,954.4	1,954.4	-15.6
TOTAL USES	12,196.6	15,265.2	14,902.2	13,731.4	-10.0
FTE					
Permanent	72.0	71.0	69.0	69.0	-2.8
Term	91.0	90.0	90.0	90.0	0.0
TOTAL FTE POSITIONS	163.0	161.0	159.0	159.0	-1.2

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Outcome	Annual statewide greenhouse gas emissions	48.6MMt	None	48.6MMt	None	48.6MMt
Outcome	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	97%	100%	100%	100%
Output	Percent of air construction permit decisions issued within the first ninety days allowed by statute or within additional time approved by the cabinet secretary as allowed by statute				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	93.6%	93.1%	95%	95%	95%
Output	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days	93.1%	93.6%	95%	95%	95%
* Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules	85%	82%	80%	80%	85%
Outcome	Percent of landfills compliant with groundwater sampling and reporting requirements	95%	100%	75%	75%	100%
Explanatory	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	52	102	TBD	TBD	TBD
Output	Percent of licensed radioactive material facility inspections completed within the timeframes identified in radiation control bureau policies	100%	99%	85%	85%	100%
* Output	Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies	88%	99%	88%	88%	100%
Outcome	Percent of radioactive material licensees and x-ray registrants inspected and issued a notice of violation that come into compliance within the timeframe specified	100%	100%	97%	97%	100%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to programs to operate in the most knowledgeable, efficient and cost-effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,410.1	2,427.0	3,018.0	2,558.5	5.4
Other Transfers	2,315.7	3,335.2	3,272.6	2,898.7	-13.1
Federal Revenues	2,297.7	2,222.2	2,184.0	2,184.0	-1.7
Other Revenues	3.9	75.0	100.0	100.0	33.3
SOURCES TOTAL	7,027.4	8,059.4	8,574.6	7,741.2	-3.9
USES					
Personal Services and Employee Benefits	5,548.4	6,434.5	6,867.8	6,120.3	-4.9
Contractual Services	525.9	745.7	853.8	814.8	9.3
Other	792.1	879.2	853.0	806.1	-8.3
TOTAL USES	6,866.4	8,059.4	8,574.6	7,741.2	-3.9
FTE					
Permanent	45.0	46.0	50.5	46.0	0.0
Term	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	76.0	77.0	81.5	77.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent of budgets reviewed and analyzed quarterly from the program level to the lowest program level	100%	100%	100%	100%	100%
Output	Number of prior-year audit findings, identified as material weaknesses, resolved		TBD	100%	100%	100%
Output	Number of working days past the federal reporting requirement the agency requests direct federal reimbursement		15	30	30	15
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	98%	96%	90%	90%	96%

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 by oil discharges into water. Natural resources include air, surface waters, groundwaters, biological resources, and geological resources.

	BUDGET SUMMARY (dollars in thousands)				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	87.0	87.3	272.0	247.0	182.9
Fund Balance	2,277.7	2,204.9	2,024.3	2,024.3	-8.2
SOURCES TOTAL	2,364.7	2,292.2	2,296.3	2,271.3	-0.9
USES					
Personal Services and Employee Benefits	248.4	257.0	259.5	259.5	1.0
Contractual Services	1,130.4	1,992.0	1,992.2	1,970.3	-1.1
Other	41.5	43.2	44.6	41.5	-3.9
Other Financing Uses	940.7	0.0	0.0	0.0	
TOTAL USES	2,361.0	2,292.2	2,296.3	2,271.3	-0.9
FTE					
Permanent	3.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	3.8	3.8	3.8	3.8	0.0

BUDGET ISSUES:

For FY15, the Office of Natural Resources Trustee (ONRT) requested a total of \$2.3 million which includes a slight increase for health insurance. Although the agency projects its total fund balance from restoration settlement funds at the end of FY15 will be \$13.1 million, that balance is restricted by federal law and court orders for restoration projects. During the past several years, cost recovery funds supplemented ONRT's operating expenses but those funds will be depleted during FY15. Therefore, the agency's FY15 request included a decrease of \$180.6 thousand in fund balance revenue and a corresponding increase of \$184.7 thousand in general fund support to maintain the same level of operations in FY15.

The committee recommendation provides ONRT with an increase in general fund revenue of \$160 thousand to offset the declining fund balance. The recommendation provides adequate funding for the increase in health insurance and decreases other costs to actual FY13 levels.

ONRT completed a \$226 thousand indigent liquid waste project upgrading wastewater systems for households in Valencia, Socorro and Sandoval counties. ONRT also issued the draft wildlife and wildlife habitat restoration plan and environmental assessment for the Chino, Cobre, and Tyrone mines, which proposes a suite of habitat protection and restoration projects to be implemented with a \$5.5 million natural resource damage settlement with Freeport-McMoRan Copper and Gold Inc awarded in FY12. Also part of the settlement, 715 acres of land were transferred to City of Rocks State Park, north of Deming. Additionally, ONRT reached a preliminary "agreement-in-principle" for natural resource damages with the U.S. Army, Navajo Nation and the Pueblo of Zuni for the Fort Wingate Army depot in Gallup. The agency's natural resource injury assessment work during FY14 will also include a cooperative assessment with Los Alamos National Laboratory.

ONRT reports in FY14 it will continue to implement the following restoration projects: \$1.3 million to remove abandoned tailings contaminating the San Vicente Creek in Silver City and the groundwater beneath the creek; \$418 thousand for improvements to Santa Clara's main sewer line to prevent re-occurrence of sewage spills into Cameron Creek and associated alluvial groundwater; \$600 thousand for an extension of a municipal wastewater line to Silver City households to eliminate use of faulty septic systems that contaminate groundwater; \$4 million for a water reuse infrastructure in Bayard to enable groundwater conservation by using treated wastewater for irrigation; \$53 thousand to construct of structures to prevent contamination in Santa

Clara’s drinking water wells and groundwater; \$1.4 million to replace failing clay sewer pipes in Hurley contaminating groundwater; \$4.5 million to remove 450 thousand pounds of nitrate from the groundwater in Albuquerque’s South Valley to allow the contaminated plume to naturally attenuate; \$1 million to stabilize exposed toxic mine tailings at the American Smelting And Refining Company Blackhawk Mine tailings impoundment in Grant County; and \$365 thousand to restore and preserve 1,000 acres of playa lakes in Curry County.

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION

The purpose of the natural resource damage assessment and restoration program is to restore or replace natural resources injured or lost due to releases of hazardous substances or oil into the environment.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>	
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>	
*	Outcome	Number of acres of habitat restoration	999	975	750	500	750
*	Outcome	Number of acre-feet of water conserved through restoration	1,180	1,126	750	500	750

STATUTORY AUTHORITY:

Sections 9-22-1 through 9-22-20 NMSA 1978 establish the Veterans' Services Department. The secretary is appointed by the governor with confirmation by the Senate. The department consists of the Field Services, State Benefits, and Administrative Services divisions. The Veterans' Services Advisory Board consists of five members appointed by the governor from different geographical regions of the state to advise the secretary and department staff on matters of interest to New Mexico veterans.

MISSION:

The Veterans' Services Department (VSD) disseminates information regarding laws beneficial to veterans, their surviving spouses and dependent children; assists veterans and their dependents in the preparation and initiation of claims against the United States as a result of military service; and assists veterans, their surviving spouses and their children in establishing the benefits and privileges to which they are entitled.

BUDGET SUMMARY (dollars in thousands)					
	<u>FY15 – 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	2,873.8	3,177.0	3,177.0	3,086.7	-2.8
Federal Revenues	150.0	317.0	318.0	318.0	0.3
Fund Balance	62.1	56.9	71.9	71.9	26.4
SOURCES TOTAL	3,085.9	3,550.9	3,566.9	3,476.6	-2.1
USES					
Personal Services and Employee Benefits	1,770.9	2,373.3	2,373.3	2,299.5	-3.1
Contractual Services	574.2	814.2	814.2	814.2	0.0
Other	408.1	363.4	379.4	362.9	-0.1
TOTAL USES	2,753.2	3,550.9	3,566.9	3,476.6	-2.1
FTE					
Permanent	35.0	37.0	36.0	36.0	-2.7
Term	4.0	5.0	6.0	6.0	20.0
TOTAL FTE POSITIONS	39.0	42.0	42.0	42.0	0.0

BUDGET ISSUES:

For FY15, the agency requested \$3.2 million from the general fund, the same as the FY14 operating level. The request for personal services and employee benefits includes annualized full funding for reclassified veterans service officer positions.

The FY15 general fund recommendation of \$3.1 million represents a 2.8 percent decrease from the agency's FY14 level. The LFC recommendation includes funding for insurance premiums, the audit, and telecommunications at the levels recommended by the rate-setting agencies. The recommendation applies a 5 percent vacancy savings rate given the agency's historic vacancy rate of 19 percent over the past two years; but the funding level for personal services and employee benefits still represents a 30 percent increase over FY13 expenditure levels. The recommendation uses \$71.9 thousand of fund balance from the veterans' license plate fund. Federal revenues continue at \$318 thousand and include an increase of \$167 thousand associated with the addition in FY14 of 2 term FTE to conduct certification of higher education and training programs. The veterans' enterprise fund has been created in statute (Section 9-22-14.1 NMSA 1978) but has no substantial accrued revenue.

The department had a FY12 audit finding for not reverting \$38.1 thousand to the state general fund.

The department continues to support approximately 180 thousand veterans throughout the state by improving access and dissemination of information. Outreach is primarily provided by 19 field offices, although contractors provide outreach to Native American, rural, and women veterans. Eight field office and other positions are vacant. The department emphasized assisting veterans returning from Afghanistan and Iraq, particularly those with post-traumatic stress disorders (PTSD) and established a program for PTSD wellness treatment for veterans and their partners suffering from the effects of PTSD and traumatic brain injury. The agency continues to administer the Military Honors Program to ensure deceased veterans are provided a military funeral complete with bugler and flag ceremony.

The department works with the Workforce Solutions Department on a number of initiatives to assist veterans in seeking employment and with the Economic Development Department on a veterans' small business project. The Veterans' Enterprise and Training Program reports it has been effective helping veterans start small businesses but no data on the program is included in the strategic plan or performance measures.

The agency underperformed on five performance measures. It is recommended that all measures be reviewed for correlation with the agency mission and that measures be added to determine the performance of veterans' employment programs and services and healthcare outreach.

VETERANS' SERVICES

The purpose of the veterans' services program is to carry out the mandates of the New Mexico legislature and the governor to provide information and assistance to veterans and their eligible dependents to obtain the benefits to which they are entitled to improve their quality of life.

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>	
*	Output	Number of veterans served by veterans' services department field offices	34,323	28,121	38,000	35,000	36,000
	Output	Number of referrals from veterans' services officers to contract veterans' organizations	19,394	14,962	21,000	19,000	20,000
*	Output	Number of homeless veterans provided overnight shelter for a period of two weeks or more	173	132	190	140	180
*	Output	Compensation received by New Mexico veterans as a result of the department's contracts with veterans' organizations, in millions	\$131	\$182	\$128	\$130	\$190
*	Output	Number of property tax waiver and exemption certificates issued to New Mexico veterans	7,564	4,854	8,000	8,000	8,000
	Outcome	Percent of New Mexico veterans impacted by department programs	22.9%	19.8%	22%	22%	22%
	Output	Number of compliance survey visits completed to ensure education facilities meet all regulatory requirements		52	TBD	36	55

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	207,732.6	219,966.3	232,668.7	230,394.5	4.7
Other Transfers	26,836.7	39,638.7	36,146.9	49,496.9	24.9
Federal Revenues	138,498.4	140,830.2	140,496.0	140,496.0	-0.2
Other Revenues	4,795.0	4,959.7	5,035.9	5,035.9	1.5
Fund Balance	1,065.0	1,280.0	1,100.0	3,375.8	163.7
SOURCES TOTAL	378,927.7	406,674.9	415,447.5	428,799.1	5.4
USES					
Personal Services and Employee Benefits	116,977.8	126,107.0	129,598.5	128,569.8	2.0
Contractual Services	65,287.4	77,411.8	73,079.4	73,029.4	-5.7
Other	185,125.3	200,421.8	210,294.6	224,724.9	12.1
Other Financing Uses	2,522.3	2,734.3	2,475.0	2,475.0	-9.5
TOTAL USES	369,912.8	406,674.9	415,447.5	428,799.1	5.4
FTE					
Permanent	2,033.6	2,078.6	2,107.6	2,079.6	0.0
Term	72.0	68.0	62.0	62.0	-8.8
TOTAL FTE POSITIONS	2,105.6	2,146.6	2,169.6	2,141.6	-0.2

BUDGET ISSUES:

The Children, Youth and Families Department (CYFD) continues to struggle with high vacancies and staff turnover. The average vacancy rate over the last two years is 11.8 percent, and the Juvenile Justice Facilities and Protective Services programs are higher than the average at around 15 percent. These programs are crucial to ensuring the safety and well-being of vulnerable children in New Mexico. As vacancies increase, employees have assumed growing caseloads, leading to increased staff burnout and turnover and further exacerbating the vacancy problem. Additionally, the state ranked near the bottom of child well-being in 2013, even though state investments for early child well-being increased. CYFD transferred about \$4 million out of personal services and employee benefits in FY13 to support other agency priorities, including the newly opened Juvenile Justice Facility, Lincoln Pines. In FY13, general fund reversions totaled \$6.6 million.

CYFD's FY15 budget request was \$415.4 million, an increase of 5.8 percent compared with the FY14 budget. The agency's general fund request totaled \$232.7 million, including a \$1.1 million expansion. The agency imposed a vacancy savings rate of 6.9 percent compared with the FY13 vacancy rate savings of about 14 percent.

CYFD requested a general fund increase of \$6.3 million for childcare assistance to increase provider rates and reduce the waiting list, \$630 thousand for operating costs of the Lincoln Pines juvenile justice facility, and \$2.4 million to raise foster parent reimbursement rates and increased costs for care and support of children in protective custody. Following the submission of the FY15 budget request on September 1, 2013, CYFD reported to LFC and the Department of Finance and Administration (DFA) a projected surplus in FY14 of between \$8 million and \$10 million in federal funds earmarked for childcare assistance. The surplus was attributed to new requirements to register with Human Services Department's Child Support Enforcement Division in order to be eligible to receive a childcare subsidy, which decreased enrollment by about 1,500 participants. The department reported the surplus will be used to automatically enrolled families at 150 percent of the federal poverty level (FPL) for childcare assistance as of November 2013 and provide a childcare provider rate increase of about 4 percent.

The Juvenile Justice Facilities program has a two-year average vacancy rate of almost 16 percent, and 19 FTE have been vacant for more than two years. The LFC recommendation deletes 8 vacant FTE and imposes a vacancy savings rate of 7.7 percent. In lieu of funding vacant positions, LFC recommends \$969 thousand from the general fund for compensation increases in the program to enhance recruitment and retention. CYFD should work with State Personnel Office (SPO) to reclassify positions, adjust pay ranges, and provide appropriate compensation adjustments to increase recruitment and retention. The LFC recommendation supports the CYFD request of \$629.9 thousand from the general to operate Lincoln Pines, the newly opened juvenile justice facility near Ruidoso. However, as of September 2013, only 158 of the 286 beds were used by committed youths (see Volume III). Clients in custody declined 38 percent between 2012 and 2013. The CYFD reports this decline stems mostly from a decrease in commitments in northern New Mexico, which may be attributable to a range of alternative programs. LFC also recommends \$619.5 thousand from the general fund to cover increased General Services Department (GSD) rates.

The Protective Services program has a two-year average vacancy rate of 15 percent and 6 FTE have been vacant for more than two years. LFC recommends deleting 3 FTE and imposes a vacancy savings rate of 7.7 percent. The LFC recommendation also supports \$1 million from the general fund to increase reimbursement rates for foster parents. On average, the foster care reimbursement rates increase between 10 percent and 16, percent depending on the age of the child and the level of care required. The last increase for foster parents was in 2007.

The CYFD request also included \$1.4 million from the general fund for increased costs for children in protective custody. Children taken into custody generally required increased specialized care, resulting in a higher cost per child in foster care. Children in specialized foster care generally have higher needs, present increased behavioral health challenges, and have increased physical health problems. The LFC recommendation includes \$1.2 million from the general fund for increased Protective Services care and support costs. Finally, the recommendation includes \$636.9 thousand from the general fund for compensation increases in Protective Services to enhance recruitment and retention.

New Mexico continues to show leadership in early childhood care and education funding. In FY14, the Legislature substantially increased targeted appropriations to the Early Childhood Services program for home visiting to families with infants, prekindergarten, and childcare assistance; however, as appropriations have increased significantly, caseloads have declined. This provides the opportunity to adequately fund a basic level of childcare services, increase provider reimbursement rates, and invest in quality childcare programs. The LFC recommendation uses \$5.8 million of unspent FY14 federal funds carried forward, Temporary Assistance for Needy Families fund (TANF), and a reduction in caseloads to replace general fund revenue in the FY15 request. The LFC recommendation for Early Childhood Services also increases general fund appropriations by \$6 million to fund initiatives discussed below.

The department requested a \$6 million increase from the general fund for the Early Childhood Services program, mostly to increase childcare assistance provider reimbursement rates.

In addition to licensed care centers, CYFD manages registered care homes, which do not meet the licensed quality star rating system. Registered homes, which serve 19 percent of the childcare population, are more likely to be administered by family members or caregivers with little formal training or education in early childhood development. However, the operators of many registered homes have expressed a desire for training in early development and quality care. The LFC recommends \$500 thousand to assist caregivers in registered homes in implementing quality initiatives.

Currently, CYFD supports provider education and training advancement through training and technical assistance programs (TTAP) and Teacher Education and Compensation Helps scholarships (TEACH). These programs assist early childhood teachers with additional early childhood education while they are working. TEACH scholarships are available for tuition, textbooks, travel stipends, and compensation incentives. Incentive programs have been shown to support workforce stability through annual stipends, which supplement low salaries. The LFC recommendation includes an increase of \$700 thousand to support provider training and education advancement.

A recent LFC evaluation indicates prekindergarten has positive impact on student achievement. Currently, prekindergarten is only two and a half hours a day. To further increase student achievement, prekindergarten should be extended to allow for longer hours and program expansion. The LFC recommendation includes \$2 million to pilot an extended-day prekindergarten program and also includes an increase in TANF of \$250 thousand for additional prekindergarten slots.

Home-visiting programs are available to expectant parents and families with new babies and young children. The program assists in addressing maternal and child health issues, supports positive parenting practices, and provides access to support services. Home visiting is an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home visiting provides the first opportunity to address risk factors that may limit a child's development. On average, the cost for home visiting is \$3.5 thousand per family. The LFC recommendation includes an additional \$2.5 million to expand home-visiting programs statewide and serve an additional 700 families.

Many communities in New Mexico have expressed an interest in implementing high-quality early childhood development centers. Educare is a research-based high-quality early childhood development model that prepares at-risk children for school. The program is a public-private partnership that draws from a wide range of research-based practices that foster learning environments to support infants, toddlers, and young children. The program maintains high-quality standards, such as low teacher-to-child ratios, highly educated and skilled caregivers, and consistent participation of children. Currently, New Mexico does not have an early childhood program delivery model like Educare. LFC recommends \$500 thousand for development of a high-quality early childhood development center. It is expected an early childhood center will have significantly positive effects on participating children.

In Program Support, CYFD separated the Behavioral Health Services bureau from Program Support to form an independent program within the agency and transferred \$12.9 million and 36 FTE. The agency also requested an additional transfer of 7 FTE and \$417.3 thousand from Juvenile Justice Services to Program Support; however, this is not recommended. Additionally, the request included, and the LFC recommends, an increase of \$238 thousand from the general fund for health insurance and risk coverage rate increases. Program Support has a two-year average vacancy rate of 12 percent and 7 FTE have been vacant for more than two years. The LFC recommendation deletes 6 vacant FTE and imposes a vacancy savings rate of 6.9 percent.

The new Behavioral Health Services program will coordinate and manage behavioral health policy and programs for children by identifying clinical best practices, developing evidence-based behavioral health services, and monitoring the delivery of CYFD behavioral health services. Previously, the bureau had a two-year average vacancy rate of 5 percent; 3 FTE have been vacant for more than two years. The LFC recommendation deletes 1 vacant FTE and concurs with the fund reallocation from Program Support.

BASE EXPANSION:

The request included three general fund expansion items: \$660 thousand and 10 FTE for additional Protective Services investigators FTE, \$350 thousand for a domestic violence capacity building project, and \$100 thousand for a training academy in Program Support.

LFC recommends \$350 thousand for the domestic violence capacity building project, which would increase access for children exposed to domestic violence to additional support services, such as one-on-one and family counseling, and \$50 thousand from the general fund for a training academy in Program Support.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include thirty-eight million six hundred and twenty-seven thousand five hundred dollars (\$38,627,500) for childcare programs and two hundred fifty thousand dollars (\$250,000) for prekindergarten from the temporary assistance for needy families block grant to New Mexico.

The general fund appropriations to the early childhood services program of the children, youth and families department include one million five hundred thousand dollars (\$1,500,000) to pilot extended day prekindergarten, an additional seven hundred thousand dollars (\$700,000) for childcare assistance provider education programs, five hundred thousand dollars (\$500,000) for high-quality early childhood development center planning grants, and an additional two million five hundred thousand dollars (\$2,500,000) for home-visiting programs.

The general fund appropriations to the juvenile justice facilities program of the children, youth, and families department in the personal services and employee benefits category includes nine hundred sixty-nine thousand dollars (\$969,000) for compensation increases to enhance recruitment and retention.

The general fund appropriations to the protective services program of the children, youth and families department in the personal services and employee benefits category include six hundred thirty-six thousand nine hundred thousand dollars (\$636,900) for compensation increases to enhance recruitment and retention.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Training and professional development academy	(P576)	100.0	50.0
3	Protective Services investigators-10 FTE	(P578)	659.7	0.0
4	Domestic violence capacity building project	(P578)	350.0	350.0
2	<u>Conversion of term to perm-19 FTE</u>	<u>(P782)</u>	<u>0.0</u>	<u>0.0</u>
TOTAL			1,109.7	400.0

JUVENILE JUSTICE FACILITIES

The purpose of the juvenile justice facilities program is to provide rehabilitative services to youth committed to the department, including medical, educational, mental health and other services that will support their rehabilitation.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	63,688.7	67,002.1	68,144.0	67,455.7	0.7
Other Transfers	461.7	1,391.1	1,391.1	1,391.1	0.0
Federal Revenues	1,218.7	1,350.8	1,060.4	1,060.4	-21.5
Other Revenues	1,259.9	1,513.5	1,513.5	1,513.5	0.0
Fund Balance	1,065.0	1,100.0	1,100.0	1,250.8	13.7
SOURCES TOTAL	67,694.0	72,357.5	73,209.0	72,671.5	0.4
USES					
Personal Services and Employee Benefits	48,780.9	53,934.7	55,000.3	54,462.8	1.0
Contractual Services	9,493.9	11,806.4	11,546.6	11,546.6	-2.2
Other	6,809.4	6,616.4	6,662.1	6,662.1	0.7
TOTAL USES	65,084.2	72,357.5	73,209.0	72,671.5	0.4
FTE					
Permanent	892.3	939.3	938.3	930.3	-1.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	895.3	942.3	941.3	933.3	-1.0

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
Outcome	Turnover rate for youth care specialists	37.9%	15.2%	25.0%	18.0%	15.0%
Outcome	Percent of clients readjudicated within two years of previous adjudication	6.6%	5.8%	6.0%	5.8%	5.8%
* Outcome	Percent of clients who successfully complete formal probation			new	70%	70%
Output	Number of client-to-staff battery incidents			new	<600	<600
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities			new	32.7%	32.7%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	1.4%	2.0%	1.5%	2.0%	1.5%
* Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	12.4%	9.0%	10.0%	9.0%	9.0%
* Outcome	Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility	8.6%	6.0%	8.0%	6.0%	6.0%
Outcome	Percent of clients with improvement in reading on standardized pre- and post testing	45.1%	52.4%	54.5%	54.5%	54.5%
Outcome	Percent of clients with improvement in math on standardized pre- and post testing	59.6%	77.8%	60.0%	65.0%	70.0%
* Output	Number of physical assaults in juvenile justice facilities	261	249	<260	<700	<260
Outcome	Percent of clients successfully completing term of supervised release	92.1%	92%	92%	92%	92%

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	71,356.2	72,790.1	76,572.5	75,962.7	4.4
Other Transfers	1,114.5	1,275.9	1,279.4	1,279.4	0.3
Federal Revenues	49,313.5	49,655.5	50,568.5	50,568.5	1.8
Other Revenues	2,812.8	2,696.2	2,772.4	2,772.4	2.8
SOURCES TOTAL	124,597.0	126,417.7	131,192.8	130,583.0	3.3
USES					
Personal Services and Employee Benefits	47,228.4	49,869.2	51,273.0	51,532.9	3.3
Contractual Services	19,913.6	21,902.3	22,201.3	22,201.3	1.4
Other	53,573.6	51,911.9	55,243.5	54,373.8	4.7
Other Financing Uses	2,522.3	2,734.3	2,475.0	2,475.0	-9.5
TOTAL USES	123,237.9	126,417.7	131,192.8	130,583.0	3.3
FTE					
Permanent	848.8	845.8	848.8	842.8	-0.4
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	854.8	851.8	854.8	848.8	-0.4

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of children in foster care for twelve months with no more than two placements	79.3%	76.6%	82.0%	76.6%	80.0%
Outcome	Percent of children adopted within twenty-four months from entry into foster care	35.2%	31.3%	35.5%	28.3%	31.3%
Outcome	Percent of children in foster care who have at least one monthly visit with their caseworker			90%	95%	95%
* Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	92.8%	92.3%	93.0%	93.0%	93.0%
Outcome	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services	89.0%	87.7%	90.0%	90.0%	90.0%
Output	Turnover rate for protective service workers			25%	25%	25%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	92.3%	91.3%	93.0%	93.0%	93.0%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	67.3%	62.4%	65.0%	65.0%	65.0%
* Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.5%	99.7%	99.7%	99.6%	99.7%
Output	Percent of children reentering foster care in less than twelve months	8.3%	9.8%	8.5%	10.0%	8.5%

EARLY CHILDHOOD SERVICES

The purpose of the early childhood services program is to provide quality childcare, nutrition services, early childhood education and training to enhance the physical, social and emotional growth and development of children.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	48,488.8	54,718.4	61,042.6	60,867.6	11.2
Other Transfers	24,157.2	35,961.6	32,692.9	46,042.9	28.0
Federal Revenues	77,260.8	84,127.8	83,321.1	83,321.1	-1.0
Other Revenues	722.3	750.0	750.0	750.0	0.0
Fund Balance	0.0	180.0	0.0	2,125.0	1,080.6
SOURCES TOTAL	150,629.1	175,737.8	177,806.6	193,106.6	9.9
USES					
Personal Services and Employee Benefits	7,934.7	7,999.3	8,122.1	8,122.1	1.5
Contractual Services	19,990.2	30,796.8	26,675.2	26,675.2	-13.4
Other	119,230.9	136,941.7	143,009.3	158,309.3	15.6
TOTAL USES	147,155.8	175,737.8	177,806.6	193,106.6	9.9
FTE					
Permanent	101.5	101.5	121.5	121.5	19.7
Term	50.0	50.0	44.0	44.0	-12.0
TOTAL FTE POSITIONS	151.5	151.5	165.5	165.5	9.2

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Outcome	Percent of children receiving state subsidy in stars/aim high programs level three through five or with national accreditation		39.5%	25.0%	35.0%	35.0%
Outcome	Percent of mothers participating in home visiting who are identified as having symptoms of post-partum depression who are referred to services and then receive services		36.7%	45.0%	30.0%	40.0%
* Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditations		32.2%	25.0%	30.0%	30.0%
* Outcome	Percent of children in state-funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	91.8%	91.4%	92.0%	90.0%	92.0%
Outcome	Percent of children participating in home visiting who demonstrate measurable progress in the communication domain				TBD	TBD

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)					
FY15 - 2014-2015					
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	0.0	0.0	12,923.5	12,869.9	
Other Transfers	0.0	0.0	712.0	712.0	
SOURCES TOTAL	0.0	0.0	13,635.5	13,581.9	
USES					
Personal Services and Employee Benefits	0.0	0.0	2,505.6	2,452.0	
Contractual Services	0.0	0.0	10,572.6	10,572.6	
Other	0.0	0.0	557.3	557.3	
TOTAL USES	0.0	0.0	13,635.5	13,581.9	
FTE					
Permanent	0.0	0.0	31.0	30.0	
Term	0.0	0.0	5.0	5.0	
TOTAL FTE POSITIONS	0.0	0.0	36.0	35.0	

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Outcome	Percent of youth hospitalized for treatment of selected mental health disorders who receive a follow-up with a mental health practitioner within seven calendar days after discharge			new	50%	50%
* Outcome	Percent of youth who show improvement in the substance disorder domain of the global assessment of individual need short screen			new	50%	50%

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)					
FY15 - 2014-2015					
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	24,198.9	25,455.7	13,986.1	13,238.6	-48.0
Other Transfers	1,103.3	1,010.1	71.5	71.5	-92.9
Federal Revenues	10,705.4	5,696.1	5,546.0	5,546.0	-2.6
SOURCES TOTAL	36,007.6	32,161.9	19,603.6	18,856.1	-41.4
USES					
Personal Services and Employee Benefits	13,033.8	14,303.8	12,697.5	12,000.0	-16.1
Contractual Services	15,889.7	12,906.3	2,083.7	2,033.7	-84.2
Other	5,511.4	4,951.8	4,822.4	4,822.4	-2.6
TOTAL USES	34,434.9	32,161.9	19,603.6	18,856.1	-41.4
FTE					
Permanent	191.0	192.0	168.0	155.0	-19.3
Term	13.0	9.0	4.0	4.0	-55.6
TOTAL FTE POSITIONS	204.0	201.0	172.0	159.0	-20.9

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Turnover rate for youth care specialists	37.9%	15.2%		18.0%	15.0%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	7	7	7	7	7
Outcome	Percent of contractors that receive an onsite financial visit				8%	8%
Outcome	Percent of contracts that receive a desktop audit				20%	20%
* Efficiency	Average number of days to fill positions from the advertisement close date to candidate start date				65	65

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the United States Constitution and Article XVIII, Sections 1 and 2, of the New Mexico Constitution. The department is established and governed by the New Mexico Military Code (Sections 20-1-1 through 20-12-73 NMSA 1978). The governor is the commander in chief of the state military forces. 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 Guard, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

	BUDGET SUMMARY (dollars in thousands)				
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,322.7	6,843.7	7,092.1	6,886.8	0.6
Other Transfers	50.9	0.0	0.0	0.0	
Federal Revenues	9,884.0	12,239.4	12,149.2	12,149.2	-0.7
Other Revenues	235.0	209.4	81.4	81.4	-61.1
SOURCES TOTAL	16,492.6	19,292.5	19,322.7	19,117.4	-0.9
USES					
Personal Services and Employee Benefits	6,176.2	7,246.0	8,153.3	7,948.0	9.7
Contractual Services	2,623.5	2,969.3	4,086.6	4,086.6	37.6
Other	7,394.7	9,077.2	7,082.8	7,082.8	-22.0
TOTAL USES	16,194.4	19,292.5	19,322.7	19,117.4	-0.9
FTE					
Permanent	29.0	29.0	29.0	22.0	-24.1
Term	86.0	86.0	111.0	111.0	29.1
TOTAL FTE POSITIONS	115.0	115.0	140.0	133.0	15.7

BUDGET ISSUES:

For FY15, the department request of \$7.1 million from the general fund, a 3.6 percent increase, included an additional \$88.4 thousand for risk coverage rates, \$120 thousand for the New Mexico Youth Challenge Academy (YCA), and \$40 thousand for the New Mexico Civil Air Patrol School Enrichment Program (SEP). The request includes a reduction of 1 vacant FTE and \$128 thousand.

The FY15 general fund recommendation of \$6.9 million applies a 2.5 percent vacancy rate totaling \$205.3 thousand. The LFC recommends \$120 thousand to continue funding NMYCA and \$40 thousand for SEP, allowing the program to expand to nine new schools reaching 900 more students. Additionally, \$88.4 thousand is recommended for increases to General Services Division risk coverage rates. Total recommended FTE for FY15 is 133 and 7 FTE are deleted that have been vacant for more than two years.

In FY14, the department received a \$280 thousand general fund appropriation increase to raise the graduating capacity of NMYCA from 75 cadets in FY13 to 200 cadets. The NMYCA is funded through a 3-to-1 federal-state match and increased from 14 FTE in FY13 to 40 FTE in FY14. The recommended general fund appropriation for this program will bring total state and federal revenues to \$2 million.

Performance data indicates NMYCA is successful with at-risk juveniles. In FY12, 40 cadets at the academy earned the equivalent of a high school diploma, and 70 cadets graduated from the academy with 90 percent of the cadets placed into the workforce. Of the 60 percent of cadets who had contact with the legal system prior to attending the academy, only 2 percent had contact with the legal system afterward. The state's cost per participant is \$4,000 for a 22-week academy. In comparison, a 22-week stay at the Children Youth and Family Department's Youth Diagnostic Development Center (YDDC) costs the state almost \$70 thousand. Diverting teens before they get to a juvenile justice facility could slow the growth of facility populations and reduce the need to build new juvenile detention facilities.

The Civil Air Patrol SEP focuses on drug-demand reduction, developing character, strong core values, and provides aerospace education. In FY14, SEP is in seven middle schools including Alamogordo, Clovis, Los Lunas, Raton, Mescalero Apache Middle School, and the Navajo Preparatory School and reaches 1,664 students.

In FY14, a shared-services memorandum of understanding (MOU) negotiated between the department and the State Personnel Office (SPO) removes all human resource functions from the department and places them in SPO indefinitely. The department's MOU with SPO will cost \$200 thousand annually. SPO shared-service agreements are considered temporary capacity-building actions designed to train human resource staff to operate on their own. The committee encourages the DMA to develop a plan to unravel the SPO agreement.

NATIONAL GUARD SUPPORT

The purpose of the national guard support program is to provide administrative, fiscal, personnel, facility construction and maintenance support to the New Mexico national guard in maintaining a high degree of readiness to respond to state and federal missions and to supply an experienced force to protect the public, provide direction for youth and improve the quality of life for New Mexicans.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Rate of attrition of the New Mexico army national guard	13.4%	13.9%	16.0%	14.0%	14.0%
Outcome	Percent of strength of the New Mexico national guard	97%	97%	97%	97%	97%
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	40	45	40	110	110
Output	The number of square feet of armory or readiness centers that are assessed as black/q4 status (having major deficiencies) on the infrastructure status report.			New	91,000	91,000
Outcome	Percent of cadets successfully graduating from the youth challenge academy	93%	100%	93%	94%	94%

STATUTORY AUTHORITY:

The Parole Board Act (Section 31-21-22 NMSA 1978) created the 15-member Parole Board and administratively attached it to the Corrections Department. Even though the Parole Board is administratively attached to the Corrections Department, it functions as an independent state agency responsible for paroling adults incarcerated by the Corrections Department. The Probation and Parole Act (Section 31-21-3 through 31-21-19 NMSA 1978) further outlines the responsibilities of the Parole Board.

MISSION:

The Parole Board grants, denies, or revokes parole, conducts investigations, summons witnesses, and adopts rules and regulations for the effective discharge of board duties. The Parole Board also provides recommendations to the governor on applications for executive clemency.

BUDGET SUMMARY (dollars in thousands)						
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	463.7	495.3	489.8	489.8	-1.1	
SOURCES TOTAL	463.7	495.3	489.8	489.8	-1.1	
USES						
Personal Services and Employee Benefits	275.9	361.1	347.6	347.6	-3.7	
Contractual Services	11.5	7.8	7.7	7.7	-1.3	
Other	119.5	126.4	134.5	134.5	6.4	
TOTAL USES	406.9	495.3	489.8	489.8	-1.1	
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	

BUDGET ISSUES:

The Adult Parole Board requested a slight decrease from FY14, a reflection of savings from the reclassification of the deputy director position to an administrative operations manager and to a projected reduction in the number of evidentiary hearings and sex offender hearings. The request included increases for unemployment compensation insurance and travel-related expenses.

The board consists of 15 members who work on a voluntary basis. In addition, there are 6 FTE, including an appointed director, charged with ensuring parole hearings run smoothly. For much of FY13, the director's position was vacant, explaining why 18.7 percent of the board's operating budget allocation for personal services and employee benefits was not spent.

In FY13 the board conducted a total of 3,517 hearings, of which 2,419 were regular hearings and 1,098 were revocation hearings. The board conducted seven sex-offender hearings in FY13 and is projected to have a further increase every year for several years. The board issued 809 parole discharge certificates, including 552 satisfactory certificates, 256 unsatisfactory certificates, and one early discharge with good time. The board also processed 42 executive clemency requests and issued 2,259 parole certificates.

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	95.0%	95.8%	95.0%	95.0%	95.0%
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	33	34	30	30	34
* Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	93.1%	92.3%	95.0%	95.0%	95.0%
Outcome	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1 update	1 update	1 update	1 update	1 update

STATUTORY AUTHORITY:

Sections 32A-7A-1 through 32A-7A-8 NMSA 1978 created the Juvenile Public Safety Advisory Board (JPSAB). The board is administratively attached to the Children, Youth, and Families Department (CYFD).

MISSION:

The mission of the JPSAB is to provide citizen oversight, review programs and initiatives, and make recommendations to the CYFD on all matters relating to adjudicated youth program operations; conduct onsite facility inspections and visits; and ensure the appropriate care and treatment services are being provided to youth.

BUDGET SUMMARY (dollars in thousands)						
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	20.0	15.0	15.0	15.0	0.0	
SOURCES TOTAL	20.0	15.0	15.0	15.0	0.0	
USES						
Personal Services and Employee Benefits	1.4	0.0	0.0	0.0		
Contractual Services	4.3	4.5	5.0	5.0	11.1	
Other	8.6	10.5	10.0	10.0	-4.8	
TOTAL USES	14.3	15.0	15.0	15.0	0.0	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

Although the Juvenile Public Safety Advisory Board budget request was flat compared with FY14 appropriations, the board asked to move \$500 from the other category to the contractual services category to pay increased audit costs for FY15. Expenditures for FY13 show the board did not spend the entire budget for that year and can accommodate the requested realignment of the FY15 budget without compromising board member per diem and mileage. The board may have up to seven members at any time but currently only has two and has never had more than four.

The committee recommends the budget as requested.

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.

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent of clients reviewed at forty days	100%	100%	98%	90%	100%
Outcome	Percent of clients successfully completing term of supervised release	92.1%	92%	99%	87%	92%

STATUTORY AUTHORITY:

The Corrections Department Act, Sections 9-3-1 through 9-3-13 NMSA 1978, created a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Corrections and Criminal Rehabilitation Department and to ensure a comprehensive criminal justice system in New Mexico.

MISSION:

The mission of the New Mexico Corrections Department (NMCD) is to provide a balanced approach to corrections, from incarceration to community-based supervision, with training, education, rehabilitation programs, and services that provide opportunities for offenders to successfully transition to communities.

	BUDGET SUMMARY (dollars in thousands)				
	FY13 2012-2013	FY14 2013-2014	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
	Actuals	Budgeted			
SOURCES					
General Fund Transfers	265,694.0	270,583.4	279,434.0	275,529.2	1.8
Other Transfers	671.1	482.9	482.9	482.9	0.0
Federal Revenues	1,056.7	171.2	171.2	171.2	0.0
Other Revenues	23,768.8	20,374.1	19,451.8	19,451.8	-4.5
Fund Balance	0.0	1,040.0	1,601.0	1,601.0	53.9
SOURCES TOTAL	291,190.6	292,651.6	301,140.9	297,236.1	1.6
USES					
Personal Services and Employee Benefits	121,327.8	132,630.5	135,323.9	133,672.3	0.8
Contractual Services	42,342.7	45,586.4	45,577.0	45,565.4	0.0
Other	114,934.7	114,434.7	120,240.0	117,998.4	3.1
TOTAL USES	278,605.2	292,651.6	301,140.9	297,236.1	1.6
FTE					
Permanent	2,412.5	2,412.0	2,401.0	2,301.0	-4.6
Term	35.0	35.0	35.0	32.0	-8.6
TOTAL FTE POSITIONS	2,447.5	2,447.0	2,436.0	2,333.0	-4.7

BUDGET ISSUES:

The New Mexico Corrections Department (NMCD) requested \$279.4 million from the general fund, \$8.85 million, or 3.3 percent, over the FY14 operating budget. The department request included a \$1.3 million expansion item to create the Office of Security Threat Management (OSTM), a \$1.8 million increase to the personal services and employee benefits category, an agency applied 12.8 percent vacancy savings rate, and \$4.7 million to support an inmate population increase projected at 3.4 percent. The request also increases the contract for the halfway house for men run by the New Jersey-based Community Education Center by \$3 million.

The recommendation from the general fund is \$275.5 million, a 1.8 percent increase over the FY14 operating budget. The recommendation deletes a total of 114 unfunded vacant FTE and applies an additional modest vacancy savings rate averaging 0.8 percent. The department request represents an increase of \$14 million over FY13 actual expenditures in personal services and employee benefits. However, in FY13 the department reverted \$7.5 million. The department also has a total of 558 vacant FTE with roughly 315 vacancies unfunded through the request. The recommended funding level is 7.2 percent above current annualized payroll amounts and deletes 20 percent of all vacant FTE, or 33 percent of unfunded FTE.

With roughly 5 percent of the state's budget allocated to the New Mexico Corrections Department (NMCD), the cost of incarceration in New Mexico is substantial. If current trends persist, the state can expect costs to grow. For example, in FY14 NMCD required \$8 million in recurring appropriations to add 342 beds at the Otero County Prison Facility. As of December 2, 2013, the total number of inmates incarcerated in the 11 correctional facilities was 6,813. Men are housed at six public facilities and four privately operated facilities statewide. Women are housed at two facilities in Grants. The total department request for private prison contracts is roughly \$78 million, or 6.4 percent above FY14 operating levels. Currently, 2,631 inmates are held at privately operated prison facilities, with 657 females held at New Mexico Women's Correctional Facility run by Corrections Corporation of America. The women's inmate population is forecasted to meet or exceed capacity by early FY15, and the male population will exceed capacity by 2020, leading to the need for more capacity and higher costs.

From 2008 through 2011 the total state inmate population in the United States declined by 2.5 percent. At the same time, the New Mexico inmate population increased by 5.5 percent and has continued to increase since the beginning of FY13 through November at an annualized rate of 4.6 percent. Inmates in FY12 cost the state an average of \$95.49 per inmate per day, or \$34.8 thousand per year. Proactive probation supervision initiatives and absconder roundups are a major driver of the recent inmate population increase. The department requested \$1.3 million including \$602.4 thousand in the personal services and employee benefits category, to expand these activities through the creation of a new Security Threat Intelligence Bureau. The committee recommendation does not support this expansion.

Alternatively, if the department were to adopt more evidence-based recidivism reduction initiatives, the state might be able to slow or eliminate inmate growth, reduce costs, and increase public safety. Other states have had success adopting evidence-based recidivism reduction initiatives. For example, Texas is on track to save an estimated \$2 billion after adopting evidence-based reforms that included drug courts, residential treatment programs, and nonresidential treatment programs. Likewise, Kansas, Michigan, Mississippi, Ohio and Oregon from 2005 to 2007 had significant decreases in recidivism rates by adopting evidence-based reforms.

While the department has started collecting data to analyze recidivism reduction programming, the department has been slow to implement such initiatives. For example, the Corrections Industries program has been shown to reduce recidivism by more than 4 percent, and when operated as intended might not require general fund appropriations, but the program languishes with a 57 percent vacancy rate. In FY14, the Legislature appropriated \$150 thousand, the first general fund appropriation since Corrections Industries' inception.

The recommendation assumes recidivism reduction initiatives, discussed below, will slow FY15 inmate growth to 2.3 percent reducing custody costs by \$1.6 million. According to the Pew-MacArthur Results First initiative, inmate education is the most cost-effective recidivism reduction program operated by the department. Inmate education is estimated to reduce recidivism by almost 12 percent and is also the least expensive to operate per inmate. Currently, inmate courses are taught through distance learning via the Internet and correspondence with lectures on DVD. According to the department, demand for inmate enrollment in college courses exceeds available funding. The committee recommendation provides language expanding inmate education by an additional \$1.5 million.

The recommendation also provides language appropriating \$1.5 million to deal with several intractable issues facing the state. Firstly, gainful employment is a major factor leading to the success of parolees once released. The recommendation provides funding for community-based employment, training, and education services assisting parolees to find employment. Secondly, many parolees suffer from mental illness and are at risk of homelessness and recidivism. The recommendation provides funding for the department to provide evidence-based, wraparound, comprehensive mental health and supportive services to parolees who suffer from mental illness. Thirdly, drug courts have been shown to decrease the likelihood that offenders will end up in prison and that drug-court participant recidivism is reduced by 12 percent. The recommendation provides funding for the department to expand the existing department-supported drug court in the 2nd Judicial District.

Further, if the department is able to reduce recidivism, it should consider renegotiating private prison contracts and removing minimum occupancy clauses. These clauses require the department to maintain a minimum number of inmates at each facility or be charged elevated per-diem rates. For example, the women's facility requires the department to maintain 580 inmates or incur a 5 percent increase in per diem. Additionally, if the population at the North Eastern New Mexico Detention Facility drops below 540 inmates, the department will have to pay an incremental service fee of \$10 per inmate, per day. Minimum occupancy clauses are contrary to the department's goal of reducing recidivism and eventually reducing the prison population.

In FY13, NMCD spent \$40.6 million on inmate health care and in FY15 requested \$43.7 million for the Corizon Incorporated inmate healthcare contract, a 7.6 percent increase. Corizon receives a 0.75 percent annual upward adjustment to the \$37.5 million base compensation rate for each performance benchmark met, amounting to a maximum \$1.1 million per year performance increase in compensation. Additional compensation amounts are provided for pharmaceuticals, equipment, and gross receipts taxes. The department should consider renegotiating the contract and including downward adjustments when performance benchmarks are not met.

Additionally, with the enactment of the Affordable Care Act and subsequent increases in Medicaid eligibility, the department will no longer be required to pay for inpatient hospital stays that last more than 24 hours. In FY13, New Mexico inmates spent 811 days in hospitals at an estimated cost of \$1.7 million. According to the Kaiser Family Foundation, an average hospital day costs \$2,066. Assuming that 90 percent of inmate hospital days are eligible for Medicaid coverage, \$1.5 million could be saved annually. The LFC recommendation reduces the inmate healthcare contract by \$1.5 million. Additionally, within Community Offender Management, the FY15 request ends funding for most of NMCD's smaller behavioral health providers because most of these services will be covered under Medicaid expansion, saving \$3 million. Total savings from Medicaid expansion are recommended at \$4.5 million.

The department's aging correctional facilities are in need of repair. The department estimates the cost of addressing deferred maintenance at all facilities, excluding the Springer Correctional Facility, at \$230 million. The department should invest in a master plan that evaluates all existing facilities and addresses the needs of corrections from a statewide perspective. In FY15, the department requested capital outlay appropriations of \$25.6 million for heating and cooling systems, security upgrades, repairs and renovations to facilities, and water and wastewater upgrades.

BASE EXPANSION:

The committee recommendation does not support the requested expansion that consolidates security threat intelligence functions from the Adult Prisons Division and the Probation and Parole Division in a new bureau. Under current service levels, the department's security threat intelligence units have reduced the number of absconders in the community from 1,900 to 1,550. Under current funding levels, absconder apprehension efforts are funded at optimal levels. The expansion request proposed to move 16 FTE from Community Offender Management to Inmate Management and Control.

RECOMMENDED LANGUAGE:

The general fund appropriation to the inmate management and control program of the department of corrections includes one million five hundred seven thousand dollars (\$1,507,000) to expand education services for inmates in prison.

The general fund appropriation to the community offender management program of the department of corrections includes one million five hundred thousand dollars (\$1,500,000) to expand community-based employment, training and educational services; for evidence-based community behavioral health services and wraparound services; and to expand drug court services in the second judicial district court.

BASE EXPANSION LISTING
FY15 - 2014-2015

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Expand security threat intelligence unit	1,283.2	0.0
TOTAL		1,283.2	0.0

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)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	223,506.0	226,570.0	235,981.7	232,696.7	2.7
Other Transfers	426.0	233.1	233.1	233.1	0.0
Federal Revenues	1,048.4	171.2	171.2	171.2	0.0
Other Revenues	17,010.4	14,790.5	13,630.9	13,630.9	-7.8
SOURCES TOTAL	241,990.8	241,764.8	250,016.9	246,731.9	2.1
USES					
Personal Services and Employee Benefits	94,524.1	100,627.5	103,617.3	102,585.5	1.9
Contractual Services	41,581.2	44,415.1	44,427.5	44,415.9	0.0
Other	96,956.3	96,722.2	101,972.1	99,730.5	3.1
TOTAL USES	233,061.6	241,764.8	250,016.9	246,731.9	2.1
FTE					
Permanent	1,892.5	1,838.0	1,844.0	1,748.0	-4.9
Term	32.0	32.0	32.0	32.0	0.0
TOTAL FTE POSITIONS	1,924.5	1,870.0	1,876.0	1,780.0	-4.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	22%	21%	20%	20%	20%
Outcome	Recidivism rate of the success for offenders after release program by thirty-six months	37%	28%	32%	27%	25%
Outcome	Percent of female offenders successfully released in accordance with their scheduled release dates	80%	77%	90%	90%	90%
* Output	Percent of eligible inmates who earn a general education development diploma	90%	76%	90%	90%	100%
Output	Percent of participating inmates who have completed adult basic education	45%	34%	50%	50%	50%
Outcome	Percent of male offenders successfully released in accordance with their scheduled release dates	82%	81%	90%	90%	90%
* Outcome	Percent of prisoners reincarcerated back into the corrections department system within thirty-six months due to new charges or pending charges	23%	24%	23%	21%	20%
Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release		New	40%	40%	35%
* Output	Percent of inmates testing positive for drug use or refusing to be tested in a random monthly drug test	1.7%	2.2%	≤2%	≤2%	≤2%
* Output	Number of inmate-on-inmate assaults with serious injury	21	16	18	15	15
* Output	Number of inmate-on-staff assaults with serious injury	1	5	4	4	4
Output	Number of escapes from a publicly run corrections department facility	0	0	0	0	0
Output	Number of escapes from a secure, privately operated corrections department facility	0	0	0	0	0
Outcome	Percent of standard healthcare requirements met by medical contract vendor	100%	100%	100%	100%	100%
Outcome	Percent of eligible sex offenders who are receiving treatment within three years of release	47%	56%	75%	65%	75%
Output	Percent of inmate grievances resolved informally	51%	56%	85%	85%	85%
* Outcome	Percent of sex offenders reincarcerated back into the corrections department within thirty-six months	36%	28%	30%	25%	25%

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)						
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	0.0	150.0	0.0	150.0	0.0	
Other Revenues	3,988.3	2,816.5	3,016.5	3,016.5	7.1	
Fund Balance	0.0	427.3	988.3	988.3	131.3	
SOURCES TOTAL	3,988.3	3,393.8	4,004.8	4,154.8	22.4	
USES						
Personal Services and Employee Benefits	826.7	1,646.4	1,573.7	1,723.7	4.7	
Contractual Services	14.1	26.4	25.4	25.4	-3.8	
Other	2,511.6	1,721.0	2,405.7	2,405.7	39.8	
TOTAL USES	3,352.4	3,393.8	4,004.8	4,154.8	22.4	
FTE						
Permanent	31.0	27.0	26.0	29.0	7.4	
Term	3.0	3.0	3.0	0.0	-100.0	
TOTAL FTE POSITIONS	34.0	30.0	29.0	29.0	-3.3	

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Outcome	Percent of inmates receiving vocational or educational training assigned to corrections industries		New	>10%	>10%	30%
Outcome	Percent of inmate hours lost due to security issues		New	<15%	<12%	<10%

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)						
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)	
			Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	30,623.2	30,568.0	29,660.7	29,660.7	-3.0	
Other Transfers	7.3	0.0	0.0	0.0		
Federal Revenues	8.3	0.0	0.0	0.0		
Other Revenues	2,591.7	2,037.8	2,037.8	2,037.8	0.0	
Fund Balance	0.0	612.7	612.7	612.7	0.0	
SOURCES TOTAL	33,230.5	33,218.5	32,311.2	32,311.2	-2.7	
USES						
Personal Services and Employee Benefits	17,997.1	19,795.0	18,975.9	18,975.9	-4.1	
Contractual Services	44.5	60.2	59.4	59.4	-1.3	
Other	12,793.5	13,363.3	13,275.9	13,275.9	-0.7	
TOTAL USES	30,835.1	33,218.5	32,311.2	32,311.2	-2.7	
FTE						
Permanent	399.0	392.0	374.0	367.0	-6.4	
TOTAL FTE POSITIONS	399.0	392.0	374.0	367.0	-6.4	

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	91.4%	91.6%	90%	92%	92%
Quality	Average standard caseload per probation and parole officer	114	108	95	95	90
Output	Average community corrections program caseload per probation and parole officer	28	32	28	30	28
Output	Percent of absconders apprehended	12%	13%	15%	26%	26%
* Output	Percent of male offenders who complete the residential treatment center program	68%	79%	75%	80%	80%
Output	Percent of female offenders who complete the residential treatment center program	82%	86%	80%	89%	90%
Output	Percent of female offenders who complete the halfway house program	100%	100%	95%	99%	100%
Output	Number of offenders on the waiting list for intensive or high-risk supervision		New	<50	<50	<50

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,564.8	13,295.4	13,791.6	13,021.8	-2.1
Other Transfers	237.8	249.8	249.8	249.8	0.0
Other Revenues	178.4	729.3	766.6	766.6	5.1
SOURCES TOTAL	11,981.0	14,274.5	14,808.0	14,038.2	-1.7
USES					
Personal Services and Employee Benefits	7,979.9	10,561.6	11,157.0	10,387.2	-1.7
Contractual Services	702.9	1,084.7	1,064.7	1,064.7	-1.8
Other	2,673.3	2,628.2	2,586.3	2,586.3	-1.6
TOTAL USES	11,356.1	14,274.5	14,808.0	14,038.2	-1.7
FTE					
Permanent	90.0	155.0	157.0	157.0	1.3
TOTAL FTE POSITIONS	90.0	155.0	157.0	157.0	1.3

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent turnover of probation and parole officers	13%	15%	12%	10%	10%
* Outcome	Percent turnover of correctional officers in public facilities	11%	13%	11%	10%	10%
Output	Graduation rate of correctional officer cadets from the corrections department training academy	72%	81%	90%	90%	90%
Output	Percent of institutional programming staff, probation and parole officers and supervisors, classification and behavioral health bureau staff trained in motivational interviewing techniques	0%	0%	100%	100%	100%
Outcome	Percent of employee union grievances resolved prior to arbitration	98%	100%	95%	95%	100%
Quality	Percent of audit findings resolved from prior year			New	75%	75%

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)					
	FY15 – 2014-2015				
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,710.0	1,844.3	1,868.7	1,868.7	1.3
Federal Revenues	5,115.7	5,175.9	5,275.9	5,275.9	1.9
Other Revenues	471.5	499.5	499.5	499.5	0.0
Fund Balance	90.0	80.0	80.0	80.0	0.0
SOURCES TOTAL	7,387.2	7,599.7	7,724.1	7,724.1	1.6
USES					
Personal Services and Employee Benefits	1,041.2	1,177.9	1,202.3	1,202.3	2.1
Contractual Services	238.3	242.4	242.4	242.4	0.0
Other	5,348.1	5,379.4	5,479.4	5,479.4	1.9
Other Financing Uses	666.2	800.0	800.0	800.0	0.0
TOTAL USES	7,293.8	7,599.7	7,724.1	7,724.1	1.6
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	20.0	20.0	20.0	20.0	0.0

BUDGET ISSUES:

For FY15, the agency requested and the LFC recommended \$1.9 million from the general fund, a \$24.4 thousand increase over the FY14 operating budget but 21.7 percent below FY10 appropriation levels. The Victim Compensation Program received a special appropriation of \$253 thousand in 2012 added to the base budget in FY14. The increase allowed the program to continue reimbursing victim care providers at a rate covering 75 percent of the cost of expenses and to reimburse victim payments at 100 percent of expenses. The Federal Grant Administration Program receives no state funds and manages \$5.3 million in federal funds from the Office of Justice Programs, Victims of Crime Act, and the Violence Against Women Act.

Revenues for the commission come from general fund appropriations, restitution paid by perpetrators, and federal funds. Federal compensation funds equal 60 percent of in-state expenditures in the two federal fiscal years before the grant award. In FY13 of the \$5.3 million in federal funds, \$760 thousand was used to fund payments to victims of violent crime. Additionally, \$3.3 million in federal grants were awarded to other agencies to fund victim care, support, and advocacy.

The commission processes claims to reimburse victims, deceased victim's dependents, or any individual who voluntarily assumes the funeral or medical expenses of a victim for statutorily specified criminal acts. In FY13, the commission paid reparations on 686 claims, which included 102 for child sexual abuse and 22 for child physical abuse. The crimes with the greatest claim amounts were assaults at \$830 thousand, homicides at \$286 thousand and domestic violence at \$268 thousand.

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,710.0	1,844.3	1,868.7	1,868.7	1.3
Other Revenues	471.5	499.5	499.5	499.5	0.0
Fund Balance	90.0	80.0	80.0	80.0	0.0
SOURCES TOTAL	2,271.5	2,423.8	2,448.2	2,448.2	1.0
USES					
Personal Services and Employee Benefits	822.4	922.7	947.1	947.1	2.6
Contractual Services	205.1	214.4	214.4	214.4	0.0
Other	1,150.6	1,286.7	1,286.7	1,286.7	0.0
TOTAL USES	2,178.1	2,423.8	2,448.2	2,448.2	1.0
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

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
Output	Number of formal trainings conducted annually	10	8	8	8	8
Output	Number of formal internal staff trainings conducted annually	6	3	6	6	6
* Efficiency	Average number of days to process applications	112	102	<120	<120	<105
Outcome	Percent increase in number of reparation applications received	9%	-6%	5%	2%	2%
Efficiency	Percent of payment vouchers for care and support sent to the department of finance and administration within two working days of the receipt of payment list	80%	90%	90%	90%	90%
* Outcome	Percent of victims receiving direct advocacy	90%	85%	90%	90%	90%
Output	Number of victims receiving direct advocacy	1,691	1,361	1,840	1,300	1,360

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	5,115.7	5,175.9	5,275.9	5,275.9	1.9
SOURCES TOTAL	5,115.7	5,175.9	5,275.9	5,275.9	1.9
USES					
Personal Services and Employee Benefits	218.8	255.2	255.2	255.2	0.0
Contractual Services	33.2	28.0	28.0	28.0	0.0
Other	4,197.5	4,092.7	4,192.7	4,192.7	2.4
Other Financing Uses	666.2	800.0	800.0	800.0	0.0
TOTAL USES	5,115.7	5,175.9	5,275.9	5,275.9	1.9
FTE					
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Efficiency	Percent of sub-grantees that receive compliance monitoring via desk audits	85%	85%	85%	85%	85%
Output	Number of training workshops conducted for sub-grantees	12	10	9	9	10
* Outcome	Percent increase in the number of services provided to victims of crime by grant sub-recipients	16%	2%	2%	2%	2%
Efficiency	Percent of site visits conducted	16%	26%	30%	25%	30%
Output	Number of statewide training conferences held for service providers and victim advocates	1	1	1	1	1
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	5	5	5	5

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of the DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the New Mexico State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to 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)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	91,199.0	97,395.4	100,326.7	104,421.3	7.2
Other Transfers	11,237.6	20,564.6	21,381.6	15,537.3	-24.4
Federal Revenues	8,449.0	14,648.4	11,592.4	11,592.4	-20.9
Other Revenues	5,907.2	7,666.4	9,430.2	9,430.2	23.0
Fund Balance	449.8	1,225.6	1,605.0	1,605.0	31.0
SOURCES TOTAL	117,242.6	141,500.4	144,335.9	142,586.2	0.8
USES					
Personal Services and Employee Benefits	81,270.9	93,259.6	92,108.1	90,404.8	-3.1
Contractual Services	3,716.4	7,602.2	8,208.0	8,208.0	8.0
Other	28,651.5	36,349.6	37,214.8	37,168.4	2.3
Other Financing Uses	1,800.8	4,289.0	6,805.0	6,805.0	58.7
TOTAL USES	115,439.6	141,500.4	144,335.9	142,586.2	0.8
FTE					
Permanent	1,131.5	1,128.5	1,127.5	1,120.5	-0.7
Term	106.0	106.0	51.0	51.0	-51.9
Temporary	24.2	24.2	79.2	79.2	227.3
TOTAL FTE POSITIONS	1,261.7	1,258.7	1,257.7	1,250.7	-0.6

BUDGET ISSUES:

The Department of Public Safety's FY15 base request of \$144.3 million, a 2 percent increase over the FY14 operating budget, includes appropriations from the general fund of \$100.3 million, or 3 percent above the FY14 general fund operating budget. The request consolidates the Motor Transportation Division (MTD) and Law Enforcement Academy into the Law Enforcement Program. The agency requested an additional \$3 million in special appropriations for police cars and to support 3 additional FTE in the training and recruiting division.

The FY15 general fund recommendation of \$104.4 million includes \$5.8 million replacing road fund revenue with general fund revenue. Recommended funding levels also include \$240 thousand to fund operations at the New Mexico DNA Administrative Center. The recommendation leaves the Law Enforcement Program and the Motor Transportation Program separate, allowing the Legislature to consider consolidating the two programs while viewing both budgets separately. The recommendation does; however, support consolidating the Law Enforcement Academy into the Law Enforcement Program.

One issue facing the department is funding to replace the patrol fleet; the department plans to replace one-quarter of its patrol fleet each year. Revenue for fleet replacement was previously removed from the department's operating budget and funded with capital outlay during the state's budget crisis. Because fleet replacement is a recurring cost, and because most vehicles need to be replaced once every four years, these funds are being restored to the department's operating budget over two years. In FY14, the department's base appropriation included roughly half the amount needed for regular fleet replacement with the remaining need included in a special appropriation. The department will greatly benefit from new police cars that are better engineered, last longer, and are more fuel efficient than the older models. Using revenue appropriated in the FY14 base, the department is purchasing Ford police interceptor sedans, similar to the Ford Taurus. The new vehicles are expected to cut fuel consumption by at least 20 percent.

For FY15, \$4.55 million is recommended to replace about 135 vehicles. In addition to the base request, the department requested a \$2.8 million special appropriation, enough to replace an additional 84 cars; the recommendation does not support the special request. The department provided detailed projections showing when each vehicle will need to be replaced based on targeted mileage and will need to replace 122 vehicles in FY15, not 219 as requested.

The LFC recommendation includes the agency request for an increase of \$717 thousand in the Law Enforcement Program for contractual services for instructor fees providing advanced training, meals for training classes, and for medical and psychological exams prior to employment.

Inadequate DPS manpower, due to salaries below market rates, continues to be an issue. Between FY10 and FY13, 180, or 35.4 percent, of officers left the department. For FY14, salaries were increased by 4 percent but remain below market levels. When compared with 10 of the largest local police departments in the state, average salaries for the rank of State Police patrolman are at the bottom of the list, making it difficult to attract recruits. Using attractive sign-on bonuses, after recruits receive high-quality state-funded training at the rate of \$65 thousand per officer, local police departments actively recruit from DPS. In addition, 13 percent of DPS's highly trained and experienced officers are expected to retire within the next three years due to changes in the retirement system.

In addition to being uncompetitive, the department has not maintained the current DPS pay plan, and officers are not paid according to their years of service, causing salary compaction. To correct this and to make DPS officer salaries competitive, the department is proposing a \$10.8 million compensation plan separate from the base. The proposed plan will place officers in their proper step according to years of service, increase officer salaries to market competitive rates, change the DPS pay plan to ease compaction, provide larger promotional increases between ranks, and accelerate front-end pay movement for patrol officers, aiding retention.

The agency request applied a 2.8 percent vacancy savings rate to Program Support, 3.1 percent to Law Enforcement, 6.6 percent to Motor Transportation, and 6.7 percent to the Statewide Law Enforcement Support program. Additionally, the difference between the department's current payroll amount and the FY15 requested amount for personal services and employee benefits (PS&EB) is \$8 million. The recommendation applies a modest average 2 percent vacancy savings rate and enough funding to fill officer positions above current levels.

In reality, current compensation rates will not allow the department to fill all vacant officer positions. Therefore, the recommendation likely allows DPS to reprioritize funding from vacant positions to compensate adjustments in step alignment based on years of service and partial implementation of the proposed pay plan. Further the plan should increase recruitment and retention enough to reduce the need for \$10.1 million budgeted for overtime. Finally, the committee recommends a 5 percent salary increase separate from the base through a special appropriation.

The Motor Transportation Division provides 24-hour monitoring at five major ports of entry in Gallup, San Jon, Raton, Lordsburg and Anthony. Two of those five ports are on the Mexico border. Eleven other ports of entry are open randomly for weight enforcement or interdiction operations. The FY15 general fund recommendation for the Motor Transportation Program is \$15.9 million, a 52.2 percent increase over the FY14 operating budget. The recommended increase includes \$5.8 million to swap general fund revenue for road fund revenue.

In September 2013, LFC conducted an evaluation of MTD and reported several findings, resulting in changes for the FY15 budget request. First, MTD is correctly located within DPS, in line with practices in other states; however, most other states do not completely separate State Police and Motor Transportation police as does New Mexico. Changing this, the department's budget request consolidates the State Police and MTD under the Law Enforcement Program. The budget recommendation does not consolidate the programs, allowing the Legislature to consider the merits of consolidation. Further, the LFC evaluation recommended that if the consolidation were to happen, DPS should ensure MTD maintains a clear focus on the agency's commercial motor vehicle mission.

Another finding in the evaluation was that MTD officer salaries are even less competitive with local market rates than State Police salaries and should be brought up to parity with the State Police. The budget request proposed to bring MTD officers into the State Police exempt pay plan and resulted in a base budget increase of \$136.6 thousand. If the proposed State Police pay plan is implemented, MTD's 20.9 percent vacancy rate should improve.

An additional finding in the LFC evaluation suggested compliance and enforcement improvements of the division's weight-distance tax could reduce tax evasion, increase efficiency, and identify additional revenue. The Taxation and Revenue Department (TRD) has an agreement with MTD to provide revenue enforcement services, deploying road side cameras, tracking trucker's movements into the state, and reducing evasion. TRD did not request to continue transferring \$1.7 million of weight-distance permit revenue to DPS. The LFC recommendation includes the \$1.7 million transfer to support increased weight-distance compliance.

In FY13, the department created the Statewide Law Enforcement Support Program, a combination of scientific, technical, and training functions that support the state’s law enforcement community. The department has three scientific laboratories, one each in Santa Fe, Hobbs and Las Cruces. The FY15 request for the Statewide Law Enforcement Support Program moved the Law Enforcement Academy to the Law Enforcement Program along with 20 FTE and \$2 million and requested a general fund increase of \$567.7 thousand, or 4.8 percent. The increase is related to hardware and software expenses due to the addition of the offender watch system and the victim identification notification everyday system that alerts victims when an offender is released.

RECOMMENDED LANGUAGE:

The general fund appropriation to the statewide law enforcement support program of the department of public safety includes sufficient funding for all operations at the forensic laboratory in southeastern New Mexico.

The general fund appropriation to the law enforcement program of the department of public safety includes sufficient funding to bring all state police officers, motor transportation officers and special investigation officers to proper step-placement within the state police pay-plan.

The general fund appropriation to program support of the department of public safety includes two hundred and forty thousand dollars (\$240,000) for operations at the New Mexico deoxyribonucleic acid crime lab in Albuquerque, New Mexico.

LAW ENFORCEMENT

The purpose of the law enforcement program is to provide the highest quality of law enforcement services to the public and ensure a safer state.

**BUDGET SUMMARY
(dollars in thousands)**

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 - 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	68,842.1	73,823.9	76,002.4	74,787.7	1.3
Other Transfers	3,060.8	9,046.6	9,228.5	9,228.5	2.0
Federal Revenues	1,630.6	1,779.3	2,169.3	2,169.3	21.9
Other Revenues	3,059.6	4,685.0	6,156.0	6,156.0	31.4
Fund Balance	373.4	530.6	755.0	755.0	42.3
SOURCES TOTAL	76,966.5	89,865.4	94,311.2	93,096.5	3.6
USES					
Personal Services and Employee Benefits	55,991.5	62,871.7	62,417.8	61,394.6	-2.3
Contractual Services	1,422.8	1,974.7	2,691.7	2,691.7	36.3
Other	16,930.1	22,108.4	24,396.7	24,205.2	9.5
Other Financing Uses	1,332.1	2,910.6	4,805.0	4,805.0	65.1
TOTAL USES	75,676.5	89,865.4	94,311.2	93,096.5	3.6
FTE					
Permanent	775.0	776.0	776.0	775.0	-0.1
Term	3.0	3.0	3.0	3.0	0.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	802.2	803.2	803.2	802.2	-0.1

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties		95.5	288	150	150
Output	Number of minor compliance operations per agent assigned to alcohol enforcement duties		9	16	12	12
Outcome	Average turnaround time to issue a concealed carry permit from the date the application is received to the date it is complete, in days		63	45	40	70
Output	Number of traffic-related enforcement projects held		1,209	850	850	1,250
* Output	Number of driving-while-intoxicated checkpoints and saturation patrols conducted		1,117	750	750	1,175

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of driving-while-intoxicated arrests per patrol officer		7.7	12	12	12
Output	Number of criminal investigations conducted by commissioned personnel per full-time equivalent assigned to patrol and investigations bureau		55	60	60	60
Output	Number of drug-related investigations conducted by commissioned personnel per full-time equivalent assigned to the investigations bureau		5	20	5	15
Output	Number of violations for sales to intoxicated persons			New	50	50
Output	Number of educational presentations to law enforcement agencies			New	20	20
Output	Number of educational presentations to liquor licensees			New	40	40
* Outcome	Number of data-driven crime and traffic initiatives conducted			New	500	500

MOTOR TRANSPORTATION

The purpose of the motor transportation program is to provide the highest quality of commercial motor vehicle enforcement services to the public and ensure a safer state.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY13 2012-2013 Actuals</u>	<u>FY14 2013-2014 Budgeted</u>	<u>FY15 - 2014-2015</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,276.2	10,473.7	10,610.3	15,939.6	52.2
Other Transfers	7,663.1	9,701.4	9,669.7	3,825.4	-60.6
Federal Revenues	2,987.1	5,501.1	5,029.5	5,029.5	-8.6
Other Revenues	26.2	425.0	150.0	150.0	-64.7
SOURCES TOTAL	19,952.6	26,101.2	25,459.5	24,944.5	-4.4
USES					
Personal Services and Employee Benefits	14,491.4	17,659.8	16,921.3	16,476.3	-6.7
Contractual Services	859.0	3,268.8	3,745.7	3,745.7	14.6
Other	4,602.2	5,172.6	4,792.5	4,722.5	-8.7
TOTAL USES	19,952.6	26,101.2	25,459.5	24,944.5	-4.4
FTE					
Permanent	217.5	217.5	215.5	212.5	-2.3
Term	55.0	55.0	0.0	0.0	-100.0
Temporary	0.0	0.0	55.0	55.0	
TOTAL FTE POSITIONS	272.5	272.5	270.5	267.5	-1.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Output	Number of commercial motor vehicle citations issued	27,684	27,617	30,000	25,000	30,000
* Output	Number of commercial motor vehicle safety inspections	87,682	86,013	90,000	67,725	90,000
Output	Number of non-commercial motor vehicle citations issued	11,226	14,294	11,500	11,500	14,000
Output	Number of motor carrier safety trainings completed		51	32	32	55
Outcome	Percent of uniformed personnel trained and participating in preventive radiologic nuclear detection initiatives	50%	90%	90%	90%	90%
Output	Number of driving while intoxicated arrests per motor transportation division patrol officer			2	2	2

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,876.5	8,339.1	8,834.1	8,574.1	2.8
Other Transfers	468.7	1,753.4	2,375.0	2,375.0	35.5
Federal Revenues	1,266.9	2,615.1	1,388.8	1,388.8	-46.9
Other Revenues	2,819.7	2,556.4	3,124.2	3,124.2	22.2
Fund Balance	76.4	695.0	850.0	850.0	22.3
SOURCES TOTAL	12,508.2	15,959.0	16,572.1	16,312.1	2.2
USES					
Personal Services and Employee Benefits	7,144.9	8,527.1	8,557.1	8,313.3	-2.5
Contractual Services	1,252.8	2,164.5	1,634.3	1,634.3	-24.5
Other	3,174.5	3,889.0	4,380.7	4,364.5	12.2
Other Financing Uses	468.7	1,378.4	2,000.0	2,000.0	45.1
TOTAL USES	12,040.9	15,959.0	16,572.1	16,312.1	2.2
FTE					
Permanent	84.0	83.0	84.0	82.0	-1.2
Term	40.0	40.0	40.0	40.0	0.0
TOTAL FTE POSITIONS	124.0	123.0	124.0	122.0	-0.8

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of forensic biology and deoxyribonucleic acid (DNA) cases completed per filled full-time equivalent within thirty working days		38%	40%	40%	45%
Outcome	Percent of forensic latent fingerprint cases completed per filled full-time equivalent within thirty working days		74%	60%	60%	60%
Outcome	Percent of forensic firearm or toolmark cases completed per filled full-time equivalent within thirty working days		42%	40%	40%	45%
Outcome	Percent of forensic chemistry cases completed per filled full-time equivalent within thirty working days		67%	85%	80%	80%
Output	Number of DNA profiles entered into the combined DNA index system		532	620	620	620
Output	Number of finger and palm prints entered into the automated fingerprint identification system		1,304	1,250	1,250	1,350
Output	Increase in the number of live scan end-users trained in law enforcement and correctional facilities throughout the state		233	75	75	250
Explanatory	Average number of incoming New Mexico law enforcement telecommunications system transactions per day increase	124%	11%	10%	10%	10%
Outcome	Percent of service requests received from statewide criminal justice entities resolved within forty-eight hours of receipt		93%	98%	85%	95%
Outcome	Percent increase in the number of criminal justice employees using the law enforcement automated data services system, per quarter		84%	5%	5%	5%
Outcome	Percent of forensic cases completed per filled full-time equivalent position within thirty working days			50%	50%	50%

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)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,204.2	4,758.7	4,879.9	5,119.9	7.6
Other Transfers	45.0	63.2	108.4	108.4	71.5
Federal Revenues	2,564.4	4,752.9	3,004.8	3,004.8	-36.8
Other Revenues	1.7	0.0	0.0	0.0	
SOURCES TOTAL	7,815.3	9,574.8	7,993.1	8,233.1	-14.0
USES					
Personal Services and Employee Benefits	3,643.1	4,201.0	4,211.9	4,220.6	0.5
Contractual Services	181.8	194.2	136.3	136.3	-29.8
Other	3,944.7	5,179.6	3,644.9	3,876.2	-25.2
TOTAL USES	7,769.6	9,574.8	7,993.1	8,233.1	-14.0
FTE					
Permanent	55.0	52.0	52.0	51.0	-1.9
Term	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	63.0	60.0	60.0	59.0	-1.7

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Efficiency	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	0	0	10	10	0
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	65	65	75	75	65

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA (Homeland Security and Emergency Management Act) to consolidate and coordinate homeland security and emergency management functions for the state and to act as a conduit for federal assistance and cooperation.

MISSION:

The department's mission is to lead New Mexico's efforts in protecting life and property against all threats and hazards by integrating and managing comprehensive and coordinated protective actions, preparedness programs, mitigation projects, response activities, and recovery efforts prior to, during, and following emergencies or disasters.

BUDGET SUMMARY (dollars in thousands)					
	FY15 – 2014-2015				
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,393.2	2,436.1	3,663.7	2,501.6	2.7
Other Transfers	159.9	183.3	183.3	183.3	0.0
Federal Revenues	41,512.6	34,196.6	38,418.6	38,418.6	12.3
Other Revenues	60.7	110.0	110.0	110.0	0.0
SOURCES TOTAL	44,126.4	36,926.0	42,375.6	41,213.5	11.6
USES					
Personal Services and Employee Benefits	3,951.3	4,323.4	4,997.7	4,735.1	9.5
Contractual Services	510.1	1,422.2	1,707.4	1,417.4	-0.3
Other	38,914.6	31,180.4	35,670.5	35,061.0	12.4
TOTAL USES	43,376.0	36,926.0	42,375.6	41,213.5	11.6
FTE					
Permanent	15.0	15.0	18.0	15.0	0.0
Term	45.0	45.0	52.0	45.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	70.0	60.0	0.0

BUDGET ISSUES:

The Department of Homeland Security and Emergency Management (DHSEM) FY15 request was \$3.7 million from the general fund, a 50.4 percent increase over the FY14 operating budget, including expansion items for licensing a statewide mass notification system, contracts for federal grant administrators, a paralegal, and an increase in federally supported FTE by 10. Requested increases are meant to increase amounts available for federal match. The department also submitted a special request for \$250 thousand to create an emergency activation fund to cover overtime salaries when the emergency operations center is activated.

As noted in the department's FY12 financial audit, the department did not reconcile general ledger accounts with the schedule of expenditures of federal awards and did not reconcile other general ledger accounts throughout the year. In addition, the department has not demonstrated the ability to either efficiently distribute disaster aid, or to make disaster response expenditures out of the proper account, as demonstrated by the existence of \$18.6 million in cash balances in governor-declared disaster aid. The department has a 40 percent vacancy rate in the Administrative Services Division and a 27 percent vacancy rate in the Response and Recover Bureau, responsible for distributing disaster aid.

The total committee recommendation is \$41.2 million, an 11.6 percent increase over FY14 operating budget levels, with \$4.2 million of the increase coming from federal disaster aid. The general fund recommendation is \$65.5 thousand above FY14 operating levels and supports funding for personal services and employee benefits at a level allowing the department to fill most vacancies. The recommendation makes additional, technical adjustments to correct errors in General Services Department and Department of Information Technology rates. The FY15 recommendation does not support expansions for the mass notification system, contracted grant administrators, or the contracted paralegal. Instead, LFC recommends the department focus on core services, vital to the public safety of New Mexico. Furthermore, the agency should focus on filling key vacancies.

In 2011, the interim Government Restructuring Task Force (GRTF) suggested the state approach to homeland security was fragmented and those functions should be merged as a program into the New Mexico Department of Public Safety (DPS). Just four years earlier, the department had been created from the Emergency Management and Homeland Security Support Program in DPS and the Office of Homeland Security from in the Governor's Office.

LFC recommends the Legislature consider attaching the department administratively to DPS to increase efficiency and fiscal accountability and reduce organizational costs. Seventy-eight percent of the department’s total budget is devoted to distributing federal grants, and another large portion of the budget is devoted to administering federal grants, a function that DPS already does with greater expertise and efficiency. Administratively attached, the department would no longer have to rely on shared-service support from the State Personnel Office for human resources.

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent attainment of minimum declaration site-specific mitigation				15%	15%
Outcome	Number of exercises conducted annually in compliance with federal guidelines	38	87	34	34	90
Outcome	Number of program and administrative team compliance visits conducted each year on all grants	42	42	42	42	42
Outcome	Number of local emergency operation plans current within three years	12	32	32	32	35
* Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	30	30	15	15
* Output	Number of prior-year audit findings resolved			New	New	2
Output	Number of facilitated training courses conducted annually		106	130	110	130
Output	Annual monitoring of disaster grant applicants			New	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)				
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	424,530.0	407,425.6	407,457.4	407,457.4	0.0
Other Revenues	432,276.9	422,734.2	425,507.5	425,507.5	0.7
Fund Balance	7,463.0	34,400.0	0.0	0.0	-100.0
SOURCES TOTAL	864,269.9	864,559.8	832,964.9	832,964.9	-3.7
USES					
Personal Services and Employee Benefits	132,685.1	144,929.3	150,712.4	147,258.0	1.6
Contractual Services	187,871.8	395,621.5	364,996.2	374,294.9	-5.4
Other	285,621.4	318,164.7	311,412.0	311,412.0	-2.1
Other Financing Uses	5,764.1	5,844.3	5,844.3	0.0	-100.0
TOTAL USES	611,942.4	864,559.8	832,964.9	832,964.9	-3.7
FTE					
Permanent	2,446.0	2,431.0	2,431.0	2,431.0	0.0
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,502.5	2,487.5	2,487.5	2,487.5	0.0

BUDGET ISSUES:

The New Mexico Department of Transportation (NMDOT) appropriation request for FY15 totaled \$833 million, a decrease of \$31.6 million, or 3.7 percent, compared with the FY14 operating budget and an increase of \$221 million, or 36 percent, compared with FY13 actual expenditures.

NMDOT continues to face significant budgetary shortfalls with both its construction and maintenance needs, the former totaling nearly \$880 million and the latter \$330 million. The July 2013 state road fund forecast indicates FY14 year-to-date actual revenues are flat with the January 2013 estimate. The FY15 projection is \$386.2 million, an increase of \$1.5 million, or 0.4 percent, compared with the FY14 operating budget estimate for the state road fund of \$384.7 million. The next revenue forecast will be available in January 2014. Fiscal year 2015 revenue projections for the state road fund are \$12.6 million below the pre-recession peak of \$398.8 million in FY07, a revenue level NMDOT does not anticipate attaining until FY17; however, the NMDOT projection for FY18 is \$402.5 million. The next revenue forecast will be available in January 2014.

The FY15 request for the Programs and Infrastructure (PINF) Program in the contractual services category was \$315.9 million, a decrease of \$28.5 million, or 9 percent, compared with the FY14 operating budget of \$344.4 million. The line item request for road betterments – used for construction on state roads not eligible for reimbursement from the Federal Highway Administration – was \$298.2 million, a decrease of \$23.4 million, or 8 percent, from the FY14 operating budget. The request transferred 10 FTE to the PINF Program, designed to establish a Strategic Planning and Asset Management group responsive to policy activities, including performance measures, required by the Moving Ahead for Progress in the 21st Century (MAP-21) federal transportation legislation.

The FY15 request for the Transportation and Highway Operations (THOP) Program totaled \$218.9 million, a decrease of \$23.8 million, or nearly 11 percent, compared with FY14 operating levels. The request in the THOP Program contractual services category – used primarily to fund the maintenance of roads and bridges throughout the state – was \$45 million, a decrease of \$1 million, or 2 percent, compared with FY14 operating levels.

The recommendation applies additional vacancy savings of \$879.1 thousand to the PINF Program, \$2 million to the THOP Program, and \$551 million to Program Support and redirects the entire amount to the contractual services category in the THOP Program to fund the maintenance of state roads, highways, and bridges. The recommendation approves the transfer of 10 FTE to the PINF Program to establish the Strategic Planning and Asset Management group.

The recommendation reflects the need to further adjust the NMDOT personal services and employee benefits category in the face of high vacancy rates and address significant infrastructure maintenance needs. The committee again recommends department officials develop a strategic plan that outlines the specific personnel needs of each program given projected fiscal constraints.

In the FY13 appropriations for NMDOT, \$3.3 million in appropriations was provided through vacancy savings for salary increases for maintenance workers, mechanics, and auto-technicians to assist in personnel recruitment and retention. A reclassification plan has been forwarded to the governor's office for approval that addresses position-specific in-pay-band inequities for maintenance workers, brings all highway maintenance workers to mid-point, and brings mechanics and auto technicians to 115 percent of the classification compa-ratio.

The NMDOT FY15 request for the transfer of state road funds to the Department of Public Safety (DPS) for the operation of the Motor Transportation Program was \$5.84 million. The committee recommendation eliminates the transfer, allowing the redirection of state road fund revenues for the maintenance of state roads, highways, and bridges.

NMDOT faces significant funding constraints as a result of debt obligation incurred through state transportation infrastructure financing programs. The department requested approximately \$152 million for debt principal and debt interest for FY15.

In December 2013, the State Transportation Commission (STC) approved a resolution allowing the department to issue \$50 million to \$80 million in bonds secured by \$11 million of fund balances and projected revenue from the highway infrastructure fund (HIF). The resolution stated the bonds must be issued prior to June 2014, could mature no later than December 2034, and could not have an interest rate exceeding 6.5 percent. The department has not designated a project for use of the funds, but NMDOT officials have stated the funding would likely be used for the completion of U.S. 491.

In 2005, the Legislature passed, and the governor signed, legislation creating a local transportation infrastructure fund (LTIF), the purpose of which was to finance local transportation projects. Under Section 6-21-6.8 NMSA 1978, one-half of all fees transferred from NMDOT to the New Mexico Finance Authority (NMFA) for the administration of transportation revenue bonds are deposited directly into the fund. The other half of the fees is retained by NMFA for administration. In previous fiscal years, NMDOT transferred approximately \$3.2 million in fees, or 0.25 percent of outstanding principal, to NMFA. In fiscal years 2013 and 2014, the Legislature instructed NMDOT to transfer \$800 thousand to NMFA, with \$2.4 million redirected to the contractual services category in the PINF Program for construction on state roads. In FY15, the department budget request anticipates a transfer of \$800 thousand to NMFA and budgets \$2.4 million in the THOP Program contractual services category to fund bond-related administration costs and the maintenance of roads, highways, and bridges.

Federal funds directed to New Mexico have been only marginally affected by the process of federal budget sequestration; however, uncertainties related to future reauthorizations and the solvency of the highway trust fund leave significant questions about the level of federal funding available to states in the future. No alternative plans have been developed by the State Transportation Commission (STC) or NMDOT should federal funding decrease substantially in the coming years.

The State Transportation Infrastructure Program (STIP) is a four-year, federally mandated, multi-modal transportation plan created through a lengthy consultation process that includes NMDOT officials and engineers, local and regional governments, metropolitan and regional planning organizations (MPOs and RPOs), other state agencies, and the public. The state must provide a match to federal funding for projects included in the STIP. The current STIP, inclusive of two amendments passed by the State Transportation Commission (STC) and approved by the Federal Highway Administration (FHWA), contains a total of 953 projects worth approximately \$1.8 billion. This funding is entirely dedicated to the maintenance, repair, and reconstruction of existing highways, roads and bridges throughout the state.

The State Infrastructure Bank (SIB) is a revolving state loan fund that was established by the National Highway System Act of 1995 to offer assistance in the form of loans and credit enhancement to help project sponsors pay for U.S. Title 23-eligible transportation projects. The purpose of the SIB is to encourage economic development and public investment in public transportation facilities that contribute to the multi-modal and intermodal transportation capabilities of New Mexico, develop a variety of financing techniques to expand the availability of funding resources, reduce direct state costs, maximize local participation in financing projects, and improve the efficiency of New Mexico's state transportation system. The project must be part of the STIP to be eligible. As of June 2013 the SIB had \$20.7 million available for loans. As smaller and rural governments have existing needs for project funding but have inadequate revenue available for loan repayments, NMDOT officials should work with the New Mexico congressional delegation during the next MAP-21 reauthorization to insert provisions in the legislation that would allow effective use of this funding.

The department has not been effective as it could be in expending appropriations for maintenance and construction and, as a result, requests additional language in the General Appropriations Act that allows the extension of appropriation authority in the PINF and THOP programs from prior fiscal years to the current fiscal year. NMDOT officials should establish more effective plans to expedite maintenance and construction projects.

The New Mexico Express is a transmission proposal to construct a 2,000 megawatt link between the existing and new electric generation in New Mexico using buried, high voltage direct current (HVDC) transmission lines. This proposal requires the use of state public roads rights-of-way, combined with railroad rights-of-way, for a transmission line extending from Gallup to Clovis with a line to Four Corners from Gallup and another line from Clovis into southeastern New Mexico. The need for existing railroad or highway rights-of-way provides the potential for a public (state, federal) private partnership to expedite the process to develop additional electric transmission capacity. Outstanding policy issues include FHWA and tribal approvals, NMDOT valuation of rights-of-way, and Federal Energy Regulatory Commission (FERC) and Public Regulation Commission (PRC) jurisdiction.

The New Mexico Express proposed shippers of electricity could be charged a service fee to use the line. The service fee would be remitted to the state. The New Mexico Express stated a service fee of \$1 per megawatt hour of energy that flows on the line could produce from \$10 million to more than \$17 million in annual revenues given a utilization rate of 60 percent to 100 percent of the 2,000 megawatt line. This revenue stream is promising, but the state of New Mexico must ensure it is capturing fair market value for the use of state public road rights-of-way. The New Mexico Finance Authority Oversight Committee requested and endorsed legislation requiring NMDOT to produce a fee schedule to capture fair market value.

The most recent unaudited financial report from the Rio Metro Regional Transit District (Rio Metro) for the Rail Runner projects a negative budget balance of \$47.7 thousand at the close of FY13. The Rail Runner budget for FY14 includes \$40.2 million in revenues and expenditures, an increase of \$13.8 million, or 52 percent, over the FY13 operating budget. The FY14 budget anticipates additional federal 5307 (Urbanized Area Formula Program) revenues of \$15.7 million and federal 5337 (State of Good Repair) revenues of \$2.0 million, the latter a new source of revenue for Rio Metro. This is considered "catch-up" funding available only in FY14, with funding in FY15 returning to federal formula levels. The additional revenues will be directed toward the maintenance of rights-of-way and equipment for the Rail Runner. The FY15 budget includes \$33 million in revenues and expenditures. Beginning in FY14 and extended to FY15, Rio Metro is establishing a cash reserve fund that will be expended on the mid-life refurbishment of rolling stock in FY16. The FY14 budget anticipates \$8.6 million directed toward the fund in FY14 and \$4.2 million in FY15.

Although the regional transit districts (RTDs) possess their own boards and management structures, NMDOT should continue to exercise strict oversight over these entities to ensure effective and efficient expenditures of increasingly constrained federal funding.

NMDOT's financial audit for the year ending June 30, 2012, found significant deficiencies in internal control over financial reporting related to federal awards. Although the department has made progress in resolving findings from previous fiscal years, it should make every effort to remedy the identified deficiencies to ensure its financial integrity and reinforce the public trust.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Paragraph (1) of Subsection B of Section 6-21-6.8 NMSA 1978 or other substantive law to the contrary, any funds received by the New Mexico finance authority from the department of transportation in fiscal year 2015 as an annual administrative fee for issuing state transportation bonds pursuant to Sections 67-3-59.3 NMSA 1978 and 67-3-59.4 NMSA 1978 shall not be deposited into the local transportation infrastructure fund.

The state transportation commission shall report to the legislature and the legislative finance committee the progress of publishing a fee schedule to reflect fair market value and charging and collecting fees pursuant to the fee schedule from a utility that places equipment along, across, over or under public highways over which the state transportation commission or department controls the rights-of-way.

PROGRAMS AND INFRASTRUCTURE

The purpose of the programs and infrastructure program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY
(dollars in thousands)

	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	FY15 - 2014-2015		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	421,530.0	404,425.6	404,457.4	404,457.4	0.0
Other Revenues	149,485.0	136,960.2	160,732.8	159,853.7	16.7
Fund Balance	7,463.0	31,900.0	0.0	0.0	-100.0
SOURCES TOTAL	578,478.0	573,285.8	565,190.2	564,311.1	-1.6
USES					
Personal Services and Employee Benefits	22,373.1	25,611.9	26,801.9	25,922.8	1.2
Contractual Services	117,211.7	344,385.9	315,928.6	315,928.6	-8.3
Other	186,565.7	203,288.0	222,459.7	222,459.7	9.4
TOTAL USES	326,150.5	573,285.8	565,190.2	564,311.1	-1.6
FTE					
Permanent	361.0	359.0	369.0	369.0	2.8
Term	38.0	38.0	38.0	38.0	0.0
TOTAL FTE POSITIONS	399.0	397.0	407.0	407.0	2.5

PERFORMANCE MEASURES

		FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Budget</u>	FY15 <u>Request</u>	FY15 <u>Recomm</u>
* Explanatory	Annual number of riders on park and ride	310,128	312,320	>275,000	>275,000	>275,000
* Explanatory	Annual number of riders on the rail runner, in millions	1.2	1.1	>1.3	>1.2	>1.3
* Outcome	Number of traffic fatalities	395	304	<345	<345	<330
* Outcome	Number of alcohol-related traffic fatalities	169	120	<130	<130	<130
* Outcome	Number of non-alcohol-related traffic fatalities	226	184	<215	<215	<215
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	169	114	<150	<150	<140
* Outcome	Number of crashes in established safety corridors	511	N/A	<600	<600	<600
* Outcome	Percent of projects in production let as scheduled	65%	63%	>70%	>70%	>75%
Outcome	Percent of airport runways in satisfactory or better condition	64%	66%	>60%	>60%	>60%
Quality	Ride quality index for new construction	4.1	4.2	>4.0	<4.0	>4.0
* Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	3.0%	3.5%	<3.0%	<3.0%	<3.0%
Outcome	Number of pedestrian fatalities	57	54	<43	<45	<45
Outcome	Number of rural traffic fatalities		211	<200	<235	<220
Outcome	Number of urban traffic fatalities		92	<90	<110	<100
Outcome	Number of rural alcohol-related traffic fatalities		82	<90	<85	<90
Outcome	Number of urban alcohol-related traffic fatalities		38	<45	<45	<50
* Outcome	Percent of bridges in fair condition or better (based on deck area)			75%	>75%	>75%
Outcome	Percent of projects completed according to schedule			75%	>75%	>75%
Outcome	Number of head-on crashes			<900	<900	<900

TRANSPORTATION AND HIGHWAY OPERATIONS

The purpose of the transportation and highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 - 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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					
Federal Revenues	3,000.0	3,000.0	3,000.0	3,000.0	0.0
Other Revenues	239,484.9	238,168.0	215,879.1	223,153.1	-6.3
Fund Balance	0.0	1,500.0	0.0	0.0	-100.0
SOURCES TOTAL	242,484.9	242,668.0	218,879.1	226,153.1	-6.8
USES					
Personal Services and Employee Benefits	88,650.3	95,524.4	97,136.2	95,111.5	-0.4
Contractual Services	67,966.6	46,120.2	45,032.2	54,330.9	17.8
Other	85,868.0	101,023.4	76,710.7	76,710.7	-24.1
TOTAL USES	242,484.9	242,668.0	218,879.1	226,153.1	-6.8
FTE					
Permanent	1,834.0	1,822.0	1,820.0	1,820.0	-0.1
Term	16.7	16.7	16.7	16.7	0.0
TOTAL FTE POSITIONS	1,850.7	1,838.7	1,836.7	1,836.7	-0.1

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Output	Number of statewide pavement preservation lane miles	2,169	3,139	>2,500	>2,500	>2,500
* Outcome	Percent of non-interstate lane miles rated good	84.5%	N/A	>85%	>85%	>85%
Output	Amount of litter collected from department roads, in tons	9,001	6,825	>14,000	>11,000	>11,000
Outcome	Percent of interstate lane miles rated good	96.8%	N/A	97%	>95%	>95%
Quality	Customer satisfaction levels at rest areas	99%	99%	>98%	>95%	>98%
Outcome	Number of combined system wide miles in deficient condition	3,644	N/A	<3,500	<3,500	<3,500
* Output	Number of damage claims submitted each year		N/A	<20	<20	<20
Output	Number of damage claims paid each year		N/A	<20	<20	<20
Outcome	Percent of national highway system lane miles rated good			85%	>85%	>85%
* Outcome	Percent of non-national highway system lane miles rated good			85%	>75%	>75%
Outcome	Number of combined system wide interstate miles in deficient condition			<250	<500	<350
* Outcome	Number of combined system wide non-interstate miles in deficient condition			<2,500	<3,000	<3,000

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>FY15 - 2014-2015</u>		Percent Incr (Decr)
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Revenues	43,307.0	47,606.0	48,895.6	42,500.7	-10.7
Fund Balance	0.0	1,000.0	0.0	0.0	-100.0
SOURCES TOTAL	43,307.0	48,606.0	48,895.6	42,500.7	-12.6
USES					
Personal Services and Employee Benefits	21,661.7	23,793.0	26,774.3	26,223.7	10.2
Contractual Services	2,693.5	5,115.4	4,035.4	4,035.4	-21.1
Other	13,187.7	13,853.3	12,241.6	12,241.6	-11.6
Other Financing Uses	5,764.1	5,844.3	5,844.3	0.0	-100.0
TOTAL USES	43,307.0	48,606.0	48,895.6	42,500.7	-12.6
FTE					
Permanent	251.0	250.0	242.0	242.0	-3.2
Term	1.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	252.8	251.8	243.8	243.8	-3.2

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
* Quality	Number of external audit findings	12	5	<6	<6	<6
* Quality	Percent of prior-year audit findings resolved	66%	75%	>80%	>80%	>80%
Efficiency	Percent of invoices paid within thirty days	97%	86%	>95%	>90%	>90%
* Outcome	Vacancy rate in all programs	19.4%	15.9%	<11%	<13%	<10%
Output	Number of employee injuries	90	81	<95	<95	<90
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	6	7	10	10	10
Output	Number of employee injuries occurring in work zones		30	<50	<50	<50

STATUTORY AUTHORITY:

Article XII, Section 6, of the New Mexico Constitution created a cabinet department headed by a secretary of public education and created an elected, advisory Public Education Commission. The secretary of public education is appointed by the governor and confirmed by the Senate. The secretary of public education has administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for public schools.

MISSION:

The purpose of the department is to create and maintain a customer-focused organization that provides leadership, technical assistance, and quality assurance to improve performance for all students and close the achievement gap.

BUDGET SUMMARY (dollars in thousands)					
	FY13 2012-2013 <u>Actuals</u>	FY14 2013-2014 <u>Budgeted</u>	<u>FY15 – 2014-2015</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,739.6	11,786.1	12,899.2	11,819.8	0.3
Other Transfers	1,802.5	17.6	36.0	36.0	104.5
Federal Revenues	17,063.0	27,061.7	27,994.5	27,994.5	3.4
Other Revenues	3,475.6	3,261.4	3,725.2	3,808.0	16.8
SOURCES TOTAL	33,080.7	42,126.8	44,654.9	43,658.3	3.6
USES					
Personal Services and Employee Benefits	14,671.3	19,058.0	20,222.5	19,225.9	0.9
Contractual Services	16,176.2	18,536.2	21,922.0	21,922.0	18.3
Other	2,197.1	4,532.6	2,510.4	2,510.4	-44.6
TOTAL USES	33,044.6	42,126.8	44,654.9	43,658.3	3.6
FTE					
Permanent	158.2	148.8	167.8	145.9	-1.9
Term	97.6	97.5	114.5	93.9	-3.7
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	256.8	247.3	283.3	240.8	-2.6

BUDGET ISSUES:

The Public Education Department (PED) budget request for FY15 of \$44.7 million was an overall increase of 6 percent from the FY14 operating budget, but 35 percent over the FY13 expenditure level. The agency's federal fund request was a 3.4 percent increase over the FY14 operating budget. The request for other revenues -- a 2 percent administrative set-aside of state-chartered charter schools' state equalization guarantee (SEG) distribution (2 percent charter set-aside) and educator licensure fees -- was an increase of 14.2 percent, or \$463.8 thousand. The general fund request was a \$1.1 million increase, or 9.4 percent, to implement the last year of Education Retirement Board (ERB) contribution increases, cover increased General Services Department (GSD) rates, and pay for \$861.5 thousand in expansion requests. The department's request shifts general fund revenues from the other category to the contracts category to cover increased annual audit fees and projected attorney needs related to the federal special education maintenance-of-effort waiver request.

PED's request for employee salary and benefits funding totaled \$20.2 million, an overall increase of \$1.2 million, or 6.1 percent from the FY14 operating budget, and \$5.6 million, or 37.8 percent, over the FY13 expenditure level. The request included an increase in authorized FTE from 247.3 to 283.3. Of the increased 36 FTE, 11 were expansion requests. An additional 9.5 FTE were positions the Legislature eliminated in 2013 because they had been vacant for more than two years. The remaining 15.5 FTE are new term positions PED has created since the 2013 legislative session. Despite reorganizing and eliminating more than 60 FTE in 2011, the department continues to experience high vacancy rates and high turnover. PED indicated the department's vacancy rate during FY13 was 29 percent. As of September 1, 2013, the department had 79 vacant FTE and more than half are permanent positions. The PED request included an 8 percent vacancy savings rate applied to positions funded with general fund revenue.

Despite PED's ongoing staffing concerns, the department reverted a total of \$828 thousand in FY13. PED reverted \$534 thousand in general fund revenues in FY13, or almost 5 percent of the FY13 general fund appropriation. The department also reverted \$294 thousand in 2 percent charter set-aside and spent an additional \$370 thousand of 2 percent charter set-aside on expenses not directly related to charter school oversight.

The LFC recommendation for FY15 totals \$43.7 million, an increase of \$1.5 million, or 3.6 percent over the FY14 operating budget, and \$10.6 million, or 32.1 percent, over the FY13 expenditure level. The committee recommends \$11.8 million in general fund revenues in FY15, an increase of \$33.7 thousand, or 0.3 percent. The recommendation includes an increase in other revenues of \$546.6 thousand, or 16.8 percent, to more accurately reflect revenues to be received by the department for the 2 percent charter set-aside. This amount should be revisited during the legislative session when more accurate information is available.

The LFC recommendation for personal services and employee benefits totals \$19.2 million, an increase of \$167.9 thousand, or 0.9 percent from the FY14 operating budget, and \$4.6 million, or 31 percent, over the FY13 expenditure level. The recommendation eliminates funding for 1.5 of the department's 4 communications FTE and includes funding for employer retirement contribution increases and increased GSD rates. The recommendation does not impose a vacancy rate in addition to that imposed by the department. The LFC recommendation includes 240.8 FTE. The committee recommendation preserves a number of positions reclassified by the department and eliminates 5 temporary FTE that have been vacant for more than two years and 1.5 permanent communications FTE. The department continues to operate with less than 200 FTE annually. The agency consistently has a large number of positions advertised, or in the process of recruitment. PED should work with the State Personnel Office to reclassify positions, adjust pay ranges, and provide appropriate compensation adjustments to enhance recruitment and retention.

While the department appears to be advancing ideas that have merit, PED should make it more evident that department-led initiatives are significantly improving student outcomes. The department continues to seek to control and allocate funding for these initiatives rather than relying on the public education funding formula and the budget approval process, creating inequity among schools and resistance to needed education reform. For example, early literacy grants for FY14 were distributed to school districts and charter schools with high third-grade proficiency scores and per-student distribution amounts ranged from \$30 per student to more than \$4,545 per student. Additionally, incorrect calculations by the department resulted in both over- and under-allocations of early literacy funding to school districts and charter schools. The department continues to send staff from schools that do not meet statutory eligibility requirements to participate in the University of Virginia School Turnaround Specialist program. New Mexico should rely on the public education funding formula to equitably distribute funding to school districts and charter schools and strengthen the budget approval process to ensure efficient, effective expenditure of formula funding aligned with improving student outcomes. Alternatively, PED should recommend funding formula reforms to improve student outcomes.

PED's main focus has been on improving educator quality and performance and early literacy. The 2013-2014 school year marks the first year of full implementation of the new teacher and school leader evaluation systems. Educators statewide are concerned with the pace of implementation and the significant use of student performance data to determine educator effectiveness. The evaluation system requires significant time commitments from school administrators, and stakeholders are concerned that administrators are not adequately trained on the new system. Beginning this year, personnel decisions and licensure advancement will be affected by evaluation results. PED should continue to update the annual teacher and principal evaluation systems and the professional development dossier to require meaningful use of student achievement data in determining overall teacher and principal effectiveness, but it may be appropriate to slow the pace of implementation to boost stakeholder support. PED partially relies on the implementation timeline established in the department's federal flexibility waiver to continue quick-paced implementation. However, some states, including Colorado, realizing the need to boost stakeholder support, have pushed implementation dates into the future with U.S. Department of Education support. Further, the department should also continue to address other quality levers, including teacher preparation programs, effective recruitment and retention strategies, and compensation to achieve the highest quality teacher workforce.

The department has successfully focused attention on the importance of ensuring young students are able to read. The early reading initiative placed reading coaches in a number of schools around the state and assisted a number of school districts and charter schools with purchasing high-quality reading instructional materials. However, as noted above, funding should be targeted to the state's most struggling readers.

Financial operations within the department continue to improve. Increased oversight and focus on financial operations of school districts and charter schools has resulted in increased state equalization guarantee (SEG) dollars being budgeted for instructional expenses. The department has engaged in a robust analysis of district and charter school budgets to ensure resources are allocated to programs with proven results. The department continues to improve timeliness of approving school district budget adjustment requests. The Audit Bureau completed training and experience index and other funding formula audits of 20 school districts to ensure funding units claimed by school districts and charter schools are accurate and appropriately claimed. Prior to 2013, it had been a number of years since the department engaged in robust auditing of data reported by school districts and charter schools. The department continues to focus on accurate data collection and reporting to ensure equitable distribution of SEG and other categorical grant funding.

Despite the increased focus on data accuracy, PED has not addressed inequities within the SEG distribution directly related to department administration and guidance to school districts and charter schools. The department has not addressed the department-related findings of a joint evaluation by LFC and the Legislative Education Study Committee (LESC), especially items that do not require legislative action, such as defining job classes eligible to include in the training and experience index calculation, providing clear guidance on how to classify D-level special education students, and establishing caseload minimums for ancillary service providers. The department is encouraged to address those issues noted in the joint evaluation that do not require legislative action.

A recent letter issued by the Office of the State Auditor (OSA) noted concerns with the department’s 2012 audit. OSA noted the findings, “which include material weaknesses and significant deficiencies at both the Department and charter school levels, present myriad risks to public education funds.” OSA highlighted deficient oversight of state-chartered charter schools, issues related to maintaining the required level of state support for federal special education funding, miscalculation of formula funding potentially resulting in over- and under-payments to some school districts in FY13, and issues related to administration of National School Lunch Program (NSLP) funding. In response, OSA initiated a special audit of the department.

BASE EXPANSION:

The department’s request included 11 expansions totaling \$861.5 thousand in general fund revenue. The department’s request included 3 FTE to support increased information technology needs; 6 FTE to support implementation of common core content standards, adoption of new science standards, early literacy, improvement of teacher and school leader preparation and evaluation, low-performing schools, and other department initiatives; an auditor to provide monitoring and oversight of state-chartered charter schools; and 1 FTE in the Administrative Services Division to assist increased copy center activities. LFC does not recommend funding the department’s expansion requests. The base recommendation for employee salary funding is a 31 percent increase over FY13 expenditures, and given difficulties the department is experiencing filling vacant positions, should provide sufficient budget to reclassify vacant positions to accommodate staffing needs in FY15.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public education department includes seven hundred fifty thousand dollars (\$750,000) for operating and maintaining the operating budget management system and student teacher accountability reporting system contingent on the public education department granting access to these systems to the legislative finance committee and the legislative education study committee.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Data information system and technology 1 FTE	(P527)	89.2	0.0
10	Priority schools bureau 1 FTE	(P527)	78.0	0.0
11	Assessment and accountability 1 FTE	(P527)	78.0	0.0
2	Early literacy 1 FTE	(P527)	78.0	0.0
3	Data info system and technology 1 FTE	(P527)	89.2	0.0
4	Auditor 1 FTE	(P527)	78.0	0.0
5	STEM education 1 FTE	(P527)	78.0	0.0
6	College and career readiness 1 FTE	(P527)	84.5	0.0
7	Educator quality 1 FTE	(P527)	78.0	0.0
8	Data information system and technology 1 FTE	(P527)	89.2	0.0
9	Copy center 1 FTE	(P527)	41.4	0.0
TOTAL			861.5	0.0

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of teachers passing all strands of professional dossiers on the first submittal	92%	84%	80%	80%	80%
Outcome	Average processing time for school district budget adjustment requests for direct grants, in days	3	3	7	14	7
* Outcome	Average processing time for school district federal budget adjustment requests processed, in days	8	13	7	21	7
* Outcome	Percent change from the preliminary unit value to the final unit value	0.3%	0.1%	2%	2%	<2%
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices		22	24	24	21
Outcome	Percent of school-district- and charter-school-reported data in the student, teacher accountability reporting system reported accurately		100%	100%	100%	100%
Outcome	Percent of state funds reverting annually		4.4%	<1%	<1%	<1%
Outcome	Percent of federal funds reverting annually		0.7%	<1%	<1%	<1%
Explanatory	Percent of eligible children served in state-funded prekindergarten	27.8%	17.5%	TBD	TBD	TBD
* Explanatory	Number of eligible children served in state-funded prekindergarten	4,535	5,068	TBD	TBD	TBD
* Explanatory	Number of elementary schools participating in the state-funded elementary school breakfast program	156	159	TBD	TBD	TBD
Explanatory	Number of school districts and charter schools that failed to submit an annual audit within ninety days of the due date		9	TBD	TBD	TBD
Explanatory	Number of school districts and charter schools that did not receive their full state equalization guarantee distribution because they failed an audit within ninety days of the due date			TBD	TBD	TBD
Explanatory	Number of new audit findings from most recent audit			NEW	TBD	TBD
Explanatory	Change in the number of required reports for state and federal reporting			TBD	TBD	TBD
Explanatory	Number of procurement code violations			NEW	TBD	TBD
Explanatory	Number of charter amendments approved by the local authorizers in the current fiscal year			NEW	TBD	TBD
Explanatory	Number of charter school renewals denied by the public education commission in the current fiscal year			NEW	TBD	TBD
Outcome	Percent of prior-year audit findings resolved	43%	70%	90%	50%	90%
Explanatory	Percent of elementary schools participating in the state-funded elementary school breakfast program	30.5%	34.9%	TBD	TBD	TBD
Output	Number of data validation audits of funding formula components annually		20	30	30	35
Outcome	Average number of days to process a request for information, from date of receipt		52	15	30	30
Explanatory	Number of charter schools authorized by local school boards in the current fiscal year			NEW	TBD	TBD
Explanatory	Number of charter schools authorized by the public education commission in the current fiscal year			NEW	TBD	TBD
Explanatory	Number of elementary students participating in the state-funded elementary school breakfast program		44,266	TBD	TBD	TBD

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Explanatory	Number of charter amendments approved by the public education commission in the current fiscal year		14	TBD	TBD	TBD
Outcome	Percent of school grades accurately reported to the public not less than two weeks before the first day of school		100%	100%	100%	100%
Outcome	Average number of days to process a request for proposals, from date of receipt		88	15	60	45
Explanatory	Percent of elementary students participating in the state-funded elementary school breakfast program		73.7%	TBD	TBD	TBD
Explanatory	Number of charter school renewals denied by local authorizers in the current fiscal year			NEW	TBD	TBD
Explanatory	Percent change in the data elements required for state and federal reporting		-18.6%	TBD	TBD	TBD
Explanatory	Total amount of private funding received for public education, in millions		\$1.1	\$1.0	\$1.0	\$1.5
Output	Number of local education agencies audited for funding formula components and program compliance annually			35	35	35
Outcome	Percent of fourth through tenth grade students participating in state-funded short-cycle assessments in reading or math			100%	90%	90%
Explanatory	Number of charter amendments approved by local school boards in the current fiscal year			NEW	TBD	TBD
Output	Percent of school district budget adjustment requests processed in fewer than thirty days		100%	100%	100%	100%
Outcome	Change in percent of students on early reading benchmark at the beginning of year to end of year in kindergarten through third grade			20%	15%	20%
Outcome	Change in proficiency rates from prior year on the standards-based assessment in mathematics and reading at schools receiving state grant funding for interventions in D and F schools			5%	5%	5%
Explanatory	Total amount of federal competitive funding received for public education, in millions		\$3.4	\$1.0	\$1.0	\$5.0

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 PED and exempt from the provisions of the State Personnel Act. An REC is governed by a regional education coordinating council (RECC) composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

BUDGET ISSUES:

Prior to FY09, RECs did not receive direct general fund appropriations. Historically, an REC received operating revenue from school districts as federal flow-through funds and from school district state equalization guarantee distributions to provide fiscal administration, technical assistance and professional development, and procurement of special education ancillary staff. However, between FY06 and FY08 RECs began experiencing cash-flow issues. PED changed the way funds are distributed to RECs from an advance allotment to a reimbursement for costs incurred to comply with provisions of the federal Cash Management Improvement Act of 1990. Additionally, RECs lost federal special education operational dollars with reauthorization of the federal Individuals with Disabilities Education Act. As a result, the Legislature appropriated \$1.8 million in nonrecurring revenue in FY07 and FY08 to address cash-flow issues. Fiscal year 2007 and 2008 appropriations were originally intended as a loan; however, in FY09 RECs were allowed to keep these appropriations and recurring general fund support began in the form of a flow-through appropriation to PED for RECs.

For FY14, PED received a flow-through appropriation of \$938.2 thousand to allocate to RECs that adequately justify a need for the allocation, have submitted timely quarterly financial reports, are in compliance with state and federal financial reporting requirements, and are otherwise financially stable. For FY14, all RECs applied for an initial allocation. PED distributed half of the appropriation equally among the nine RECs. All RECs will have to apply for a second allocation in January 2014. PED appears to distribute funding equally among all RECs with little analysis of actual need.

A 2008 Legislative Education Study Committee (LESC) report identified a general fund need of approximately \$2.3 million annually to cover all base costs. Since that time, reported unrestricted year-end operational cash balances (cash balances) have grown by \$3 million, or 77 percent. Fiscal year 2013 ending cash balances for all RECs totaled \$6.9 million, and REC cash balances as a percentage of operating budgets ranged from 15 percent to 85 percent.

The LFC recommends general fund support for FY15 of \$738.2 thousand, supplemented by cash balances. This assumes PED will engage in robust oversight of RECs and allocate funding based on need and performance.

RECOMMENDED LANGUAGE:

Recommended language for public education department flow-through appropriation.

A regional education cooperative may submit an application to the public education department for an allocation from the seven hundred thirty-eight thousand two hundred dollar (\$738,200) appropriation. The public education department may allocate amounts to a regional education cooperative provided the regional education cooperative's application has adequately justified the need for an allocation, and the department finds the regional education cooperative has submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirement pursuant to the Audit Act, and is otherwise financially stable. An allocation shall not be made to a regional education cooperative with fiscal year 2014 year-end operational cash balances that exceed 30 percent of the regional education cooperative's fiscal year 2014 operating budget. An allocation made to a regional education cooperative shall only be used for current year operating expenses.

REGIONAL EDUCATION COOPERATIVES									
Cooperative	FY13	FY14 Appropriation				FY15 LFC Recommendation			
	Year End Cash Balance	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Callina)	\$575.4	\$674.6	\$0.0	\$0.0	\$674.6	\$670.0	\$0.0	\$350.0	\$1,020.0
High Plains Regional Education Cooperative #3 (Raton)	\$2,319.8	\$2,662.3	\$0.0	\$355.8	\$3,018.1	\$2,660.0	\$0.0	\$1,410.0	\$4,070.0
Northeast Regional Education Cooperative #4 (Las Vegas)	\$790.2	\$0.0	\$0.0	\$1,412.1	\$1,412.1	\$400.0	\$0.0	\$1,410.0	\$1,810.0
Central Regional Education Cooperative #5 (Albuquerque)	\$522.9	\$2,231.6	\$114.2	\$415.4	\$2,761.2	\$2,230.0	\$0.0	\$410.0	\$2,640.0
Regional Education Cooperative #6 (Clovis)	\$203.1	\$1,168.2	\$0.0	\$28.4	\$1,196.6	\$1,160.0	\$0.0	\$28.0	\$1,188.0
Lea Regional Education Cooperative #7 (Hobbs)	\$186.4	\$535.1	\$0.0	\$365.2	\$900.3	\$530.0	\$0.0	\$360.0	\$890.0
Pecos Valley Regional Cooperative #8 (Artesia)	\$583.3	\$1,507.3	\$0.0	\$599.4	\$2,106.7	\$1,500.0	\$0.0	\$590.0	\$2,090.0
Regional Education Cooperative #9 (Ruidoso)	\$700.9	\$3,439.0	\$0.0	\$1,182.6	\$4,621.6	\$3,430.0	\$0.0	\$1,180.0	\$4,610.0
Southwest Regional Cooperative #10 (T or C)	\$963.1	\$1,275.4	\$0.0	\$0.0	\$1,275.4	\$1,270.0	\$0.0	\$0.0	\$1,270.0
TOTAL	\$6,845.11	\$13,493.5	\$114.2	\$4,358.9	\$17,966.6	\$13,850.0	\$0.0	\$5,738.0	\$19,588.0

No general fund revenue was directly appropriated to RECs in FY14. A flow-through appropriation of \$938.2 thousand was made to the PED. To date all RECs have applied for and will receive equal allotments. The LFC recommendation for FY15 assumes that reduced general fund appropriations will be supplemented by existing REC cash balances.

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 the prudent planning, construction, and maintenance of appropriate physical environments to foster successful student learning, to involve active community participation in the education process, and to assist policymakers and New Mexico taxpayers with current and accurate financial and technical information and recommendations.

BUDGET SUMMARY (dollars in thousands)					
	FY13	FY14	<u>FY15 – 2014-2015</u>		
	2012-2013	2013-2014	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
Other Revenues	5,523.6	5,594.0	5,873.7	5,623.9	0.5
SOURCES TOTAL	5,523.6	5,594.0	5,873.7	5,623.9	0.5
USES					
Personal Services and Employee Benefits	3,635.1	3,974.6	4,425.2	4,191.0	5.4
Contractual Services	418.2	179.5	179.5	179.5	0.0
Other	1,173.5	1,439.9	1,269.0	1,253.4	-13.0
TOTAL USES	5,226.8	5,594.0	5,873.7	5,623.9	0.5
FTE					
Permanent	50.0	50.0	53.0	51.0	2.0
TOTAL FTE POSITIONS	50.0	50.0	53.0	51.0	2.0

BUDGET ISSUES:

Since its creation, PSFA has funded its operational costs from balances in the public school capital outlay fund (PSCOF), which derives its revenue from supplemental severance tax bonds (SSTB) proceeds. PSCOF is nonreverting and any unexpended funds from appropriations revert to the fund at the end of the fiscal year. Agency operational expenses, both core and field oversight, are authorized to be paid from the fund and are limited to an amount not to exceed 5 percent of the three-year average annual grant assistance. Historically, the agency maintained operational expenses below 3 percent of annual awards. In FY12, this was 3.6 percent. It is expected to increase to 3.7 percent in FY14. Recent growth in the expense ratio is due to several years of modest awards coupled with the implementation of new software to assist districts with facilities management and construction efforts and a new facility maintenance assessment initiative.

For FY15, PSFA’s request totaled \$5.9 million, including \$297.7 thousand for three expansions. The request was a 5 percent increase from the FY14 operating budget, and a 12.4 percent increase from FY13 operating expenses. Fiscal year 2013 operating expenses totaled \$5.2 million and included almost \$281 thousand in nonrecurring expenses incurred in the last quarter. Additionally, in FY13, PSFA moved \$126 thousand in employee salary funding into contracts and reverted \$297 thousand. The FY15 request for personal services and employee benefits was a 21 percent increase from FY13 expenses, and included shifting revenue from the other and contracts categories to cover employee salaries. Since FY07, PSFA has maintained a high vacancy rate, ranging between 10 percent and 14 percent. For FY14, the average vacancy rate is 12 percent, or six positions. The agency’s base request imposes a 3 percent vacancy rate to maintain a flat base request.

The LFC recommendation for FY15 totals \$5.6 million. The recommendation makes technical adjustments to the agency’s base request to eliminate budgeted salary increases and reorganization of existing vacant positions and includes funding for one of the agency’s three expansion requests.

Since FY03, PSCOC has awarded approximately \$1.9 billion to fund 1,265 standards-based and deficiency-corrections projects in districts and the New Mexico School for the Blind and Visually Impaired and the New Mexico School for the Deaf (special schools). As a result, the state made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings. Since its inception, the statewide average facility condition index (FCI) has improved from 70 percent to 35 percent. The FCI reflects a ratio of the cost of repair and improvement against the value of the facility so that a lower number reflects a building in better condition. The state, using nine weighted categories to establish the weighted New Mexico condition index (wNMCI) rating of every facility, ranks every facility in terms of relative need, from greatest to least. The wNMCI measures both the condition of the building and the facility's educational usefulness as measured by the adequacy standards. The average wNMCI has improved from 163 percent to 20 percent. These scores indicate the magnitude of need among all school facilities across the state has dropped dramatically and most projects going forward should focus on renovation rather than replacement. With the drastic improvement in school facilities statewide, the number of critical standards-based projects funded each year appear to be decreasing.

The PSCOC approach of funding only planning and design until a project is ready to bid and only then awarding construction funding has resulted in a significant reduction in the amount of time needed to complete projects, reducing long-term costs associated with project delays. PSCOC certifies the need for construction bond financing only when a project is construction-ready. PSFA reported balances in PSCOF to be more than \$600 million prior to FY12; balances have decreased to around \$400 million in FY14. Provisions of the procurement code that require bonds to be certified prior to executing construction contracts result in significant balances in PSCOF.

Since its inception, PSFA has focused on funding comprehensive, functional, and cost-effective improvements to public schools. The agency continues to be successful in providing oversight and assistance to districts and charter schools in pre-project planning, project design, project approval, and construction for projects authorized by the council. PSFA continues to oversee master-planning efforts that allow districts to better maintain facilities. For example, project development times have improved sharply. In FY05, just over 30 percent of projects were under contract within the first 15 months; in FY13, this improved to 82 percent.

With the drastic improvement in the condition of school facilities over the last 10 years, focus has shifted to funding improvements that will extend the useful life of a building. Focus has also been on ensuring effective maintenance practices to decrease instances of deferred maintenance, which can be very costly and move schools up the ranked list prematurely. Additionally, recognizing the statewide push to increase instructional spending over other types of spending, PSCOC has reduced the allowable gross square footage the state will fund.

Charter school access to adequate school facilities continues to be a challenge. Capital issues generally stem from charter schools' limited access to capital funding. Issues include reasonable lease costs, lease terms that favor private property owners, the use of formula funding for capital expenditures, statutory requirements to be located in public facilities by 2015 and, for new and relocating charter schools, the requirement to be located in facilities that meet the statewide average FCI.

BASE EXPANSION:

PSFA's request included three expansion positions and \$279.7 thousand from PSCOF. The expansion request included a facility specialist to review and approve program statements, ensure projects comply with statewide adequacy standards and regulations, and assess charter school facilities; a field assessor to assess entire school facilities and facility maintenance; and an attorney.

The LFC recommendation includes \$78.8 thousand for the facility specialist position. PSFA is encouraged to prioritize annual assessments to schools in poor condition or schools with poor maintenance programs, reclassifying vacant positions to align with current workload, and to continue to manage attorney needs through contracts until recurring expenditures reach a level indicating an ongoing need.

**BASE EXPANSION LISTING
FY15 - 2014-2015**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Facility specialist 1 FTE	(P940)	78.8	78.8
2	FMAR/FAD assessor 1 FTE	(P940)	82.7	0.0
3	Attorney 1 FTE	(P940)	118.2	0.0
TOTAL			279.7	78.8

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities oversight program is to oversee public school facilities in all eighty-nine school districts to ensure correct and prudent planning, building and maintenance using state funds and to ensure adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		Actual	Actual	Budget	Request	Recomm
Outcome	Percent of total submitted school construction plans reviewed and acted on	85%	84%	100%	100%	100%
Outcome	Percent compliance with prompt payment provision of Prompt Payment Act for all direct payments to vendors	94%	100%	100%	100%	100%
* Outcome	Percent of projects meeting all contingencies completed within the specified period of awards	80%	91%	90%	90%	95%
Outcome	Number of days to disseminate all pertinent documents to school districts for all awards made by the public school capital outlay council	10	4	10	10	5
Outcome	Average processing time of final action on plans submitted, in days	11	17	10	10	10
* Explanatory	Statewide public school facility maintenance assessment report score measured at December 31 of prior calendar year			New	TBD	TBD
Efficiency	Percent of special charter facility assessments completed within the statutory deadline of forty-five days			New	100%	100%
Efficiency	Percent of memorandums of understanding for awarded projects executed within the specified time			New	100%	100%
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	37.9%	35.3%	TBD	TBD	TBD

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Section 21-21k-1 through 21-21k-7 NMSA 1978. As required by Internal Revenue Code 529, ETB is administratively attached to the Higher Education Department and administers the education trust fund, which includes all funds received pursuant to college investment agreements and prepaid tuition contracts as part of the state’s qualified tuition program.

ETB is governed by a four-person board that includes the secretary of the Higher Education Department and appointments by the governor, the Speaker of the House, and the president pro tem of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

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>FY13 Actuals</u>	<u>FY14 Operating Budget</u>	<u>FY15 Request</u>
SOURCES			
Fund Balance	\$1,878.0	\$2,055.9	\$2,589.9
TOTAL REVENUES	\$1,878.0	\$2,055.9	\$2,589.8
USES			
Personal Services and Employee Benefits	\$134.9	\$140.0	\$132.6
Contractual Services	\$820.9	\$1,865.9	\$2,417.2
Other	\$226.5	\$50.0	\$40.00
Other financing Uses	\$0.0	\$0.0	\$0.0
TOTAL USES	\$1,182.3	\$2,055.9	\$2,589.8
TOTAL FTE POSITIONS (Term)	1.5	1.0	1.5

BUDGET ISSUES:

ETB manages more than \$2 billion in gross assets in two college savings plans: the Education Plan (TEP) and Scholar’s Edge. The Education Plan, a direct-sold plan, consists of \$399.7 million (June 2013) in age-based and static portfolio assets, including active-managed funds and index funds. During FY13, TEP assets by grew by 12 percent, though the number of unique owner-beneficiary accounts (20,398) decreased by 1 percent. The Scholar’s Edge, an advisor-sold plan, consists of \$1.7 billion (June 2013) in age-based, custom choice, and static portfolios. During FY13, Scholar’s Edge assets grew by 7 percent while the number of active unique owner-beneficiary accounts (134,357) decreased by 4 percent. Both investment programs include significantly more out-of-state investors than in-state investors.

The secretary of the Higher Education Department (HED) serves as the board chair. During the last year, the board initiated several changes to improve investment performance. The board adopted a revised investment policy statement and monitoring guidelines to identify and implement new procedures for monitoring investment performance. The board conducted a comprehensive asset-allocation review of the investment portfolios, resulting in timely changes to fixed-income portfolios in an effort to mitigate the impact of an environment of rising interest rates. Because of these changes, the plans’ portfolios have demonstrated a better risk-adjusted performance than their median peers.

Importantly, the board is current with all financial audits, including audits of the investment portfolio and board’s operations. During FY13, the board completed its transition to a single audit for both investments and operations; in prior years, investment and operations audits were filed separately.

Under the secretary's and board's direction, the board identified opportunities to expand its role in higher education. During FY13, newly appointed regents and governing board members were briefed on the state's college savings plans, allowing the director to describe and promote the importance of college savings plans among institutional staff. To increase savings efforts by New Mexican investors in the plans, the board approved a refund of administrative fees to New Mexico residents in the college savings programs. Effective January 2013, the refund will return approximately \$270 thousand in administrative fees to in-state investors. Further, all investors will benefit from lower investment fees due to the board's action to convert its plan to lower-cost institutional shares.

The Legislature, in the General Appropriation Act (GAA) of 2013, sought to direct the board's \$500 thousand Education Pathways Scholarship to the state's largest need-based scholarships program and boost other state financial aid programs. The board responded to the Legislature's concerns by undertaking a comprehensive review of its scholarship program and identifying opportunities to connect college savings and scholarships with the state's education attainment goals. Due to this review, the board did not transfer scholarship funds to the HED, the administrator of the Education Pathways Scholarship, to make FY14 student scholarship awards. While the review and recommendations will not be completed until December 2013, the review committee is considering administering a program, based on partnerships among the board, higher education institutions, and non-profit organizations, to offer pilot programs that promote college savings, attendance, and completion.

The board's proposed operating budget for FY15 is nearly \$2.6 million, more than the board's FY14 operating budget of \$2 million. Projected fund balance for FY13 is \$7.8 million. The board's operations are funded entirely from fees and dividend revenues; no general fund support is required. The proposed 30 percent increase in contractual services is due to ongoing litigation (*Ping Lu v. Education Trust Board*), a suit by a number of account holders dissatisfied with the settlement agreement with OppenheimerFunds Inc. (OFI) regarding losses from the Oppenheimer core bond fund during the financial collapse of 2008-09. More than \$67 million was disbursed in FY12-FY13 to eligible investors as a result of that agreement.

For FY15, at the direction of the Department of Finance and Administration, the board requested inclusion in the GAA. Currently, the board's budget is established through an annual budget adjustment request and is based on HED's budget authority. Similar to other instrumentalities of the state not included in the GAA (example, New Mexico Finance Authority), ETB does not receive state revenues and its FTE do not receive benefits available to state employees. 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.

STATUTORY AUTHORITY:

Pursuant to 21-1-26 NMSA, the Higher Education Department (HED) determines an adequate level of funding for institutions of higher education and recommends the equitable distribution of available funds among them. Responsibilities of the department include implementing the Post-Secondary Education Planning Act, the Post-Secondary Education Articulation Act, Student Loan Act, Education Trust Act, graduate program approval, and proprietary school licensing; for which it collects fees. Additionally, the department recommends institutional capital project priorities, administers state-funded financial aid programs, and administers the adult basic education program. The department also provides financial oversight of the constitutionally created special schools: the New Mexico Military Institute, the New Mexico School for the Deaf, and the New Mexico School for the Blind and Visually Impaired. Lastly, the department is charged with cooperating with colleges and universities to create a statewide public agenda for higher education needs and goals, study enrollment capacity needs, develop a statement of statewide educational needs, and analyze the financial impacts of proposed new and expanded degree programs.

MISSION:

The mission of 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)

	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	FY15 – 2014-2015		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	34,548.9	34,743.3	35,219.5	35,155.3	1.2
Other Transfers	43,167.0	44,718.8	56,503.9	50,288.1	12.5
Federal Revenues	8,875.5	10,175.0	10,797.2	10,797.2	6.1
Other Revenues	2,251.1	23,004.0	2,289.4	3,289.4	-85.7
Fund Balance	19,639.5	0.0	11,719.9	6,010.8	
SOURCES TOTAL	108,482.0	112,641.1	116,529.9	105,540.8	-6.3
USES					
Personal Services and Employee Benefits	2,739.3	3,821.5	4,373.1	3,326.2	-13.0
Contractual Services	1,082.1	2,371.6	2,174.8	2,174.8	-8.3
Other	103,607.6	106,448.0	98,262.1	94,167.6	-11.5
Other Financing Uses	0.0	0.0	11,719.9	5,872.2	
TOTAL USES	107,429.0	112,641.1	116,529.9	105,540.8	-6.3
FTE					
Permanent	32.5	31.5	30.5	27.5	-12.7
Term	22.5	21.5	21.0	20.0	-7.0
Temporary	3.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	58.0	53.0	51.5	47.5	-10.4

BUDGET ISSUES:

The HED’s FY15 budget request of \$116.5 million represented a \$3.9 million, or 3.5 percent, increase over FY14 operating levels and a significant increase of \$8 million, or 7.4 percent, over FY13 actual revenues and expenditures. For FY15, the department requested \$24.4 million for the Policy Development and Institutional Finance and Oversight Program and \$92.1 million for the Student Financial Aid Program. The request included a \$476 thousand increase in general fund appropriations, mostly for operating support, for a total general fund request of \$35.2 million.

At \$105.5 million, the committee’s FY15 budget recommendation is lower than both the department’s request and FY13 actual levels, though the recommended general fund appropriation level is \$412 thousand higher than FY14 and \$606 thousand higher than FY13. The total reduction reflects the significant loss of lottery tuition fund balance to support the Legislative Lottery Scholarship Program (LLSP) but masks a 9.1 percent increase in state-funded student financial aid – the largest increase since the recession. The committee’s recommendation adds \$2 million in general fund support for student financial aid programs over FY14 levels, totaling nearly \$24 million.

Throughout FY13 and during FY14, the department generally struggled with staffing levels, affecting their ability to complete statutory responsibilities. For the last three years, the department averaged a minimum 30 percent vacancy rate, or the equivalent of 16 to 22 FTE. Leadership positions continue to turnover, notably directors of the Administrative Services, Institutional Finance and Oversight, and Policy Divisions. The Financial Aid Division, responsible for managing over 75 percent of the department’s total funds, has not had a permanent, full-time director since FY12. Without consistent leadership in key

positions, the department has transferred human resources functions to the State Personnel Office, relied on contract staff and institutional volunteers to run the state's funding formula that distributes more than \$600 million in state general fund appropriations to institutions, and has been unable to produce routine, annual legislative and institutional requests for financial and other academic data in a timely manner.

The department has had difficulties administering the private and proprietary schools division, yet with new leadership and full staffing in FY14 it has begun to address the many challenges present since the division's formation. Under the Out-of-State Proprietary School and Post-Secondary Education Institution Acts, the department is charged with improving the quality of private postsecondary institutions; protecting students and citizens from misrepresentation, fraud, and collusion by institutions; and protecting consumers when such institutions close or are no longer authorized by the department. The division regulates almost 470 certificate and degree programs and more than 272 private and proprietary schools operating in New Mexico. During FY13 and FY14, the division dramatically improved performance, reducing the time it took to produce student transcripts to within two days of receiving a request and the time needed to review applications for new academic programs and institutions to within a month of receiving a complete application. In calendar year 2013, the division responded to 38 student complaints against private schools, including 30 against a particular career technical school.

In light of many personnel challenges, the department requested nearly \$4.4 million for personal services and employee benefits, an increase of 14 percent, or \$552 thousand, over FY14 operating levels and \$1.7 million more than FY13 actual expenditures. The department's request did not claim any vacancy savings for FY15, nor was it reduced to reflect reversions in general fund revenues from this category – including a \$480 thousand reversion in personal services and employee benefits in FY13. The request did not follow the Department of Finance and Administration's (DFA's) FY15 budget guidelines: to eliminate positions vacant more than six months, not critical to an agency's mission, or unfunded. As in prior years, the department did not include 1.5 FTE staffing the Education Trust Board in its request.

Recognizing the department's need to fill a number of positions, LFC recommends \$3.3 million for personal services and employee benefits in FY15. This is significantly higher than actual expenditures for this category in recent years, and higher than the current personnel expenditure rate of \$2.8 million for FY14 as reported by LFC. It eliminates 4 FTE, including three that have been vacant for more than two years, saving \$390.9 thousand. The recommendation also applies a 15 percent vacancy rate, saving \$656 thousand. This rate is half of the average actual vacancy rate for the last three fiscal years. Reflecting the department's request, LFC eliminates the Education Trust Board FTE from the department's total FTE. The recommended level, while almost \$500 thousand less than the FY14 operating level for this category, still gives the department flexibility to fill 5.7 vacant positions above the currently filled level.

The department's Policy Development and Institutional Financial Oversight Program administers a number of federal and state grant programs, such as the state's Adult Basic Education (ABE) Program. The department's general fund appropriations request for individual programs remained flat at \$9.3 million, except for a \$188 thousand increase for ABE, for a total of \$5.6 million in non-federal funds. The increase is required to satisfy the state's maintenance-of-effort level and secure \$4.1 million in federal funds. The LFC recommendation for these programs is \$7.8 million in general fund appropriations, nearly \$1.6 million lower than the requested level. The recommendation redirects general fund appropriations of \$338.1 thousand to evidence-based adult basic education and skills-training certificate programs at community colleges and allocates \$1.25 million from the nursing performance enhancement fund directly to institutions with nursing programs for maintaining capacity.

More than 75 percent of HED's budget is dedicated to student financial aid. For FY15, the department requested \$92.1 million for student aid and \$22.1 million in general fund appropriations. LFC recommends \$83.1 million in recurring funding, including almost \$24 million in general fund support, for FY15. The differences between the request and recommendation reflect different approaches to funding the Legislative Lottery Scholarship Program (LLSP) and aid programs that were supported with general fund appropriations prior to the recession. The following table, Student Financial Aid Program Detail, highlights the differences between proposed funding levels for the LLSP and many healthcare workforce grant and loan forgiveness programs.

As forecasted by the Legislature and executive branch, the LLSP will deplete all remaining fund balances in FY14 unless supplemental funding is provided. The FY14 operating budget for the LLSP projected \$68.4 million would be available for scholarships: \$42.2 million in lottery revenues, \$16.2 million in lottery tuition fund balance, and a transfer of \$9.8 million from the tobacco settlement fund pursuant to Laws 2013, Chapter 228 (Senate Bills 113 and 392). Budgeted scholarship levels were \$60.2 million. In early FY14, an arbitration regarding the state's tobacco settlement fund revenues cast doubt over whether the \$9.8 million transfer for FY14 would be available. (See Volume III, Legislative Lottery Scholarship Program: Budget, Projections, and Scenario for more detail.)

For FY14, the department requested an \$11 million supplemental, nonrecurring, general fund appropriation. The department proposes that, with the supplemental amount, sufficient revenues will be available to pay full scholarship awards in FY14 (revised to total \$66.3 million) and result in an estimated FY14 year-end \$13 million lottery tuition fund balance. LFC recommends an \$11 million nonrecurring transfer from the student financial aid-special fund to cover the estimated shortfall due to the loss of tobacco settlement funds and no change to scholarship levels in FY14, resulting in an estimated FY14 year-end fund balance of \$4.9 million.

For FY15, the department failed to request a sufficient amount for the LLSP. The department requested budget authority for \$52.5 million: \$42.5 million in projected lottery revenues and a \$10 million lottery tuition fund balance. The request projects FY15 spending levels of \$67.8 million, which would require \$25.3 million in scholarship reductions, because the department is prohibited from spending more revenues than are available.

LFC recommends \$55.9 million in revenues: \$43 million in lottery revenues, \$4.9 million in fund balance, no tobacco settlement fund transfer, and an \$8 million special general fund appropriation contingent on enactment of legislations during the 2014 session that improves lottery tuition fund solvency, including decreasing annual expenditures. LFC proposes decoupling the scholarship award amounts from tuition levels, raising the eligibility and scholarship maintenance grade point average (GPA) from 2.5 to 2.75, and limiting the scholarship to seven semesters to reduce expenditures in FY15 by \$5 million. The proposal does not apply to students who have completed four or more semesters by academic year (AY) 2014-2015. Savings are expected to increase in two years, and are contingent on scholarship levels set by the department according to available lottery revenues.

After consistent staff turnover and delayed audit filings through FY12, the department identified a \$17.6 million fund balance in the student financial aid-special programs fund. The fund balance is undesignated and largely the result of nonreverting general fund appropriations. For FY14 and FY15, the department requested using \$3.2 million total in fund balance to support seven financial aid programs formerly supported by general fund appropriations. After these transfers, the projected FY15 year-end balance would be \$14.8 million. LFC recommends using \$1 million in fund balance to support dental education scholarships to students participating in the Western Interstate Commission on Higher Education (WICHE) exchange program and \$11 million in fund balance to offset LLSP scholarships for FY14, leaving a \$5 million fund balance.

As part of LFC's \$5.6 million healthcare workforce initiative for FY15, LFC recommends a \$900 thousand increase in general fund appropriations and a \$1 million transfer of student financial aid-special programs fund balance for the Primary Care Physician Tuition Waiver Program and healthcare workforce loan forgiveness and scholarship programs. These increases, along with \$4.7 million to expand healthcare education at colleges and universities and medical residencies, would help address critical statewide healthcare needs.

RECOMMENDED LANGUAGE:

For the Higher Education Section:

On approval of the higher education department, the state budget division of the department of finance and administration may approve increases in budgets of agencies in this section, with the exception of the policy development and institutional financial oversight program of the higher education department, whose other state funds exceed amounts specified. In approving budget increases, the director of the state budget division shall advise the legislature through its officers and appropriate committees, in writing, of the justification for the approval.

Except as otherwise provided, any unexpended balances remaining at the end of fiscal year 2015 shall not revert to the general fund.

For the Higher Education Department:

Any unexpended balances in the policy development and institutional financial oversight program of the higher education department remaining at the end of fiscal year 2015 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>FY15 - 2014-2015</u>				
	<u>FY13</u> 2012-2013 <u>Actuals</u>	<u>FY14</u> 2013-2014 <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	12,422.3	12,766.7	13,136.9	11,185.0	-12.4
Other Transfers	349.2	481.0	415.9	415.9	-13.5
Federal Revenues	8,566.8	9,925.0	10,547.2	10,547.2	6.3
Other Revenues	168.4	287.9	180.0	180.0	-37.5
Fund Balance	0.0	0.0	138.6	138.6	
SOURCES TOTAL	21,506.7	23,460.6	24,418.6	22,466.7	-4.2
USES					
Personal Services and Employee Benefits	2,739.3	3,821.5	4,373.1	3,326.2	-13.0
Contractual Services	1,082.1	2,318.1	2,121.3	2,121.3	-8.5
Other	16,731.5	17,321.0	17,785.6	17,019.2	-1.7
Other Financing Uses	0.0	0.0	138.6	0.0	
TOTAL USES	20,552.9	23,460.6	24,418.6	22,466.7	-4.2
FTE					
Permanent	32.5	31.5	30.5	27.5	-12.7
Term	22.5	21.5	21.0	20.0	-7.0
Temporary	3.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	58.0	53.0	51.5	47.5	-10.4

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of first-time, degree-seeking community college students who have graduated from the same institution or another public institution or have transferred within three years	21.4%	21.4%	23%	23%	24%
Output	Number of adult education students who enter into postsecondary education and training	1,001	871	1,200	1,200	1,200
Output	Number of adult education students obtaining employment	678	1,065	1,000	1,500	1,500
Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution within six years	40.2%	43.7%	43%	44%	45%
Outcome	Number of awards produced in postsecondary programs geared toward New Mexico workforce needs		18,584	5,000	15,000	9,000
Explanatory	Number of enrolled students in adult education programs	18,854	19,365	20,000	20,000	20,500
Output	Number of returning undergraduate students who are taking remedial education courses		5,985	6,500	6,000	6,000
Outcome	Number of students receiving a baccalaureate degree from a New Mexico public postsecondary institution		7,272	7,500	8,000	8,000
Outcome	Number of students receiving an associate's degree or certificate from a New Mexico public postsecondary institution		10,170	13,000	13,000	12,000
Output	Number of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	14,461	12,350	13,200	13,200	13,400
Outcome	Number of high school students earning dual credits from New Mexico public postsecondary institutions	11,666	14,151	13,000	15,000	15,000

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	For recent New Mexico high school graduates, percent of students who require remediation in math, English, or both who pass the remedial course and pass the ensuing college credit course within the same discipline within one year	79.7%	78.8%	78%	78%	80%
Outcome	Number of adult education students who earn the general educational development diploma	1,800	1,854	2,000	2,000	2,000
Outcome	Percent of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	20.6%	21.7%	22%	22%	25%
Outcome	Average number of credit hours accrued in the attainment of a bachelor's degree by students who transfer in versus those who originate at the degree-awarding institution	150:147	148:140	130:125	130:125	146:134
* Efficiency	Percent of properly completed capital infrastructure draws released to the state board of finance within thirty days of receipt from the institutions	100%	100%	100%	100%	100%
Output	Percent of institutional operating budgets approved by the New Mexico higher education department deadline of June 1st		100%	100%	100%	100%
Explanatory	Percent of institutional fiscal watch program quarterly reports submitted to higher education department, department of finance and administration and the legislative finance committee		100%	100%	100%	100%
* Output	Percent of capital projects evaluations and audits performed to ensure institutional accountability and responsibility	10%	N/A	N/A	N/A	25%
Output	Time for the private and proprietary schools division to address and close a student complaint			New	30 days	30 days
Output	Time for the private and proprietary schools division to complete a request for student transcript			New	3 days	3 days

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)

	FY15 - 2014-2015				
	FY13 2012-2013 Actuals	FY14 2013-2014 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	22,126.6	21,976.6	22,082.6	23,970.3	9.1
Other Transfers	42,817.8	44,237.8	56,088.0	49,872.2	12.7
Federal Revenues	308.7	250.0	250.0	250.0	0.0
Other Revenues	2,082.7	22,716.1	2,109.4	3,109.4	-86.3
Fund Balance	19,639.5	0.0	11,581.3	5,872.2	
SOURCES TOTAL	86,975.3	89,180.5	92,111.3	83,074.1	-6.8
USES					
Contractual Services	0.0	53.5	53.5	53.5	0.0
Other	86,876.1	89,127.0	80,476.5	77,148.4	-13.4
Other Financing Uses	0.0	0.0	11,581.3	5,872.2	
TOTAL USES	86,876.1	89,180.5	92,111.3	83,074.1	-6.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

		FY12 Actual	FY13 Actual	FY14 Budget	FY15 Request	FY15 Recomm
* Outcome	Percent of first-time freshman lottery recipients graduated from college after the ninth semester	73%	72%	74%	74%	75%
* Outcome	Percent of students who received state loan-for-service funding who provided service after graduation	92.2%	93.1%	92%	92%	92%
Outcome	Percent of state financial aid funds used for need-based aid	28.3%	25.5%	30%	30%	30%
Output	Annual average federal student loan debt for all students enrolled at four-year public schools	\$5,100	\$5,700	\$5,500	\$5,500	\$5,500
Output	Annual average federal student loan debt for all students enrolled at two-year public schools	\$3,350	\$3,300	\$3,300	\$3,300	\$3,300
Output	Number of lottery success recipients enrolled in or graduated from college within the ninth semester	3,710	4,026	3,800	3,900	4,100
Outcome	Number of need-based scholarships awarded to students with an estimated family contribution of zero	36,778	37,042	37,000	37,000	37,200
Output	Number of students receiving college affordability awards	2,931	2,667	3,200	3,000	3,000

Student Financial Aid Program Detail (Dollars in Thousands)	FY13 Actual	FY14 OPBUD	FY15 HED Request	FY15 LFC Recommendation
Student Incentive Grant				
General Fund	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0
Total	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0
College Affordability Endowed Scholarships				
Other Revenues	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0
Other Transfer	\$ -	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0
Total	\$ 2,000.0	\$ 4,000.0	\$ 4,000.0	\$ 4,000.0
Nursing Student Loan				
General Fund	\$ 156.7	\$ 141.1	\$ 141.1	\$ 867.3
Other Revenues	\$ -	\$ 285.7	\$ -	\$ -
Total	\$ 156.7	\$ 426.8	\$ 141.1	\$ 867.3
Nurse Loan For Service				
Other Revenues	\$ -	\$ 145.5	\$ -	\$ -
Fund Balance	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 145.5	\$ -	\$ -
Medical Student Loan Prog.				
General Fund	\$ -	\$ -	\$ -	\$ 423.0
Other Revenues	\$ -	\$ 323.0	\$ -	\$ -
Fund Balance	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 323.0	\$ -	\$ 423.0
Primary Care Physician Tuition Waiver				
General Fund	\$ 150.0	\$ -	\$ -	\$ 150.0
Total	\$ 150.0	\$ -	\$ -	\$ 150.0
Work-Study				
General Fund	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1
Total	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1
Vietnam Veterans Scholarship				
General Fund	\$ 141.1	\$ 141.1	\$ 141.1	\$ 141.1
Total	\$ 141.1	\$ 141.1	\$ 141.1	\$ 141.1
Graduate Scholarship				
General Fund	\$ 619.0	\$ 619.0	\$ 619.0	\$ 619.0
Total	\$ 619.0	\$ 619.0	\$ 619.0	\$ 619.0
NM Scholars				
General Fund	\$ 1,000.0	\$ 1,000.0	\$ 1,000.0	\$ 1,000.0
Total	\$ 1,000.0	\$ 1,000.0	\$ 1,000.0	\$ 1,000.0
Minority Doctoral Assistance				
General Fund	\$ 132.0	\$ 132.0	\$ 132.0	\$ 132.0
fund balance				
Total	\$ 132.0	\$ 132.0	\$ 132.0	\$ 132.0
Teacher Loan-for-Service				
General Fund	\$ 94.0	\$ 84.6	\$ 84.6	\$ 324.3
Other Revenues	\$ -	\$ 239.7	\$ -	\$ -
Total	\$ 94.0	\$ 324.3	\$ 84.6	\$ 324.3
Allied Health				
General Fund	\$ -	\$ -	\$ -	\$ 304.8
Other Revenues	\$ -	\$ 104.8	\$ -	\$ -
Total	\$ -	\$ 104.8	\$ -	\$ 304.8

Student Financial Aid Program Detail (Dollars in Thousands)	FY13 Actual	FY14 OPBUD	FY15 HED Request	FY15 LFC Recommendation
Health Professional Loan Repayment				
General Fund	\$ 1,076.2	\$ 1,076.2	\$ 1,162.3	\$ 1,076.2
Federal Funds	\$ 229.6	\$ 200.0	\$ 200.0	\$ 200.0
Total	\$ 1,305.8	\$ 1,276.2	\$ 1,362.3	\$ 1,276.2
Legislative Endowment Fund				
Other Revenues	\$ -	\$ 109.4	\$ 109.4	\$ 109.4
Total	\$ -	\$ 109.4	\$ 109.4	\$ 109.4
WICHE Loan-for-Service				
General Fund	\$ 2,121.5	\$ 2,121.5	\$ 2,121.5	\$ 2,271.5
Total	\$ 2,121.5	\$ 2,121.5	\$ 2,121.5	\$ 2,271.5
Lottery Scholarship				
Other Transfer	\$ 42,817.8	\$ 42,237.8	\$ 52,506.7	\$ 47,864.2
Other Revenues	\$ -	\$ 18,000.0	\$ -	\$ -
Fund Balance	\$ 19,639.5	\$ -	\$ 10,000.0	\$ 4,864.2
Total	\$ 62,457.3	\$ 60,237.8	\$ 62,506.7	\$ 52,728.4
Dentistry Loan for Service				
General Fund	\$ 51.3	\$ 51.3	\$ 51.3	\$ 51.3
Total	\$ 51.3	\$ 51.3	\$ 51.3	\$ 51.3
Public Service Law Loan Repayment				
General Fund	\$ 281.2	\$ 281.2	\$ 301.1	\$ 281.2
Total	\$ 281.2	\$ 281.2	\$ 301.1	\$ 281.2
Peace Officer and Fire Fighter Fund*				
General Fund	\$ -	\$ 25.0	\$ 25.0	\$ 25.0
Total	\$ -	\$ 25.0	\$ 25.0	\$ 25.0
Dental Residency Program				
Other Revenues	\$ -	\$ 1,000.0	\$ -	\$ 1,000.0
Fund Balance	\$ -	\$ -	\$ -	\$ 1,000.0
Total	\$ -	\$ 1,000.0	\$ -	\$ 2,000.0
Merit-based Scholarships				
General Fund	\$ 53.5	\$ 53.5	\$ 53.5	\$ 53.5
Other Revenues	\$ -	\$ -	\$ -	\$ -
Total	\$ 53.5	\$ 53.5	\$ 53.5	\$ 53.5
Ed Trust Board (Pathways Scholarship)				
Other Revenues	\$ -	\$ 500.0	\$ -	\$ -
Total	\$ -	\$ 500.0	\$ -	\$ -
HED Administration				
Other Revenues	\$ -	\$ 8.0	\$ -	\$ -
Other Transfer	\$ -	\$ -	\$ 8.0	\$ 8.0
Fund Balance	\$ -	\$ -	\$ 8.0	\$ 8.0
Total	\$ -	\$ 8.0	\$ 16.0	\$ 16.0
John R. Justice Loan Repayment				
Federal Funds	\$ 79.1	\$ 50.0	\$ 50.0	\$ 50.0
Total	\$ 79.1	\$ 50.0	\$ 50.0	\$ 50.0
Student Financial Aid - Special Programs				
Other Transfer	\$ -	\$ -	\$ 1,573.3	\$ -
Fund Balance	\$ -	\$ -	\$ 1,573.3	\$ -
Total	\$ -	\$ -	\$ 3,146.6	\$ -
Interest Earned/Loan Payments Received	\$ 82.7	\$ -	\$ -	\$ -
General Fund Total Available for Grants and Loans	\$ 22,126.6	\$ 21,976.6	\$ 22,082.6	\$ 23,970.3
GRAND TOTAL Student Financial Aid	\$ 86,975.3	\$ 89,180.5	\$ 92,111.3	\$ 83,074.1

FY13 Actuals, also includes \$9.4 thousand and \$73.3 thousand in interest received and budgeted for investment income and loan payment income.

GENERAL FUND APPROPRIATIONS FOR FY15
(in thousands)

	FY14 OpBud	FY15 Institutional I&G Formula Proposal	FY15 HED # REVISED Request	FY15 LFC Recommendation
INSTRUCTION and GENERAL				
FY15 I&G Base Year				
Prior Year I&G	\$572,336.9	\$583,006.6	\$583,006.6	\$583,006.6
Base Adjustment Rate	-1.4%	0.0%	-10.0%	-2.50%
Base Adjustment Amount	-\$7,837.8	\$0.0	(\$58,300.7)	(\$14,575.2)
FY15 Adjusted I&G Base Year (1)	\$564,499.1	\$583,006.6	\$524,705.9	\$568,431.4
Performance Funding Rate		0%	0%	90.0%
Workload Outcomes (Course Completion & Student Services)	\$10,530.7	\$13,533.9	\$404.2	\$12,180.5
Statewide Outcomes Measures				
Reallocated FY14 Base Appropriation, by Awards Totals	\$0.0	\$0.0	\$58,300.7	\$0.0
All Certificates and Degrees	\$4,900.6	\$10,980.5	\$5,746.3	\$9,882.5
Workforce Certificates and Degrees	\$1,269.3	\$4,411.0	\$655.8	\$3,969.9
At-Risk Certificates and Degrees	\$3,871.9	\$3,675.5	\$1,456.2	\$3,308.0
Graduate Awards Differential	\$226.5	\$0.0	\$0.0	\$0.0
Subtotal Statewide Outcomes Measures	\$10,268.3	\$19,067.0	\$66,159.0	\$17,160.4
Mission-Differentiated Measures				
Research Universities		\$4,319.5		\$1,943.7
Comprehensive Institutions		\$456.3		\$410.7
Community Colleges		\$1,549.6		\$1,394.6
Subtotal Mission-Differentiated Measures	\$0.0	\$6,325.4	\$0.0	\$3,749.0
Total Outcomes Funding (1)	\$20,799.0	\$38,926.3	\$66,563.2	\$33,089.9
Institutional Share (Change in Other State & Local Govt. Revenues)	(\$2,291.5)	(\$380.3)	\$0.0	(\$380.7)
Total Formula Funding	\$583,006.6	\$621,552.6	\$591,269.1	\$601,140.6
UNM HSC INSTRUCTION AND GENERAL FUNDING				
	\$60,917.3	\$60,917.3	\$60,917.3	\$61,417.3
ERB Increase (.75%) (2)	<i>(included above)</i>		\$5,085.1	\$3,011.5
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$643,924.0	\$682,469.9	\$657,271.6	\$665,569.4
Dollar Change from FY14 Operating Budget		\$38,545.9	\$13,347.6	\$21,645.4
Percent Change FY14 OpBud to FY15		6.0%	2.1%	3.4%
OTHER CATEGORICAL				
Special Schools (I&G only)	\$5,764.0		\$5,764.0	\$5,764.0
Athletics	\$12,719.1		\$12,709.5	\$12,719.1
Public television	\$3,350.7		\$3,429.1	\$3,350.7
Healthcare Expansion (incl. nurse practitioners, residencies, undergraduate nursing education)	\$2,839.2		\$4,488.7	\$8,766.1
Research and Public Service Projects	\$92,688.2		\$95,448.2	\$94,833.8
ERB Increase (.75%) (2)	<i>(included above)</i>		\$791.8	\$777.5
OTHER CATEGORICAL SUBTOTAL	\$117,361.2		\$122,631.2	\$126,211.2
Dollar Change from FY14 Operating Budget			\$5,270.0	\$8,850.0
Percent Change FY14 OpBud to FY15			4.5%	7.5%
TOTAL GAA SECTION 4 INSTITUTIONS FY15	\$761,285.2	\$682,469.9	\$779,902.8	\$791,780.6
HIGHER EDUCATION DEPARTMENT				
Higher Ed Dept. Op. Bud. + Flow Through	\$12,766.7		\$13,136.9	\$11,185.0
Higher Ed Student Aid	\$21,976.6		\$22,082.6	\$23,970.3
HIGHER EDUCATION DEPARTMENT TOTAL	\$34,743.3		\$35,219.5	\$35,155.3
Dollar Change from FY14 Operating Budget			\$476.2	\$412.0
Percent Change FY14 OpBud to FY15			1.4%	1.2%
TOTAL GAA SECTION 4 HIGHER EDUCATION FY15	\$796,028.5		\$815,122.3	\$826,935.9
<i>Dollar Change from FY14 Operating Budget</i>			\$19,093.8	\$30,907.4
GAA SECTION 8 Institutions and Special Schools COLA - 1.5% FY15			\$0.0	\$9,689.3
TOTAL HIGHER EDUCATION FY15	\$796,028.5		\$815,122.3	\$836,625.2
Dollar Change from FY14 Operating Budget			\$19,093.8	\$40,596.7
Percent Change from FY14 Operating Budget			2.4%	5.1%

(1) Total reported reflects "new money" for FY14, and excludes \$20.2 million in performance-based funding included in the FY14 base year from FY13.

(2) HED Request and LFC Recommendation includes 0.75 percent increase to the Education Trust Fund per Section 22-11-21 NMSA 1978.

FY15 GENERAL FUND BUDGET SUMMARY
(in thousands)

Agency/Institution/Program	FY14 (2013-2014)	FY15 (2014-2015)			
	OPERATING BUDGET	#4 REVISED HED REQUEST	LFC Recommendation	DOLLAR CHANGE	PERCENT CHANGE
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$36,641.7	\$36,955.1	\$37,543.2	\$901.4	2.5%
New Mexico State University (954)	\$195,633.3	\$200,182.8	\$202,102.5	\$6,469.2	3.3%
University of New Mexico (952)	\$209,098.0	\$213,673.2	\$217,242.0	\$8,144.0	3.9%
UNM Health Sciences Center (952)	\$89,841.7	\$92,262.7	\$94,238.9	\$4,397.2	4.9%
Eastern New Mexico University (960)	\$44,111.6	\$45,244.7	\$45,952.4	\$1,840.8	4.2%
New Mexico Highlands University (956)	\$30,057.5	\$30,496.1	\$31,170.2	\$1,112.7	3.7%
Northern New Mexico College (964)	\$11,074.8	\$11,053.1	\$11,431.5	\$356.7	3.2%
Western New Mexico University (958)	\$18,982.7	\$19,551.8	\$19,694.5	\$711.8	3.7%
Central New Mexico Community College (968)	\$51,971.7	\$54,706.0	\$55,144.3	\$3,172.6	6.1%
Clovis Community College (977)	\$9,701.8	\$10,072.6	\$10,191.1	\$489.3	5.0%
Luna Community College (970)	\$8,224.6	\$8,348.8	\$8,544.5	\$319.9	3.9%
Mesalands Community College (972)	\$4,320.2	\$4,410.1	\$4,436.4	\$116.2	2.7%
New Mexico Junior College (974)	\$6,264.2	\$6,406.5	\$6,352.4	\$88.2	1.4%
San Juan College (976)	\$24,328.0	\$24,914.2	\$25,155.3	\$827.3	3.4%
Santa Fe Community College (966)	\$13,418.9	\$13,819.0	\$14,716.8	\$1,297.9	9.7%
Subtotal - Universities and Community Colleges	\$753,670.7	\$772,096.6	\$783,916.0	\$30,245.3	4.0%
New Mexico Military Institute (978)	\$2,295.9	\$2,373.0	\$2,428.1	\$132.2	5.8%
NM School for the Blind & Visually Impaired (979)	\$1,206.6	\$1,260.7	\$1,259.4	\$52.8	4.4%
New Mexico School for the Deaf (980)	\$4,112.0	\$4,172.5	\$4,177.1	\$65.1	1.6%
Subtotal - Special Schools	\$7,614.5	\$7,806.2	\$7,864.6	\$250.1	3.3%
Higher Education Dept.	\$34,743.3	\$35,219.5	\$35,155.3	\$411.9	1.2%
TOTAL	\$796,028.5	\$815,122.3	\$826,935.9	\$30,907.3	3.9%
Summary by Major Function					
University I&G	\$399,952.0	\$407,116.8	\$414,165.0	\$14,213.0	3.6%
Community College I&G	\$183,045.5	\$188,737.5	\$189,691.1	\$6,645.6	3.6%
UNM HSC I&G	\$60,917.3	\$61,417.2	\$61,713.3	\$796.0	1.3%
Special Schools I&G	\$5,769.1	\$5,956.1	\$5,929.5	\$160.4	2.8%
Athletics	\$12,719.1	\$12,741.3	\$12,752.0	\$32.9	0.3%
Healthcare Workforce Programs	\$2,839.2	\$4,741.5	\$8,766.3	\$5,927.1	208.8%
Educational TV	\$3,350.7	\$3,364.0	\$3,363.9	\$13.2	0.4%
All Other RPSPs	\$92,692.2	\$95,828.4	\$95,399.5	\$2,707.2	2.9%
Higher Education Department	\$34,743.3	\$35,219.5	\$35,155.3	\$412.0	1.2%
Total	\$796,028.5	\$815,122.3	\$826,935.9	\$30,907.3	3.9%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY14 (2013-2014)	FY15 (2014-2015)			
	OPERATING BUDGET	#4 REVISED HED REQUEST	LFC Recommendation	DOLLAR CHANGE	PERCENT CHANGE
University of New Mexico					
I&G	\$180,404.5	\$183,921.0	\$187,233.0	\$6,828.5	3.8%
Athletics	\$2,538.6	\$2,544.6	\$2,544.6	\$6.0	0.2%
Educational Television	\$1,168.9	\$1,172.3	\$1,172.3	\$3.4	0.3%
Gallup	\$8,968.3	\$9,070.7	\$9,281.2	\$312.9	3.5%
Gallup Nursing	\$150.0	\$150.7	\$209.8	\$59.8	39.9%
Los Alamos	\$1,876.0	\$1,916.2	\$1,904.5	\$28.5	1.5%
Taos	\$3,418.6	\$3,496.8	\$3,492.1	\$73.5	2.1%
Taos Nursing	\$0.0	\$0.0	\$244.6	\$244.6	0.0%
Valencia	\$5,350.0	\$5,509.0	\$5,522.6	\$172.6	3.2%
Valencia Nursing	\$0.0	\$0.0	\$170.3	\$170.3	-
BBER-Census & Pop. Analysis	\$378.2	\$380.4	\$380.4	\$2.2	0.6%
Student Mentoring Programs	\$287.7	\$291.7	\$289.3	\$1.6	0.5%
Community Based Education	\$438.5	\$440.4	\$515.4	\$76.9	17.5%
Corrine Wolfe Children's Law Center	\$170.3	\$170.9	\$170.9	\$0.6	0.4%
Disabled Student Services	\$192.4	\$192.4	\$192.4	\$0.0	0.0%
Ibero-American Education	\$89.7	\$90.0	\$90.0	\$0.3	0.3%
Morrissey Hall Programs	\$47.5	\$46.1	\$47.6	\$0.1	0.1%
Judicial Selection	\$22.8	\$23.1	\$22.9	\$0.1	0.4%
Land grant studies program	\$131.8	\$132.1	\$131.9	\$0.1	0.1%
Mfg. Engineering Program.	\$556.9	\$558.8	\$558.8	\$1.9	0.3%
Minority Student Services	\$863.5	\$863.5	\$866.0	\$2.5	0.3%
New Mexico Historical Review	\$47.6	\$47.7	\$47.7	\$0.1	0.3%
Resource Geographic Info Sys	\$65.4	\$65.7	\$65.7	\$0.3	0.5%
Small Business Innovation and Research Center	\$125.0	\$125.0	\$125.0	\$0.0	0.0%
Southwest Indian Law Clinic	\$208.2	\$208.2	\$208.2	\$0.0	0.0%
Southwest Research Center	\$1,098.5	\$1,103.4	\$1,103.3	\$4.8	0.4%
Substance Abuse Program	\$136.5	\$137.1	\$137.1	\$0.6	0.4%
Utton Transboundary Resources Center	\$292.4	\$293.8	\$293.8	\$1.4	0.5%
Wildlife Law Education	\$70.3	\$70.8	\$70.8	\$0.5	0.7%
International Studies Institute	\$0.0	\$0.0	\$50.0	\$50.0	0.0%
Degree Mapping Program	\$0.0	\$300.8	\$100.0	\$100.0	0.0%
Tribal Engagement and Service Program	\$0.0	\$350.0	\$0.0	\$0.0	0.0%
UNM Total	\$209,098.0	\$213,673.2	\$217,242.0	\$8,143.9	3.9%
UNM Health Sciences Center					
I & G	\$60,917.3	\$61,417.2	\$61,713.3	\$796.0	1.3%
Office of Medical Investigator	\$4,797.8	\$4,824.4	\$4,974.4	\$176.6	3.7%
Poison Control Center	\$1,524.9	\$1,534.8	\$1,534.8	\$9.9	0.6%
Cancer Center	\$2,663.7	\$2,673.9	\$2,673.9	\$10.2	0.4%
Carrie Tingley Hospital	\$5,047.5	\$5,133.1	\$5,133.2	\$85.7	1.7%
Children's Psychiatric Hospital	\$6,974.9	\$7,073.2	\$7,073.2	\$98.3	1.4%
Hepatitis C Comm. Health Outcomes	\$1,482.6	\$1,487.5	\$1,837.5	\$354.9	23.9%
Native American Health Center	\$271.6	\$272.7	\$272.7	\$1.1	0.4%
Native American Suicide Prevention	\$100.0	\$100.0	\$100.0	\$0.0	0.0%
Newborn Intensive Care	\$3,283.4	\$3,305.4	\$3,305.5	\$22.1	0.7%
Graduate Nursing Education	\$0.0	\$1,655.3	\$1,655.3	\$1,655.3	--
Nursing Expansion	\$831.4	\$831.4	\$1,106.3	\$274.9	33.1%
Out-of-County Indigent	\$664.4	\$664.4	\$664.4	\$0.0	0.0%
Pediatric Oncology	\$1,282.2	\$1,289.4	\$1,289.4	\$7.2	0.6%
Internal Medicine Residencies	\$0.0	\$0.0	\$535.0	\$535.0	--
Psychiatry Residencies	\$0.0	\$0.0	\$202.0	\$202.0	--
General Surgery Residencies	\$0.0	\$0.0	\$168.0	\$168.0	--
Health Sciences Total	\$89,841.7	\$92,262.7	\$94,238.9	\$4,397.2	4.9%
Total UNM and UNM HSC	\$298,939.7	\$305,935.9	\$311,480.9	\$12,541.1	4.2%

HED Request and LFC Recommendation includes 0.75 percent contribution to education trust fund pursuant to Section 22-11-21 NMSA 1978.

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY14 (2013-2014)	FY15 (2014-2015)			
	OPERATING BUDGET	#4 REVISED HED REQUEST	LFC Recommendation	DOLLAR CHANGE	PERCENT CHANGE
New Mexico State University					
I&G	\$113,022.5	\$114,566.8	\$116,956.7	\$3,934.2	3.5%
Athletics	\$3,179.2	\$3,187.2	\$3,187.2	\$8.0	0.3%
Educational Television	\$1,083.3	\$1,088.2	\$1,088.2	\$4.9	0.4%
Alamogordo	\$7,637.9	\$7,725.7	\$7,874.5	\$236.6	3.1%
Alamogordo Nursing	\$0.0	\$0.0	\$65.5	\$65.5	--
Carlsbad	\$4,371.3	\$4,392.0	\$4,253.7	-\$117.6	-2.7%
Carlsbad Nursing Expansion	\$53.2	\$53.2	\$119.0	\$65.8	123.7%
Dona Ana	\$22,016.1	\$22,589.7	\$23,031.6	\$1,015.5	4.6%
Dona Ana Nursing Expansion	\$0.0	\$0.0	\$211.5	\$211.5	--
Dona Ana Dental Clinic	\$0.0	\$0.0	\$75.0	\$75.0	--
Grants	\$3,569.2	\$3,576.9	\$3,627.4	\$58.2	1.6%
Department of Agriculture	\$11,008.7	\$11,044.4	\$11,044.4	\$35.7	0.3%
Agricultural Experiment Station	\$14,336.5	\$14,432.3	\$14,432.3	\$95.8	0.7%
Cooperative Extension Service	\$12,869.5	\$12,956.9	\$13,056.9	\$187.4	1.5%
Minority Student Services	\$443.0	\$444.7	\$544.7	\$101.7	22.9%
Alliance Teaching and Learning Advancement	\$76.4	\$76.7	\$76.7	\$0.3	0.5%
Arrowhead Center for Business Dev.	\$154.4	\$157.1	\$232.1	\$77.7	50.4%
Carlsbad Mfg. Sector Development	\$233.2	\$234.3	\$234.2	\$1.0	0.4%
Indian Resources Development	\$222.2	\$223.0	\$223.0	\$0.8	0.4%
Institute for International Relations	\$0.0	\$0.0	\$50.0	\$50.0	--
Statewide Study Abroad Inventory	\$0.0	\$75.0	\$0.0	\$0.0	--
Mental Health Nurse Practitioner Program	\$252.8	\$252.8	\$252.8	\$0.0	0.0%
Manufacturing Sector Development Program	\$446.4	\$448.3	\$448.3	\$1.9	0.4%
Nursing Expansion	\$441.5	\$441.5	\$699.7	\$258.2	58.5%
Water Resources Research	\$216.0	\$2,216.1	\$317.2	\$101.2	46.9%
NMSU Total	\$195,633.3	\$200,182.8	\$202,102.5	\$6,469.2	3.3%
New Mexico Highlands University					
I&G	\$26,977.7	\$27,421.6	\$27,964.8	\$987.1	3.7%
Athletics	\$1,980.6	\$1,977.0	\$1,986.6	\$6.0	0.3%
Advanced Placement	\$230.9	\$230.7	\$281.3	\$50.3	21.8%
Ben Lujan Leadership Institute	\$200.0	\$200.0	\$0.0	-\$200.0	-100.0%
Forest and Watershed Institute	\$312.3	\$311.8	\$313.6	\$1.3	0.4%
Nursing Expansion	\$0.0	\$0.0	\$66.1	\$66.1	--
Minority Student Services	\$356.0	\$355.0	\$557.8	\$201.8	56.7%
NMHU Total	\$30,057.5	\$30,496.1	\$31,170.2	\$1,112.7	3.7%
Western New Mexico University					
I&G	\$16,007.5	\$16,472.9	\$16,584.0	\$576.5	3.6%
Athletics	\$1,741.1	\$1,744.8	\$1,744.8	\$3.6	0.2%
Child Development Center	\$211.7	\$211.7	\$211.7	\$0.0	0.0%
Instructional Television	\$78.4	\$78.4	\$78.4	\$0.0	0.0%
Nursing Expansion	\$802.6	\$802.6	\$884.3	\$81.7	10.2%
Service Learning Program	\$0.0	\$100.0	\$50.0	\$50.0	0.0%
Web-based Teacher Licensure	\$141.4	\$141.4	\$141.4	\$0.0	0.0%
WNMU Total	\$18,982.7	\$19,551.8	\$19,694.5	\$711.8	3.7%

HED Request and LFC Recommendation includes 0.75 percent contribution to education trust fund pursuant to Section 22-11-21 NMSA 1978.

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY14 (2013-2014)	FY15 (2014-2015)			
	OPERATING BUDGET	#4 REVISED HED REQUEST	LFC Recommendation	DOLLAR CHANGE	PERCENT CHANGE
Eastern New Mexico University					
I&G	\$26,145.6	\$26,936.4	\$27,341.9	\$1,196.3	4.6%
Athletics	\$1,991.9	\$1,989.3	\$1,989.3	-\$2.6	-0.1%
Educational Television	\$1,105.9	\$1,103.5	\$1,103.5	-\$2.4	-0.2%
Roswell	\$11,666.3	\$11,885.9	\$11,980.1	\$313.8	2.7%
Roswell Nursing Expansion	\$33.3	\$33.3	\$74.8	\$41.5	124.6%
Aviation Science Technology	\$0.0	\$61.9	\$60.4	\$60.4	--
Special Services Program Expansion	\$0.0	\$60.4	\$61.9	\$61.9	--
Ruidoso	\$2,086.5	\$2,092.2	\$2,130.5	\$44.0	2.1%
Allied Health	\$155.6	\$155.6	\$155.6	\$0.0	0.0%
At-Risk Student Tutoring	\$195.5	\$195.5	\$245.5	\$50.0	25.6%
Nursing Expansion	\$180.0	\$180.0	\$258.1	\$78.1	43.4%
Blackwater Draw Site & Museum	\$95.3	\$95.0	\$95.0	-\$0.3	-0.3%
Student Success Programs	\$455.8	\$455.8	\$455.8	\$0.0	0.0%
ENMU Total	\$44,111.6	\$45,244.7	\$45,952.4	\$1,840.7	4.2%
New Mexico Institute of Mining & Technology					
I&G	\$26,670.4	\$26,945.3	\$27,257.9	\$587.4	2.2%
Athletics	\$209.0	\$210.0	\$210.0	\$1.0	0.5%
Bureau of Mine Safety	\$262.2	\$263.4	\$338.4	\$76.2	29.1%
Bureau of Geology & Mineral Resources	\$3,700.3	\$3,714.4	\$4,122.0	\$421.7	11.4%
Geophysical Research Center	\$856.1	\$860.9	\$861.0	\$4.9	0.6%
Petroleum Recovery Research	\$1,989.4	\$1,996.0	\$1,996.0	\$6.6	0.3%
Aquifer Mapping	\$306.5	\$307.6	\$0.0	-\$306.5	-100.0%
Cave & Karst Research	\$383.0	\$384.6	\$384.6	\$1.5	0.4%
Energetic Materials Research Center	\$748.4	\$749.8	\$749.8	\$1.4	0.2%
Homeland Security	\$551.4	\$554.2	\$554.2	\$2.8	0.5%
Institute for Complex Additive Sys Analysis	\$753.6	\$757.0	\$857.0	\$103.4	13.7%
Science Fair/Science Olympiad	\$211.3	\$211.9	\$212.4	\$1.1	0.5%
NMIMT Total	\$36,641.7	\$36,955.1	\$37,543.2	\$901.4	2.5%
Northern New Mexico College					
I&G	\$10,723.8	\$10,852.8	\$10,826.7	\$102.9	1.0%
Athletics	\$201.0	\$200.3	\$200.3	-\$0.7	-0.3%
Youth STEM Program	\$150.0	\$0.0	\$150.0	\$0.0	0.0%
Nursing Expansion	\$0.0	\$0.0	\$254.5	\$254.5	--
NNMC Total	\$11,074.8	\$11,053.1	\$11,431.5	\$356.7	3.2%
Santa Fe Community College					
I&G	\$9,204.9	\$9,606.0	\$9,764.4	\$559.5	6.1%
Small Business Development Centers	\$4,173.2	\$4,172.1	\$4,175.0	\$1.8	0.0%
Nursing Expansion	\$40.9	\$40.9	\$277.5	\$236.6	578.4%
Integrated Basic Ed. Skills Training (IBEST)	\$0.0	\$0.0	\$500.0	\$500.0	--
SFCC Total	\$13,418.9	\$13,819.0	\$14,716.8	\$1,297.9	9.7%
Central New Mexico Community College					
I&G	\$51,971.7	\$54,706.0	\$54,948.0	\$2,976.3	5.7%
Nursing Expansion	\$0.0	\$0.0	\$196.4	\$196.4	--
CNMCC Total	\$51,971.7	\$54,706.0	\$55,144.3	\$3,172.6	6.1%
Luna Community College					
I&G	\$7,397.1	\$7,520.8	\$7,457.1	\$60.0	0.8%
Athletics	\$216.2	\$216.7	\$216.7	\$0.5	0.2%
Nursing Expansion	\$31.8	\$31.8	\$291.2	\$259.4	815.7%
Student Retention and Completion	\$579.5	\$579.5	\$579.6	\$0.1	0.0%
LCC Total	\$8,224.6	\$8,348.8	\$8,544.5	\$319.9	3.9%

HED Request and LFC Recommendation includes 0.75 percent contribution to education trust fund pursuant to Section 22-11-21 NMSA 1978.

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY14 (2013-2014)	FY15 (2014-2015)			
	OPERATING BUDGET	#4 REVISED HED REQUEST	LFC Recommendation	DOLLAR CHANGE	PERCENT CHANGE
I&G	\$4,189.3	\$4,229.2	\$4,255.5	\$66.2	1.6%
Athletics	\$59.9	\$59.9	\$59.9	\$0.0	0.0%
Wind Training Center	\$71.0	\$71.0	\$121.0	\$50.0	70.4%
Dinosaur Museum/Lab	\$0.0	\$50.0	\$0.0	\$0.0	0.0%
MCC Total	\$4,320.2	\$4,410.1	\$4,436.4	\$116.2	2.7%
New Mexico Junior College					
I&G	\$5,653.7	\$5,794.9	\$5,504.6	-\$149.1	-2.6%
Athletics	\$330.9	\$332.0	\$332.0	\$1.1	0.3%
Lea County Distance Education Consortium	\$30.0	\$30.0	\$30.0	\$0.0	0.0%
Nursing Expansion	\$72.9	\$72.9	\$309.1	\$236.2	323.9%
Oil and Gas Training Center	\$176.7	\$176.7	\$176.7	\$0.0	0.0%
NMJC Total	\$6,264.2	\$6,406.5	\$6,352.4	\$88.2	1.4%
San Juan College					
I&G	\$23,998.6	\$24,584.8	\$24,770.5	\$771.9	3.2%
Dental Hygiene	\$166.0	\$166.0	\$168.0	\$2.0	1.2%
Nursing Expansion	\$163.4	\$163.4	\$216.8	\$53.4	32.7%
SJC Total	\$24,328.0	\$24,914.2	\$25,155.3	\$827.3	3.4%
Clovis Community College					
I&G	\$9,670.1	\$10,040.9	\$9,892.9	\$222.8	2.3%
Nursing Expansion	\$31.7	\$31.7	\$298.2	\$266.5	840.5%
CCC Total	\$9,701.8	\$10,072.6	\$10,191.1	\$489.3	5.0%
Four-Year/Two-Year Total	\$753,670.7	\$772,096.6	\$783,916.0	\$30,245.1	4.0%
New Mexico Military Institute					
I&G	\$1,173.6	\$1,250.7	\$1,229.7	\$56.1	4.8%
Athletics	\$279.5	\$279.5	\$280.6	\$1.1	0.4%
Knowles Legislative Scholarship	\$842.8	\$842.8	\$917.8	\$75.0	8.9%
NMMI Total	\$2,295.9	\$2,373.0	\$2,428.1	\$132.2	5.8%
New Mexico School for the Blind & Visually Impaired					
I&G	\$715.4	\$769.9	\$763.9	\$48.5	6.8%
Low Vision Clinic Programs	\$117.8	\$117.8	\$117.8	\$0.0	0.0%
Early Childhood Center	\$373.4	\$373.0	\$377.7	\$4.3	1.2%
NMSBVI Total	\$1,206.6	\$1,260.7	\$1,259.4	\$52.8	4.4%
New Mexico School for the Deaf					
I&G	\$3,880.1	\$3,935.5	\$3,935.9	\$55.8	1.4%
Statewide Outreach Services	\$231.9	\$237.0	\$241.2	\$9.3	4.0%
School for the Deaf Total	\$4,112.0	\$4,172.5	\$4,177.1	\$65.1	1.6%
Special School GF Total	\$7,614.5	\$7,806.2	\$7,864.6	\$250.1	3.3%
Higher Education Department					
Operating	\$3,458.3	\$3,790.0	\$3,326.2	-\$132.1	-3.8%
Adult Basic Education	\$5,186.8	\$5,375.2	\$5,375.2	\$188.4	3.6%
Student Financial Aid	\$22,126.6	\$22,082.6	\$23,970.3	\$1,843.7	8.3%
High Skills	\$338.1	\$338.1	\$0.0	-\$338.1	-100.0%
NM MESA, Inc.	\$1,282.3	\$1,282.3	\$1,282.3	\$0.0	0.0%
Program Dev. Enhancement Fund - Nursing	\$1,250.0	\$1,250.0	\$0.0	-\$1,250.0	-100.0%
ENLACE	\$1,001.3	\$1,001.3	\$1,001.3	\$0.0	0.0%
Tribal College Dual Credit Program	\$100.0	\$100.0	\$200.0	\$100.0	100.0%
HED Total	\$34,743.3	\$35,219.5	\$35,155.3	\$411.9	1.2%
HIGHER EDUCATION TOTAL	\$796,028.5	\$815,122.3	\$826,935.9	\$30,907.1	\$0.1

HED Request and LFC Recommendation includes 0.75 percent contribution to education trust fund pursuant to Section 22-11-21 NMSA 1978.

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 Articles 13, 14, and 16A NMSA 1978. Most statutory provisions pertaining to postsecondary education can be found in Sections 21-1-1 through 21-29-6 NMSA 1978.

BUDGET ISSUES:

The appropriations for higher education institutions and special schools are based on state general fund appropriations, other state funds, and federal funds. The general fund appropriation supports instruction and general (I&G) and other expenditure categories, including athletics and research and public service projects. The Higher Education Department (HED) submitted a FY15 budget request for all institutions and special schools totaling \$3.2 billion, of which \$780 million, or 26 percent, was from the general fund. The department's request included \$652.2 million for I&G purposes, \$114.1 million for research and public service projects and other activities, and \$7.8 million for the special schools. The department requested \$5.9 million in general fund appropriations for the scheduled 0.75 percent increase in employer retirement contributions pursuant to Section 21-11-21 NMSA 1978. The department's general fund request was \$18.5 million, or 2.4 percent, higher than the FY14 general fund appropriation.

The LFC's FY15 general fund recommendation for institutions and special schools totals \$801.5 million, nearly \$20 million more than the request and \$40 million more than FY14 operating levels. The increase provides \$18.6 million in I&G funding, \$8.1 million in funding for research and public service projects, \$3.8 million to fund the scheduled 0.75 percent increased retirement contribution, and \$9.7 million for a 1.5 percent cost-of-living-adjustment (COLA) for faculty and staff. The increase in I&G appropriations includes sufficient funding for institutions to provide compensation increases, in addition to the recommended COLA, to reward performance and recruit and retain faculty and staff. The recommendation provides a third year of increasing general fund support for institutions, though the total appropriation level remains below the highest level funded in FY09.

Instruction and General Funding.

Since the late 1980s, the state has used a formula to calculate the approximate cost to provide postsecondary training and education to New Mexicans and to determine annual state general fund appropriation support. The formula is based on a cost matrix reflecting an institution's prior-fiscal-year costs of instruction and general services faculty and staffing, plant and facilities operation and maintenance, equipment and building replacement and renewal, state-required scholarship transfers, and other expenditures. During the solvency era, and specifically after FY13, the formula and resulting general fund appropriations evolved from reimbursing an institution's actual instructional costs to allocating state revenues for in support of instructional costs. The department's request and LFC's recommendation for FY15 continue this trend.

Whether funding institutional costs or simply allocating state funds, HED is charged with developing a funding formula that supports institutions sufficiently to accomplish their missions as articulated in a statewide plan. Historically, the formula supported statewide education goals, like increasing student access to postsecondary education and providing instructional facilities in locations that allow more students to participate in college and training. And, formula changes, like changing statewide goals and objectives, would be reviewed and revised annually based on the recommendations and efforts of the long-standing Higher Education Funding Formula Task Force, which included institutional leaders, Department of Finance and Administration (DFA) and LFC staff at a policy-making level. More recently, the department has maintained close control over formula discussions, with limited input by steering and technical committee members, to produce the final formula used as the basis for the appropriation request. For example, the department did not provide the proposed formula mechanism to DFA, LFC, or institutions prior to the November 1 budget submission deadline for FY14 and FY15.

During the 2013 interim, LFC held two hearings to learn about institutional efforts to improve student performance since the formula provisions have been enacted. Presidents and provosts from research, comprehensive, and two-year institutions highlighted intense academic activities and student services for incoming first-year students, including summer academic boot camps and concentrated remedial courses. Institutions began streamlining academic programs within an institution and between two-year and four-year institutions to improve transfer rates and timely program completion. More intrusive academic counseling and student services have proven successful in increasing student retention rates at other institutions, and New Mexico's colleges anticipate similar results. LFC and others will continue to follow these efforts to determine whether state institutions experience similar performance results and are able to capitalize on gains with increased performance funding.

Also during the interim, LFC requested HED and institutions to review the revised formula for any unintended impacts, review formula credit and awards matrices, and develop mission-specific performance measures. The HED's technical committee reviewed the awards matrix and performed limited data analysis but did not work on mission-specific measures. However, institutions took the initiative and proposed mission-specific measures and more for FY15.

Late November 2013, the department provided LFC with the I&G formula that served as the basis for the department's FY15 request. The department changed the formula from prior years by (1) altering the definition of performance outcomes; (2) creating a point system to index the value assigned to measure performance in generating certificates and degrees (collectively, "awards") to the value of a bachelor's degree; (3) changing the method for counting awards earned from rewarding all eligible certificates and degrees earned to a "one student, one award" approach; and (4) basing change in institutional performance over three-year rolling averages instead of on an annual basis. The department verified the approach of assigning greater value to institutions that generate more awards in total, more awards to financially at-risk students, and more awards in workforce concentrations (science, technology, engineering, math, and health (STEMH) fields). In response to the Legislature's request for appropriations based on the most recent academic data available, the department incorporated the 2012-13 academic year data in the formula for the FY15 request. Lastly, the department did not alter values in the underlying cost matrices used to calculate appropriation levels for completed student credit hours and for statewide outcome measures based on awards.

For FY15, the department redefined outcome measures to exclude completed student credit hours and requested funding the credit hour component at 5 percent of the approximate cost to produce some credits. This approach resulted in a request of \$404.2 thousand in workload funding for FY15. Funding a small fraction of the cost to provide courses fails to provide consistent funding to institutions, particularly the state's open-access colleges, because institutional leaders work with students for two, four, or more years to earn the funding available when certificates and degrees are awarded.

Using the revised formula, the department developed a point system to reallocate prior base-year funding and any new general fund revenues. To calculate an institution's point totals, the department totaled the number of eligible certificates and degrees an institution awarded in each of the past six academic years, multiplied these numbers by the appropriate values in the formula's awards matrix, and indexed each year's total values by the value of a bachelor's degree (\$33 thousand) in the awards matrix. From this data, the department then established two three-year sets of academic years to determine historic and the most recent average performance levels.

The department used these three-year performance averages to reallocate 10 percent, or \$58.3 million, of the FY14 I&G formula funding appropriation and generate \$7.9 million in new general fund support for FY15. The department also requested \$404.2 thousand in general fund appropriations for completed student credit hours, or 5 percent of the total \$8.1 million possible under the formula. In total, the department allocated \$66.6 million of the \$591.3 million in I&G funding, or 11 percent, based on performance, particularly awards-driven outcomes. This is a significant percentage increase over FY13 and FY14 levels, 5 percent and 3.6 percent of total I&G formula funding, respectively.

Unclear with the department's direction on formula revisions and limited technical committee input, institutional leaders took initiative to refine mission-specific performance measures from the 2012 interim and went further by developing an alternative funding formula. In late October 2013, institutions shared this proposal with DFA, LFC, HED, and others.

Supporting performance funding goals, institutions sought to develop a clearer and more transparent formula, one with greater mission-differentiation. (See Volume III: Higher Education I&G Funding Formula: Current and Proposed.) They also wanted a formula that could be run by institutions, DFA, LFC, HED, and others without relying on the department's limited staff. Echoing the department's original proposal for the revised formula in FY13, institutions proposed a straightforward method for rewarding institutions for awards produced, limiting those certificates and degrees for which an institution will receive formula funding. Like HED's formula, institutions assigned higher rates for producing awards depending on program length and rates for awards earned in STEMH disciplines and by financially at-risk students. Research demonstrated that completed student credit hours could be funded at a single, flat rate that was consistent with funding levels of the last 20 years. The institutional proposal included mission-specific measures, rewarding research universities for securing federal grants and contracts and comprehensive universities and community colleges for their success with students reaching certain academic milestones and providing dual credit opportunities for high school students. The proposal recognized other institutional revenues that support I&G expenditures, allowing a credit to be taken. Lastly, institutions offered options to reduce both the prior-year appropriations base and all performance funding to achieve performance funding goals and appropriation funding levels.

The proposal, overwhelmingly supported by presidents at all research and comprehensive universities and community colleges, offers much to consider. LFC acknowledges the institutions' leadership in presenting a set of generally accepted measures that reward institutional success at meeting their missions. Like the HED's formula proposal, the institutional proposal incorporated many objectives suggested by LFC when the formula revision was initially proposed: (1) maintains the direction of outcomes funding, (2) recognizes student success, (3) provides stability and equity in funding institutions, and (4) rewards institutional success. However, it has not been sufficiently vetted by LFC and others due to its late delivery during the FY15 budget process and near the end of the department's formula review process. Similar to the department's proposal, relying fully on the institutional proposal is difficult without the opportunity to fully discuss and document the policy goals, rationale for supporting values, and targets.

Because HED's request was revised four times and the full formula was delivered to DFA and LFC in late November, the LFC recommendation is based on the institutional proposal, with some modifications. The recommendation provides for \$601.1 million in I&G formula funding. Like the HED's request, the LFC's recommendation sands the FY14 base-year appropriation, reducing the base \$14.6 million, or 2.5 percent. Adding \$18.1 million in new general fund support and \$14.6 million of prior-year funding, the recommendation allocates \$12.2 million for completed student credit hours, \$17.2 million for awards-based performance, and \$3.7 million for mission-specific performance. These totals fund institutional performance at 90 percent, or \$33.1 million, compared with the institutional proposal's 100 percent funding at \$38.9 million. In addition, LFC amended the values of the mission-specific measures. The recommendation also applies the institutional share credit, for a total reduction of \$380.7 thousand. Under the recommendation, all but two institutions receive an increase in I&G funding for FY15; two institutions received significant mill levy revenues that offset what would have otherwise been a general fund appropriation increase. With 5.5 percent of I&G formula funding based on performance, the LFC recommendation exceeds the HED's 5 percent target for FY15.

Both the HED request and LFC recommendation support increased state funding based on student performance, including performance in specific academic concentrations and by a diverse student population. While there are differences in approaches and mechanics, DFA, HED, and LFC generally agree that a formula should reward program completion, focus on measures that reward institutions for excelling at their public mission, and can reallocate a portion of base-year funding without destabilizing institutions. For these agreements to lead to better outcomes, LFC recommends the executive branch, institutions, the Legislature, and local communities focus on linking performance funding with well-defined statewide goals and action steps for higher education in New Mexico. The I&G funding formula, with funded performance measures, and other tools, like improved Accountability in Government Act measures, represent opportunities to discuss larger policy issues, like improving and measuring academic quality and aligning goals with performance targets.

While not formula-based, the University of New Mexico's Health Sciences Center (UNM HSC) receives a direct general appropriation for I&G funding for the school of medicine and receives some funding from UNM main campus for providing formula-based I&G services (example, completed student credit hours for colleges of pharmacy and nursing). For FY15, HED requested flat funding for UNM HSC at \$60.9 million and an additional \$500 thousand for the increased retirement contribution pursuant to Section 22-11-21 NMSA 1978. LFC's recommendation increased funding by \$500 thousand, for a total of \$61.4 million, in addition to funding the employer's retirement contribution of nearly \$300 thousand. This additional base funding supports the continued strong student performance on required licensure exams and the increased costs associated with medical and health professional education.

Research and Public Service Projects.

State general fund appropriations also support other categories of funding besides instruction and general expenditures, particularly research and public service projects. During the 2013 interim, the department significantly revised the administrative process regarding reporting and budget requests for research and public service projects. Each project currently funded was required to submit a year-end fiscal and program report, and, for programs seeking funding for FY15, an opening fiscal projection and program report. After this extensive process, implemented late in the budget cycle, HED requested \$4.5 million for five new projects and a significant expansion of an existing university center. Most of the department's new projects, totaling \$2.4 million, were not vetted through the revised project review process.

LFC recommends a total of nearly \$120 million in general fund support for research and public service projects. This is an increase of \$8.1 million, excluding the statutorily required 0.75 percent increase retirement contribution, or \$613 thousand, for such projects. Of the new funding, \$2 million would support research and public service projects that support economic development and workforce training programs, student success programs, and safety programs.

Importantly, the LFC recommendation provides more than \$11.7 million total in healthcare workforce funding to colleges and universities. In addition to \$3.1 million of FY14 base funding, the recommendation for higher education institutions includes \$4.4 million in new general fund appropriations for undergraduate (\$1.9 million) and graduate (\$1.6 million) nursing education and nine medical residency positions (\$905 thousand) and allocates \$1.2 million directly to maintain undergraduate nursing programs. This recommendation builds on the LFC's recommendation of \$2.9 million to HED to expand financial aid loan repayment programs and dental school student slots.

Special Schools.

HED requested and LFC recommends a total of \$7.9 million in general fund support for the New Mexico School for the Blind and Visually Impaired, the New Mexico School for the Deaf, and the New Mexico Military Institute. Both the request and recommendation include an increase over FY14 general fund levels for the 0.75 percent retirement fund contribution required under Section 22-11-21 NMSA 1978. The LFC recommendation recognizes that these schools will likely realize substantial increases in land grant permanent fund payments in FY15.

RECOMMENDED LANGUAGE:

FOR ALL INSTITUTIONS: The general fund appropriation/s include/s [\$_____ (___ thousand dollars)] pursuant to Section 22-11-21 NMSA 1978.

FOR N.M. INSTITUTE OF MINING AND TECHNOLOGY: The general fund appropriation to the New Mexico institute of mining and technology for the bureau of mines includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

FOR UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER: The other state funds appropriations to the university of New Mexico health sciences center includes two million nine hundred sixty-two thousand one hundred dollars (\$2,962,100) from the tobacco settlement program fund.

UNM MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of first-time, full-time, degree-seeking freshmen completing an academic program within six years	45.1%	45.8%	47%	48%	49%
* Output	Total number of baccalaureate degrees	3,351	3,395	3,250	3,400	3,450
Output	Number of post-baccalaureate degrees awarded	1,329	1,471	1,500	1,525	1,525
Outcome	Percent of first-time, full-time, degree-seeking freshmen retained to second year	74.1%	76.6%	77.8%	78.8%	78.8%
Output	Number of undergraduate transfer students from two-year colleges	1,946	1,876	1,750	1,900	1,950
Output	Number of degrees awarded using extended services	415	552	310	615	700
Outcome	Amount of external dollars for research and public service, in millions	\$126.7	\$127.1	\$129	\$130	\$130
Outcome	Percent of enrolled Native American students among all degree-seeking undergraduates as of fall census date	8.7%	9.6%	7.1%	10%	10%
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	77.0%	75.8%	76.8%	76.8%	77%

UNM GALLUP BRANCH

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PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	44.1%	37.6%	42.5%	42%	42%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	8.4%	8.4%	8%	10%	10%
Outcome	Percent of graduates placed in jobs in New Mexico	57.7%	57.7%	60%	60%	60%
* Output	Number of students enrolled in the adult basic education program	660	297	725	386	386
Outcome	Percent of Hispanic students enrolled	9.8%	10.9%	10%	11%	11%
Outcome	Percent of Hispanic graduates	9.1%	10%	10%	11%	11%
Output	Number of students enrolled in the area vocational schools program	392	383	400	450	450
Efficiency	Percent of programs having stable or increasing enrollments	71.7%	63.1%	64.5%	65%	65%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	82.9%	62.8%	82.5%	65%	65%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	85.8%	85.1%	80%	86%	86%

UNM LOS ALAMOS BRANCH

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PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	75.9%	69.2%	59%	59%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	62.3%	58.9%	57%	57%	60%
Outcome	Percent of graduates placed in jobs in New Mexico	80.2%	81.9%	48%	49%	49%
Outcome	Percent of Native American students enrolled.	7.6%	7.0%	7.5%	7.5%	7.5%
Outcome	Percent of Native American graduates.	8.1%	8.3%	8.0%	8.5%	8.5%
* Output	Number of students enrolled in the adult basic education program	392	304	415	415	415
Output	Number of students enrolled in the small business development center program	448	353	350	355	355
Efficiency	Percent of programs having stable or increasing enrollments	90.9%	81.8%	67%	67.5%	80.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.7%	78.5%	79%	79.5%	79.5%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.7%	90.5%	69%	70%	90%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	59.5%	56.9%	70%	70%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	6.6%	8.5%	5%	10%	10%
Outcome	Percent of graduates placed in jobs in New Mexico	60.1%	63.1%	60%	60%	65%
Outcome	Percent of Native Americans enrolled	5.0%	4.2%	3%	3%	5%
Outcome	Percent of Native American graduates	1.5%	1.8%	3%	3%	3%
* Output	Number of students enrolled in the adult basic education program	1,438	1,237	950	950	1,300
Output	Number of students enrolled in the community services program	1,795	3,169	2,000	3,000	3,000
Efficiency	Percent of programs having stable or increasing enrollments	66.0%	56.9%	75%	75%	70%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	78.8%	81.3%	75%	75%	80%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.4%	88.6%	85%	85%	88%

UNM TAOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	48.6%	56.5%	59%	59%	59%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	21.7%	24.1%	8%	8%	25%
Outcome	Percent of program completers who were placed in jobs in New Mexico based on unemployment insurance wage data	60.8%	65%	66%	66%	66%
Outcome	Percent of males enrolled	36.4%	37.4%	33%	33%	33%
Outcome	Percent of male graduates	22.2%	29%	20%	20%	20%
* Output	Number of students enrolled in the adult basic education program	304	238	275	275	275
Output	Number of students enrolled in the concurrent enrollment program	579	724	400	500	500
Efficiency	Percent of programs with stable or increasing enrollment	81%	77.8%	55%	55%	80%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	80.5%	80.4%	70%	70%	82%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.5%	92.5%	81%	81%	90%

UNM HEALTH SCIENCES CENTER

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy, and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of degrees awarded using extended university courses	74	75	25	74	75
* Output	Number of post-baccalaureate degrees awarded	364	302	308	308	320
Outcome	Increase in external research and public service expenditures, in millions	\$289	\$297.1	\$295.1	\$300.0	\$310.0
Outcome	First-attempt pass rates on national medical licensing exam, step three, board exam	92%	92%	95%	95%	95%
Output	Pass rates on national medical licensing exam, step two, board exam, first attempt	100%	100%	95%	95%	95%
Output	Total number of university of New Mexico hospital clinic visits	432,817	455,437	454,728	454,700	490,000
Output	Number of autopsies performed each year by the office of the medical investigator	2,133	2,086	2,284	2,284	2,200
Output	Number of patient days at Carrie Tingley hospital	4,148	3,820	3,898	3,898	4,100
Output	Total number of university of New Mexico hospital inpatient discharges	27,685	27,095	28,405	28,408	27,000
Output	Percent of human poisoning exposures treated safely at home after poison and drug information center contact	67%	67%	72%	72%	68%
Output	University of New Mexico hospital inpatient readmission rate	4%	4%	4%	4%	4%
Outcome	University of New Mexico inpatient satisfaction rate	82.4%	82.3%	83.1%	83.1%	83%
* Output	Number of university of New Mexico cancer research and treatment center clinical trials	217	249	190	190	400
Outcome	Pass rate on national certification licensing exam test by college of nursing bachelors of science in nursing candidates	82.3%	84.2%	85%	85%	90%
Output	Pass rate for graduate students on American nurses credentialing center family nurse practitioner certification exam	100%	91%	95%	95%	95%
Output	First-time pass rate on the north American pharmacist licensure examination from the college of pharmacy	87%	96%	95%	95%	95%

NMSU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	45.7%	44%	47%	47%	47%
Output	Number of nursing degrees conferred	126	112	130	130	130
Outcome	Number of Hispanic undergraduate degree-seeking students	6,829	6,781	6,900	6,900	6,900
Outcome	Second-year students who are still enrolled two fall semesters later or have completed a degree (two- or four-year degree)	77.1%	72.3%	78%	78%	78%
* Output	Total number of baccalaureate degrees awarded	2,387	2,440	2,400	2,450	2,550
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	71%	72%	72%	72%	73%
Outcome	Number of undergraduate transfer students from two-year colleges	1,217	592	650	1,250	1,250
Output	Number of degree programs offered via distance education	33	37	34	37	37
Quality	Percent of academic departments or programs using the results of student learning outcomes for improvement	85%	75%	75%	75%	80%
Outcome	External dollars for research and creative activity, in millions	\$193.3	\$175.8	\$205.8	\$205.8	\$200
Output	Number of teacher preparation programs available at New Mexico community college sites	4	3	4	4	4

NMSU ALAMOGORDO BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	61%	60.9%	65%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	8.9%	9.1%	14%	14%	14%
Outcome	Percent of graduates placed in jobs in New Mexico	66.9%	69%	72%	72%	72%
Outcome	Percent of Hispanic students enrolled	36.1%	35.3%	37%	37%	37%
Outcome	Percent of Native Americans graduates	2.5%	2.4%	4%	4%	4%
* Output	Number of students enrolled in the adult basic education program	472	481	500	550	550
Output	Number of students enrolled in the small business development center program	390	591	500	600	600
Efficiency	Percent of programs having stable or increasing enrollments	75.4%	71.4%	78%	78%	78%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	74.5%	72.5%	79.8%	79.8%	79.8%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	89.9%	91.8%	93%	93%	93%

NMSU CARLSBAD BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	49.7%	54.7%	50%	50%	50%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate- seeking community college students who complete the program within one hundred fifty percent of normal time to completion	5.4%	7.1%	6%	10%	10%
Outcome	Percent of graduates placed in jobs in New Mexico	74.1%	70.2%	80%	80%	80%
Outcome	Percent of Hispanic students enrolled	44.4%	46.2%	45%	50%	50%
Outcome	Percent of Hispanic graduates	39.1%	43%	42.5%	43%	43%
Output	Number of students enrolled in the contract training program	639		700		
Output	Number of students enrolled in concurrent enrollment	850	949	900	900	950
Efficiency	Percent of programs having stable or increasing enrollments	65%	70.3%	70%	70%	70%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	82.9%	71.1%	70%	70%	70%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.2%	85.8%	92%	90%	90%

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.9%	52.4%	48%	48%	52%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	11.3%	12.9%	15%	15%	15%
Outcome	Percent of graduates placed in jobs in New Mexico	66.4%	68.9%	77%	77%	77%
Outcome	Percent of males enrolled	43.7%	43.7%	45%	45%	45%
Outcome	Percent of Hispanic graduates	65.3%	66.6%	62.5%	63%	66%
Output	Number of students enrolled in the contract training program	1,630	1,284	1,500	1,500	1,500
* Output	Number of students enrolled in the adult basic education program	4,606	3,155	5,000	5,000	5,000
Efficiency	Percent of programs having stable or increasing enrollments	95.8%	87%	91%	91%	91%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.9%	78%	81%	81%	81%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92%	93.5%	87%	87%	92%

NMSU GRANTS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.8%	54.9%	53%	53%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	18.4%	16.1%	22%	22%	22%
Outcome	Percent of graduates placed in jobs in New Mexico	69.6%	70.8%	74%	74%	74%
Outcome	Percent of Hispanic students enrolled	42.4%	43.8%	33%	33%	45%
Outcome	Percent of Native American graduates	36.9%	32.8%	36%	36%	36%
* Output	Number of students enrolled in the adult basic education program	346	346	400	400	400
Efficiency	Percent of programs having stable or increasing enrollments	79.3%	70.2%	78%	78%	78%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	77.4%	77.8%	78%	78%	78%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.9%	88.2%	88%	88%	88%

NEW MEXICO HIGHLANDS UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	20.9%	16.2%	20%	20%	20%
* Output	Total number of baccalaureate degrees awarded	351	360	330	370	370
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	50.6%	55.3%	53%	53%	53%
Output	Number of undergraduate transfer students from two-year colleges	488	474	450	480	480
Output	Number of students enrolled in extended services	1,425	1,312	1,300	1,400	1,400
Outcome	Percent of graduating seniors indicating "satisfied" or "very satisfied" with the university on student satisfaction survey	94.9%	96.8%	90%	95%	95%
Outcome	Percent of total funds generated by grants and contracts	28%	23%	25%	25%	25%
Outcome	Number of enrolled Native American students among all degree-seeking undergraduates as of fall census date	164	167	170	180	180
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	56.1%	53.6%	58%	58%	58%

WESTERN NEW MEXICO UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	58.6%	56.4%	58%	58%	62%
* Output	Total number of baccalaureate degrees awarded	171	170	180	180	200
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	50.4%	55.1%	53%	53%	55%
Output	Number of courses available through instructional television and online via the internet	464	630	515	515	700
Output	Number of graduates from the school of education	120	99	150	150	150
Outcome	External dollars to be used for programs to promote student success, in millions	\$3.3	\$1.9	\$3	\$3	\$3
Output	Number of undergraduate transfer students from two-year colleges	182	143	170	170	170
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	17.1%	19.1%	20%	20%	23%
Outcome	Percent of enrolled Hispanic and Native American students among all degree-seeking undergraduates as of fall census date	57.7%	53.3%	55%	55%	55%

ENMU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Percent of first-time, full-time degree-seeking students enrolled second semester	83.9%	82.4%	84%	84%	84%
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	60.4%	62.8%	64%	66.5%	66.5%
* Output	Total number of baccalaureate degrees awarded	583	615	630	650	650
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	63.9%	62.5%	64%	62%	62%
Output	Number of undergraduate transfer students from two-year colleges	730	697	730	675	675
Output	Number of internet-based courses offered	656	776	800	875	875
Outcome	External dollars supporting research and student success, in millions	\$5.2	\$5.3	\$6	\$6	\$5.5
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	23.7%	28.6%	30%	30%	30%
Outcome	Percent of graduating seniors who are "satisfied" or "very satisfied" with their educational experience	97%	95.9%	95%	95%	95%
Outcome	Percent of enrolled Hispanic students among all degree-seeking undergraduates as of fall census date	33.3%	34.5%	35%	36%	36%

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	55.8%	58%	50%	50.5%	50.5%
* Outcome	Percent of students who complete within one hundred fifty percent of time	18.5%	20.6%	16%	17%	17%
Outcome	Percent of graduates placed in jobs in New Mexico	68.1%	69.9%	68.5%	68.7%	68.7%
Outcome	Percent of males enrolled	47.3%	47.7%	46.9%	47%	47%
Outcome	Percent of male graduates	53.1%	55%	55.1%	55.2%	55.2%
Output	Number of students enrolled in the concurrent enrollment program	2,076	2037	850	875	875
Output	Number of students enrolled in the distance education program	2,861	2,904	2,600	2,650	3,000
Efficiency	Percent of programs having stable or increasing enrollments	81.5%	84%	57.5%	60%	60%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	75.8%	73.5%	76.2%	76.2%	76.2%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	76.1%	81.5%	77%	78%	78%

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	48.6%	45.8%	54%	53%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	10.4%	10.7%	20%	20%	20%
Outcome	Percent of graduates placed in jobs in New Mexico	72.3%	70.7%	78%	78%	78%
Outcome	Percent of Hispanic students enrolled	30%	31.2%	27%	28%	28%
Outcome	Percent of Hispanic student graduates	33.9%	38.1%	29%	30%	30%
* Output	Number of students enrolled in adult basic education	294	271	480	450	450
Output	Number of students enrolled in the contract training program	856	697	875	850	850
Output	Percent of programs having stable or increasing enrollments	73%	58.8%	75%	75%	75%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	68.9%	70.9%	67%	68%	68%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.6%	86.2%	91%	91%	91%

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the work force, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of students enrolled in distance education courses	380	389	400	400	400
Output	Number of students registered in master of science teaching program	245	183	175	180	180
Outcome	External dollars for research and creative activity, in millions	\$88.9	\$71.6	\$72	\$65	\$68
Output	Number of undergraduate transfer students from two-year colleges	59	74	50	60	60
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	28.1%	29.2%	28%	28%	30%
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or who have completed a two-year or four-year degree	68.8%	77.5%	58%	73%	75%
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	47.4%	48.9%	45%	45%	48%
* Output	Total number of degrees awarded	313	313	300	310	310
Outcome	Percent of first-time freshmen retained to sophomore year	70.6%	74.4%	72%	74%	75%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Output	Number of courses available through instructional television and online	229	145	230	230	230
Outcome	Percent of graduating seniors "satisfied" or "very satisfied" with the college in all survey categories		80%	80%	80%	85%
Outcome	Percent of first-time, degree seeking, first-time freshmen retained to second year	54%	61%	66.5%	66.5%	66.5%
Outcome	Percent of first-time, full-time, degree-seeking students still enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or have completed a two-year or four-year degree	29%	46%	30%	30%	30%
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	89%	83.6%	80%	80%	80%
Output	Number of students enrolled in extended services courses	125	167	150	150	150
Output	Number of undergraduate transfer students from two-year colleges			105	105	105
* Output	Percent of first-time, full-time freshmen completing an academic program within six years	100%	100%	25%	25%	25%
Outcome	Percent of total funds generated by grants and contracts	39%	39%	39%	39%	40%
* Output	Total number of baccalaureate degrees awarded	52	67	55	55	70

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	62.6%	58.4%	58%	58%	58%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	7.8%	8.6%	11%	11%	11%
Outcome	Percent of graduates placed in jobs in New Mexico	70.9%	74.2%	75%	75%	75%
Outcome	Percent of Hispanic students enrolled	36.5%	39.1%	42%	42%	42%
Outcome	Percent of Hispanic graduates	40.6%	40.9%	44%	44%	44%
* Output	Number of students enrolled in the adult basic education program	2,084	1,906	2,100	2,200	2,200
Output	Number of students enrolled in the contract training program	2,223	2,953	2,500	3,350	3,350
Efficiency	Percent of programs having stable or increasing enrollments	80.1%	72.6%	77%	75%	77%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76.3%	77.2%	79.5%	79%	79%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.9%	90.7%	85%	87%	90%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.1%	54%	54.5%	54.5%	56%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	7.9%	8.8%	11%	11%	11%
Outcome	Percent of graduates placed in jobs in New Mexico	71.5%	74.5%	82%	82%	82%
Outcome	Percent of Hispanic students enrolled	41.6%	43.1%	42%	43.2%	44%
Outcome	Percent of Hispanic graduates	41.1%	41.9%	42%	42%	42%
Output	Number of students enrolled in distance education program	13,554	14,745	12,200	13,600	15,000
Output	Number of students enrolled in concurrent enrollment program	2,247	3,199	2,150	2,600	3,000
Efficiency	Percent of programs having stable or increasing enrollments	84.3%	80.2%	85%	85%	85%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	82.2%	82.4%	82.5%	82.5%	83%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	91.5%	93.2%	93%	93.3%	93.3%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	55.4%	65.9%	65%	70%	70%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	19.9%	16.9%	25%	20%	20%
Outcome	Percent of graduates placed in jobs in New Mexico	76.6%	73.5%	80%	80%	80%
Outcome	Percent of white students enrolled	15.5%	16.6%	18%	17%	17%
Outcome	Percent of male graduates	10.3%	12.1%	20%	20%	15%
Output	Number of students enrolled in the health education center program	4,994	2,954	4,000	3,600	3,600
Output	Number of students enrolled in the small business development center program	199	160	250	250	250
Efficiency	Percent of programs having stable or increasing enrollments	52.8%	46.2%	65%	60%	60%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	71%	68.4%	75%	70%	70%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.6%	92.2%	97%	95%	95%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	55.5%	52.8%	53.5%	53.5%	53.5%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	38.6%	49%	25%	25%	45%
Outcome	Percent of graduates placed in jobs in New Mexico	32.5%	37.2%	36%	36%	36%
Outcome	Percent of Hispanic students enrolled	37%	36%	36.5%	36%	36%
Outcome	Percent of female graduates	34.3%	35.9%	31.5%	30%	35%
* Output	Number of students enrolled in the adult basic education program	220	427	200	200	400
Output	Number of students enrolled in the small business development center program	227	239	100	100	200
Efficiency	Percent of programs having stable or increasing enrollments	57.8%	36.8%	80%	80%	50%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	71%	67.1%	70%	70%	70%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	82.5%	79%	82.6%	79%	82%

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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	68.8%	68%	65%	65%	68%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	14.9%	13.6%	33%	33%	33%
Outcome	Percent of graduates placed in jobs in New Mexico	67.5%	70.5%	75%	75%	75%
Outcome	Percent of Hispanic students enrolled	40%	41.7%	43%	45%	45%
Outcome	Percent of Hispanic graduates	39.1%	35.5%	45%	45%	40%
Output	Number of students enrolled in contract training	2,216	2,492	4,000	4,000	3,000
Output	Number of students enrolled in distance education program	21,085	20,267	22,500	22,000	22,000
Efficiency	Percent of programs having stable or increasing enrollments	92.3%	100%	83%	83%	85%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76.8%	83.5%	75%	75%	80%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	80.2%	83.2%	85%	85%	85%

SAN JUAN COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	60.8%	55.4%	62%	56%	60%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	12.8%	14.5%	14%	15%	15%
Outcome	Percent of graduates placed in jobs in New Mexico	71.5%	74.2%	71%	72%	72%
Outcome	Percent of Native Americans enrolled	29.6%	31.2%	30%	30%	30%
Outcome	Percent of Native American graduates	28.3%	28.9%	29%	29%	30%
Output	Number of students enrolled in the community services program	1,777	1,725	2,100	1,750	1,750
Output	Number of students enrolled in the service learning program	955	1,362	825	1,200	1,200
Efficiency	Percent of programs having stable or increasing enrollments	71.4%	66.4%	73%	70%	70%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	80.9%	81.4%	83%	82%	83%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.1%	88%	86%	87%	87%

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>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.3%	54.1%	65%	50%	55%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program within one hundred fifty percent of normal time to completion	19.2%	11.5%	14%	14%	14%
Outcome	Percent of graduates placed in jobs in New Mexico	68.7%	75.5%	72%	72%	75%
Outcome	Percent of Hispanic students enrolled	29.2%	29.6%	30%	30%	30%
Outcome	Percent of Hispanic graduates	29.2%	30.4%	30%	32%	32%
Output	Number of students enrolled in the distance education program	3,131	2,878	3,500	3,500	3,500
Output	Number of students enrolled in the concurrent enrollment program	456	532	600	550	550
Efficiency	Percent of programs having stable or increasing enrollments	73.6%	75.6%	75%	75%	75%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67.4%	66.4%	74%	70%	74%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.9%	90.5%	87%	87%	87%

NEW MEXICO MILITARY INSTITUTE

The purpose of the New Mexico military institute is to provide college-preparatory instruction for students in a residential, military environment culminating in a high school diploma or associates degree.

PERFORMANCE MEASURES

		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY15</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	96%	96%	96%	96%	96%
* Outcome	American college testing composite scores for graduating high school seniors	23.3	22.4	22	22	22
Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	58	58	60	60	60
Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	56.6	56.8	59	59	59
Efficiency	Percent of legislative scholarships (Knowles) awarded	85%	95%	100%	95%	95%
Efficiency	Total annual cost of attendance	\$10,655	\$10,800	\$10,800	\$11,406	\$11,406

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Number of national conversations related to educational innovated practices and programs in which staff will participate			New	5	5
* Outcome	Number of school districts that have established a memorandum of understanding requesting mentorship support services for visually impaired professionals entering the field	35	37	37	40	40
* Quality	Number of school districts (over baseline year) that use NMSBVI's internet database to follow visually impaired students			New	5	5
Outcome	Increase in enrollment on residential campus			New	10%	10%

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>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
* Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	81.5%	100%	75%	75%	80%
Outcome	Percent of students in grades three to twelve who are significantly cognitively delayed demonstrating sufficient growth across curricular domains	100%	100%	100%	100%	100%
* Outcome	Rate of transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment for graduates based on a three-year rolling average	89%	90.3%	100%	100%	100%
* Outcome	Percent of students in grades three to twelve who are late language learners who demonstrate significant gains in language and communication as demonstrated by pre- and post-test results	68.5%	58%	80%	80%	80%
Outcome	Percent of parents satisfied with educational services from the center for educational consultation and training (statewide outreach)	100%	100%	90%	90%	90%
Outcome	Percent of parents with children receiving outreach services indicating ability to make informed decisions about educational options and programs	80%	90%	90%	90%	90%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	47%	90%	90%	90%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY15

(dollars in thousands)

	FY14 OPBUD	FY15 REVISED PED REQUEST	FY15 LFC REC		
School Year 2013-2014 Preliminary Unit Value = \$3817.55					
1	PROGRAM COST	\$2,343,438.9	\$2,426,395.8	\$2,426,395.8	1
2	1.5 Percent ERB Retirement Swap Reversal	\$20,478.4			2
3	0.75 Percent ERB Retirement Contribution Increase	\$11,166.4	\$11,502.4	\$11,502.4	3
4	Enrollment Growth and New Program Units	\$6,937.1	\$11,154.8	\$9,176.8	4
5	Insurance	\$17,566.9	\$9,406.5	\$8,872.4	5
6	Fixed Costs	\$3,841.6	\$5,827.8		6
7	At-Risk Unit Increase (Contingent on Statutory Change)			\$20,000.0	7
8	Micro District Size Adjustment (Contingent on Statutory Change)			\$5,761.6	8
9	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	\$309.4	(\$309.4)		9
10	H4 Science Retest NMSBA		\$264.0		10
11	Early Reading Intervention	\$4,000.0	(\$4,000.0)	\$5,000.0	11
12	One Percent Compensation Increase for All School Employees	\$18,657.1			12
13	Compensation Increases (COLA and Flexible Implement)			\$56,042.9	13
14	Education Assistants Additional Compensation Increase (Average 3 Percent)			\$2,651.9	14
15	Increase Level 1 Salary (LFC \$32,500; PED \$33,000)		\$6,500.0	\$4,537.0	15
16	SUBTOTAL PROGRAM COST	\$2,426,395.8	\$2,466,741.9	\$2,549,940.8	16
17	Dollar Increase/Decrease Over Prior Year Appropriation	\$82,956.9	\$40,346.1	\$123,545.0	17
18	Percentage Increase	3.4%	1.7%	5.1%	18
19	LESS PROJECTED CREDITS	(\$63,000.0)	(\$58,000.0)	(\$61,000.0)	19
20	LESS OTHER STATE FUNDS (from driver's license fees)	(\$1,500.0)	(\$1,500.0)	(\$1,500.0)	20
21	STATE EQUALIZATION GUARANTEE	\$2,361,895.8	\$2,407,241.9	\$2,487,440.8	21
22	Dollar Increase/Decrease Over Prior Year Appropriation	\$88,306.9	\$45,346.1	\$125,545.0	22
23	Percentage Increase	3.9%	1.9%	5.3%	23
24	CATEGORICAL PUBLIC SCHOOL SUPPORT				24
25	TRANSPORTATION				25
26	Operational				26
27	Maintenance and Operations	\$73,759.7	\$75,031.7	\$75,095.9	27
28	0.75 Percent ERB Retirement Contribution Increase	\$293.8	\$293.8	\$293.8	28
29	1.5 Percent ERB Retirement Swap Reversal	\$576.0			29
30	One Percent Compensation Increase	\$466.4			30
31	Compensation Increases (COLA and Flexible Implement)			\$1,772.0	31
32	Fuel	\$13,546.4	\$14,659.2	\$14,659.2	32
33	Rental Fees (Contractor-Owned Buses)	\$11,700.2	\$10,235.7	\$10,235.7	33
34	SUBTOTAL TRANSPORTATION	\$100,342.5	\$100,220.4	\$102,056.6	34
35	SUPPLEMENTAL DISTRIBUTIONS				35
36	Out-of-state Tuition	\$346.0	\$346.0	\$346.0	36
37	Emergency Supplemental	\$2,500.0	\$2,500.0	\$2,000.0	37
38	SPECIAL EDUCATION SUPPLEMENTAL MOE DISTRIBUTION	\$10,000.0		\$10,000.0	38
39	INSTRUCTIONAL MATERIAL FUND	\$20,975.8	\$30,124.6	\$20,364.6	39
40	Dual Credit Instructional Materials	\$857.0	\$1,000.0	\$857.0	40
41	INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6	41
42	TOTAL CATEGORICAL	\$136,845.9	\$136,015.6	\$137,448.8	42
43	TOTAL PUBLIC SCHOOL SUPPORT	\$2,498,741.7	\$2,543,257.5	\$2,624,889.6	43
44	Dollar Increase/Decrease Over Prior Year Appropriation	\$95,973.4	\$44,515.8	\$126,147.9	44
45	Percentage Increase	4.0%	1.8%	5.0%	45

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY15

(dollars in thousands)

School Year 2013-2014 Preliminary Unit Value = \$3817.55		FY14 OPBUD	FY15 REVISED PED REQUEST	FY15 LFC REC
46	RELATED REQUESTS: RECURRING			46
47	Public Education Department	\$11,786.1	\$12,899.2	\$11,819.8
48	Regional Education Cooperatives Operations	\$938.2	\$938.2	\$738.2
49	Regional Education Cooperatives Student Achievement Support Gains		\$1,000.0	
50	Kindergarten Three Plus	\$15,950.0	\$17,950.0	\$25,950.0
51	Prekindergarten	\$14,950.0	\$17,950.0	\$22,450.0
52	Early Reading Initiative	\$11,500.0	\$15,500.0	\$13,500.0
53	Books for Elementary Students		\$200.0	
54	Breakfast for Elementary Students	\$1,924.6	\$1,924.6	\$1,924.6
55	Teaching Support in Schools with a High Proportion of Low-Income Students	\$500.0	\$1,500.0	\$500.0
56	Interventions for Low-Performing Schools - D and F Schools (PED includes C schools)	\$4,000.0	\$9,000.0	\$4,000.0
57	Differentiated Instruction (Grades 4-7 Reading and Math)		\$2,000.0	
58	Sustaining Improvement at Most Improved Schools		\$3,000.0	
59	Teacher Mentorship	\$25.0		
60	NMTEACH Evaluation System		\$6,000.0	
61	Rewarding Highly Effective Principals		\$1,874.0	
62	Rewarding Highly Effective Teachers		\$10,180.2	
63	Next Generation School Leader Preparation		\$3,500.0	
64	Next Generation School Teacher Preparation		\$5,000.0	
65	New Mexico Cyber Academy (IDEAL-NM)	\$890.0	\$1,500.0	\$890.0
66	Parent Portal		\$1,500.0	
67	New Mexico Graduates Now			
68	Advanced Placement	\$750.0	\$1,000.0	\$1,000.0
69	Apprenticeship Assistance	\$192.4	\$192.4	
70	Workforce Readiness	\$500.0	\$500.0	
71	Early College High School Start Up	\$500.0	\$500.0	\$500.0
72	Dropout Prevention Program	\$500.0	\$500.0	
73	College and Career Readiness (ACT, SAT, Explore, Plan)		\$309.4	
74	STEM Initiative (Science, Technology, Engineering, and Math)	\$1,500.0	\$2,500.0	
75	Incentives for Districts and Teachers Increasing AP Participation and Success		\$1,000.0	
76	Statewide Formative Assessments (Short-Cycle Grades 4-10)	\$2,000.0	\$2,000.0	\$2,000.0
77	Statewide Formative Assessments (Math Short Cycle Grades K-3)		\$2,000.0	
78	Mock Trial	\$102.1	\$102.1	\$102.1
79	Athletic and Extracurricular Support	\$100.0		
80	GRADS – Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0
81	TOTAL RELATED APPROPRIATIONS: RECURRING	\$68,808.4	\$124,220.1	\$85,574.7
82		\$16,235.3	\$55,411.7	\$16,766.3
83		30.9%	80.5%	24.4%
84	GRAND TOTAL	\$2,567,550.1	\$2,667,477.6	\$2,710,464.3
85	Dollar Increase/Decrease Over Prior Year Appropriation	\$112,208.7	\$99,927.5	\$142,914.2
86	Percentage Increase	4.6%	3.9%	5.6%

Note: The highlighted items were submitted by PED with a revised budget request on December 11, 2013.

¹ The appropriation for apprenticeship assistance has been moved to the Workforce Solutions Department budget.

STATUTORY AUTHORITY:

Article XII, Section 1, of the New Mexico Constitution provides that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. Statutory provisions related to public school education can be found in the Public School Code, Chapter 22 NMSA 1978. Constitutional amendments passed in 2003 restructured state education administration from one directed by an elected board to an executive agency under the governor and increased the amount of funding distributed to public schools and all beneficiaries of income from state trust land.

BUDGET ISSUES:

The Public Education Department's (PED) revised request for public schools for FY15 totaled almost \$2.6 billion, or a \$87.0 million, or 3.4 percent, increase over FY14 appropriations. The request proposed to significantly increase the department's control over public education funding rather than relying on the funding formula to equitably distribute funding to school districts and charter schools. The request increased formula funding by \$40.3 million, or 1.7 percent. Adjusted for credits, PED requested a general fund appropriation of \$2.4 billion for the state equalization guarantee (SEG) distribution, an increase of \$45.3 million, or 1.9 percent over FY14. The request for categorical funding was relatively flat; however, PED did not include recurring funding for the federally required maintenance of effort for special education and significantly increased the request for instructional materials. PED's request for related recurring "below-the-line" initiatives totaled \$111.3 million, a \$54.3 million, or 95.2 percent increase over FY14 appropriations.

Following the budget submission on December 2, 2013, the department on December 11, 2013, submitted a revised request with \$28.6 million in new requests, including \$6.5 million in additional formula funding and \$22.1 million in five new below-the-line initiatives.

PED uses the state equalization guarantee (SEG), also known as the "funding formula," to distribute money to public schools. About 90 percent of a school district's operational revenue is derived through the formula. The formula, designed to guarantee each public school student equal access to programs and services appropriate to educational need regardless of geographic location or local economic conditions, is enrollment-driven with weighted factors for school and district size, teacher qualifications, students' special needs, and other circumstances. Membership weighted for such factors generates a program unit. The number of units generated by all students statewide is divided into the annual program cost to determine the unit value. As part of determining a district's distribution, the state takes credit for 75 percent of three revenue sources: a 0.5 local mill levy, federal forest funds, and the operational portion of federal impact aid funds, all of which remain at the district. School districts may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

PED's revised request for program cost included \$11.5 million for the final 0.75 percent increase in employers Education Retirement Board (ERB) contributions, \$11.2 million for enrollment growth, \$9.4 million for increased insurance costs, \$5.8 million for increased fixed costs, and \$264 thousand to pay for students to retake the science portion of the standards-based assessment to meet graduation requirements; and \$6.5 million to increase the minimum salary for entry level teachers to \$33,000. The PED request moved \$4.3 million included in FY14 for early literacy interventions and college and career readiness assessments out of the funding formula to related recurring below-the-line initiatives. The request assumed \$58 million in credits, including \$42.6 million from federal impact aid, \$12 million from the local 0.5 mill levy, and \$3.4 million from federal forest reserve funds. Credits from federal revenues assumed in the request are conservative because of uncertainty related to federal sequestration and the return of federal impact aid payments to FY07 levels, which totaled almost \$45 million. An additional credit of \$1.5 million from drivers' license fees was also assumed by PED. The department receives \$3 from each driver's license issued to distribute to public schools through the SEG to provide defensive driving instruction to students.

The LFC recommendation for public schools is almost \$2.7 billion, a \$142.9 million, or 5.6 percent increase over FY14 appropriations. The LFC recommendation relies on the public education funding formula to equitably distribute funding to school districts and charter schools. Recommendations for related recurring below-the-line initiatives controlled by PED are limited to existing programs that have demonstrated improved student outcomes.

The LFC recommendation for program cost totals more than \$2.5 billion, an increase of \$123.5 million, or 5.1 percent over the FY14 appropriation. The LFC recommendation includes \$11.5 million for the final 0.75 percent increase in the employer's ERB contributions, \$9.2 million for enrollment growth, \$8.9 million for increased insurance costs, \$20 million to increase funding for at-risk students, \$5.8 million for a new funding formula factor for school districts with fewer than 200 students, \$5 million for early literacy interventions, and a total of \$63.2 million for compensation for licensed and unlicensed staff.

The LFC recommendation assumes \$61 million in credits, including \$43.6 million from federal impact aid, \$14 million from the local 0.5 mill levy, and \$3.4 million from federal forest funds. The recommendation for federal credits is conservative and should be reconsidered during the 2014 legislative session when more current information is available. An additional credit of \$1.5 million from drivers' license fees is also assumed in FY15. Adjusted for credits, the SEG general fund recommendation is almost \$2.5 billion, an increase of \$125.5 million, or 5.3 percent, over the FY14 appropriation and \$80.2 million above PED's revised request.

Specific recommendations are as follows:

Funding for FY15 is generally based on the average of 80th and 120th day enrollment for FY14 except for those school districts and charter schools with membership (MEM) growth greater than 1 percent. School districts and charter schools receive 0.5 units per MEM for all enrollment growth, provided the 1 percent threshold has been met, and an additional 1.5 units per MEM for growth over 1 percent. PED requested \$11.2 million for enrollment growth in FY15 based on FY14 budgeted enrollment growth. The department's request does not include funding for new charter programs in FY15. Charter schools generated 84 percent of growth funding in FY13, up from 69 percent in FY12, for what is generally planned growth. LFC recommends \$9.2 million for school district enrollment growth, new charter school programs, and charter school growth over 1 percent. The Legislature should consider funding only growth over 1 percent for charter schools, excluding planned growth from claimed growth units, and only allow top performing charter schools to grow and claim funding for growth.

The New Mexico Public School Insurance Authority (NMPSIA) provides self-insured group insurance coverage for 88 school districts and all charter schools; Albuquerque Public Schools (APS) is also self-insured but administered separately. Insurance requests totaled \$19.3 million for FY15. The NMPSIA request totaled \$7.7 million – \$3.9 million to cover a 12.4 percent increase in healthcare premiums and a 5 percent increase in standard long-term disability insurance and \$3.8 million to cover a 7.4 percent increase in risk coverage rates. APS's request totaled \$11.6 million to cover a 12.4 percent increase in medical, dental, vision, life, and disability insurance premiums for FY15. APS's request maintained fund balances several million above what would be considered prudent by actuarial standards. PED requested \$9.4 million for increased insurance premiums based on 4.1 percent inflation adjustment applied to employer-paid premiums budgeted in FY14. The committee recommendation includes \$8.9 million to cover insurance increases in FY15. The recommendation uses FY13 actual claims expenses as a base and applies a generous inflation rate of 6.2 percent to benefit projections for FY14 to estimate FY15 need. The recommendation then takes credit for use of existing fund balance and revenues received from drug rebates, investment income, and other miscellaneous income. For risk, the recommendation applies a 3.5 percent inflation factor to projected FY14 claims expenses and budgets existing fund balance and higher amounts from subrogation payments, excess insurance carrier reimbursements, and investment interest.

Prior to insurance plan year 2014, APS had not contained insurance costs, implemented significant plan design modifications, or increased member out-of-pocket costs in a number of years, primarily because the district received more than needed through the SEG. For plan year 2014, APS made significant plan design changes that bring the district into closer parity with plans offered by NMPSIA and the state. APS's plan now includes an annual deductible and coinsurance requirements; the out-of-pocket maximum was modestly increased. APS increased medical premiums by 5.0 percent and dental premiums by 7.3 percent in plan year 2014. NMPSIA did not make plan design changes in FY14; however, the agency made significant plan design changes between FY09 and FY13. For FY14, NMPSIA increased medical premiums by 6.6 percent and dental premiums by 3.0 percent.

The recommendation includes \$20 million to increase funding for at-risk students contingent on enactment of legislation. Previous LFC evaluations have identified the state's largest achievement gap is highly influenced by poverty and language status, regardless of ethnicity or race. The current funding formula places little weight, as compared with other components and other states' formulas, on the additional incremental costs associated with educating at-risk students. Studies estimating the additional cost necessary to serve at-risk students vary and range up to 48 percent per at-risk student. New Mexico and Mississippi direct the least amount of formula funding to at-risk students and consistently appear on the bottom of national education performance comparisons.

The LFC recommendation includes \$5.8 million to create a new factor in the funding formula to direct additional funding to the state's smallest school districts contingent on enactment of legislation. Currently, a number of small school districts do not receive sufficient public school formula funding to cover annual operating costs and receive emergency supplemental funding from PED. The new formula factor will allow school districts with fewer than 200 students to generate additional operational funding, reducing the need for large annual emergency supplemental appropriations.

LFC recommends \$63.2 million for three compensation initiatives. First, the committee recommends \$56 million for compensation increases for school district and charter school employees, including a 1.5 percent cost-of-living adjustment for all school employees and the equivalent of an additional 1.5 percent that school districts and charter schools may allocate based on local priorities such as improving recruitment and retention, addressing hard-to-staff positions, improving equity among employees, and acknowledging deserving employees. Every school district and charter school will be required to submit their FY15 compensation plan to PED. Second, the recommendation includes \$2.7 million for an additional 3 percent increase for licensed educational assistants. Lastly, the recommendation includes \$4.5 million to increase the minimum salary for level one licensed teachers from \$30 thousand to \$32.5 thousand. The committee encourages the Legislature to consider legislation to improve education preparation programs, including entry and exit standards and the approval and renewal process in exchange for raising the minimum salary for entry-level teachers.

Three independent studies recommend the state either implement a new public education funding formula or adjust the existing formula. While the LFC recommendation does not include comprehensive funding formula reform, as recommended by all three studies, it addresses the state's achievement gap and improved student outcomes. The Legislature should consider updating other key components of the funding formula to promote better equity while still recognizing the impact of school and district size, simplifying the formula and minimize administrative burden, and aligning the formula to modern education policy. The Legislature may also wish to implement performance-based budgeting for all public schools to increase transparency of public education spending and school performance.

Categorical Public School Support.

PED requested \$136 million for categorical expenditures, a decrease of \$830.3 thousand from the FY14 appropriation. LFC recommends \$137.4 million, an increase of \$602.9 thousand.

The largest categorical appropriation, the transportation distribution, is used to make payments to school districts and state-chartered charter schools for the to-and-from transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. PED requested \$100.2 million, a decrease of \$122.1 thousand, to cover bus maintenance and operations. The request included funding for a 2 percent salary increase for transportation employees, fuel, and rental fees for contractor-owned buses. Wholesale diesel fuel prices are assumed at \$3.62 per gallon, resulting in an increase of \$1.1 million over the FY14 appropriation for fuel. Funding is included for the final 0.75 percent increase in the employer's ERB contribution. Increases are offset by a decrease in rental fees for contractor-owned buses of almost \$1.5 million. PED's request appears to exclude funding included in FY14 for a one percent salary increase and increased ERB contributions. The LFC recommendation totals \$102.1 million, an increase of \$1.7 million and includes the equivalent of 3 percent compensation increases for transportation employees to be implemented the same as the increase included in the SEG distribution.

The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas. Career technical education and driver education materials for high school students are scheduled for replacement in FY15. 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. PED funds materials for public, charter, state-supported, and accredited private schools, and adult basic education centers. PED requested \$31.1 million for instructional materials, including an increase of \$143 thousand for instructional materials for dual-credit courses in which students earn both high school and college credit. The department reverted \$55 thousand, or more than 6 percent of the FY13 dual-credit instructional materials appropriation. Additionally, school districts and charter schools reported more than \$8.8 million in cash balances from instructional materials allocations at the end of FY13 – this represents more than 42 percent of the FY13 appropriation. The committee recommends \$21.2 million for instructional materials. School districts and charter schools are encouraged to consider alternative instructional materials, including electronic curricula that may be more economical.

PED continues to experience difficulty spending balances in the Indian education fund, resulting in almost \$3 million of fund balance at the end of FY13, a \$1 million increase over the FY12 year-end fund balance. In FY13 the department did not use the funds set aside in the appropriation for the Teach for America program for Native American students, allowing the department to accumulate fund balance. In FY14, in addition to the appropriation, the department budgeted \$970 thousand in fund balance to develop culturally relevant history and government curriculum for Native American students; however, the department appears to lack a long-term plan to use available balances. Since FY04, the state has appropriated \$24.1 million to the Indian education fund with the expectation of improved student outcomes for Native American students; however, the achievement gap for Native American students is second only to that for economically disadvantaged students. The department requested flat funding for Indian education in FY15 and eliminated the earmark for Teach for America, increasing discretionary Indian Education Act funding. LFC recommends flat funding, including \$400 thousand for teaching support in schools with a high proportion of Native American students. Little more than one-third of the appropriation is used annually for language and culture-based programs with limited student performance data collected by the department for students served. PED implemented performance monitoring of grants made from the Indian education fund during FY13; progress should be reported to the Legislature.

Recognizing the need for emergency supplemental funding in excess of the new formula factor discussed above, the recommendation includes \$2 million in recurring emergency supplemental funding for FY15. Emergency supplemental funding is traditionally distributed to small, isolated, rural school districts. However, in recent years a number of larger, urban school districts have received funding. PED has engaged in a more robust evaluation of school district budget development over the past several years, though it is still unclear how the department evaluates a district's cash position when considering emergency requests and what criteria are used to determine whether a distribution is warranted. The Legislature should consider a requirement for districts to be in compliance with the Audit Act to qualify for emergency supplemental funds and only allow allocations to school districts having cash and invested reserves equal to less than 5 percent of their operating budgets.

Under the federal Individuals with Disabilities Education Act (IDEA), New Mexico is required to maintain the amount of state financial support for special education from year to year or face potential reductions of federal IDEA allocations. In January 2013, PED alerted the Legislature to shortfalls in the required state support in fiscal years 2010 and 2011. To date, the U.S. Department of Education waived the maintenance-of-effort (MOE) requirement for FY10, acknowledging financial hardship; however, a waiver request for FY11 was denied and a formal appeal hearing is pending. PED will request a waiver for shortfalls in FY12 after the appeal hearing on the FY11 request. The Legislature in 2013 made several unique appropriations to ensure MOE requirements are satisfied for FY13 and FY14, including special appropriations in Sections 4, 5, and 6 of the General Appropriation Act and an appropriation of operating reserves if the aforementioned appropriations are found to be insufficient.

Preliminary estimates indicate neither the PED nor the LFC recommendations for program cost include sufficient funding to meet MOE requirements in FY15. PED's request included \$14.4 million in nonrecurring revenues for MOE shortfalls in FY15. When the program cost amount increases to sufficient level, special appropriations will no longer be necessary. The LFC recommendation includes \$10 million for the MOE supplemental distribution for FY15 and should be reevaluated during the session when more current information is available. Natural revenue growth in FY16 will likely eliminate the need for a special appropriation to meet MOE requirements in future years.

The Office of the State Auditor (OSA) designated PED for a special audit related to the noncompliance with federal MOE requirements and noted the "apparent lack of transparency regarding the potential funding loss." PED should collaborate with the Legislature on the FY11 appeal, the waiver submission for FY12, and budget development and MOE estimates for FY15 and future years.

Related Appropriations.

Related recurring below-the-line earmarked appropriations tend to dis-equalize school funding and divert resources away from core educational needs, as well as dilute funding that could be directed to the SEG. The potential exists for below-the-line appropriations to be administered with increased transparency and accountability and to ensure funding priorities are retained over time rather than diluted or ignored. However, department control of below-the-line appropriations, including department allocation plans, continues to raise concerns about PED's ability to administer these initiatives in a fair, effective way, especially given the department's high vacancy rate and inability to fill vacant positions.

PED's revised request for related recurring appropriations totaled \$111.3 million, an increase of \$54.3 million, or 95.2 percent over FY14 appropriations. Funding for below-the-line initiatives has been distributed inconsistent with initial distribution plans presented to the Legislature and contrary to legislative intent and state statutes. Implementation and distribution plans often do not target the state's most vulnerable students and do not appear to be well-developed. Additionally, the department continues to struggle to distribute some appropriations in a timely manner and in some instances is unable to spend requested amounts.

The request included increased funding for prekindergarten; the extended school year program Kindergarten Three Plus (K-3 Plus); teaching support for low-income students; interventions in C, D, and F schools; the state's online learning program, Innovative Digital Education and Learning-New Mexico (IDEAL-NM); advanced placement; and the science, technology, engineering, and math (STEM) initiative.

PED's revised request included \$36.3 million, or 33 percent of the related recurring request, for the following 11 new initiatives: \$1 million for regional education cooperatives to support improved student achievement; \$200 thousand for books for first-grade students; \$2 million for differentiated instruction for fourth-through seventh-grade students; \$3 million to allocate to the most improved schools to sustain improvement; \$6 million for the new educator evaluation system; \$2 million for short-cycle assessments in math for kindergarten through third-grade students; \$12.1 million for performance based compensation for teachers and principals; \$8.5 million for teacher and school leader preparation programs; and \$1.5 million for a web-based "parent portal" for parents to access student information such as attendance, assignments, and grades.

The LFC recommendation for related recurring initiatives totals \$73.8 million, a \$16.7 million, or 29.3 percent increase over FY14 appropriations, mostly targeted for early childhood education. Because of the timing of submission, the LFC recommendation does not consider the five new department initiatives included in the revised request. The LFC recommendation continues existing initiatives that have the greatest impact on student outcomes and target at-risk students. The committee recommends continued funding of a number of initiatives at FY14 funding levels, including breakfast for elementary students, teaching support for low-performing students, IDEAL-NM, early college high school start up, short-cycle assessments for fourth through 10th grade students, mock trial, and the graduation, reality and dual role skills (GRADS) program. The LFC recommendation modestly increases funding for advanced placement; funding for apprenticeship assistance has been moved to the Department of Workforce Solutions budget.

The LFC recommendation for teaching support includes new language for FY15 requiring PED to enter into a contract with a national nonprofit organization whose primary purpose is to recruit recent college graduates and professionals who have a record of demonstrated achievement to teach for two years in low-income urban and rural public schools by the beginning of the school year. PED requested funding for this as a new appropriation in FY13 to expand the Teach for America (TFA) program to southern New Mexico; however, PED did not execute a contract until April 2013, at the close of the school year, resulting in expenditure of less than \$50 thousand of the \$500 thousand appropriation. As of December 2013, PED had not executed a contract for teaching support in FY14, and it is unclear if the contract will be with TFA when it is executed. Despite uncertainty in state funding in FY14, TFA still has teachers placed in southern New Mexico. Data indicates TFA teachers produce significant student achievement gains and the committee is concerned that funding intended to provide high-quality teachers to low-income students is not being used effectively.

The recommendation does not include funding for new, unforeseen initiatives. The department's request generally provided limited detail for each new initiative, including allocation plans and expected impact on student achievement, and a majority of the initiatives were not evaluated during the interim. New initiatives appear likely to dis-equalize funding; cannot be evaluated for effect on student achievement; duplicate current efforts at PED, school districts, and charter schools; and place additional administrative burden on PED, which the department is unlikely to be able to accommodate given current staffing.

The committee continues to emphasize the importance of early childhood care and education and significantly increases funding for initiatives targeted to improve educational outcomes of young students. High-quality early learning experiences have been proven to prepare children for success in school and later in life. Cost-benefit research demonstrates a high return on investment for money spent on early childhood care and education, particularly for at-risk students. While the executive is seeking to implement a mandatory third-grade retention policy that could be costly and lead to negative outcomes in the future for retained students, focus should be turned to high-quality intervention to ensure student success. The committee recommends \$19.5 million additional funding for early childhood programs for FY15 to help close the achievement gap and ensure third-grade students are reading on grade level.

The Legislature made the five-year pilot K-3 Plus program permanent beginning with the summer 2012 program. K-3 Plus adds 25 instructional days before the beginning of the school year for economically disadvantaged students and demonstrates success in closing the achievement gap. Preliminary results from the second year of a five-year study of the effectiveness of the program by Utah State University indicate positive effects on kindergarten and first-grade student achievement. K-3 Plus is likely to have positive effects on third-grade reading for participants. The Legislature appropriated \$16 million for K-3 Plus in FY14, an increase of \$5 million over FY13. PED failed to solicit applications from D and F schools that did not meet the free and reduced-fee lunch (FRL) eligibility requirements or from schools between 80 percent and 85 percent FRL as mandated by statute. These statutory changes resulted in significantly more students being eligible to participate in the program. Recruitment of both students and teachers willing to devote summer weeks to school continues to be a barrier to growing the program. However, LFC survey of school districts and charter schools indicates interest in the program is growing, especially as educators realize the program is an effective reading intervention. For the summer 2013 program, PED failed to reimburse participating school districts and charter schools pursuant to statutory requirements and department enrollment requirements. Additionally, PED set two reimbursement rates for summer 2013 programs, resulting in inconsistent per-student reimbursement rates for participating schools. The committee recommends almost \$26 million, an increase of \$10 million over FY13, to serve an estimated 7,700 additional students. Approximately 68 thousand eligible students statewide attend schools that meet the eligibility requirements. The committee recommendation includes language to base funding for summer 2014 programs on the final unit value set for the 2013-2014 school year.

Students enrolled in prekindergarten demonstrate improved kindergarten readiness and the program is producing meaningful impacts on early language, literacy, and math development. Additionally, students who participate in both K-3 Plus and prekindergarten demonstrate student achievement greater than students participating in only one program. The committee recommends almost \$22.5 million for FY15, an increase of almost \$7.5 million over FY14 to enroll more than 2,000 additional prekindergarten students. LFC recommends \$1.5 million of the appropriation be used to pilot extended full-day prekindergarten for approximately 225 students; current prekindergarten programs only serve students for 2.5 hours per day.

The LFC recommendation for prekindergarten at PED is \$5.2 million higher than the recommendation for the Children, Youth and Families Department (CYFD). As of December 2013, CYFD has more than \$1 million remaining to allocate to FY14 prekindergarten programs, despite approximately 685 students remaining on PED prekindergarten program waiting list. School districts continue to indicate they have the capacity to serve more students and that student interest exists, though they may be limited by available classroom space in the near future. LFC's evaluation, "Developing Early Literacy in New Mexico", indicates prekindergarten programs offered by public schools have a larger effect on third-grade student proficiency scores than programs administered by CYFD. The Legislature needs to consider whether equalization of the appropriation between the two agencies is the best decision given the difference in student performance.

LFC recommends \$13.5 million for New Mexico Reads to Lead, the early literacy program. While data from the first year show positive gains for students, concerns persist about implementation and distribution of the appropriation. In FY13, select districts with the strongest application were granted funding. PED failed to strategically target these funds to students most at risk of failing to meet proficiency requirements. In FY14, in response to criticism about the distribution process, the department agreed every school district and charter school serving elementary students would receive a set amount if an early literacy plan was developed, disregarding again the state's lowest-performing students. The FY14 distribution plan resulted in per-student distribution amounts ranging from \$30 per student to more than \$4,545 per student and incorrect calculations by PED resulted in over- and under-allocations to school districts and charter schools. APS did not receive an allocation of the below-the-line funding. Though the committee recommends an increase of \$2 million, concerns persist about PED's capacity to effectively administer and strategically implement the initiative; therefore, the funding is contingent on enactment of legislation establishing requirements for high-quality early literacy intervention for struggling readers.

The committee recommends \$4 million for interventions for D and F schools, flat compared with the FY14 appropriation. For FY13, the Legislature appropriated \$3.5 million to PED to support D and F schools. PED reverted almost \$762 thousand, or 21 percent of the appropriation in FY13. Despite language in the 2013 General Appropriation Act limiting use of the appropriation to schools receiving a D or F school grade during the 2012-2013 school year, eight of the 16 schools selected to participate in the University of Virginia School Turnaround Specialist Program received a B or C grade. Additionally, PED continues to allow educators from schools receiving grades of A, B, and C to attend professional development with limited space intended for educators at D and F schools. This raises concerns about both PED's administration of the appropriation and the use of school grades, which appear to be unstable year-to-year, as a measure of school quality to target funding. The committee recommends \$1 million of the appropriation be allocated to New Mexico universities to create an in-state school-turnaround leadership program that is a partnership between business colleges and colleges of education. The program should have a rigorous, competency-based selection process for participants, a readiness assessment to ensure participating schools and districts have the resources in place for the turnaround effort to be successful, and strong focus on data-informed instructional decisions.

RECOMMENDED LANGUAGE:

The rate of distribution of the state equalization guarantee distribution shall be based on a program unit value determined by the secretary of public education. The secretary of public education shall establish a preliminary unit value to establish budgets for the 2014-2015 school year and then, on verification of the number of units statewide for fiscal year 2015 but no later than January 31, 2015, and may adjust the program unit value once.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funds to provide a one and one half percent cost-of-living salary increase for all teachers, other instructional staff and other licensed and unlicensed staff, and the compensation shall be effective the first full pay period after July 1, 2014. This amount does not include and is in addition to salary increases due to licensure advancement pursuant to the School Personnel Act. The general fund appropriation to the state equalization guarantee distribution includes additional funds for school districts and charter schools to provide salary increases for licensed and unlicensed staff in a flexible way to improve recruitment and retention, for differential pay for hard-to-staff positions, to address pay differences to enhance equity among staff, and to acknowledge deserving employees. Each school district and charter school shall submit an allocation plan to the public education department prior to budget approval.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funds to provide an additional three percent average salary increase for all licensed education assistants and the compensation shall be effective the first full pay period after July 1, 2014. Prior to the approval of a school district or charter school's budget, the secretary of public education shall verify each school district or charter school is providing an additional three percent average salary increase for all education assistants.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funds to increase the minimum salary of all level one licensed teachers from thirty thousand dollars (\$30,000) to thirty-two thousand five hundred dollars (\$32,500). Notwithstanding the provision of the School Personnel Act or other substantive law, the secretary of public education shall ensure that no full-time licensed level one teacher receives a base salary less than thirty-two thousand five hundred dollars (\$32,500) during fiscal year 2015.

The general fund appropriation to the state equalization guarantee includes twenty million dollars (\$20,000,000) to increase the cost differential factor for the at-risk index of the public school funding formula contingent on enactment of legislation during the second session of the fifty-first legislature amending Section 22-8-23.3 NMSA 1978.

The general fund appropriation to the state equalization guarantee distribution includes five million seven hundred sixty one thousand six hundred dollars (\$5,761,600) to create a factor in the funding formula for school districts with fewer than two hundred students contingent on enactment of legislation during the second session of the fifty-first legislature.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units.

For the 2014-2015 school year, the state equalization guarantee distribution includes sufficient funding for school districts and charter schools to implement a new formula-based program. Those districts and charter schools shall use current-year membership in the calculation of program units for the new formula-based program.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et. seq., and formerly known as "PL874 funds."

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from the federal Mineral Leasing Act receipts otherwise unappropriated.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2015 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions:

The general fund appropriation to the transportation distribution includes sufficient funds to provide a one and one half percent salary increase for all transportation employees, and the compensation shall be effective the first full pay period after July 1, 2014. This amount does not include and is in addition to salary increases due to licensure advancement pursuant to the School Personnel Act, Article 10A of Chapter 22, NMSA 1978. The general fund appropriation to the transportation distribution includes additional funds for school districts and charter schools to provide salary increases for transportation employees in a flexible way to improve recruitment and retention, for differential pay for hard-to-staff positions, to address pay differences to enhance equity among staff and to acknowledge deserving employees. Each school district and charter school must submit their allocation plan to the public education department prior to budget approval.

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. Emergency supplemental funds shall not be distributed to any school district or charter school having cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget.

Any unexpended balances in the supplemental distribution of the public education department remaining at the end of fiscal year 2015 from appropriations made from the general fund shall revert to the general fund.

The appropriation to the instructional material fund is made from the federal Mineral Leasing Act (30 U.S.C. 181, et. seq.) receipts.

The general fund appropriation to the public education department for dual-credit instructional materials shall be used by the department to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual-credit program to the extent of the available funds.

The general fund appropriation to the public education department for the Indian Education Act includes four hundred thousand dollars (\$400,000) for a national nonprofit organization with the primary purpose of recruiting recent college graduates and professionals who have a record of demonstrated achievement to teach for two years in low-income urban and rural public schools to provide teaching support in schools with a high proportion of Native American students. The public education department shall enter into a contract with a nonprofit organization no later than September 1, 2014. Unexpended balances from the four hundred thousand dollar (\$400,000) appropriation remaining at the end of fiscal year 2015 shall revert to the general fund.

The general fund appropriation of ten million dollars (\$10,000,000) to the public education department for the supplemental special education maintenance of effort shall be distributed in the same manner and on the same basis as the state equalization guarantee distribution.

Public Education Special Appropriations:

In setting the reimbursement amount for the summer 2014 kindergarten-three-plus program, the secretary of public education shall use the final unit value set for school year 2013-2014 as the basis for funding June, July and August 2014 kindergarten-three-plus programs.

A regional education cooperative may submit an application to the public education department for an allocation from the seven hundred thirty-eight thousand two hundred dollar (\$738,200) appropriation. The public education department may allocate amounts to a regional education cooperative provided the regional education cooperative's application adequately justified a need for the allocation and the department finds the regional education cooperative submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirement pursuant to the Audit Act, and is otherwise financially stable. An allocation made to a regional education cooperative may only be used for current-year operating expenses

Notwithstanding the provisions of Section 32A-23-9 NMSA 1978 or other substantive law, the general fund appropriation to the public education department for the prekindergarten program includes no more than one million dollars (\$1,000,000) for administrative and program support and no less than twenty-one million four hundred fifty thousand dollars (\$21,450,000) to fund direct student participation. Of the twenty-one million four hundred fifty thousand dollars (\$21,450,000) for direct student participation, one million five hundred thousand dollars (\$1,500,000) shall be used by the public education department for an extended day prekindergarten pilot program during the 2014-2015 school year.

The general fund appropriation to the public education department of thirteen million five hundred thousand dollars (\$13,500,000) for the early reading initiative is contingent on enactment of an early literacy intervention bill during the second session of the fifty-first legislature.

The general fund appropriation to the public education department for the early reading initiative includes six million eight hundred thousand dollars (\$6,800,000) to be transferred to the teacher professional development fund for training on effective reading instruction and data-driven decision-making, for regional and district reading coaches, for intervention support in school districts, and to support teachers with the implementation of a common formative assessment tool and reading interventions.

The general fund appropriation to the public education department for teaching assistance for low-income students includes five hundred thousand dollars (\$500,000) for a nonprofit organization with the primary purpose of recruiting recent college graduates and professionals who have a record of demonstrated achievement to teach for two years in low-income urban and rural public schools to provide teaching support in schools with at least sixty percent of the enrolled students eligible for free or reduced-fee lunch, with a priority for schools with eighty-five percent or more of the students enrolled in the school eligible for free or reduced-fee lunch. The public education department shall enter into a contract with a nonprofit organization no later than September 1, 2014.

The general fund appropriation to the public education department for interventions in D and F schools is contingent on the department allocating the funds to schools rated D or F for both the 2012-2013 and 2013-2014 school years pursuant to the A-B-C-D-F Schools Rating Act. The appropriation includes one million dollars (\$1,000,000) to be allocated to two or more New Mexico universities for a collaborative school principal leadership program involving one or more college of education and one or more business college.

The general fund appropriation to the public education department for early college high school start up shall be distributed to a minimum of two new early college high schools. The remaining balance may be used for either start up of additional early college high schools or for continued development of existing early college high schools.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2015 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>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Budget</u>	<u>FY15</u> <u>Request</u>	<u>FY15</u> <u>Recomm</u>	
*	Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	49.8%	45.7%	52%	50%	52%
*	Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	44.0%	45.4%	50%	50%	50%
*	Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	54.3%	60.2%	60%	60%	65%
*	Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	41.7%	42.2%	50%	50%	50%
	Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading		47%	58%	50%	52%
	Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessments in mathematics		42.6%	50%	50%	50%
	Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading		73.6%	67%	75%	78%
	Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics		50%	63%	63%	63%
	Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading		55.2%	60%	60%	60%
	Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in reading		61.7%	65%	65%	68%
	Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics		51.0%	60%	60%	60%
	Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in mathematics		51.4%	65%	65%	65%
	Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading			45%	43%	45%
	Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics			35%	35%	35%
*	Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	54%	51%	40%	<45%	<40%
	Outcome	Percent of high school students habitually truant	20.2%	16.6%	<12%	<12%	<12%
	Outcome	Percent of middle school students habitually truant	13.3%	12.5%	<10%	<10%	<10%
	Output	Percent of innovative digital education and learning New Mexico courses completed by New Mexico school-age students			NEW	80%	80%
	Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills for phonological awareness		72%	85%	85%	85%
	Outcome	Percent of dollars budgeted by districts with 750 members or greater for instructional support, budget categories 1,000, 2,100 and 2,200			NEW	75%	>75%
	Outcome	Percent of dollars budgeted by charter schools for instructional support, budget categories 1,000, 2,100 and 2,200			NEW	66%	>66%
	Explanatory	Percent of Indian policies and procedures entered between tribes and pueblos and respective school districts			NEW	80%	80%

PERFORMANCE MEASURES (continued)

		<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>FY15 Recomm</u>
Outcome	Percent of students in second and third grade meeting benchmark for reading fluency			NEW	58%	65%
Outcome	Percent of dollars budgeted by districts with fewer than 750 members for direct classroom instruction, budget category 1,000			NEW	55%	>55%
Outcome	Percent of students in fourth through tenth grade achieving proficiency on short-cycle assessments			NEW	50%	50%
Quality	Annual percent of core academic subjects taught by highly effective teachers in high-poverty schools, kindergarten through twelfth grade			100%	100%	100%
Explanatory	Number of students in dual-credit programs within New Mexico public high schools and postsecondary institutions	11,164	15,827	TBD	TBD	TBD
Outcome	Percent of elementary public school students habitually truant		11.8%	<5%	<5%	<5%
Outcome	Percent of dollars budgeted by districts with fewer than 750 members for instructional support, budget categories 1,000, 2,100 and 2,200			NEW	65%	>65%
Explanatory	Number of dual-credit courses students enroll in within New Mexico public high schools and postsecondary institutions		12,771	TBD	TBD	TBD
Outcome	Percent of general fund nonstate equalization guarantee distributions appropriations reverting at the end of the fiscal year		0.5%	<1%	<1%	<1%
Quality	Current five-year cohort graduation rate using shared accountability			75%	75%	80%
Quality	Current four-year cohort graduation rate using shared accountability			75%	75%	75%
Explanatory	Number of American-Indian-language teachers certified to teach Native American languages in the public schools	118	137	TBD	TBD	TBD
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics			38%	38%	38%
Quality	Annual percent of core academic subjects taught by highly effective teachers, kindergarten through twelfth grade			100%	100%	100%
Explanatory	Percent of American Indian students participating in Native American language classes taught in public schools			TBD	TBD	TBD
Outcome	Percent of public schools rated A and B		36%	30%	30%	40%
Outcome	Percent of charter schools rated A and B		54%	40%	40%	60%
Outcome	Percent of schools increasing their letter rating by one or more letter grade		51%	10%	10%	60%
Outcome	Percent of charter schools increasing their letter rating by one or more letter grade		64%	10%	10%	70%
Outcome	Percent of schools decreasing their letter rating by one or more letter grade		49%	5%	5%	20%
Outcome	Percent of charter schools decreasing their letter rating by one or more letter grade		36%	5%	5%	15%
Outcome	Number of schools identified as reward schools pursuant to the Elementary and Secondary Education Act			50	31	50
Outcome	Number of schools identified as priority or focus schools pursuant to the Elementary and Secondary Education Act			80	94	80
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading			48%	48%	48%

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 15 programs managed through rules and 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 more than \$2 billion in total gross assets consisting of invested cash and loans receivable. Total assets include NMFA assets (approximately \$1.9 billion) and assets of the Governor Richardson's Investment Partnership program, or GRIP I (approximately \$90 million), which NMFA manages for the New Mexico Department of Transportation. Gross assets increased by \$22.4 million between FY12 and FY13. 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 FY14 is approximately \$153 million. Nonoperational expenditures (bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service) total \$98.3 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA's general operating budget for FY14 totals \$8.5 million, a 6.1 percent decrease compared with FY13 actual expenditures. The FY15 projected operating budget is \$8.9 million, a 3.8 percent increase over FY14. NMFA has 42 authorized positions, four of which were vacant in October. NMFA pays 95 percent of employee medical premiums and 100 percent of other benefits (dental, vision, life policy, and employee assistance programs). A money purchase retirement plan (401A) is provided with a mandatory 3 percent paid by the employee and a 15 percent match paid by NMFA. Approximately 60 percent of the authority's operational costs are related to the public project revolving loan fund (PPRF).

As an instrumentality of the state, NMFA is subject to the State Audit Act. Following months of turbulence and NMFA's questionable administrative and financial management, the Office of State Auditor's (OSA) special audit for FY11 issued an "unqualified" opinion and determined no theft or embezzlement occurred. The forensic audit by PricewaterhouseCoopers for FY11 and regular audits performed by REDW, LLC for FY11 and FY12 were completed with "unqualified" opinions. The audit and field work for FY13 started in the fall with anticipated completion and submission to OSA by November 15, 2013. The implementation of a new loan origination and servicing system was emphasized in the numerous reviews and continues to be a challenge for NMFA. The defects in the system are significant enough to impact reporting and servicing of the public project revolving loan fund, and NMFA is currently assessing the capabilities of the contracted company to fix the system. The members of the board and staff have been actively engaged as NMFA continues to strengthen fiscal oversight and compliance with laws and rules governing their audits and financial activities.

PROGRAMS:

NMFA currently administers 15 finance programs, but the most significant infrastructure loan program is capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT). NMFA leverages GGRT capital in PPRF, makes loans, and replenishes 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 PPRF attain higher bond ratings and lower costs of issuance and, thereby, allowing NMFA to offer a variety of program enhancements to its borrowers. If the rate of the first three months of "net" GGRT allocated to date holds steady, approximately \$28.4 million will be deposited in PPRF for loans in FY14. The funds accrued from GGRT collections and loan repayments to PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts - \$26.5 million in a contingent liquidity account fund and \$30.2 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio. The cash balance for loans from PPRF as of October 1, 2013, was \$24.3 million. On October 11, 2013, Standard & Poor's Rating Agency maintained a previous 'AAA' rating to PPRF bonds, but upgraded the sub-lien 2013C series from 'AA' to 'AA+'. On October 15, 2013, Moody's Rating Agency assigned an 'Aa2' to PPRF, Series 2013C-2; 'Aa2' to sub-lien series 2013C-1; and 'Aa1' to senior lien PPRF series 2013B.

NEW MEXICO FINANCE AUTHORITY

Consolidated Operating Budget - Sources & Uses Actual FY 2013, Budgeted FY 2014, Projected FY 2015

	<u>FY2013</u> <u>Actual</u>	<u>FY2014</u> <u>Budget</u>	<u>Projected</u> <u>FY2015</u>
<u>Sources - Operating Revenues</u>			
Administrative Fees:			
PPRF Administrative and Processing Fees	\$ 1,685,788	\$ 3,036,000	\$ 3,200,000
GRIP Administrative Fee	246,932	414,317	400,000
New Markets Tax Credit	1,322,100	1,105,870	1,000,000
Other Administrative Fees	230,915	236,000	300,000
Interest on Loans	51,964	80,000	100,000
Interest on Investments	139,403	413,000	500,000
Reimbursement Revenue	4,235,125	2,931,096	2,992,800
Receivable from Colonias Program	481,462	352,162	400,000
Total Operating Revenues	\$ 8,393,690	\$ 8,568,445	\$ 8,892,800
<u>Operational Expenses</u>			
Personnel services	\$ 2,762,032	\$ 3,241,570	\$ 3,350,000
Employee benefits	1,172,826	1,508,430	1,558,800
In-state travel	65,582	112,242	120,000
Maintenance/Repairs	24,310	28,200	34,000
Office supplies	21,623	30,350	30,000
Contractual services	4,081,958	2,489,475	2,600,000
Operating costs	976,705	1,073,557	1,100,000
Out-of state travel	24,354	84,621	100,000
Subtotal - Operational Expenses	\$ 9,129,390	\$ 8,568,445	\$ 8,892,800

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975 the New Mexico Mortgage Finance Authority was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

MFA is governed by a seven-member board including the lieutenant governor, state treasurer, and state attorney general. The MFA Legislative Oversight Committee approves rules and regulations formulated by MFA. The Land Title Trust Fund Advisory Committee (Section 15-28-8 NMSA 1978) advises MFA on the use of monies generated by the land title trust fund to address affordable housing. The New Mexico Housing Trust Fund Advisory Committee advises MFA on the use of state-appropriated housing trust fund monies. Other advisory committees that advise MFA in carrying out its mission and vision include the New Mexico Housing Advisory Committee and the Housing Credit Allocation Review Committee.

MISSION:

MFA provides innovative policies, products, education, and services in collaboration with strategic partners to ensure all New Mexicans have access to affordable housing. The authority engages in self-sustaining practices to strengthen the social and economic development of New Mexico's communities and families by financing, developing, and preserving homes.

MANAGED GROSS ASSETS:

MFA manages approximately \$2.6 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, loans receivable, low-income housing tax credits ("LIHTC"), private activity bond cap used to issue single and multi-family mortgage revenue bonds, and Housing and Urban Development Section 8 properties. As an instrumentality of the state, MFA is subject to the State Audit Act.

BUDGET ISSUES:

MFA's fiscal year runs October 1, 2013, to September 30, 2014. The authority's general operating budget for FY14 totals \$10.1 million, an increase of 9 percent from FY13 due to additional expenses related to single family mortgage servicing expansion. Additionally, per the request of the MFA Board, single family bond cost of issuance is being budgeted for the first time. Fiscal year 13 operating budget performance was strong as MFA ended the 12-month period (September 30, 2013) with expenditures under budget by 8 percent due to staff vacancy savings and unspent non-operating funds. Operating revenues exceeded budget by 1 percent due to unbudgeted transaction fees related to single family loan sales in the secondary market. MFA is not a state agency and, therefore, does not receive an annual appropriation for operations. Rather, the state mandates the authority generate its own funding to maintain operations and to carry out its affordable housing mission. The primary program funding sources available to MFA to carry out its statewide housing mission are mortgage revenue bond proceeds and federal housing programs including LIHTC, the HOME Investment Partnership Program, Section 8 contract administration, and the Weatherization Assistance Program. MFA also provides affordable loan funding through the Housing Opportunity Fund, an internal revolving loan fund. About 3 percent of the authority's program resources are funded by state appropriations and state tax credits. Although MFA is experiencing a slight decline of its operating revenue for FY14 primarily attributed to reduced federal program administrative fees, loan and investment yields have stabilized over the last few years creating a good budgetary outlook for FY14 and FY15.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET (dollars in thousands)

	FY13 2012-2013 Operating Budget	FY13 2012-2013 Operating Budget Actuals	FY14 2013-2014 Operating Budget	FY15 2014-2015 Projected Operating Budget
SOURCES				
Interest on Loans	\$3,918	\$3,632	\$3,882	\$4,073
Housing Program Income & Admin. Fees	3,129	3,031	2,769	3,010
Bond Administrative Fees	2,147	2,147	2,434	2,180
Interest on Cash/Investments	1,448	1,318	1,363	1,458
Transaction Fees	0	291	603	1,040
Servicing Rights Fees	309	275	0	0
Servicing Fees	352	363	383	520
Gain/Loss on Sale of Assets	0	(83)	0	0
Other Income	402	791	161	120
TOTAL SOURCES	\$11,705	\$11,765	\$11,595	\$12,401
USES				
Compensation (Salaries & Benefits)	\$5,562	\$5,137	\$5,729	\$6,070
Travel & Public Information	369	265	337	320
Office Expenses	569	569	601	605
Other Operating Expenses	1,061	1,182	1,351	1,411
Non-Operating Expenses (Training and Technical Assistance, Program Development and Capacity Building)	744	476	304	300
Capital Outlay	41	34	215	100
Single Family Cost of Issuance			773	860
Non-Cash Expenses	932	868	815	815
TOTAL USES	\$9,278	\$8,531	\$10,125	\$10,481
TOTAL FTE POSITIONS	66.75	66.75	69.25	71.25

PERFORMANCE MEASURES (dollars in millions)

	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Projected	FY14 Budget
Average financial assets	\$1,669	\$1,556	\$1,387	\$1,228	\$1,089
Average assets under management	\$3,009	\$2,910	\$2,770	\$2,633	\$2,267
Funds disbursed through:					
Federal and state programs	\$89	\$82	\$58	\$43	\$41
MFA programs	\$9	\$5	\$6	\$6	\$8
General fund non-operating (capacity building)	\$1	\$1	\$1	\$1	\$0
Single-family first mortgage loans:					
Number of units purchased	1,451	999	896	1,050	1,250
Dollar of loans purchased	\$180	\$123	\$107	\$126	\$150
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	1,524	752	1,351	1,224	1,050
Dollar of loans and subsidies	\$130	\$45	\$55	\$81	\$75
Housing programs:					
Homeless nights served	18,964	16,871	15,004	6,680	6,346
Single family homeowner rehab	2,913	2,817	2,707	507	481
Under compliance:					
Household units (avg)	20,936	21,012	17,333	16,965	16,116
Contracts/properties	488	477	424	415	394
Loans serviced:					
Number of loans (avg)	5,378	5,951	6,226	6,742	7,071
Dollar of loans (avg)	\$246	\$307	\$315	\$320	\$325

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority Act, Section 62-16A-1 through 62-16A-15 NMSA 1978, created the Renewable Energy Transmission Authority (RETA) to create a government instrumentality to finance or plan the acquisition, maintenance, and operation of certain electric transmission facilities and storage facilities within New Mexico.

RETA, a quasi-governmental agency, is governed by an eight-member board and has oversight from the New Mexico Finance Authority Oversight Committee. RETA is composed of a board vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources. Under the act, three members of the board are appointed by the governor with the advice and consent of the Senate, one member is appointed by the Speaker of the House of Representatives, and one member is appointed by the president pro tem of the Senate. Statutorily, the other members are the State Investment Officer or designee, the State Treasurer or designee, and the cabinet secretary for the Department of Energy, Minerals and Natural Resources, a nonvoting member.

MISSION:

RETA's primary focus is on developing renewable energy-related transmission infrastructure. 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 energy sources that will reduce greenhouse gas emissions and lessen dependency on foreign sources of fuel, and increasing economic development opportunities for businesses and landowners.

BUDGET ISSUES:

The budget for RETA was composed of prior-year general fund appropriations to the Energy, Minerals and Natural Resources Department (EMNRD) transferred to the agency's nonreverting renewable energy transmission authority operating fund. A total of \$1.5 million was appropriated from the general fund through EMNRD for FY08 and FY09 that essentially constituted start-up funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10 and \$250 thousand appropriated from the general fund as a special appropriation request for FY13 and FY14.

The FY13 actual operating expenses for the RETA were \$400.6 thousand. In FY14, the agency budgeted \$361.2 thousand and 2 FTE, using the 2013 special appropriation and fund balance. The fund balance at the end of FY14 is expected to be insufficient to support RETA operating costs in FY15. The agency requested a special appropriation of \$500 thousand from the general fund and \$17.4 thousand from fund balance to support 3 FTE and operational costs to maintain operations in FY15. The request included \$70 thousand for a second phase of the New Mexico renewable energy development study conducted by the Los Alamos National Laboratory. The second phase of the study will allow RETA to analyze critical upgrades necessary to develop New Mexico's natural resources and to identify critical next steps to complete the 20-year upgrade plan as identified by the first phase of the study.

Generation of project fees remain a concern. RETA does not expect project revenues to cover operations for the next five years. Currently, RETA, together with Clean Line Energy, is developing the Western Spirit Clean Line Collector System, a \$350 million, 200-mile transmission project to carry up to 1,500 megawatts of renewable power developed in Torraine County to northwestern New Mexico. Once complete, RETA estimates the Western Spirit Clean Line project will generate a \$2 million lease payment for the project. The RETA staff provides strong technical expertise on renewable energy transmission projects. Given the prospects of general fund support through FY18, consideration should be given to streamlining operations.

Of the five transmission-related development projects in New Mexico, RETA signed agreements with two: Centennial West Clean Line and Lucky Corridor. RETA signed a memorandum of understanding with Lucky Corridor, LLC, to develop different financial plans for the \$350 million, 1,100-megawatt transmission line between Taos and Farley, NM. As directed in House Joint Memorial 10, RETA is also working on a report to identify and prioritize legislative and regulatory incentives to encourage development of renewable energy storage.

Several independent transmission projects are currently in various stages of development and routing, but one in particular has potential revenue implications for the state of New Mexico. A new transmission project, the New Mexico Express, proposes constructing a 2,000 megawatt link serving existing and new facilities in New Mexico with market hubs at Four Corners and the Tres Amigas facility in Clovis, using a buried high voltage direct current (HVDC) cable. The New Mexico Express project is proposing to build most of the buried HVDC along existing highway right of way. The need for existing highway right of way provides the potential for a public (state, federal) private partnership to achieve a state transmission super highway. The New Mexico Express will charge a service fee in addition to the tariff charges for transmission service that shippers must pay. For use of the state highway right of way, the New Mexico Express proposes to remit the service fee to the state, resulting in an annual revenue stream. Outstanding policy issues for this proposal include Federal Highway Administration and tribal approvals, N.M. Department of Transportation approach to valuation of right of way, maximizing value of state right of way, and Federal Energy Regulation Commission and Public Regulation Commission jurisdiction.

RENEWABLE ENERGY TRANSMISSION AUTHORITY

Operating Budgets FY13, FY14 & FY15

	FY13 <u>Actual</u>	FY14 Operating <u>Budget</u>	FY15 Special <u>Appropriation Request</u>
OPERATIONAL EXPENDITURES			
<u>Personnel Services</u>			
Salaries	\$ 297,836	\$ 249,738	\$ 300,000
Total Salaries	297,836	249,738	300,000
<u>Employee Taxes</u>			
FICA	27,542	20,000	28,000
Workers Comp	-	-	1,200
Unemployment Insurance	7,615	2,500	2,500
Total Employee Benefits	35,157	22,500	31,700
<u>Travel</u>			
Board Travel & Per Diem	-	500	1,000
Staff In-State Travel	1,588	3,000	5,000
Staff Out-of State Travel	1,565	3,000	3,500
Total All Travel	3,153	6,500	9,500
<u>Office Supplies</u>	831	5,000	2,000
<u>Contractual Services</u>			
Legal Counsel	6,684	17,700	25,184
Accounting-Audit (External)	14,800	11,100	12,710
Trustee/Banking Fees	1,011	1,500	1,500
Contracted Services	-	-	-
IT Support	-	500	500
Professional Support Services	7,995	13,800	100,000
Total Contractual Services	30,490	44,600	139,894
<u>Operating Costs</u>			
Business Insurance	-	2,000	2,000
Advertising & Promotion	-	-	-
Reporting & Recording	74	300	300
Postage/Overnight	135	200	200
Office Rental	22,230	21,000	22,500
Telephone, Fax & Internet	10,307	9,000	9,000
Dues and Subscriptions	363	300	300
Hardware & Software, Furnishings	-	-	-
Total Operating Costs	33,109	32,800	34,300
TOTAL OPERATIONAL EXPENDITURES	\$ 400,576	\$ 361,138	\$ 517,394

GENERAL FUND APPROPRIATED TO AGENCY (Since Inception)

2007 – HB2, Section 5 (53): \$500.0 thousand, and SB710, Section 18: \$500.0 thousand
 2008 – HB2, Section 5 (64): \$250.0 thousand, and SB165, Section 17(8): \$250.0 thousand
 2009 – HB2, Section 4 (Program Support): \$250.0 thousand, and Section 5 (36): \$250.0 thousand
 2013 - HB2, Section 5 (13): \$250.0 thousand

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-22 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico 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 requirement strained its ability to operate effectively and meet its statutory requirements. NMLA eliminated retailer and employee sales incentives, reduced staffing from 68 to 56 FTE, reduced its advertising budget by \$1 million (33 percent), and reduced the prize payout percentage. The FY07 prize payout for instant games was 63 percent; by FY12 it was 58 percent. Since decreasing the payout percentage, instant game sales have decreased from \$91.4 million in FY07 to \$72.4 million in FY13. The Legislature should reconsider the requirement that 30 percent of gross revenue be transferred to the lottery tuition fund, and whether the requirement has resulted in fewer sales and reduced revenues for education.

Reconsidering revenue allocations for prizes and education would be timely because the lottery scholarship, as currently structured, is successful but not sustainable. The Higher Education Department estimates the balance in the lottery tuition fund will be depleted by the end of FY14. Tuition assistance expenses have risen rapidly due to rising tuition costs and an increasing number of recipients. During the last five years, expenditures from the lottery tuition fund have increased by 43 percent, or \$18.6 million, with more than \$15 million of this growth at the research institutions. During this period, the number of students receiving the lottery scholarship increased by 13.5 percent, with the two-year institutions experiencing the largest growth in recipients.

To better illustrate NMLA's management of the state lottery, the authority should provide benchmark data comparing its lottery operations with other states. Examples of informative and meaningful performance data include interstate comparisons of expenditures for operations and prizes, as well as per-capita lottery consumption.

NEW MEXICO LOTTERY AUTHORITY

Operating Budgets FY13, FY14 and FY15 (Projected)

	<u>FY13 Consolidated Income Statement*</u>	<u>FY14 Original Annual Budget**</u>	<u>FY15 Annual Budget Forecast</u>
OPERATING REVENUES			
Instant ticket sales	\$ 72,397,663	\$ 72,000,000	\$ 70,000,000
Powerball sales	46,767,095	38,000,000	41,000,000
Mega Millions sales	8,088,972	8,000,000	8,000,000
Roadrunner Cash sales	6,784,566	6,800,000	6,800,000
Hot Lotto sales	5,996,195	5,500,000	5,500,000
Pick 3 sales	3,496,279	3,400,000	3,400,000
Quickster sales	867,111	1,000,000	600,000
Less tickets provided as prizes	(2,479,354)	(3,000,000)	(3,000,000)
Less spoiled, stolen, and promotional tickets	(160,005)	(287,000)	(287,000)
Retailer fees	20,575	11,000	11,000
Bad debts	(12,000)	(24,000)	(24,000)
Total operating revenues	141,767,097	131,400,000	132,000,000
NON-OPERATING REVENUES			
Interest income	21,324	24,000	24,000
Other income	25,692	-	-
Total non-operating revenues	47,016	24,000	24,000
GROSS REVENUES	141,814,113	131,424,000	132,024,000
GAME EXPENSES			
Prize expense	77,068,558	70,652,000	71,029,000
Retailer commissions	9,153,204	8,758,000	8,793,000
On-line vendor fees	2,269,623	2,112,000	2,119,000
Advertising	2,263,221	2,300,000	2,300,000
Ticket vendor fees	1,158,028	1,314,000	1,278,000
Promotions	437,704	376,000	376,000
Shipping and postage	428,532	471,000	471,000
Drawing game	116,081	124,000	120,000
Responsible gaming	87,400	88,000	95,000
Game membership	67,034	85,000	85,000
Total game expenses	93,049,385	86,280,000	86,666,000
OPERATING EXPENSES			
Salaries, wages and benefits	3,614,032	3,966,000	4,000,000
Leases and insurance	514,990	436,000	436,000
Utilities and maintenance	439,041	455,000	455,000
Depreciation expense	139,393	360,000	360,000
Professional fees	112,893	191,000	191,000
Other expenses	71,640	98,000	98,000
Materials and supplies	125,050	120,000	120,000
Travel	63,008	90,000	90,000
Total operating expenses	5,080,047	5,716,000	5,750,000
OPERATING INCOME	43,637,665	39,404,000	39,584,000
NET INCOME	\$ 43,684,681	\$ 39,428,000	\$ 39,608,000
GROSS REVENUE PERCENTAGE RETURN	30.80%	30.00%	30.00%

* FY 2013 financial audit has been completed. The audit report is not yet released.

** FY 2014 Consolidated Annual Budget approved on May 02, 2013