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LEGISLATING FOR RESULTS:
POLICY AND PERFORMANCE ANALYSIS

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**New Mexico State Legislative Finance Committee
325 Don Gaspar, Suite 101, Santa Fe, New Mexico 87501**

David Abbey, Director
David Lucero, Deputy Director
Jeannae L. Leger, Administrative Services Manager

FISCAL TEAM

Jonas Armstrong, Fiscal Analyst
Christine Boerner, Senior Fiscal Analyst II
Eric Chenier, Senior Fiscal Analyst II
Jon Clark, Principal Analyst
Clint Elkins, Fiscal Analyst
Julia Downs, Fiscal Analyst
Travis Dulany, Fiscal Analyst I
Rachel Gudgel, Principal Analyst
Anne Hanika-Ortiz, Principal Analyst
Connor Jorgensen, Fiscal Analyst I
Linda M. Kehoe, Principal Analyst
Christina Keys, Economist
Kelly Klundt, Senior Fiscal Analyst II
Sunny Liu, Fiscal Analyst
Carlie Malone, Fiscal Analyst
Brandee Pacheco, Fiscal Analyst I
Theresa Rogers, Fiscal Analyst
Sonya Snyder, Senior Fiscal Analyst II

SUPPORT STAFF TEAM

Sharon Boylan, Committee Services Coordinator
Jessica Eden, Administrative Assistant I
Adreena Lujan, Administrative Assistant II
Annamae Montoya, Financial Assistant II
Rene Montoya, Administrative Assistant I

Helen Gaussoin, Editor and Public Information

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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY15 2014-2015 Actuals	FY16 Operating Budget	FY17		
			Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY16
111 Legislative Council Service	5,261.6	6,078.2	6,078.2	6,078.2	0.0%
112 Legislative Finance Committee	4,162.9	4,350.3	4,448.2	4,448.2	2.3%
114 Senate Chief Clerk	958.9	1,213.9	1,213.9	1,213.9	0.0%
115 House Chief Clerk	864.4	1,178.8	1,178.8	1,178.8	0.0%
117 Legislative Education Study Committee	1,180.4	1,308.9	1,344.5	1,344.5	2.7%
119 Legislative Building Services (GAA)	4,065.2	4,332.2	4,379.9	4,379.9	1.1%
131 Legislative Information Systems	684.6	731.9	850.8	850.8	16.2%
131 Interim Committee Expenses	772.2	861.2	861.2	861.2	0.0%
131 Pre-Session Expenses	426.1	426.6	426.6	426.6	0.0%
131 Legislative Internship Program	48.5	50.0	50.0	50.0	0.0%
131 Senate Rules Interim Committee	15.5	20.5	20.5	20.5	0.0%
Energy Council Dues (GAA)	38.4	38.4	38.4	38.4	0.0%
TOTAL	\$18,478.7	\$20,590.9	\$20,891.0	\$20,891.0	1.5%
NON-RECURRING					
2016 Legislature		\$5,901.8*			
2015 Legislature		\$9,503.7			
2014 Legislature		\$5,517.0			
2013 Legislature		\$9,212.3			
2012 Legislature		\$5,015.4			

*Appropriation for the 2016 30-day legislative session will be made by the Legislature in January 2016. The budgeted amount of \$5,901.8 was provided by the Legislative Council Service.

Appropriation for the 2017 60-day legislative session will be made by the Legislature in January 2017.

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,547.4	1,568.1	1,621.2	1,587.1	1.2
Other Revenues	1.8	2.2	2.2	2.2	0.0
SOURCES TOTAL	1,549.2	1,570.3	1,623.4	1,589.3	1.2
USES					
Personal Services and Employee Benefits	532.5	653.6	689.2	660.2	1.0
Contractual Services	364.0	395.6	407.4	404.4	2.2
Other	613.4	521.1	526.8	524.7	0.7
TOTAL USES	1,509.9	1,570.3	1,623.4	1,589.3	1.2
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

AT A GLANCE:

The Supreme Court Law Library requested increases in the personal services and employee benefits category in support of the judicial employee fair pay initiative as well as full funding for all FTE. The agency's request also included increases in the contractual services category due to Westlaw updates, which have increased the cost of the contract. Expenditures for FY15 were higher than the agency's budgeted amount.

The committee recommendation for the Supreme Court Law Library increases the personal services and employee benefits category by \$6.6 thousand for General Services Department rates and provides funding in the contractual services category for the updated Westlaw system.

The agency transferred vacancy savings in FY15 to the other costs category for renovations to bring the front desk into compliance with the Americans with Disabilities Act, replace and upgrade equipment and furniture, and train staff. The increased FY15 expenditure level in the other costs category will likely result in a need to transfer vacancy savings or increase the budget in FY16. The committee recommendation increases the other costs category and encourages the agency to fill vacant positions.

SUPREME COURT LAW LIBRARY

The purpose of the supreme court law library is to provide and produce legal information for the judicial, legislative and executive branches of state government, the legal community and the public at large so they may have equal access to the law, effectively address the courts, make laws and write regulations, better understand the legal system, and conduct their affairs in accordance with the principles of law.

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Quality	Percent of staff time spent on shelving and updating library materials	20%	18%	<20%	<20%	<20%
Output	Number of website hits	25,690	53,612	98,500	98,500	98,500
* Output	Number of research requests	12,295	14,229	10,000	10,000	14,000

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
FY17 – 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	400.0	400.0	400.0	400.0	0.0
Other Revenues	1,206.3	1,257.4	1,239.4	1,239.4	-1.4
Fund Balance	50.1	177.8	214.1	214.1	20.4
SOURCES TOTAL	1,656.4	1,835.2	1,853.5	1,853.5	1.0
USES					
Personal Services and Employee Benefits	487.7	518.2	532.4	532.4	2.7
Contractual Services	1,040.3	1,177.0	1,177.0	1,177.0	0.0
Other	128.4	140.0	144.1	144.1	2.9
TOTAL USES	1,656.4	1,835.2	1,853.5	1,853.5	1.0
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

AT A GLANCE:

The New Mexico Compilation Commission is an enterprise agency charged with producing the New Mexico Statutes Annotated among other legal publications. The agency relies on revenues from product sales, a portion of civil action filing fee collections, and a transfer of funds from the Legislative Council Service to cover operational expenses. The agency collected 100 percent of product sales and subscription revenue in FY15 and had a fund balance of \$1.2 million at the close of FY15. Due to diminishing civil action filing fees, the agency increased the use of fund balance and decreased other revenues in the budget request.

The LFC recommendation fully funds the agency's request and includes an increase in the personal services and employee benefits category to fill an administrative assistant vacancy.

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>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,258.3	1,206.3	\$1,300	\$1,200	\$1,200

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 to 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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	858.3	857.3	899.2	858.8	0.2
Other Revenues	0.0	2.0	0.0	2.0	0.0
SOURCES TOTAL	858.3	859.3	899.2	860.8	0.2
USES					
Personal Services and Employee Benefits	686.3	708.6	748.5	724.7	2.3
Contractual Services	20.1	28.2	28.2	20.1	-28.7
Other	149.0	122.5	122.5	116.0	-5.3
TOTAL USES	855.4	859.3	899.2	860.8	0.2
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

AT A GLANCE:

The Judicial Standards Commission obtained and addressed 233 complaints, disposed of 188 cases, and encouraged removal or resignation of seven judges in FY15. The agency also completed the first phase of an effort to go paperless, which included two IT upgrades and the purchase of tablets for all commissioners. The agency requested an increase in the personal services and employee benefits category to fully fund the investigator position and maintained flat requests in both the contractual services and other categories.

The staff recommendation fully funds the agency's authorized positions including the investigator position, and funds the overall budget above both FY15 expenditure levels and FY16 operating levels.

RECOMMENDED LANGUAGE:

Any unexpected balances in the judicial standards commission remaining at the end of the fiscal year 2017 from investigation and trial cost reimbursements from respondents shall not revert.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	2	1	1	3	1
Output	Time for release of annual reports to the public, from the end of the fiscal year, in months	4	2	2	3	2
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	0	6	2	2	2

STATUTORY AUTHORITY:

The Court of Appeals was established by constitutional amendment in 1965. Its statutory authority is found in Sections 34-5-1 through 34-5-14 NMSA 1978. The court has no original jurisdiction but reviews certain types of cases on appeal: violations of municipal or county ordinances where a fine or imprisonment is imposed; decisions of state administrative agencies; all actions under the Workers' Compensation Act, the New Mexico Occupational 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)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,943.8	5,934.1	6,334.0	5,959.2	0.4
Other Revenues	0.7	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,944.5	5,935.1	6,335.0	5,960.2	0.4
USES					
Personal Services and Employee Benefits	5,536.2	5,432.1	5,832.8	5,456.8	0.5
Contractual Services	9.1	33.9	18.5	18.5	-45.4
Other	397.1	469.1	483.7	484.9	3.4
TOTAL USES	5,942.4	5,935.1	6,335.0	5,960.2	0.4
FTE					
Permanent	61.5	61.5	61.5	61.5	0.0
TOTAL FTE POSITIONS	61.5	61.5	61.5	61.5	0.0

AT A GLANCE:

The New Mexico Court of Appeals submitted requests for increases in the personal services and employee benefits category for employee and judge salary increases, with decreases in contractual services to offset increases in the other category.

The committee recommendation for the New Mexico Court of Appeals funds increased General Services Department rates, in the personal services and employee benefits category, and funds contractual services and other costs categories above FY15 expenditure levels. The recommendation also includes funding for judge and clerk raises in order to bring compensation closer to the national median and reduce high turnover rates. However, the committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on consensus revenue estimates achieving targeted levels and general fund reserve adequacy.

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

	FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	97.0%	96%	100%	100%	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)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,249.6	3,353.0	3,659.5	3,421.1	2.0
SOURCES TOTAL	3,249.6	3,353.0	3,659.5	3,421.1	2.0
USES					
Personal Services and Employee Benefits	3,135.4	3,174.6	3,441.4	3,242.5	2.1%
Contractual Services	7.5	7.3	12.0	7.5	2.7
Other	102.3	171.1	206.1	171.1	0.0
TOTAL USES	3,245.2	3,353.0	3,659.5	3,421.1	2.0%
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	35.0	35.0	35.0	35.0	0.0

AT A GLANCE:

The Supreme Court reduced funding for basic operations throughout the recession and recovery in order to maintain adequate staffing levels for handling the caseload of the court. For FY17, the Supreme Court's request included an 8.4 percent increase in personal services and employee benefits, the largest part of which would go to an average 4 percent for staff and 5 percent for judges. The agency also asked for an increase in the other costs category.

Since 2011 the Supreme Court has been given the authority to reduce juror pay below statutory rate of \$7.50 per hour to fit within the appropriation. Cost per juror has continued to rise every year since 2012, increasing by \$4.5 thousand from FY15 to FY16, to \$56.9 thousand per juror. There continue to be shortfalls in the jury and witness fund, this year by \$521.8 thousand.

According to the National Center for State Courts' annual survey of judicial salaries, New Mexico ranks 48 of 50 for Supreme Court justice salaries, \$31 thousand lower than the national median. Though judge compensation was increased by 5 percent in 2014, the rest of the country raised judge salaries as well, leaving New Mexico at the bottom. The 5 percent increase to \$138.3 thousand requested by the Supreme Court would make New Mexico only \$24.5 thousand below the 2015 median salary, ranked 41 of 50.

The LFC recommendation for the personal services and employee benefits category includes sufficient funding for salary increases for judges and court clerks. However, the committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on consensus revenue estimates achieving targeted levels and general fund reserve adequacy. The recommendation includes an additional \$12.6 thousand for increased General Services Department rates and funds the contractual services and the other costs categories above and at FY15 expenditures respectively.

RECOMMENDED LANGUAGE:

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

SUPREME COURT

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

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</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	94%	97%	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)						
FY17 – 2016-2017						
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	923.0	977.0	1,062.6	977.4	0.0	
SOURCES TOTAL	923.0	977.0	1,062.6	977.4	0.0	
USES						
Personal Services and Employee Benefits	734.7	740.2	812.7	750.2	1.4%	
Contractual Services	7.1	7.3	7.5	7.5	2.7%	
Other	179.4	229.5	242.4	219.7	-4.3%	
TOTAL USES	921.2	977.0	1,062.6	977.4	0.0%	
FTE						
Permanent	15.0	15.0	15.0	15.0	0.0%	
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0%	

AT A GLANCE:

The Supreme Court Building Commission requested funding for expected increases in utility, supply, and maintenance costs, as well as full funding for all FTE.

The committee recommendation increases personal services and employee benefits by \$10 thousand to fully fund personnel costs, fully funds the contractual services category request, and provides sufficient funding in the other costs category to maintain operations slightly above FY15 expenditure levels.

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>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Quality	Accuracy of fixed-assets inventory records	99%	TBD	100%	N/A	100%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	46,772.8	49,422.4	55,393.3	51,733.5	4.7
Other Transfers	2,332.8	1,972.2	2,000.9	1,932.8	-2.0
Federal Revenues	450.2	876.5	837.9	837.9	-4.4
Other Revenues	11,187.1	10,741.3	10,587.7	10,587.7	-1.4
Fund Balance	1,502.6	1,493.6	710.4	778.5	-47.9
SOURCES TOTAL	62,245.5	64,506.0	69,530.2	65,870.4	2.1
USES					
Personal Services and Employee Benefits	31,297.5	30,847.4	35,564.7	31,968.6	3.6
Contractual Services	8,401.9	12,972.6	13,197.5	13,056.7	0.6
Other	19,064.0	19,089.4	19,397.9	19,235.2	0.8
Other Financing Uses	4,066.4	1,596.6	1,676.3	1,609.9	0.8
TOTAL USES	62,829.8	64,506.0	69,836.4	65,870.4	2.1
FTE					
Permanent	372.8	377.3	383.8	377.3	0.0
Term	69.5	74.5	74.5	74.5	0.0
TOTAL FTE POSITIONS	442.3	451.8	458.3	451.8	0.0

AT A GLANCE:

The Administrative Office of the Courts (AOC) has historically struggled to pay jurors and interpreters. For FY17, AOC requested increased funding for the jury and witness fund to increase juror pay to the statutory rate of \$7.50 per hour. Additionally, AOC reports the judiciary has high turnover and difficulty recruiting due to uncompetitive wages. To address this, AOC requested funding for salary increases for all employees and judges. The AOC's proposed pay plan would adjust pay ranges throughout the judiciary and bring all employees to appropriate levels within the pay ranges.

The LFC recommendation funds the requested increases for the jury and witness fund and increases for court appointed attorneys and alternative dispute resolution. The LFC recommendation includes funding for salary increases for judges and clerks in the Magistrate Court Program.

BUDGET ISSUES:

The judiciary's top FY17 priority was increasing employee compensation, through a \$6.1 million initiative affecting all employees but specifically targeting clerks and judges. The AOC's proposed plan addresses pay compaction by providing increases based on employee tenure. The AOC designated \$2.6 million for pay raises for court clerks, who compose 42 percent of the judicial workforce and experience a significant turnover. Between September 2014 and September 2015, turnover for the court clerk 2 position was 35 percent in magistrate courts and 32 percent statewide. The percent of clerks hired who did not complete their probationary period has been steadily rising and, in 2015, only 47 percent completed probation compared with 69.7 percent in the rest of state government. The current average court clerk wage is \$15.89 per hour; the judiciary's pay plan would increase it to \$17.52 per hour.

The Administrative Support Program requested a general fund increase of \$918.6 thousand, or 10.5 percent. AOC has not had sufficient funding for juror and interpreter pay since FY03. AOC received a \$550.8 thousand supplemental appropriation in FY15 for shortfalls in jury and witness payments and \$596.1 thousand in deficiency appropriations to cover FY14 expenditures paid in FY15. AOC estimates it will need a \$539.5 thousand deficiency appropriation to cover FY15 costs and \$200 thousand to cover current fiscal year jury and witness costs. AOC requested funding to begin paying jurors at the statutory level of \$7.50 per hour, an increase from the \$6.75 currently being paid.

The increase requested for the Statewide Judiciary Automation Program included \$893.6 thousand from the general fund. Reduced case filings have impacted the program's primary source of funds, the Supreme Court automation fund derived from a \$20 fee on civil case filings. Also requested was funding for the maintenance of video arraignment equipment, purchased with money from a special appropriation in FY14.

The request from the general fund for the Magistrate Court Program was \$3.6 million, an increase of 13.5 percent above the FY16 budget. In FY15, AOC spent \$1.5 million from the warrant enforcement fund to replace funding vetoed by the governor in the special session. With \$3.9 million of fund balance budgeted in FY16, the warrant enforcement fund is rapidly depleting and at the close of FY16, AOC expects a remaining balance of only \$981.2 thousand. The AOC request replaced warrant enforcement fund balance with general fund.

The Special Court Services Program requested \$1.5 million for court-appointed special advocates (CASA), a 5.8 percent increase from FY16. AOC also requested an increase of \$86.2 thousand for Exchanges and Supervised Visits Program to meet demands for increased service hours, \$50 thousand to offset declining of federal Title IV funds which historically funded Children's Court Mediation Program, and \$3,400 for the Statewide Alternative Dispute Resolution Program which received no funding in FY16.

The LFC recommendation includes an increase of \$712.4 thousand, or 8.1 percent, to the Administrative Support Program budget. The increase includes \$208.2 thousand in personal services and employee benefits category to decrease the vacancy rate and to fund increased General Services Department risk and health insurance rates. The committee recommendation matches the request for the contractual services and other costs categories, including jury and witness costs. AOC proposed legislation for the second time to create an interpreter access fund to segregate juror revenue and expenses, which would allow AOC better control over the funds.

The committee recommendation for the Statewide Judiciary Automation Program increases the general fund appropriation by \$214.5 thousand, or 6.2 percent to reduce the vacancy rate and cover increased General Services Department rates. The recommendation also fully funds the agency's request for contractual services and the other costs category.

The LFC recommendation for the Magistrate Court Program increases the general fund appropriation by \$1.1 million, or 4.1 percent. The recommendation provides funding for increased General Services Department risk and health insurance premiums, matches the request for the contractual services category, and funds the other costs category above FY15 actual expenditures. The LFC recommendation includes adequate funding for salary increases for both magistrate court judges and court clerks to bring judicial compensation closer to the national median, and to reduce court clerk turnover. However, the committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on consensus revenue estimates achieving targeted levels and general fund reserve adequacy.

The committee recommendation for Special Court Services increases Court Appointed Attorneys by \$264.8 thousand, Alternative Dispute Resolution by \$3,400 and water rights by \$252.8 thousand. The recommendation funds all other AOC programs at FY16 operating budget levels.

BASE EXPANSION:

The Administrative Support Program requested a 0.5 financial specialist FTE funded from the jury and witness fund, the Statewide Automation Program requested 3 FTE for help desk operations and statistical analysis totaling \$306.2 thousand, and the Magistrate Court requested 1 project manager FTE with no general funds impact. LFC does not recommend AOC expansions at this time.

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 includes one million dollars (\$1,000,000) from the local DWI grant fund for drug courts. Any unexpected balances from appropriations made from the local DWI grant fund remaining at the end of fiscal year 2017 shall revert to the local DWI grant fund.

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	IT special senior - 1 FTE	(P560)	107.0	0.0
2	IT specialist - 1 FTE	(P560)	99.6	0.0
3	IT specialist - 1 FTE	(P560)	99.6	0.0
4	Financial specialist - 0.5 FTE	(P559)	0.0	0.0
5	<u>Court mediation - 1 FTE</u>	<u>(P610)</u>	<u>0.0</u>	<u>0.0</u>
TOTAL			306.2	0.0

ADMINISTRATIVE SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	8,081.3	8,770.9	9,689.5	9,483.3	8.1
Other Transfers	542.2	310.9	310.9	310.9	0.0
Federal Revenues	450.2	876.5	837.9	837.9	-4.4
Other Revenues	2,053.8	2,275.0	2,025.0	2,025.0	-11.0
Fund Balance	136.8	0.0	0.0	0.0	
SOURCES TOTAL	11,264.3	12,233.3	12,863.3	12,657.1	3.5
USES					
Personal Services and Employee Benefits	4,468.0	4,016.7	4,431.1	4,224.9	5.2
Contractual Services	882.8	1,609.1	1,498.9	1,498.9	-6.8
Other	7,060.4	6,607.5	6,933.3	6,933.3	4.9
TOTAL USES	12,411.2	12,233.3	12,863.3	12,657.1	3.5
FTE					
Permanent	38.8	40.3	40.8	40.3	0.0
Term	3.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	41.8	49.3	49.8	49.3	0.0

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Average cost per juror	\$55.40	\$59.85	\$50.00	\$55.00	\$55.00

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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,489.3	3,484.5	4,378.1	3,699.0	6.2
Other Revenues	5,668.2	4,945.6	5,134.0	5,134.0	3.8
Fund Balance	0.0	800.1	412.4	412.4	-48.5
SOURCES TOTAL	9,157.5	9,230.2	9,924.5	9,245.4	0.2
USES					
Personal Services and Employee Benefits	5,066.5	5,133.6	6,331.2	5,345.9	4.1
Contractual Services	356.2	1,263.0	1,030.0	1,030.0	-18.4
Other	2,570.0	2,833.6	2,869.5	2,869.5	1.3
TOTAL USES	7,992.7	9,230.2	10,230.7	9,245.4	0.2
FTE					
Permanent	44.5	44.5	47.5	44.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	53.5	53.5	56.5	53.5	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Quality	Percent of accurate driving-while-intoxicated court reports	94%	94%	98%	98%	98%
Output	Number of help desk calls for assistance resolved	28,369	23,668	24,000	24,000	24,000
Quality	Average time to resolve automation calls for assistance, in hours	9	4	9	8	4
Quality	Judicial computer user qualitative rating of judicial information program help desk support	5	5	4	4	5

MAGISTRATE COURT

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

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	25,651.9	26,975.7	30,604.5	28,091.7	4.1
Other Transfers	616.2	50.0	0.0	0.0	-100.0
Other Revenues	3,465.1	3,520.7	3,428.7	3,428.7	-2.6
Fund Balance	1,234.1	618.7	49.0	49.0	-92.1
SOURCES TOTAL	30,967.3	31,165.1	34,082.2	31,569.4	1.3
USES					
Personal Services and Employee Benefits	21,230.2	21,020.6	24,074.1	21,712.4	3.3
Contractual Services	813.2	591.8	541.3	541.3	-8.5
Other	9,212.5	9,552.7	9,466.8	9,315.7	-2.5
TOTAL USES	31,255.9	31,165.1	34,082.2	31,569.4	1.3
FTE					
Permanent	285.0	288.0	289.0	288.0	0.0
Term	57.5	55.5	55.5	55.5	0.0
TOTAL FTE POSITIONS	342.5	343.5	344.5	343.5	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.3	\$3.3	\$3.3	\$3.3	\$3.3
* Explanatory	Cases disposed as a percent of cases filed	100%	100%	100%	100%	100%
Efficiency	Percent of magistrate courts' financial reports submitted to fiscal services division and reconciled on a monthly basis	100%	100%	100%	100%	100%
Quality	Bench warrant revenue collected as a percent of warrant fees assessed	TBD	TBD	75%	TBD	75%
Output	Time from filing to final disposition for all case types	TBD	TBD	120	TBD	120

SPECIAL COURT SERVICES

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

AOC - SPECIAL COURT SERVICES APPROPRIATIONS

BUDGET SUMMARY

(dollars in thousands)

FY 2016 - 2017

	<u>FY16 2015- 2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES				
General fund transfers	10,191.3	10,721.2	10,459.5	2.6%
Other transfers	1,611.3	1,690.0	1,621.9	0.7%
Federal program revenues				
Other program revenues				
General revenues				
Fund balance	74.8	249.0	317.1	323.9%
TOTAL REVENUE	\$11,877.4	\$12,660.2	\$12,398.5	4.4%
USES				
(a) Court-appointed Special Advocates	1,424.6	1,507.2	1,424.6	0.0%
(b) Supervised Visitation	898.7	984.9	898.7	0.0%
(c) Water Rights	686.2	939.0	939.0	36.8%
(d) Court-appointed Attorneys	5,400.2	5,708.0	5,665.1	4.9%
(e) Children's Mediation	231.9	281.9	231.9	0.0%
(f) Judge Pro Temp	30.9	30.9	30.9	0.0%
(g) Access to Justice	127.2	127.2	127.2	0.0%
(h) Statewide Alternative Dispute Resolution	0.0	3.4	3.4	0.0%
(i) Drug Court	3,077.7	3,077.7	3,077.7	0.0%
TOTAL EXPENDITURES	\$11,877.4	\$12,660.2	\$12,398.5	4.4%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of required events attended by attorneys in abuse and neglect cases	13,866	15,573	8,000	8,000	15,000
Output	Number of monthly supervised child visitations and exchanges conducted	1,016	1,396	1,100	1,100	1,100
Quality	Statewide recidivism rate for drug-court participants	15%	13%	15%	15%	14%
Output	Number of children to whom court-appointed special advocate volunteers are assigned	1,553	1,855	1,500	1,500	1,500
Quality	Statewide recidivism rate for drug-court participants	15%	13%	15%	15%	14%

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 96 judges preside. Distribution and number of judgeships is determined in New Mexico statute. In the last eight years, 21 district judgeships have been created.

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	74,915.7	76,513.0	82,509.4	77,164.0	0.9
Other Transfers	4,632.2	6,498.3	6,317.0	6,317.0	-2.8
Federal Revenues	76.3	116.0	116.0	116.0	0.0
Other Revenues	5,484.5	4,145.0	4,424.6	4,800.8	15.8
Fund Balance	804.4	851.5	911.8	911.8	7.1
SOURCES TOTAL	85,913.1	88,123.8	94,278.8	89,309.6	1.3
USES					
Personal Services and Employee Benefits	72,474.8	76,089.9	81,506.3	76,951.8	1.1
Contractual Services	6,711.1	7,146.1	7,775.4	7,180.7	0.5
Other	5,692.4	4,887.8	5,353.5	5,177.1	5.9
TOTAL USES	84,878.3	88,123.8	94,635.2	89,309.6	1.3
FTE					
Permanent	979.8	981.8	999.0	981.8	0.0
Term	92.5	96.6	96.5	96.6	0.0
Temporary	0.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	1,072.3	1,078.4	1,095.5	1,078.4	0.0

AT A GLANCE:

The New Mexico judicial unified budget process allows the district courts to present their budget priorities within an overarching framework established by the judiciary's budget committee, Chief Judge's Council, and justices of the Supreme Court. The FY17 priorities included raises for all employees and judges and base budget increases to fund General Services Department rates and health insurance premiums, as well as a judgeship in the 5th judicial district to accommodate the increased case filings.

The district courts report low salaries adversely affect staff retention and succession planning. District courts had an average 1 percent decrease in case filings from FY14 to FY15, only the 1st, 5th, 6th, 7th, and 11th Judicial District Courts experienced increased case filings, with 4.2 percent in the 5th Judicial District Court.

The committee recommends increases for adjusted retirement, health insurance, General Services Department rates and salary increases for clerks and judges statewide. No staff or judgeship expansions are recommended.

BUDGET ISSUES:

The district courts requested a \$6 million, or 7.8 percent, general fund increase, including \$3.7 million for employee raises comprised of \$1.3 million for an 11 percent raise for court clerks, \$826.6 thousand for a 5 percent raise for judges, and \$1.6 million for an average 2 percent salary increase for all other employees. The 2nd and 13th districts requested funding to maintain their mortgage foreclosure programs, which settle foreclosures through mediation and ensure the involvement of banks in the process. Additional FTE were requested in the base budgets of the 1st, 3rd, 5th, 6th, and 8th districts. There were no requests for additional drug-court funding in FY17 due to the sufficiency of liquor excise tax funds and general fund appropriation levels of FY16, as well as gains from Medicaid expansions, which will allow programs to expand service into FY17.

The National Center for State Courts reports New Mexico district court judges are the 50th lowest paid judges among the states and the District of Columbia. The district courts requested \$826.6 thousand for a 5 percent salary increase for district judges. The requested increase would bring district judge salaries to 43rd among other states.

The district courts transferred \$1.2 million out of personal services and employee benefits in FY15. The largest transfers were in the 3rd judicial district (\$285.9 thousand), the 5th judicial district (\$192 thousand), and the 1st judicial district (\$150 thousand).

The committee recommends a \$651.1 thousand, or 0.9 percent, general fund increase for the district courts. The recommendation fully funds requests for agency audits in the contractual services category and maintains other contracts at FY16 operating budget levels. For the other costs category, the recommendation for most district courts matches FY16 operating budget levels. The LFC recommendation includes funding for a salary increase for district judges, to bring judicial compensation closer to the national median, and for court clerks, to reduce turnover which was 32 percent statewide in FY15. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on consensus revenue estimates achieving targeted levels and general fund reserve adequacy.

BASE EXPANSION:

Case filings in the 5th judicial district increased 4.2 percent from 12.7 thousand in FY14 to 13.3 thousand in FY15. The sentencing commission ranked the 5th judicial district highest in terms of judgeship need. The 5th judicial district requested a new judgeship for Eddy County, which included a judge, a trial court administrative assistant, a court monitor, and a court clerk, totaling \$356.4 thousand. The committee does not recommend the judgeship at this time.

RECOMMENDED LANGUAGE:

The other state funds appropriation for the second judicial district court in the personal services and employee benefits category includes one hundred sixty thousand, one hundred dollars (\$160,100) from the consumer settlement fund for the mortgage foreclosure settlement program.

The other state funds appropriation for the thirteenth judicial district court in the personal services and employee benefits category includes two hundred sixteen thousand, one hundred dollars (\$216,100) from the consumer settlement fund for the mortgage foreclosure settlement program.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Increase existing surveillance officer - .25 FTE	(P233)	0.0	0.0
1	Judgeship	(P235)	356.4	0.0
1	Probation Officer – 1 FTE	(P236)	0.0	0.0
TOTAL			356.4	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,886.4	7,109.2	7,548.9	7,158.3	0.7
Other Transfers	690.5	683.7	749.8	749.8	9.7
Other Revenues	276.3	464.4	464.4	464.4	0.0
Fund Balance	13.0	0.0	0.0	0.0	
SOURCES TOTAL	7,866.2	8,257.3	8,763.1	8,372.5	1.4
USES					
Personal Services and Employee Benefits	6,803.2	7,381.8	7,763.7	7,451.4	0.9
Contractual Services	453.8	441.4	537.8	459.5	4.1
Other	472.8	434.1	461.6	461.6	6.3
TOTAL USES	7,729.8	8,257.3	8,763.1	8,372.5	1.4
FTE					
Permanent	89.0	89.0	93.0	89.0	0.0
Term	7.8	7.8	7.8	7.8	0.0
TOTAL FTE POSITIONS	96.8	96.8	100.8	96.8	0.0

FIRST JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	91%	100%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	27%	19%	20%	20%	20%
Quality	Recidivism of juvenile drug-court graduates	26%	6%	20%	10%	10%
Output	Number of adult drug-court graduates	22	16	25	20	20
Output	Number of juvenile drug-court graduates	22	5	25	10	25
Output	Median number of days to process vendor payment vouchers	12	9	10	10	10
Output	Number of days to process juror payment vouchers	12	7	5	5	5
Explanatory	Graduation rate, juvenile drug-court	22%	17%	60%	40%	40%
Explanatory	Graduation rate, adult drug-court	58%	57%	58%	58%	58%

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	23,062.9	23,347.3	25,296.6	23,482.3	0.6
Other Transfers	217.0	1,314.9	1,326.2	1,326.2	0.9
Other Revenues	3,506.2	2,763.5	2,601.1	2,761.2	-0.1
Fund Balance	433.6	433.6	584.9	584.9	34.9
SOURCES TOTAL	27,219.7	27,859.3	29,808.8	28,154.6	1.1
USES					
Personal Services and Employee Benefits	24,486.9	25,760.5	27,266.7	25,944.1	0.7
Contractual Services	582.3	434.6	842.1	510.5	17.5
Other	1,541.3	1,664.2	1,700.0	1,700.0	2.2
TOTAL USES	26,610.5	27,859.3	29,808.8	28,154.6	1.1
FTE					
Permanent	328.5	328.5	330.5	328.5	0.0
Term	55.5	57.5	57.5	57.5	0.0
TOTAL FTE POSITIONS	384.0	386.0	388.0	386.0	0.0

RECOMMENDED LANGUAGE:

The other state funds appropriation in the personal services and employee benefits category includes one hundred sixty thousand, one hundred dollars (\$160,100) from the consumer settlement fund for the mortgage foreclosure settlement program.

SECOND JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	103%	105%	100%	100%	100%
Quality	Recidivism of adult drug-court graduates	16%	8%	<15%	10%	10%
Quality	Recidivism of juvenile drug-court graduates	41%	40%	<30%	30%	30%
Output	Number of adult drug-court graduates	58	66	60	65	65
Output	Number of juvenile drug-court graduates	9	13	10	10	10
Output	Median number of days to process vendor payment vouchers	1	1.3	2	2	1.5
Output	Number of days to process juror payment vouchers	18	17	14	14	14
Explanatory	Graduation rate, adult drug-court	56%	51%	60%	60%	60%
Explanatory	Graduation rate, juvenile drug-court	56%	68%	57%	60%	65%

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,581.8	6,614.5	7,161.3	6,728.2	1.7
Other Transfers	332.2	796.6	409.2	409.2	-48.6
Other Revenues	651.7	161.2	659.9	659.9	309.4
Fund Balance	32.6	133.5	11.0	11.0	-91.8
SOURCES TOTAL	7,598.3	7,705.8	8,241.4	7,808.3	1.3
USES					
Personal Services and Employee Benefits	6,242.4	6,605.9	7,071.9	6,706.5	1.5
Contractual Services	876.6	787.2	852.2	784.5	-0.3
Other	454.6	312.7	317.3	317.3	1.5
TOTAL USES	7,573.6	7,705.8	8,241.4	7,808.3	1.3
FTE					
Permanent	85.3	85.3	86.5	85.3	0.0
Term	7.3	7.3	7.3	7.3	0.0
TOTAL FTE POSITIONS	92.6	92.6	93.8	92.6	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency <u>Rank</u>		(Program)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	Increase existing surveillance officer - .25 FTE	(P233)	0.0	0.0
TOTAL			0.0	0.0

THIRD JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	98%	100%	100%	100%
Quality	Recidivism of adult drug-court graduates	12%	11%	10%	10%	10%
Quality	Recidivism of juvenile drug-court graduates	17%	16%	15%	15%	15%
Output	Number of adult drug-court graduates	16	13	20	15	20
Output	Number of juvenile drug-court graduates	14	17	20	20	20
Output	Median number of days to process vendor payment vouchers	13	5.1	5	5	5
Output	Number of days to process juror payment vouchers	13	12.3	13	13	13
Explanatory	Graduation rate, adult drug-court	64%	54%	65%	60%	60%
Explanatory	Graduation rate, juvenile drug-court	44%	46%	50%	50%	50%

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,252.7	2,365.9	2,491.1	2,390.9	1.1
Other Transfers	169.3	169.3	169.3	169.3	0.0
Other Revenues	13.2	25.0	15.0	15.0	-40.0
Fund Balance	0.0	2.0	2.0	2.0	0.0
SOURCES TOTAL	2,435.2	2,562.2	2,677.4	2,577.2	0.6
USES					
Personal Services and Employee Benefits	2,044.4	2,192.0	2,250.7	2,201.9	0.5
Contractual Services	206.2	211.3	241.2	201.3	-4.7
Other	184.0	158.9	185.5	174.0	9.5
TOTAL USES	2,434.6	2,562.2	2,677.4	2,577.2	0.6
FTE					
Permanent	29.5	29.5	29.5	29.5	0.0
TOTAL FTE POSITIONS	29.5	29.5	29.5	29.5	0.0

FOURTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	97%	100%	97%	97%	97%
Output	Median number of days to process vendor payment vouchers	1	<1	2	2	2
Output	Number of days to process juror payment vouchers	2	2	3	3	3
Explanatory	Graduation rate, juvenile drug-court	50%	42%	60%	TBD	60%
Quality	Recidivism of juvenile drug-court graduates	25%	17%	20%	TBD	20%
Output	Number of juvenile drug-court graduates	3	5	5	TBD	6

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,604.7	6,701.8	7,406.0	6,751.8	0.7
Other Transfers	503.1	505.0	512.7	512.7	1.5
Other Revenues	149.7	120.0	125.0	125.0	4.2
Fund Balance	3.7	10.0	0.0	0.0	-100.0
SOURCES TOTAL	7,261.2	7,336.8	8,043.7	7,389.5	0.7
USES					
Personal Services and Employee Benefits	5,935.9	6,274.3	7,168.2	6,287.9	0.2
Contractual Services	748.6	781.4	797.0	767.2	-1.8
Other	515.1	281.1	434.9	334.4	19.0
TOTAL USES	7,199.6	7,336.8	8,400.1	7,389.5	0.7
FTE					
Permanent	84.0	84.0	92.0	84.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	85.0	85.0	93.0	85.0	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Judgeship	(P235)	356.4	0.0
TOTAL			356.4	0.0

FIFTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	95%	100%	95%	95%	100%
Output	Median number of days to process vendor payment vouchers	4	4.8	5	5	5
Output	Number of days to process juror payment vouchers	4	5	5	5	5
Explanatory	Graduation rate, family drug-court	88%	45%	90%	60%	80%
Quality	Recidivism of family drug-court graduates	36%	16%	15%	15%	15%
Output	Number of family drug-court graduates	14	10	15	15	15

BUDGET SUMMARY
(dollars in thousands)

	<u>FY17 – 2016-2017</u>				
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	3,249.6	3,325.8	3,511.7	3,353.1	0.8
Other Transfers	187.9	181.7	245.6	245.6	35.2
Other Revenues	20.2	20.0	20.0	20.0	0.0
Fund Balance	6.7	12.0	12.0	12.0	0.0
SOURCES TOTAL	3,464.4	3,539.5	3,789.3	3,630.7	2.6
USES					
Personal Services and Employee Benefits	2,542.5	2,645.6	2,888.0	2,729.4	3.2
Contractual Services	706.4	733.2	739.2	739.2	0.8
Other	208.8	160.7	162.1	162.1	0.9
TOTAL USES	3,457.7	3,539.5	3,789.3	3,630.7	2.6
FTE					
Permanent	37.0	37.0	38.0	37.0	0.0
TOTAL FTE POSITIONS	37.0	37.0	38.0	37.0	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency</u> <u>Rank</u>		<u>(Program)</u>	<u>Agency</u> <u>Request</u>	<u>LFC Recom-</u> <u>mendation</u>
<u>1</u>	<u>Probation officer – 1 FTE</u>	<u>(P236)</u>	<u>0.0</u>	<u>0.0</u>
TOTAL			0.0	0.0

SIXTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	95%	100%	100%	100%
Quality	Recidivism of juvenile drug-court graduates	26%	20%	20%	20%	20%
Output	Number of juvenile drug-court graduates	7	5	9	10	10
Output	Median number of days to process vendor payment vouchers	8	12.6	5	5	5
Output	Number of days to process juror payment vouchers	11	7.5	9	9	8
Explanatory	Graduation rate, juvenile drug-court	88%	63%	90%	65%	80%

BUDGET SUMMARY
(dollars in thousands)

			FY17 – 2016-2017		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,378.6	2,401.3	2,618.7	2,437.1	1.5
Other Transfers	426.1	426.1	428.4	428.4	0.5
Other Revenues	16.2	26.5	24.5	24.5	-7.5
Fund Balance	0.0	5.0	5.0	5.0	0.0
SOURCES TOTAL	2,820.9	2,858.9	3,076.6	2,895.0	1.3
USES					
Personal Services and Employee Benefits	2,120.1	2,304.5	2,510.0	2,338.9	1.5
Contractual Services	325.0	381.3	401.3	390.8	2.5
Other	347.5	173.1	165.3	165.3	-4.5
TOTAL USES	2,792.6	2,858.9	3,076.6	2,895.0	1.3
FTE					
Permanent	30.0	30.0	30.0	30.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

SEVENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	95%	100%	100%	100%
Output	Median number of days to process vendor payment vouchers	2	2	3	3	3
Output	Number of days to process juror payment vouchers	<1	3	2	2	2

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,906.5	3,052.7	3,246.5	3,067.7	0.5
Other Transfers	181.7	181.7	181.7	181.7	0.0
Other Revenues	38.3	81.0	81.0	81.0	0.0
SOURCES TOTAL	3,126.5	3,315.4	3,509.2	3,330.4	0.5
USES					
Personal Services and Employee Benefits	2,196.5	2,335.1	2,484.6	2,335.4	0.0
Contractual Services	787.1	855.7	900.0	870.4	1.7
Other	133.0	124.6	124.6	124.6	0.0
TOTAL USES	3,116.6	3,315.4	3,509.2	3,330.4	0.5
FTE					
Permanent	31.0	33.0	34.0	33.0	0.0
TOTAL FTE POSITIONS	31.0	33.0	34.0	33.0	0.0

EIGHTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	100%	95%	95%	95%
Quality	Recidivism of adult drug-court graduates	18%	11%	15%	15%	15%
Quality	Recidivism of juvenile drug-court graduates	10%	18%	10%	15%	10%
Output	Number of adult drug-court graduates	15	15	20	20	20
Output	Number of juvenile drug-court graduates	8	17	10	15	15
Output	Median number of days to process vendor payment vouchers	3	2	3	3	3
Output	Number of days to process juror payment vouchers	1	1	2	2	2
Explanatory	Graduation rate, juvenile drug-court	42%	65%	60%	65%	60%
Explanatory	Graduation rate, adult drug-court	30%	37%	60%	40%	50%

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,403.7	3,462.3	3,725.2	3,494.4	0.9
Other Transfers	691.1	689.6	751.1	751.1	8.9
Other Revenues	60.8	61.0	60.7	60.7	-0.5
Fund Balance	57.7	0.0	0.0	0.0	
SOURCES TOTAL	4,213.3	4,212.9	4,537.0	4,306.2	2.2
USES					
Personal Services and Employee Benefits	3,758.4	3,849.0	4,145.8	3,915.0	1.7
Contractual Services	156.4	137.7	132.7	132.7	-3.6
Other	296.2	226.2	258.5	258.5	14.3
TOTAL USES	4,211.0	4,212.9	4,537.0	4,306.2	2.2
FTE					
Permanent	45.0	45.0	45.0	45.0	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	51.5	51.5	51.5	51.5	0.0

NINTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	98%	100%	100%	100%	100%
Output	Median number of days to process vendor payment vouchers	5	5	5	5	5
Output	Number of days to process juror payment vouchers	7	11	5	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	889.0	931.1	990.1	945.7	1.6
Other Revenues	8.3	12.5	12.5	12.5	0.0
Fund Balance	23.3	27.8	27.8	27.8	0.0
SOURCES TOTAL	920.6	971.4	1,030.4	986.0	1.5
USES					
Personal Services and Employee Benefits	734.6	774.6	814.5	784.9	1.3
Contractual Services	50.3	93.5	97.7	90.4	-3.3
Other	108.3	103.3	118.2	110.7	7.2
TOTAL USES	893.2	971.4	1,030.4	986.0	1.5
FTE					
Permanent	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	10.0	10.0	0.0

TENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	100%	100%	100%	100%
Output	Median number of days to process vendor payment vouchers	1	2	1	1	1
Output	Number of days to process juror payment vouchers	1	<1	1	1	1

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,309.1	6,535.8	7,002.5	6,598.4	1.0
Other Transfers	353.0	695.1	695.1	695.1	0.0
Other Revenues	512.4	137.0	137.0	137.0	0.0
Fund Balance	0.0	12.0	12.0	12.0	0.0
SOURCES TOTAL	7,174.5	7,379.9	7,846.6	7,442.5	0.8
USES					
Personal Services and Employee Benefits	5,977.9	6,289.4	6,737.9	6,345.0	0.9
Contractual Services	614.1	762.9	762.9	762.9	0.0
Other	552.0	327.6	345.8	334.6	2.1
TOTAL USES	7,144.0	7,379.9	7,846.6	7,442.5	0.8
FTE					
Permanent	82.5	82.5	82.5	82.5	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	89.0	89.0	89.0	89.0	0.0

ELEVENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	96%	92%	96%	95%	96%
Quality	Recidivism of adult drug-court graduates	27%	25%	20%	20%	20%
Quality	Recidivism of juvenile drug-court graduates	20%	35%	19%	25%	20%
Output	Number of adult drug-court graduates	20	16	25	20	20
Output	Number of juvenile drug-court graduates	10	8	15	15	15
Output	Median number of days to process vendor payment vouchers	1	3	3	3	3
Output	Number of days to process juror payment vouchers	2	5	2	2	2
Explanatory	Graduation rate, juvenile drug-court	71%	44%	75%	50%	65%
Explanatory	Graduation rate, adult drug-court	38%	37%	50%	50%	50%

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,277.0	3,458.4	3,693.1	3,498.4	1.2
Other Transfers	130.9	130.9	123.5	123.5	-5.7
Other Revenues	45.2	52.0	47.5	47.5	-8.7
Fund Balance	38.1	69.7	66.2	66.2	-5.0
SOURCES TOTAL	3,491.2	3,711.0	3,930.3	3,735.6	0.7
USES					
Personal Services and Employee Benefits	2,886.3	3,162.6	3,350.7	3,201.7	1.2
Contractual Services	253.3	272.6	218.0	218.0	-20.0
Other	337.3	275.8	361.6	315.9	14.5
TOTAL USES	3,476.9	3,711.0	3,930.3	3,735.6	0.7
FTE					
Permanent	45.5	45.5	45.5	45.5	0.0
TOTAL FTE POSITIONS	45.5	45.5	45.5	45.5	0.0

TWELFTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	89%	94%	90%	90%	90%
Quality	Recidivism of juvenile drug-court participants	27%	43%	20%	20%	20%
Output	Number of juvenile drug-court graduates	3	2	7	5	6
Output	Median number of days to process vendor payment vouchers	2	1.9	2	2	2
Output	Number of days to process juror payment vouchers	11	10	5	5	5
Explanatory	Graduation rate, juvenile drug-court	38%	33%	40%	40%	40%

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	7,113.7	7,206.9	7,817.7	7,257.7	0.7
Other Transfers	749.4	723.7	724.4	724.4	0.1
Federal Revenues	76.3	116.0	116.0	116.0	0.0
Other Revenues	186.0	220.9	176.0	392.1	77.5
Fund Balance	195.7	145.9	190.9	190.9	30.8
SOURCES TOTAL	8,321.1	8,413.4	9,025.0	8,681.1	3.2
USES					
Personal Services and Employee Benefits	6,745.7	6,514.6	7,053.6	6,709.7	3.0
Contractual Services	951.0	1,253.3	1,253.3	1,253.3	0.0
Other	541.5	645.5	718.1	718.1	11.2
TOTAL USES	8,238.2	8,413.4	9,025.0	8,681.1	3.2
FTE					
Permanent	82.5	82.5	82.5	82.5	0.0
Term	4.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	86.5	88.5	88.5	88.5	0.0

THIRTEENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	93%	100%	95%	95%
Quality	Recidivism of juvenile drug-court graduates	11%	12%	9%	10%	9%
Output	Number of juvenile drug-court graduates	60	36	60	50	55
Output	Median number of days to process vendor payment vouchers	3	2	4	4	3
Output	Number of days to process juror payment vouchers	6	2	6	6	3
Explanatory	Graduation rate, juvenile drug-court	72%	64%	73%	65%	73%

STATUTORY AUTHORITY:

The Bernalillo County Metropolitan 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)					
FY17 – 2016-2017					
	FY15 2014-2015	FY16 2015-2016	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	23,795.6	23,842.5	25,489.7	24,042.5	0.8
Other Transfers	430.0	436.3	499.1	499.1	14.4
Federal Revenues	329.2	327.2	385.0	385.0	17.7
Other Revenues	2,074.3	2,449.9	2,152.0	2,152.0	-12.2
Fund Balance	21.6	242.1	224.5	224.5	-7.3
SOURCES TOTAL	26,650.7	27,298.0	28,750.3	27,303.1	0.0
USES					
Personal Services and Employee Benefits	20,488.6	20,950.4	22,319.3	21,067.8	0.6
Contractual Services	2,886.1	3,188.4	3,131.5	2,968.4	-6.9
Other	3,189.0	3,144.2	3,289.5	3,266.9	3.9
Other Financing Uses	0.0	15.0	10.0	0.0	-100.0
TOTAL USES	26,563.7	27,298.0	28,750.3	27,303.1	0.0
FTE					
Permanent	299.0	299.0	299.0	299.0	0.0
Term	40.0	39.8	39.8	39.8	0.0
TOTAL FTE POSITIONS	339.0	338.8	338.8	338.8	0.0

AT A GLANCE:

The Bernalillo County Metropolitan Court (Metro Court) processes the highest volume of cases of any single state court. In FY15, the court had a total of 85.5 thousand cases filed, a reduction of 13.3 thousand, or 13.5 percent, from FY14, and a decline of 32.8 percent from FY09. The court had a FY15 clearance rate of 94 percent, up from 91 percent in FY14. The court's operating budget supports 16 criminal and three civil judicial divisions as well as courtroom support, interpreters, mediation, and drug court.

Metro court requested an increase in the personal services and employee benefits category for salary increases for all court employees. The committee recommendation funds the contractual services category above FY15 expenditures and the other costs categories above the FY16 operating budget, and includes sufficient funding for raises for both judges and court clerks.

BUDGET ISSUES:

For FY17, Metro Court requested a general fund increase of \$1.6 million, or 7 percent, over the FY16 operating budget. The FY17 request for the personal services and employee benefits category included salary increases, composed of \$1.3 million to support 11 percent raises for court clerks, 5 percent for judges, and an average 2.3 percent for all other employees.

Metro Court has a current total vacancy rate of 12.4 percent and transferred \$220.5 thousand, or 1 percent, out of the personal services and employee benefits category. For FY17, Metro Court requested a 5.3 percent vacancy rate. The court also requested a decrease in contractual services of 1.8 percent, or \$56.9 thousand relative to FY16. In the other costs category the court requested a \$145.3 thousand, or 4.6 percent, increase for building and equipment maintenance.

The committee recommends a general fund increase of \$200 thousand, or 0.8 percent for increased General Services Department rates and Department of Information Technology rates and utilities in the other costs category. The recommendation funds the contractual services category above FY15 actual expenditures, and includes funding for judge and court clerk raises, to increase compensation closer to the national median and to reduce high annual turnover. However, the committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on consensus revenue estimates achieving targeted levels and general fund reserve adequacy.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</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	92.6%	104.4%	95%	95%	100%
Efficiency	Cost per client per day for adult drug-court participants	\$10.79	\$14.23	\$10.65	\$13.00	\$13.00
Quality	Recidivism of driving-while-intoxicated drug-court graduates	7.7%	5.5%	7%	7%	5%
Output	Number of driving-while-intoxicated drug-court graduates	147	140	145	150	150
Explanatory	Graduation rate of drug-court participants	73.9%	80%	80%	75%	80%
Outcome	Fees and fines collected as a percent of fees and fines assessed	104.2%	141%	95%	98%	100%

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)					
FY17 – 2016-2017					
	FY15 2014-2015	FY16 2015-2016	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	61,949.2	62,720.6	66,978.1	64,326.5	2.6
Other Transfers	685.7	545.9	657.9	657.9	20.5
Federal Revenues	1,202.7	1,310.8	1,197.8	1,197.8	-8.6
Other Revenues	1,000.7	930.8	908.0	908.0	-2.4
Fund Balance	364.0	636.7	119.1	177.4	-72.1
SOURCES TOTAL	65,202.3	66,144.8	69,860.9	67,267.6	1.7
USES					
Personal Services and Employee Benefits	59,039.3	61,906.2	65,381.4	63,124.5	2.0
Contractual Services	541.1	484.7	552.9	432.9	-10.7
Other	5,143.8	3,753.9	3,926.6	3,710.2	-1.2
TOTAL USES	64,724.2	66,144.8	69,860.9	67,267.6	1.7
FTE					
Permanent	886.0	888.0	912.0	891.0	0.3
Term	54.5	54.5	45.5	54.5	0.0
TOTAL FTE POSITIONS	940.5	942.5	957.5	945.5	0.3

AT A GLANCE:

Federal funding for district attorney offices from the southwest border protection initiative (SWBPI) grants has ceased, leaving many offices with unfunded FTE created when funding from the initiative began. Several districts have budgeted SWBPI fund balances that accumulated over several fiscal years to offset general fund growth. A district is qualified for SWBPI funding if it prosecutes or detains defendants in federally instigated and referred criminal cases.

The New Mexico Sentencing Commission reports on staffing levels of the district attorneys based on fiscal year case filings. The Sentencing Commission's annual FTE-needs study, based on its original 2007 workload study, found nine district attorney's offices were understaffed despite a decrease in criminal case filings around the state. The 1st, 2nd, and 5th judicial district attorneys were the three offices with the highest needs. Only the 10th, 8th, 6th, 7th, and 4th judicial district attorney offices had sufficient staffing, according to the report.

The committee recommendation for the district attorneys provides funding in all three categories aligned with FY15 actual expenditures or FY16 operating levels. The LFC recommendation prioritized funding in offices of the district attorneys with the highest FTE need and most adversely affected by the discontinuation of SWBPI.

BUDGET ISSUES:

District attorneys administer a wide array of programs, including prosecutions, counseling services for victims and perpetrators, victim assistance and advocacy, domestic violence intervention, juvenile justice, public safety and training, preprosecution diversion, drug control and prevention, and gang violence reduction. The general fund provides the majority of the funding for all offices of the district attorneys.

In FY15, district attorneys statewide transferred \$2.2 million out of the personal services and employee benefits (EB) category for other operational expenses. Of the total amount transferred out of the EB category, \$593 thousand is attributable to the 13th Judicial District Attorney, about 12 percent of its FY15 EB operating budget and \$311 thousand is attributable to the 4th Judicial District Attorney, about 10 percent of its FY15 EB operating budget. Additionally the district attorneys statewide reverted \$163 thousand in FY15. Of the total reversions, the 7th Judicial District Attorney's Office reverted \$49.3 thousand, the 9th Judicial District Attorney's Office reverted \$34.3 thousand, and the 12th Judicial District Attorney's Office reverted \$21.7 thousand.

For FY17, the district attorneys requested a total budget increase of 7.6 percent, ranging from a low of 0.4 percent for the 7th Judicial District Attorney to a high of 31.6 percent for the 11th Judicial District Attorney Division I. The majority of the base increase requests were to replace lapsing SWBPI funding that supported salaries and benefits.

The committee recommends an average 2.6 percent general fund increase statewide. The recommendation funds personnel costs at an average 1.4 percent vacancy rate and funds the contractual services and other costs categories either flat with FY16 or at the FY15 expenditure level. The LFC recommendation includes funding for a targeted salary increase for elected district attorneys who, according to data provided by the Administrative Office of the District Attorneys, have the lowest salaries in the region. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for distribution to agencies and is contingent on consensus revenue amounts achieving targeted levels and adequate general fund reserves.

BASE EXPANSION:

Four district attorneys requested FTE expansions totaling \$551.8 thousand: the 1st Judicial District Attorney requested two senior secretaries to assist attorneys in the preparation of documents for a total \$84.2 thousand; the 5th Judicial District Attorney requested an expansion of 5 FTE totaling \$152.7 thousand; the 10th Judicial District Attorney requested an expansion of \$68.1 thousand for a prosecution specialist, and the 12th Judicial District Attorney requested two senior trial attorneys and two prosecution assistants totaling \$246.8 thousand. The LFC recommendation does not include any expansions at this time.

BASE EXPANSION LISTING FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Secretarial support staff - 2 FTE	(P251)	84.2	0.0
1	Secretaries and program specialist- 3 FTE	(P255)	0.0	0.0
2	Senior trial attorney and secretary - 2 FTE	(P255)	152.7	0.0
1	Prosecution specialist - 1 FTE	(P260)	68.1	0.0
1	<u>Senior attorneys and support staff - 4 FTE</u>	<u>(P262)</u>	<u>246.8</u>	<u>0.0</u>
TOTAL			551.8	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,262.3	5,316.5	5,550.7	5,482.6	3.1
Other Transfers	43.4	43.4	43.4	43.4	0.0
Federal Revenues	120.1	120.1	120.1	120.1	0.0
SOURCES TOTAL	5,425.8	5,480.0	5,714.2	5,646.1	3.0
USES					
Personal Services and Employee Benefits	4,977.3	5,019.2	5,253.4	5,185.3	3.3
Contractual Services	18.8	24.0	24.0	24.0	0.0
Other	425.3	436.8	436.8	436.8	0.0
TOTAL USES	5,421.4	5,480.0	5,714.2	5,646.1	3.0
FTE					
Permanent	70.0	70.0	72.0	70.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	73.0	73.0	75.0	73.0	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency <u>Rank</u>		(<u>Program</u>)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
<u>1</u>	<u>Secretarial support staff - 2 FTE</u>	<u>(P251)</u>	<u>84.2</u>	<u>0.0</u>
TOTAL			84.2	0.0

FIRST JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.9%	0.8%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	36	41	<35	<35	<35
* Efficiency	Average time from filing of petition to final disposition, in months	4	7	6	6	6
Efficiency	Average attorney caseload	300	300	280	280	280
Output	Number of cases prosecuted	4,250	5,016	4,625	4,625	4,625
Output	Number of cases referred for screening	7,356	7,959	7,000	7,000	7,500
Output	Number of cases prosecuted per attorney	174	189	185	185	185
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	260	96	200	200	200

BUDGET SUMMARY
(dollars in thousands)

			FY17 – 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	18,380.3	18,522.7	18,954.6	18,863.8	1.8
Other Transfers	86.8	86.8	86.8	86.8	0.0
Federal Revenues	187.8	201.9	186.9	186.9	-7.4
Other Revenues	433.2	474.1	483.1	483.1	1.9
Fund Balance	0.0	100.0	50.0	50.0	-50.0
SOURCES TOTAL	19,088.1	19,385.5	19,761.4	19,670.6	1.5
USES					
Personal Services and Employee Benefits	18,009.8	18,274.0	18,545.1	18,547.1	1.5
Contractual Services	126.3	124.0	126.9	122.2	-1.5
Other	952.0	987.5	1,089.4	1,001.3	1.4
TOTAL USES	19,088.1	19,385.5	19,761.4	19,670.6	1.5
FTE					
Permanent	283.0	283.0	286.0	283.0	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	292.0	292.0	295.0	292.0	0.0

SECOND JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
Outcome	Percent of cases dismissed under the six-month rule	0.2%	1.4%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	41	292	10	10	10
* Efficiency	Average time from filing of petition to final disposition, in months	9	41	9	9	9
Efficiency	Average attorney caseload	250	243	250	220	220
Output	Number of cases prosecuted	19,695	20,233	20,000	20,000	20,000
Output	Number of cases referred for screening	25,575	24,177	25,600	24,000	24,100
Efficiency	Average number of cases prosecuted per attorney	181	184	190	184	184
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	169	180	170	180	180

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,716.1	4,776.9	5,054.7	4,896.7	2.5
Other Transfers	108.2	108.8	112.8	112.8	3.7
Federal Revenues	417.6	417.6	417.6	417.6	0.0
Other Revenues	163.3	141.6	138.2	138.2	-2.4
Fund Balance	51.4	95.8	69.1	69.1	-27.9
SOURCES TOTAL	5,456.6	5,540.7	5,792.4	5,634.4	1.7
USES					
Personal Services and Employee Benefits	5,149.1	5,262.7	5,493.7	5,356.4	1.8
Contractual Services	26.9	19.4	19.4	19.4	0.0
Other	280.5	258.6	279.3	258.6	0.0
TOTAL USES	5,456.5	5,540.7	5,792.4	5,634.4	1.7
FTE					
Permanent	62.0	63.0	63.0	63.0	0.0
Term	13.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	75.0	75.0	75.0	75.0	0.0

THIRD JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Efficiency	Average time from filing of petition to final disposition, in months	8	6	6	6	6
Output	Number of cases referred for screening	5,696	5,407	6,000	6,000	6,000
Output	Number of cases dismissed under the six-month rule	18	30	3	3	3
Output	Number of cases prosecuted	5,114	4,539	4,600	4,600	4,600
Outcome	Percent of cases dismissed under the six-month rule	0.35%	0.66%	0.05%	0.05%	0.05%
Efficiency	Average attorney caseload	259	251	160	160	160
Output	Number of cases prosecuted per attorney	232	211	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	146	114	140	140	140

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,179.7	3,170.7	3,310.7	3,207.7	1.2
SOURCES TOTAL	3,179.7	3,170.7	3,310.7	3,207.7	1.2
USES					
Personal Services and Employee Benefits	2,681.4	2,984.1	3,123.7	3,020.7	1.2
Contractual Services	34.9	29.9	29.9	29.9	0.0
Other	462.5	156.7	157.1	157.1	0.3
TOTAL USES	3,178.8	3,170.7	3,310.7	3,207.7	1.2
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0

FOURTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of cases referred for screening	1,935	1,908	1,950	1,905	1,905
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	5	6	6	5
Efficiency	Average attorney caseload	242	225	230	225	225
Output	Number of cases prosecuted per attorney	212	184	200	200	200
Output	Number of cases prosecuted	1,694	1,567	1,700	1,575	1,575
Output	Number of cases in which defendant was referred into the pre-prosecution diversion program	37	36	35	36	36

BUDGET SUMMARY
(dollars in thousands)

			FY17 – 2016-2017		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,872.1	4,934.6	5,180.2	5,078.9	2.9
Federal Revenues	0.0	98.0	0.0	0.0	-100.0
SOURCES TOTAL	4,872.1	5,032.6	5,180.2	5,078.9	0.9
USES					
Personal Services and Employee Benefits	4,587.2	4,836.3	4,959.3	4,881.3	0.9
Contractual Services	16.4	16.5	20.8	17.8	7.9
Other	267.8	179.8	200.1	179.8	0.0
TOTAL USES	4,871.4	5,032.6	5,180.2	5,078.9	0.9
FTE					
Permanent	65.0	65.0	70.0	68.0	4.6
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	66.0	66.0	71.0	69.0	4.5

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Secretaries and program specialist- 3 FTE	(P255)	0.0	0.0
2	Senior trial attorney and secretary - 2 FTE	(P255)	152.7	0.0
TOTAL			152.7	0.0

FIFTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.4%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	6	6	6	6	6
Efficiency	Average attorney caseload	271	377	150	150	150
Output	Number of cases prosecuted	5,283	6,209	4,500	4,500	4,500
Output	Number of cases referred for screening	6,743	7,163	6,000	6,000	6,000
Output	Number of cases dismissed under the six-month rule	5	22	5	5	5
Output	Number of cases prosecuted per attorney	346	327	310	150	150
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	119	118	100	100	100

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,783.0	2,839.8	3,021.8	2,893.4	1.9
Other Transfers	95.7	33.9	42.4	42.4	25.1
Federal Revenues	127.4	127.4	127.4	127.4	0.0
SOURCES TOTAL	3,006.1	3,001.1	3,191.6	3,063.2	2.1
USES					
Personal Services and Employee Benefits	2,555.5	2,758.0	2,984.5	2,856.1	3.6
Contractual Services	21.8	19.4	18.6	18.6	-4.1
Other	357.4	223.7	188.5	188.5	-15.7
TOTAL USES	2,934.7	3,001.1	3,191.6	3,063.2	2.1
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 ATTORNEY

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	1%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	0	1	<5	<5	<3
* Efficiency	Average time from filing of petition to final disposition, in months	3	3	5	5	5
Efficiency	Average attorney caseload	228	268	200	200	200
Output	Number of cases prosecuted	2,404	2,480	2,000	2,200	2,200
Output	Number of cases referred for screening	2,528	2,553	2,400	2,400	2,400
Output	Number of cases prosecuted per attorney	228	236	200	200	230
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	29	30	30	30	30

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 – 2016-2017</u>			
	<u>FY15</u> <u>2014-2015</u> <u>Actuals</u>	<u>FY16</u> <u>2015-2016</u> <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	2,504.3	2,521.5	2,532.3	2,537.3	0.6
SOURCES TOTAL	2,504.3	2,521.5	2,532.3	2,537.3	0.6
USES					
Personal Services and Employee Benefits	2,141.1	2,360.3	2,364.6	2,369.6	0.4
Contractual Services	13.1	13.5	13.2	13.2	-2.2
Other	300.9	147.7	154.5	154.5	4.6
TOTAL USES	2,455.1	2,521.5	2,532.3	2,537.3	0.6
FTE					
Permanent	36.0	36.0	36.0	36.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

SEVENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.1%	<1%	<1%	<1%
Output	Number of cases prosecuted per attorney	139	152	200	200	155
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	19	40	30	30	30
Output	Number of cases dismissed under the six-month rule	1	2	<5	<5	<3
Efficiency	Average attorney caseload	178	183	140	140	175
Output	Number of cases prosecuted	1,459	1,596	1,750	1,700	1,700
Output	Number of cases referred for screening	1,866	1,920	2,000	2,000	2,000
Efficiency	Average time from filing of petition to final disposition for felony cases, in months	7.7	8.6	7.0	8.0	8.0
Efficiency	Average time from filing of petition to final disposition for misdemeanor cases, in months	5.9	6.0	5.7	5.8	5.8
* Efficiency	Average time from filing of petition to final disposition, in months	6.0	6.2	5.5	5.8	5.8

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,671.9	2,692.5	2,749.7	2,746.8	2.0
Other Revenues	4.3	0.0	0.0	0.0	
SOURCES TOTAL	2,676.2	2,692.5	2,749.7	2,746.8	2.0
USES					
Personal Services and Employee Benefits	2,390.8	2,513.9	2,590.8	2,587.9	2.9
Contractual Services	24.7	19.1	17.1	17.1	-10.5
Other	252.0	159.5	141.8	141.8	-11.1
TOTAL USES	2,667.5	2,692.5	2,749.7	2,746.8	2.0
FTE					
Permanent	34.0	34.0	33.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	33.0	34.0	0.0

EIGHTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of cases referred for screening	1,968	2,051	2,000	2,000	2,000
Output	Number of cases prosecuted	1,351	1,520	1,500	1,500	1,500
Outcome	Percent of cases dismissed under the six-month rule	<1%	<2%	<3%	<3%	<3%
* Efficiency	Average time from filing of petition to final disposition, in months	8.5	6.5	7.0	6.0 to 12.0	7.0
Efficiency	Average attorney caseload	246	293	200	200	250
Output	Number of cases dismissed under the six-month rule	10	23	15	15	15
Output	Average number of cases prosecuted per attorney	169	293	200	200	200
Output	Number of cases prosecuted per attorney	169	217	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	92	96	70	100	100

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 – 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	2,853.1	2,899.0	3,141.6	2,971.1	2.5
SOURCES TOTAL	2,853.1	2,899.0	3,141.6	2,971.1	2.5
USES					
Personal Services and Employee Benefits	2,564.6	2,712.2	2,964.1	2,793.6	3.0
Contractual Services	16.5	17.0	19.5	19.5	14.7
Other	247.8	169.8	158.0	158.0	-6.9
TOTAL USES	2,828.9	2,899.0	3,141.6	2,971.1	2.5
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	39.0	0.0

NINTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of cases prosecuted	2,817	2,935	2,700	2,700	2,700
Output	Number of cases referred for screening	3,229	3,188	3,200	3,200	3,200
* Efficiency	Average time from filing of petition to final disposition, in months	7	7	6	6	6
Efficiency	Average attorney caseload	380	336	350	350	350
Output	Number of cases dismissed under the six-month rule	0	4	<5	<5	<5
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.1%	<1%	<1%	<1%
Output	Number of cases prosecuted per attorney	331	309	280	280	300
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	116	125	90	90	115

BUDGET SUMMARY
(dollars in thousands)

			FY17 – 2016-2017		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,182.3	1,258.8	1,424.1	1,283.9	2.0
SOURCES TOTAL	1,182.3	1,258.8	1,424.1	1,283.9	2.0
USES					
Personal Services and Employee Benefits	1,028.7	1,139.3	1,283.9	1,164.3	2.2
Contractual Services	16.1	11.0	16.1	11.1	0.9
Other	164.6	108.5	124.1	108.5	0.0
TOTAL USES	1,209.4	1,258.8	1,424.1	1,283.9	2.0
FTE					
Permanent	13.0	14.0	16.0	14.0	0.0
TOTAL FTE POSITIONS	13.0	14.0	16.0	14.0	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency <u>Rank</u>		(Program)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	Prosecution specialist - 1 FTE	(P260)	68.1	0.0
TOTAL			68.1	0.0

TENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
* Efficiency	Average time from filing of petition to final disposition, in months	5	4	5	5	5
Efficiency	Average attorney caseload	600	392	350	350	350
Output	Number of cases prosecuted	832	889	800	800	880
Output	Number of cases referred for screening	1,012	979	900	900	980
Output	Number of cases dismissed under the six-month rule	0	0	0	0	0
Output	Number of cases prosecuted per attorney	568	356	350	350	350
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	15	17	10	15	15

BUDGET SUMMARY
(dollars in thousands)

			<u>FY17 – 2016-2017</u>		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,540.2	3,629.4	4,777.1	3,898.5	7.4
Other Transfers	120.2	111.6	139.1	139.1	24.6
Federal Revenues	106.5	106.5	106.5	106.5	0.0
Other Revenues	5.0	0.0	0.0	0.0	
Fund Balance	312.6	440.9	0.0	43.3	-90.2
SOURCES TOTAL	4,084.5	4,288.4	5,022.7	4,187.4	-2.4
USES					
Personal Services and Employee Benefits	3,813.6	3,998.5	4,732.8	3,948.3	-1.3
Contractual Services	25.0	76.1	76.1	25.3	-66.8
Other	245.9	213.8	213.8	213.8	0.0
TOTAL USES	4,084.5	4,288.4	5,022.7	4,187.4	-2.4
FTE					
Permanent	55.0	55.0	63.0	55.0	0.0
Term	12.0	12.0	4.0	12.0	0.0
TOTAL FTE POSITIONS	67.0	67.0	67.0	67.0	0.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of cases referred for screening	4,225	4,434	4,000	4,250	4,200
Output	Number of cases prosecuted	3,370	3,864	3,500	3,750	3,700
Outcome	Percent of cases dismissed under the six-month rule	0.09%	0.23%	<0.25%	<0.25%	<0.25%
* Efficiency	Average time from filing of petition to final disposition, in months	5	5	<6	<6	<6
Efficiency	Average attorney caseload	258	296	250	<250	<250
Output	Average number of cases prosecuted per attorney	205	258	200	<200	<200
Output	Number of cases prosecuted per attorney					
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	140	142	120	125	140
Output	Number of cases dismissed under the six-month rule	3	9	<5	<5	<5

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,207.8	2,226.4	2,456.6	2,289.0	2.8
Other Revenues	167.4	167.4	139.0	139.0	-17.0
Fund Balance	0.0	0.0	0.0	15.0	
SOURCES TOTAL	2,375.2	2,393.8	2,595.6	2,443.0	2.1
USES					
Personal Services and Employee Benefits	2,161.3	2,267.0	2,431.0	2,316.2	2.2
Contractual Services	13.6	15.3	16.0	15.3	0.0
Other	144.2	111.5	148.6	111.5	0.0
TOTAL USES	2,319.1	2,393.8	2,595.6	2,443.0	2.1
FTE					
Permanent	33.0	33.0	34.0	33.0	0.0
Term	3.0	3.0	2.0	3.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION II

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	<1%	<1%	<1%	<1%	<1%
Efficiency	Average attorney caseload	324	279	350	300	300
Output	Number of cases prosecuted per attorney	205	198	275	225	225
Output	Number of cases prosecuted	1,746	1,679	2,200	2,000	2,000
Output	Average time from filing complaint to final disposition, in months	4.2	4.5	5	5	<5
Output	Number of cases referred for screening	2,751	2,372	3,000	2,500	2,500
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	10	2	20	20	20
Output	Number of cases dismissed under the six-month rule	5	11	3	3	3
* Efficiency	Average time from filing of petition to final disposition, in months	4	5	5	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,758.5	2,836.6	3,464.3	3,000.4	5.8
Other Transfers	110.8	95.4	167.4	167.4	75.5
Federal Revenues	243.3	239.3	239.3	239.3	0.0
SOURCES TOTAL	3,112.6	3,171.3	3,871.0	3,407.1	7.4
USES					
Personal Services and Employee Benefits	2,768.1	2,978.0	3,652.0	3,213.8	7.9
Contractual Services	56.0	29.0	45.3	29.0	0.0
Other	267.1	164.3	173.7	164.3	0.0
TOTAL USES	3,091.2	3,171.3	3,871.0	3,407.1	7.4
FTE					
Permanent	39.0	39.0	43.0	39.0	0.0
Term	8.5	8.5	8.5	8.5	0.0
TOTAL FTE POSITIONS	47.5	47.5	51.5	47.5	0.0

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency <u>Rank</u>		(<u>Program</u>)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
<u>1</u>	<u>Senior attorneys and support staff - 4 FTE</u>	<u>(P262)</u>	<u>246.8</u>	<u>0.0</u>
TOTAL			246.8	0.0

TWELFTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.3%	0.1%	<0.3%	<0.3%	<0.3%
* Efficiency	Average time from filing of petition to final disposition, in months	6.5	7.0	6.0	6.0	6.0
Efficiency	Average attorney caseload	376	384	180	180	180
Output	Number of cases prosecuted	3,652	4,561	3,400	3,400	4,000
Output	Number of cases referred for screening	4,319	4,794	4,000	4,000	4,500
Output	Number of cases dismissed under the six-month rule	11	5	2	2	2
Output	Average number of cases prosecuted per attorney	318	365	150	150	150
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	40	64	125	125	65

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,037.6	5,095.2	5,359.7	5,176.4	1.6
Other Transfers	120.6	66.0	66.0	66.0	0.0
Other Revenues	227.5	147.7	147.7	147.7	0.0
SOURCES TOTAL	5,385.7	5,308.9	5,573.4	5,390.1	1.5
USES					
Personal Services and Employee Benefits	4,210.8	4,802.7	5,002.5	4,883.9	1.7
Contractual Services	131.0	70.5	110.0	70.5	0.0
Other	775.8	435.7	460.9	435.7	0.0
TOTAL USES	5,117.6	5,308.9	5,573.4	5,390.1	1.5
FTE					
Permanent	80.0	80.0	80.0	80.0	0.0
Term	2.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	82.0	83.0	83.0	83.0	0.0

THIRTEENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.4%	0.0%	<0.3%	<0.3%	<0.3%
Output	Number of cases dismissed under the six-month rule	16	62	<17	<17	<17
* Efficiency	Average time from filing of petition to final disposition, in months	11.2	9.0	6.0	6.0	6.0
Efficiency	Average attorney caseload	221	209	190	190	190
Output	Number of cases prosecuted	4,183	4,393	5,200	5,200	4,400
Output	Number of cases referred for screening	5,654	5,973	6,200	6,200	6,000
Output	Number of cases prosecuted per attorney	164	154	192	192	192
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	131	99	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>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,207.5	2,241.6	2,920.4	2,270.1	1.3
Other Transfers	9.1	10.4	0.0	0.0	-100.0
Federal Revenues	430.6	0.0	0.0	0.0	
Other Revenues	304.0	299.8	299.7	299.7	0.0
Fund Balance	200.8	0.0	0.0	0.0	
SOURCES TOTAL	3,152.0	2,551.8	3,220.1	2,569.8	0.7
USES					
Personal Services and Employee Benefits	1,421.7	1,438.1	1,688.6	1,456.1	1.3
Contractual Services	240.6	243.0	334.3	243.0	0.0
Other	924.6	870.7	1,197.2	870.7	0.0
Other Financing Uses	218.3	0.0	0.0	0.0	
TOTAL USES	2,805.2	2,551.8	3,220.1	2,569.8	0.7
FTE					
Permanent	15.0	15.0	18.0	15.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	19.0	16.0	0.0

BUDGET ISSUES:

The Administrative Office of the District Attorneys requested an increase of \$678.8 thousand, or 30.3 percent, from the general fund. The increase included \$91.3 to fund network security assessments and \$326.5 thousand for software licenses and IT equipment.

The agency currently has an unfunded vacancy rate of 13.6 percent and in FY15 transferred \$140 thousand into the personal services and employee benefits category.

The LFC recommendation increases the personal services and employee benefits category by 1.3 percent to decrease the unfunded vacancy rate to 11.6 percent and funds the contractual services and other costs categories at FY16 levels. The recommendation includes general funds to offset revenues from the Crime Victims Reparation Commission under the Violence Against Women Act, which was not budgeted for FY17.

BASE EXPANSION:

The Administrative Office of the District Attorneys requested \$254.9 thousand to fund 3 FTE; a deputy district attorney, a program specialist, and a database administrator. The LFC recommendation does not include any expansions.

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Deputy district attorney - 1 FTE	(P264)	108.9	0.0
2	Program specialist - 1 FTE	(P264)	64.3	0.0
3	Database administrator - 1 FTE	(P264)	81.7	0.0
TOTAL			254.9	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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of victim notification events and escapes reported, monthly	59,816	7,080	80,000	7,000	7,000
Efficiency	Average time to resolve information technology calls for assistance, in hours	5	11	7	8	8
Explanatory	Percent of time network is available to users	96.5%	97.3%	99.0%	98.0%	98.0%
Output	Number of trainings conducted during the fiscal year	311	51	80	50	50
Output	Number of computer programming tasks resolved in case management system	60	37	80	80	80
Quality	Number of service calls for assistance related to the maintenance of the case management system resolved	7,800	505	9,000	4,500	4,500
Output	Number of center of legal education hours of education provided by administrative office of the district attorneys at training events	4,439	4,086	5,500	5,500	5,500
Output	Number of district attorney employees receiving training through administrative office of the district attorneys events	967	950	950	600	600

STATUTORY AUTHORITY:

The Public Defender Commission (PDC) was established under Sections 31-15-1 through 31-15-12 NMSA 1978 to provide legal representation or payment to private counsel for defendants financially unable to obtain counsel and charged in any court with a crime that carries a possible sentence of imprisonment or death. The commission also sets standards of indigence the courts use in determining which defendants are eligible for state-funded defenses.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	44,489.2	48,138.4	91,909.8	50,556.3	5.0
Other Revenues	719.3	250.0	250.0	250.0	0.0
SOURCES TOTAL	45,208.5	48,388.4	92,159.8	50,806.3	5.0
USES					
Personal Services and Employee Benefits	27,633.2	29,916.5	40,645.3	30,716.5	2.7
Contractual Services	11,427.2	12,840.8	43,494.2	14,322.9	11.5
Other	5,925.1	5,631.1	8,020.3	5,766.9	2.4
TOTAL USES	44,985.5	48,388.4	92,159.8	50,806.3	5.0
FTE					
Permanent	406.0	439.0	630.0	439.0	0.0
TOTAL FTE POSITIONS	406.0	439.0	630.0	439.0	0.0

AT A GLANCE:

To address chronically low contract attorney reimbursements, forestall litigation, and provide adequate staff to handle the current caseload, the Public Defender Department (PDD) submitted a budget request that would almost double its appropriation. The request includes \$30.7 million for implementation of an hourly contract attorney reimbursement rate of \$85.

The committee recommendation for PDD funds an employee compensation increase and adds an additional \$800 thousand to increase the number of funded vacant FTE by 13.8. The recommendation also adds \$1.67 million to increase contract compensation.

BUDGET ISSUES:

The Public Defender Department (PDD) reports current funding levels are not sufficient to provide quality representation to eligible criminal defendants and that increased staff salaries in conjunction with an hourly contract reimbursement rate can improve client representation.

PDD requested a \$2.3 million increase to the FY16 base operating budget for a total of \$50.7 million. The request for personal services and employee benefits included \$1.6 million to reduce the number of vacancies. The base request in the other costs category included \$167.1 thousand for increased travel expenditures, \$386.5 thousand for increased reporting and recording costs, and \$351.3 thousand for office space leases across the state.

The agency requested expansions totaling \$41.5 million to increase staff salaries and contract reimbursement rates. The expansion request included \$9.8 million for 33 new attorneys and 155 new staff, including social workers, paralegals, and legal secretaries, \$795.3 thousand to bring all employees up to 90 percent of their pay range, and \$30.9 million for an \$85 per hour contract counsel rate, including 3 new FTE to administer the new rate.

Contract pay litigation in the 12th Judicial District Court regarding contract attorney compensation and quality client representation, which resulted in an order mandating an hourly wage of \$85 for contract counsel statewide, and an order striking the legislative prohibition of hourly compensation as unconstitutional, has been appealed to the New Mexico Supreme Court. DFA and LFC have filed briefs in support of the Legislature, agreeing with the contract attorney who petitioned the court that the prohibition of an hourly rate is within the law-making capacity of the Legislature and that the provision of adequate defense to indigent clients is not hindered by restricting the PDD to a flat compensation schedule.

Aside from the express prohibition of hourly compensation in the 2015 General Appropriation Act, implementation of an \$85 hourly rate for contract counsel faces several challenges. First, contract administration would require more staff than the three requested. In FY15, PDC contracted the legal services of 160 lawyers and provided contract counsel in 23 thousand cases. To audit these billings, PDD will be forced to hire more administrative staff. Second, the \$85 per hour rate may not result in better quality client representation. Third, the dramatic pay increase for contract attorneys will make it difficult or impossible to retain staff attorneys because the contract pay becomes significantly higher than staff attorney pay. Finally, relatively high hourly rates may discourage settlement prior to trial and push up costs elsewhere in the judiciary.

Over the last year, PDD has continued to struggle with budget issues and financial management. In FY15 it projected a shortfall and requested a supplemental appropriation of \$1.3 million. The appropriation was vetoed and PDD requested \$936.3 thousand in loans from the Board of Finance (BOF) to cover shortfalls. BOF loaned the department \$400 thousand; however, by June, 2015, the agency was projecting a \$68.4 thousand surplus and did not take the loan. PDD has sufficient funding in FY16 to hire 36.5 employees, but the CFO position was vacant from July 31, 2015, until only recently, and PDD had 81 vacancies as of October, and a vacancy rate of 8.9 percent.

Under both the Public Defender and Indigent Defense Acts, PDD has the obligation to defend any person who does not qualify for indigent services, provided the individual enter into a contract requiring payment for PDD representation. The requirement to represent non-indigent clients has resulted in increased costs to PDD. For example, in a high profile case in Santa Fe, a non-indigent client is seeking expert testimony at a cost to PDD of more than \$300 thousand. PDD stated that in 2014 non-indigent clients were represented in 1,048 cases at a cost of \$945.3 thousand. During the 2015 session, PDD backed Senate Bill 321 that restricted public defender services to indigent defendants. Though SB321 did not become law, the Public Defender Commission has created a committee to discuss introduction of similar legislation during the 2016 session.

The LFC base recommendation increases the personal services and employee benefits category by \$800 thousand for 13.8 FTE in addition to the 439 currently funded in FY16.

The committee recommendation for the contractual services category increases funding for attorney fees by \$1.67 million. The LFC recommendation does not support an hourly rate but assumes PDC will either increase the current flat fee per case or implement an incremental pay increase that would include additional compensation for cases that go to trial or based on other case actions, such as motions filed.

In the other costs category, the LFC recommendation includes an increase of \$135.8 thousand for office space leases, travel costs, and rate increases.

RECOMMENDED LANGUAGE:

The appropriations to the public defender department shall not be used to pay hourly reimbursement rates to contract attorneys.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Contract Counsel Compensation	(P850)	30,885.7	0.0
2	Adequate Staffing Level	(P850)	9,781.7	0.0
3	Adequate Compensation for LOPD Staff	(P850)	795.3	0.0
TOTAL			41,462.7	1,246.3

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 ensuring a fair and efficient criminal justice system exists to sustain New Mexico's statutory and constitutional mandate to provide a statewide indigent defense system.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of cases in which application fees were collected	38%	37.5%	45%	45%	45%
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	87%	48.5%	75%	55%	65%
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	19.4%	69.7%	70%	75%	75%
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	12.4%	64.6%	70%	70%	70%
Output	Number of alternative sentencing treatment placements in felony, misdemeanor and juvenile cases for clients of staff attorneys	New	New	10,000	2,400	2,400
Output	Number of alternative sentencing treatment placements in felony, misdemeanor and juvenile cases for clients of contract attorneys	New	New	New	1,000	1,000
Explanatory	Percent of cases with non-indigent clients in which reimbursement is collected	New	New	New	33%	33%
Explanatory	Percent of total cases taken by contract attorneys	New	New	New	33%	33%
Outcome	Percent of cases that go to trial with clients defended by contract attorneys	New	New	New	5%	5%

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. 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)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	Actuals	Budgeted	Request	Recommendation	(Decr)
SOURCES					
General Fund Transfers	10,767.0	9,868.8	11,722.4	9,868.8	0.0
Other Transfers	6,740.0	8,276.3	7,385.5	8,587.9	3.8
Federal Revenues	1,478.5	1,686.8	2,032.0	2,032.0	20.5
Other Revenues	11,109.6	0.0	0.0	0.0	
Fund Balance	128.7	503.0	500.0	500.0	-0.6
SOURCES TOTAL	30,223.8	20,334.9	21,639.9	20,988.7	3.2
USES					
Personal Services and Employee Benefits	14,274.3	16,397.9	16,964.9	16,564.4	1.0
Contractual Services	647.0	783.9	860.7	900.7	14.9
Other	3,348.8	2,650.1	3,310.5	3,019.8	14.0
Other Financing Uses	0.0	503.0	503.8	503.8	0.2
TOTAL USES	18,270.1	20,334.9	21,639.9	20,988.7	3.2
FTE					
Permanent	181.0	181.0	185.0	181.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	182.0	182.0	186.0	182.0	0.0

AT A GLANCE:

Throughout FY15 and FY16, NMAG experienced a high, but decreasing, vacancy rate and transferred surplus personnel funding into other budget categories, including \$1 million in FY15. For FY17, NMAG submitted a revised budget request in December asking for a \$1.9 million, or 18.8 percent, increase from the general fund; an \$891 thousand, or 10.8 percent, decrease from the consumer settlement fund; and federal expansion funding for the Medicaid Fraud Program.

The LFC recommendation includes funding to allow NMAG to hire Medicaid fraud investigation and prosecution personnel in Las Cruces. Additionally, the recommendation increases the use of consumer settlement funds from \$8.3 million to \$8.6 million to provide an increase for contract investigators and ensure adequate funds for operational expenses. LFC projects the FY17 yearend balance in the consumer settlement fund to be over \$15 million. The LFC recommendation uses available fund balance and leverages federal funds to provide a 3.2 percent total increase while holding general fund appropriations flat.

BUDGET ISSUES:

NMAG consists of two programs: Legal Services and Medicaid Fraud. The Legal Services Program is made up of four issue areas: criminal affairs, civil affairs, policy and public affairs, and operations. The work of the Legal Services Program ranges from extraditions of fugitive criminals to defending the state in lawsuits to criminal investigations and prosecutions.

NMAG represents New Mexico in litigation surrounding the tobacco master settlement agreement. Tobacco settlement litigation is becoming increasingly complex and convoluted. Litigation costs and uncertainty surrounding annual distribution amounts pose a long-term risk to tobacco settlement revenue, which has averaged between \$35 million and \$40 million.

The Medicaid Fraud Program focuses exclusively on fraudulent Medicaid billing as well as abuse of elderly patients in healthcare facilities. The Medicaid fraud unit is currently investigating behavioral health providers referred to NMAG by the Human Services Department (HSD) as required under federal law. The audit, conducted in 2013, resulted in the stoppage of reimbursement payments to 15 healthcare providers. Currently, 12 entities remain under investigation. NMAG received a special appropriation during the 2015 legislative session to allow NMAG to contract with an outside firm to complete outstanding audits. NMAG has resisted making public the audit findings until the completion of the investigation, anticipated by January 2016.

The NMAG request for the Legal Services Program included an increase of \$1.7 million, or 19 percent, from the general fund and an \$895 thousand, or 10.8 percent, reduction from the consumer settlement fund, for a total increase of 4.7 percent. The request imposed a 4 percent vacancy rate in the personal services and employee benefits category despite a current vacancy rate of 15.5 percent in the program.

The LFC recommendation for the Legal Services Program includes an additional \$308 thousand, or 3.7 percent, from the consumer settlement fund, for an overall increase of 1.1 percent. The LFC recommendation applies a 6 percent vacancy rate and does not reduce the personal services and employee benefits category, despite a reduction in General Services Department risk insurance rates resulting in a net increase in the category. The recommendation includes a 15.1 percent increase in the contractual services category for additional investigative services as well as \$117 thousand for a mock trial program. Additionally, the recommendation includes a 7.4 percent increase in the other costs category to provide adequate funding for operational expenses as well as increases related to DoIT telecommunication services and fees.

In the Medicaid Fraud Program, NMAG requested a flat base budget but included a 5 percent vacancy rate and reallocated \$67 thousand from the personnel budget to the other cost category to enable the agency to purchase field supplies and IT equipment. Performance data show Medicaid fraud recoveries dropped from \$9 million in FY14 to \$1.3 million in FY15. Since FY10, NMAG Medicaid fraud recoveries averaged \$3.4 million a year.

The LFC recommendation fully funds the NMAG request for the Medicaid Fraud Program.

BASE EXPANSION:

NMAG requested expansion funding of \$470 thousand, \$117.6 thousand from the general fund and \$352.8 thousand from federal matching funds, to hire 4 FTE to conduct Medicaid fraud investigations in southern New Mexico. NMAG does not have Medicaid fraud investigative staff outside of Albuquerque even though approximately 30 percent of cases originate in the Las Cruces area. A 2011 LFC audit of Medicaid fraud prosecution effectiveness found NMAG to have among the worst returns on investment in the nation for Medicaid fraud prosecution. To help improve Medicaid fraud prosecutions, the LFC recommendation fully funds the request for expansion funding.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the attorney general include eight million five hundred eighty-seven thousand nine hundred dollars (\$8,587,900) from the consumer protection fund of the office of the attorney general.

The general fund appropriation to the legal services program of the attorney general in the contractual services category includes one hundred seventeen thousand dollars (\$117,000) for a nonprofit entity to provide a statewide mock trial program for high school students.

The other state funds appropriation to the legal services program includes five hundred thousand dollars (\$500,000) from the consumer settlement fund to support operations of the water resource research institute of the New Mexico state university. Any unspent balances at the end of fiscal year 2016 from this appropriation shall revert to the consumer settlement fund.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Medicaid fraud- 4 FTE	(P626)	470.4	470.4
TOTAL			470.4	470.4

LEGAL SERVICES

The purpose of the legal services program is to deliver quality opinions, counsel, representation and other legal services 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)

		<u>FY17 - 2016-2017</u>			
		<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>Percent</u>
		<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	10,240.1	9,306.4	11,045.1	-1.2
	Other Transfers	6,740.0	8,276.3	7,381.7	3.7
	Other Revenues	11,109.6	0.0	0.0	0.0
	Fund Balance	128.7	500.0	500.0	0.0
	SOURCES TOTAL	28,218.4	18,082.7	18,926.8	1.1
USES					
	Personal Services and Employee Benefits	12,746.7	14,541.0	14,849.4	-0.6
	Contractual Services	643.3	774.8	851.7	15.1
	Other	2,878.1	2,266.9	2,725.7	7.4
	Other Financing Uses	0.0	500.0	500.0	0.0
	TOTAL USES	16,268.1	18,082.7	18,926.8	1.1
FTE					
	Permanent	160.0	160.0	160.0	-2.5
	Term	1.0	1.0	1.0	0.0
	TOTAL FTE POSITIONS	161.0	161.0	161.0	-2.5

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of crime victims receiving information and advocacy	1,200	1,279	1,200	1,200	1,200
Efficiency	Number of outreach presentations conducted throughout the state	37	108	90	90	100
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act, with complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Percent of mediation processes initiated within seventy-two hours of receipt of completed complaint	63%	41%	90%	90%	75%
Outcome	Percent of initial responses to requests for attorney general opinions made within three days of request	82.5%	78%	95%	95%	90%
* Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	37%	41%	40%	40%	40%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	32	32	30	30	30

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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	526.9	562.4	677.3	677.3	20.4
Other Transfers	0.0	0.0	3.8	3.8	
Federal Revenues	1,478.5	1,686.8	2,032.0	2,032.0	20.5
Fund Balance	0.0	3.0	0.0	0.0	-100.0
SOURCES TOTAL	2,005.4	2,252.2	2,713.1	2,713.1	20.5
USES					
Personal Services and Employee Benefits	1,527.6	1,856.9	2,115.5	2,115.5	13.9
Contractual Services	3.7	9.1	9.0	9.0	-1.1
Other	470.7	383.2	584.8	584.8	52.6
Other Financing Uses	0.0	3.0	3.8	3.8	26.7
TOTAL USES	2,002.0	2,252.2	2,713.1	2,713.1	20.5
FTE					
Permanent	21.0	21.0	25.0	25.0	19.0
TOTAL FTE POSITIONS	21.0	21.0	25.0	25.0	19.0

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Three-year projected savings resulting from fraud investigations, in millions	\$27	\$331	\$30	\$30	\$30
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$8,964	\$1,259	\$3,000	\$3,000	\$5,000
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human services	5	5	5	5	5
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt.	59%	69%	65%	65%	65%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,170.3	2,965.6	3,365.9	3,035.0	2.3
Other Revenues	424.0	429.6	235.4	460.0	7.1
Fund Balance	208.1	399.3	398.8	431.1	8.0
SOURCES TOTAL	3,802.4	3,794.5	4,000.1	3,926.1	3.5
USES					
Personal Services and Employee Benefits	2,610.2	3,071.7	3,268.3	3,203.3	4.3
Contractual Services	288.4	237.2	77.2	77.2	-67.5
Other	580.7	485.6	654.6	645.6	32.9
TOTAL USES	3,479.3	3,794.5	4,000.1	3,926.1	3.5
FTE					
Permanent	33.0	34.0	35.0	35.0	2.9
Term	1.0	0.0	0.0	0.0	
Temporary	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	34.0	35.0	35.0	35.0	0.0

AT A GLANCE:

Since January 2015, the new administration at the Office of the State Auditor (OSA) has implemented a reorganization and significantly decreased longstanding vacancies. Despite heavy turnover during the change of administration, OSA significantly decreased historical vacancy rates and is committed to staffing adequately to fulfill its legal mandate and primary mission: to thoroughly examine and audit the financial affairs and transactions of all government agencies that receive and expend public money. In reorganizing, OSA created the Government Accountability Office with a reclassified audit manager position to conduct analysis and report consolidated financial information related to entities receiving public funds. The office requested a moderate budget increase for FY17, mostly to accommodate personnel costs resulting from lower vacancy rates. However, while the overall budget increase requested was moderate, the general fund increase was significant due to a general fund revenue swap in lieu of fund balance.

The committee recommendation supports a modest budget increase for the office but recommends using primarily cash balances, which have grown over the past several years, rather than general fund revenue to support budget growth. Fund balance at the end of FY15 was \$1.1 million.

BUDGET ISSUES:

Last year, for the first time, New Mexico issued an audited comprehensive annual financial report (CAFR). The FY13 CAFR audit released in November 2014 received a disclaimer because the audit firm was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Among other reasons, the disclaimer resulted from the state's inability to validate starting balances. Similarly, the FY14 CAFR audit released in August 2015 received a disclaimer, although some prior-year findings were resolved. OSA has expressed to the Department of Finance and Administration (which compiles the CAFR) the importance of producing a reliable CAFR in compliance with the Government Financial Officer's Association established six-month standard for issuance. A disclaimed, late CAFR audit could impact a range of state functions, including bonding costs, bond ratings, and budget and revenue projections.

The issuance of Executive Order 2013-06 has brought greater importance to financial reporting for governmental entities of all sizes in recent years. The order prescribed uniform funding criteria for grantees to be eligible for local capital outlay appropriations, requiring an up-to-date audit without unaddressed findings of material weakness to qualify for funding. In particular, small political subdivisions with limited funding or expertise to devote to financial reporting appear to have had difficulty meeting reporting requirements, despite the establishment of tiered auditing for entities with less than \$500 thousand in annual revenue in 2010. OSA was appropriated \$160 thousand in both FY15 and FY16 to help such entities meet financial reporting requirements, and continued funding of this initiative at the same level is supported by the committee in FY17. Additionally, the Department of Finance and Administration (DFA) is working to help at-risk entities meet reporting requirements or secure alternate fiscal agents to assist with project funding oversight where possible. A total of 33 projects were ineligible for capital outlay funds as of the September 2015 bond sale, a marked decline from the 122 projects ineligible per Executive Order 2013-06 about two years ago.

In FY15, the new OSA administration added an additional temporary position, an executive secretary, for a total of 35 FTE and funded the position with vacancy savings. In FY16, OSA maintained this temporary position and funded it with other state funds although the FY16 budget authorized only 34 FTE. The FY17 request converted this temporary position to a permanent position and requested funding for it. The LFC recommendation includes the position and is supported by additional audit fee revenue.

In FY15, OSA met all of its performance measure targets except for its mandate to earn \$430 thousand in audit fees. The office performed 24 audit engagements - 15 of which were small political subdivisions - and was about \$6,000 short of meeting the measure, which it attributes to exceptionally high turnover with the change of administration.

RECOMMENDED LANGUAGE:

The general fund appropriations to the state auditor include sufficient funds to provide technical assistance and conduct audits for municipalities and local public bodies on the at-risk list.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Total audit fees generated	\$446,530	\$423,719	\$430,000	\$430,000	\$460,000
* Explanatory	Percent of audits completed by regulatory due date	84%	81%	80%	80%	80%
Output	Number of training sessions performed	17	19	16	16	17
Outcome	Percent of statutory reviews of audit reports completed within ten days	88%	96%	88%	88%	90%
Outcome	Percent of agency auditor selection requests processed within five days of receipt	100%	98%	100%	95%	100%
Output	Number of working paper reviews of independent public accountants	46	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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	57,839.3	56,724.8	57,724.8	56,976.5	0.4
Other Transfers	623.1	650.7	650.7	650.7	0.0
Federal Revenues	1,850.9	1,502.8	1,506.8	1,506.8	0.3
Other Revenues	28,639.8	26,058.9	25,502.5	25,866.0	-0.7
Fund Balance	1,265.9	1,265.6	0.0	1,265.6	0.0
SOURCES TOTAL	90,219.0	86,202.8	85,384.8	86,265.6	0.1
USES					
Personal Services and Employee Benefits	58,441.2	59,371.6	60,208.4	59,823.6	0.8
Contractual Services	8,870.6	9,186.4	8,711.7	8,711.7	-5.2
Other	16,610.3	16,379.2	16,464.7	16,464.7	0.5
Other Financing Uses	1,265.9	1,265.6	0.0	1,265.6	0.0
TOTAL USES	85,188.0	86,202.8	85,384.8	86,265.6	0.1
FTE					
Permanent	1,058.5	1,047.5	1,047.5	1,047.5	0.0
Term	29.0	29.0	28.0	28.0	-3.4
Temporary	21.5	19.5	19.5	19.5	0.0
TOTAL FTE POSITIONS	1,109.0	1,096.0	1,095.0	1,095.0	-0.1

AT A GLANCE:

As the state faces lower than expected revenues resulting from low oil prices, collecting revenue effectively and efficiently to decrease the tax gap, the difference between what is owed to the state and what is collected, is increasingly important. In FY15, the Taxation and Revenue Department's (TRD) audit assessment collections were below target and lower than in previous years. However, the Audit and Compliance Division (ACD) is now working to track and target the highest yield audits to maximize collections. In the last fiscal year, the Motor Vehicle Division (MVD) successfully rolled-out the first phase of the new motor vehicle IT system, Tapestry, and is on track to complete the project in FY16 under budget. Additionally, the department made progress on coordinating with other agencies to ensure compliance with the state's weight-distance tax on commercial trucking, although the issue needs additional attention.

The department's FY17 request included a moderate general fund increase for personnel costs in ACD associated with a lower vacancy rate and to accommodate two revenue swaps, one for hold-harmless administration fees and one for enhanced driver's license (EDL) funding.

The FY17 committee recommendation for TRD includes a modest general fund increase over FY16 to cover personnel costs in ACD and fund the revenue swap for hold harmless fees. The recommendation consolidates EDL funding in MVD, while decreasing its use in the Compliance Enforcement Program.

BUDGET ISSUES:

The agency requested a general fund appropriation of \$57.7 million, \$1 million, or 1.8 percent, over the FY16 operating budget. The largest contributor to the department's requested increase was \$635 thousand for personal services and employee benefits within the Tax Administration Program. Additional increases in the general fund request were associated with replacing decreasing administrative fees resulting from the scheduled reduction in "hold-harmless" distributions to counties. Those distributions, created to compensate counties for lost revenue when the gross receipts tax on food and medicine was eliminated, are being phased out as part of the tax package enacted in 2013. The department also requested to swap general fund for EDL revenues in the Compliance Enforcement Program. EDL revenue is generated from a fee on licenses. The overall agency request was \$85.4 million, an \$818 thousand decrease relative to FY16, mostly as a result of excluding a fund balance transfer to the Department of Public Safety (DPS) for weight-distance tax enforcement.

The committee recommendation includes a general fund appropriation of \$57 million, a 0.4 percent increase over the FY16 operating budget. Recommended increases support audit and compliance activities and offset revenue losses from declining hold-harmless distributions. The overall budget recommendation is \$86.3 million, or about \$60 thousand over the FY16 operating budget. The recommendation includes \$1.3 million in weight-distance tax permit fee fund balance for transfer to the Motor Transportation Division of DPS to support enforcement of the New Mexico weight-distance tax for commercial vehicles.

In FY15, TRD transferred \$500 thousand from the personal services and employee benefits category in Program Support to the personal services and employee benefits category in the Tax Administration Program to cover a projected personnel shortfall in ACD. Only an additional \$10 thousand was transferred out of personal services and employee benefits to other budget categories. These are both markedly smaller amounts than in FY13 and FY14. However, as of December 2015, it appears ACD did not need the entire transfer and projections were high, so the division will revert funding from FY15.

The Tax Administration Program, comprising ACD and the Revenue Processing Division, collected 59 percent of collectable audit assessments generated in FY15, falling short of the 65 percent target for collections. The program also missed the 18 percent target for collections as a percent of outstanding balances from the end of the prior fiscal year, collecting just 15.5 percent of outstanding balances. ACD is currently pursuing an initiative to track the yield of different types of audits to better identify the tax gap and direct resources to the highest return areas. The number of taxpayers filing electronically continues to increase and reached 92 percent in FY15.

Tax Recovery. In May 2014, the state Court of Appeals decided a case involving TRD's practices for administering a provision of the Tax Administration Act, Sections 7-1-1 to 7-1-82 NMSA 1978, which permits the department to recover gross receipts taxes erroneously distributed to local governments as a result of department or taxpayer error. The Court of Appeals found in favor of the plaintiff, the City of Eunice, asserting that TRD could not recover taxes erroneously distributed to the city as a result of taxpayer misfiling. TRD appealed the decision to the Supreme Court of New Mexico and was granted writ of certiorari at the end of August 2014, but the writ was quashed in May 2015. Before the case was quashed, TRD estimated the future potential impact to the general fund at \$20 million per year if the City of Eunice prevailed. However, Laws 2015, Chapter 100 (Senate Bill 669) adjusted the statutory period for recovering taxes erroneously distributed to local governments and the fiscal impact report for the legislation estimated the general fund impact at between \$535 thousand and \$1.4 million going forward if the Court of Appeals Decision was upheld, as it was.

Auditor Compensation. In FY13, the Tax Administration Program worked with the State Personnel Office to reclassify auditors at a higher, more competitive pay band to help the department recruit and retain qualified auditors. In FY15 and FY16, the program successfully decreased vacancies and, paired with increasing automated processes and electronic filing, staffing pressures within the program have decreased somewhat. Although the department is working on an analysis of audit returns, performing a thorough tax-gap analysis to determine where to target audit resources would further increase agency efficiency and decrease staffing pressures. The recommendation supports \$400 thousand of the department's \$635 thousand requested increase for personal services and employee benefits in the program to cover the costs associated with lower vacancies.

Motor Vehicle Division. In late FY15, the Motor Vehicle Division (MVD) successfully launched the driver component of the division's new IT system, Tapestry; the motor vehicle component will be launched in September 2016. The project, which replaces MVD's seriously outdated and cumbersome driver and motor vehicle system, is on time and under budget by about \$6 million. Field office and call center wait times increased in the wake of implementation, which was expected, but overall, MVD's dramatically improved performance on key performance measures has been steady. Despite the implementation of Tapestry, average field office and call center wait times remained significantly below target and below historical waits in FY15.

A 2013 LFC evaluation and a New Mexico Sentencing Commission report revealed a significant compliance problem and large amounts of foregone revenue from the weight-distance tax and oversize overweight permits, administered by MVD (and enforced by the Motor Transportation Division of DPS). TRD, DPS, and the Department of Transportation (NMDOT) are working together to find solutions to increase compliance and revenue collection. In FY15, DOT secured a \$1 million federal grant to increase compliance enforcement efforts at Motor Transportation Division ports of entry. The grant was used to hire about 20 clerks to sell permits at ports of entry so that enforcement and inspections officers were free to perform their intended role of enforcement. In addition, LFC recommends substantially increasing the penalty for noncompliance. Currently the penalty is much lower than in neighboring states and is rarely enforced; often when noncompliant vehicles are discovered, officers issue a cheap single trip permit rather than enforcing the penalty. LFC also recommends MVD explore the possibility of increasing the weight-distance permit fee, currently \$5.50 but by statute can be as much as \$10, to support permanently increasing the number of fee collectors at ports of entry.

The committee recommendation for MVD includes \$12.3 million from the general fund, a decrease of about \$360 thousand, which is offset by increased EDL funding. The recommendation includes an overall budget of \$27.9 million, a very slight decrease from the FY16 operating budget.

Property Tax Collection. The Property Tax Program has been funded with other revenue and cash balances since FY11. Revenue is generated by the department through the sale of delinquent property and collection of delinquent property taxes. In FY15, the division returned \$10.4 million in delinquent property tax obligations to counties, about \$3 million less than in FY14, due to a focus on the collection of 10-year delinquencies to prevent unrecoverable losses in revenue. In FY16, the division is balancing targeting the collection of 10-year delinquencies and targeting the collection of higher yield delinquencies to ensure strong collection revenue. The program request for FY17 is relatively flat, and the committee recommendation supports funding the request.

The committee recommendation for the Compliance Enforcement Program increases general fund by \$260 thousand to offset decreased EDL funding, but overall funding for the program is held flat. The budget recommendation for Program Support includes about \$300 thousand in decreases for personnel costs, reprioritized to fund increased personnel costs in ACD.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of the Tax Administration Act or other substantive law, the department shall withhold an administrative fee in the amount of three and twenty-five hundredths percent of the distributions specified in Section 7-1-6.46, 7-1-6.47, and Subsection E of Section 7-1-6.41 NMSA 1978.

Notwithstanding the provisions in the Tax Administration Act or other substantive law, of the amounts withheld, an amount equal to three percent of the distributions specified in Subsection E of Section 7-1-6.41 NMSA 1978 shall be deposited into the general fund and the remainder of the amounts withheld shall be retained by the department and is included in the other state fund appropriations to the department.

The other financing uses category in the motor vehicle division includes one million two hundred sixty-five thousand six hundred dollars (\$1,265,600) from the weight-distance tax identification permit fund for the motor transportation division of the department of public safety.

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 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	22,868.3	22,521.4	23,424.7	23,189.9	3.0
Other Transfers	2.5	0.0	0.0	0.0	
Federal Revenues	1,506.8	1,502.8	1,506.8	1,506.8	0.3
Other Revenues	7,511.1	7,281.9	7,003.2	7,003.2	-3.8
SOURCES TOTAL	31,888.7	31,306.1	31,934.7	31,699.9	1.3

BUDGET SUMMARY
(dollars in thousands)

USES		FY17 - 2016-2017				Percent Incr (Decr)
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
	Personal Services and Employee Benefits	25,039.7	25,016.0	25,650.8	25,416.0	1.6
	Contractual Services	89.6	213.1	223.1	223.1	4.7
	Other	5,852.7	6,077.0	6,060.8	6,060.8	-0.3
	TOTAL USES	30,982.0	31,306.1	31,934.7	31,699.9	1.3
FTE						
	Permanent	460.5	460.5	460.5	460.5	0.0
	Term	26.0	26.0	26.0	26.0	0.0
	Temporary	17.5	17.5	17.5	17.5	0.0
	TOTAL FTE POSITIONS	504.0	504.0	504.0	504.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	10.9:1	11.7:1	10.5:1	10.5:1	11.0:1
* Output	Percent of electronically filed returns for personal income tax and combined reporting system	90%	92%	92%	90%	92%
Outcome	Percent of baseline and funded delinquent tax collection targets met	104%	104%	100%	100%	100%
Efficiency	Percent of taxpayer correspondence requests answered in an average of ten working days	100%	100%	100%	100%	100%
* Outcome	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	18.0%	15.5%	18.0%	16.0%	17.0%
* Outcome	Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year	61%	59%	60%	60%	60%
Outcome	Percent of personal income tax returns filed on time	New	New	New	90%	90%
Outcome	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed	New	New	0.2%	0.2%	0.2%

MOTOR VEHICLE

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

BUDGET SUMMARY
(dollars in thousands)

SOURCES		FY17 - 2016-2017				Percent Incr (Decr)
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
	General Fund Transfers	12,558.6	12,648.9	12,648.9	12,285.4	-2.9
	Federal Revenues	344.1	0.0	0.0	0.0	
	Other Revenues	16,293.1	14,051.3	14,017.4	14,380.9	2.3
	Fund Balance	1,265.9	1,265.6	0.0	1,265.6	0.0
	SOURCES TOTAL	30,461.7	27,965.8	26,666.3	27,931.9	-0.1
USES						
	Personal Services and Employee Benefits	15,731.8	16,056.2	16,456.7	16,456.7	2.5
	Contractual Services	4,836.9	4,742.7	4,336.9	4,336.9	-8.6
	Other	6,031.3	5,901.3	5,872.7	5,872.7	-0.5
	Other Financing Uses	1,265.9	1,265.6	0.0	1,265.6	0.0
	TOTAL USES	27,865.9	27,965.8	26,666.3	27,931.9	-0.1

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
FTE		FY15	FY16	Agency	LFC	Percent
		2014-2015	2015-2016	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
	Permanent	342.0	342.0	342.0	342.0	0.0
	Term	3.0	3.0	2.0	2.0	-33.3
	Temporary	3.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	348.0	347.0	346.0	346.0	-0.3

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Percent of registered vehicles with liability insurance	91%	91%	92%	92%	92%
* Efficiency	Average call center wait time to reach an agent, in minutes	4:48	5:09	<5:00	<6:00	<5:00
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	17:40	15:36	19:00	20:00	19:00
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1.0	1.0	1.0	1.0	1.0
* Quality	Percent of customers rating customer service as good or higher	New	98.5%	85.0%	85.0%	90.0%
Efficiency	Web transactions as a percent of total transactions	New	35%	25%	26%	35%

PROPERTY TAX

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Other Revenues	3,843.8	3,452.0	3,471.7	3,471.7	0.6
	SOURCES TOTAL	3,843.8	3,452.0	3,471.7	3,471.7	0.6
USES						
	Personal Services and Employee Benefits	2,329.9	2,416.1	2,416.1	2,416.1	0.0
	Contractual Services	194.1	378.2	378.2	378.2	0.0
	Other	624.3	657.7	677.4	677.4	3.0
	TOTAL USES	3,148.3	3,452.0	3,471.7	3,471.7	0.6
FTE						
	Permanent	39.0	41.0	41.0	41.0	0.0
	TOTAL FTE POSITIONS	39.0	41.0	41.0	41.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held	78%	85%	80%	80%	80%
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$13.5	\$10.4	\$11.0	\$10.0	\$11.0
* Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed-value-to-market-value	93%	97%	95%	95%	95%

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)		FY17 - 2016-2017		
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent <u>Incr</u> <u>(Decr)</u>
SOURCES						
	General Fund Transfers	2,030.1	1,502.8	1,766.3	1,766.3	17.5
	Other Revenues	83.0	263.5	0.0	0.0	-100.0
	SOURCES TOTAL	2,113.1	1,766.3	1,766.3	1,766.3	0.0
USES						
	Personal Services and Employee Benefits	1,624.0	1,472.2	1,472.2	1,472.2	0.0
	Contractual Services	4.0	24.7	24.7	24.7	0.0
	Other	309.2	269.4	269.4	269.4	0.0
	TOTAL USES	1,937.2	1,766.3	1,766.3	1,766.3	0.0
FTE						
	Permanent	28.0	22.0	22.0	22.0	0.0
	TOTAL FTE POSITIONS	28.0	22.0	22.0	22.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	33%	78%	50%	50%	50%
Outcome	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	100%	98%	98%	98%
Outcome	Percent of internal investigations completed within sixty days	86%	80%	60%	60%	80%

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)		FY17 - 2016-2017		
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent <u>Incr</u> <u>(Decr)</u>
SOURCES						
	General Fund Transfers	20,382.3	20,051.7	19,884.9	19,734.9	-1.6
	Other Transfers	620.6	650.7	650.7	650.7	0.0
	Other Revenues	908.8	1,010.2	1,010.2	1,010.2	0.0
	SOURCES TOTAL	21,911.7	21,712.6	21,545.8	21,395.8	-1.5
USES						
	Personal Services and Employee Benefits	13,715.8	14,411.1	14,212.6	14,062.6	-2.4
	Contractual Services	3,746.0	3,827.7	3,748.8	3,748.8	-2.1
	Other	3,792.8	3,473.8	3,584.4	3,584.4	3.2
	TOTAL USES	21,254.6	21,712.6	21,545.8	21,395.8	-1.5
FTE						
	Permanent	189.0	182.0	182.0	182.0	0.0
	Temporary	1.0	0.0	0.0	0.0	
	TOTAL FTE POSITIONS	190.0	182.0	182.0	182.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	15	14.9	15	15	<15
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	1,306	1,380	1,300	1,250	1,300
Outcome	Percent of matched combined reporting system taxes distributed timely	100%	100%	100%	100%	100%
Output	Percent of internal audit recommendations implemented	99%	83%	90%	80%	90%

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 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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u>	<u>LFC</u>	<u>Incr</u>
SOURCES			<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
Other Revenues	50,100.0	57,109.7	56,755.6	56,589.0	-0.9
SOURCES TOTAL	50,100.0	57,109.7	56,755.6	56,589.0	-0.9
USES					
Personal Services and Employee Benefits	3,918.9	4,635.9	4,259.7	4,093.1	-11.7
Contractual Services	40,474.0	51,611.0	51,633.1	51,633.1	0.0
Other	531.8	862.8	862.8	862.8	0.0
TOTAL USES	44,924.7	57,109.7	56,755.6	56,589.0	-0.9
FTE					
Permanent	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	31.0	31.0	31.0	31.0	0.0

AT A GLANCE:

The market value of the funds invested by the State Investment Council (SIC) has seen a large increase, growing from \$11.7 billion in January 2009 to over \$20.5 billion at the end of June 2015. The increased value of assets under management results in higher asset management fees paid to managers and accounts for the requested increase in the category. Nearly five years after legal action was initiated, the agency continues to actively pursue the final of three cases in the pay-to-play litigation. The case is currently scheduled for November 2016. The agency reduced the amount requested for the personal services and employee benefits category because General Services Department rates, mostly the public liability rate, decreased due to settlement of some of the pay-to-play litigation.

The LFC recommendation supports the requested increase in the asset management fee. Management fees average approximately 28 basis points (a basis point equals 1/100th of a percent) and, when applied to a larger base, require increased funding. The recommendation assumes growth in assets under management will be 7.75 percent per year, just above the agency's long-term target, and estimates management fees based on these growth assumptions. The recommendation supports the requested decrease in personnel costs and funds every position, including vacancies, but does not fund agency requested salary increases for the staff and director.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</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	-113	-111	>25	>25	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	43	52	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points	-90	-45	>25	>25	>25
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe	62	51	<49	<49	<49

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted	FY17 – 2016-2017		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	0.0	1,554.8	1,826.6	1,576.0	1.4
Other Revenues	0.0	0.0	0.0	100.0	
SOURCES TOTAL	0.0	1,554.8	1,826.6	1,676.0	7.8
USES					
Personal Services and Employee Benefits	0.0	1,219.3	1,421.3	1,285.8	5.5
Contractual Services	0.0	10.0	34.7	24.7	147.0
Other	0.0	325.5	370.6	365.5	12.3
TOTAL USES	0.0	1,554.8	1,826.6	1,676.0	7.8
FTE					
Permanent	0.0	15.0	17.0	16.0	6.7
Temporary	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	0.0	16.0	17.0	16.0	0.0

AT A GLANCE:

Laws 2015, Chapter 73, (Senate Bill 356) removed the tax protest hearings office from the Taxation and Revenue Department (TRD) and administratively attached the office to the Department of Finance and Administration (DFA). Beginning in FY16, the Administrative Hearings Office (AHO) was established as the first independent administrative hearings office in state with nearly \$1.6 million from the general fund.

The change was driven by the appearance of a conflict of interest in having protest hearing officers — also called administrative law judges — as employees within the agency over whose proceedings they preside. The basic purpose of an independent hearing office is to provide hearing officers with decisional independence on agency-related matters. Additionally, the shift should help the state improve its score with the Council on State Taxation (COST), which in turn may assist the state in recruiting and attracting more businesses to the state. The state's current grade is a B.

The FY17 AHO request included about \$200 thousand in general fund increases to cover costs associated with reclassifying hearing officers as administrative law judges rather than lawyers and costs not included in the original transfer from TRD (such as audit fees and General Services Department rates for health insurance, employee liability, and worker's compensation). The requested increase was also driven by the need to find new office space when TRD's motor vehicle field office lease in Albuquerque ends in July 2016. AHO also requested to convert 1 temporary FTE to permanent status at no additional cost and 1 expansion FTE and about \$80 thousand to help manage increased tax protest hearings. The committee recommends partially funding the increased AHO request using \$100 thousand of other revenue from fees for license revocation hearings and about \$20 thousand from the general fund to begin the reclassification process and fill vacancies, such as the chief hearing officer position.

BASE EXPANSION:

The recommendation does not include funding for the agency's expansion request for \$81.4 thousand and 1 FTE to assist with tax protest hearings. The agency should fill existing vacancies to provide additional support.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the administrative hearing office include one hundred thousand dollars (\$100,000) from the motor vehicle suspense fund.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Tax hearing officer - 1 FTE	(P340)	81.4	0.0
TOTAL			81.4	0.0

ADMINISTRATIVE HEARING

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

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Percent of implied consent act cases not held within 90 days due to administrative hearings office error	New	New	0.5%	0.5%	0.5%
Outcome	Percent of tax cases not held (including merits and scheduling conference) within 90 days because of administrative hearings office error	New	New	2.5%	2.5%	2.5%
Outcome	Number of trainings provided annually	New	New	4	4	4

STATUTORY AUTHORITY:

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

MISSION:

The Department of Finance and Administration (DFA) provides the governor, other agencies, and local entities with fiscal and policy analysis and budgetary services to ensure responsive and fiscally responsible governance for the citizens of New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	26,262.2	26,642.0	27,058.8	26,351.8	-1.1
Other Transfers	19,468.2	40,372.6	19,462.7	19,462.7	-51.8
Federal Revenues	9,016.4	10,203.3	10,203.3	10,203.3	0.0
Other Revenues	75,472.1	74,259.0	80,940.0	80,940.0	9.0
Fund Balance	0.0	5,530.7	1,800.0	1,800.0	-67.5
SOURCES TOTAL	130,218.9	157,007.6	139,464.8	138,757.8	-11.6
USES					
Personal Services and Employee Benefits	11,092.6	12,757.7	13,003.5	12,765.8	0.1
Contractual Services	10,661.5	11,880.0	11,808.9	11,222.1	-5.5
Other	40,476.9	59,570.5	61,739.7	61,857.2	3.8
Other Financing Uses	48,503.0	72,799.4	52,912.7	52,912.7	-27.3
TOTAL USES	110,734.0	157,007.6	139,464.8	138,757.8	-11.6
FTE					
Permanent	137.0	143.0	143.0	143.0	0.0
Term	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	158.0	164.0	164.0	164.0	0.0

AT A GLANCE:

Throughout FY15, the Department of Finance and Administration (DFA) struggled with the state's accounting system, SHARE, and internal budget and financial controls. Turnover and vacancies within the department contributed to difficulties in effectively providing reliable statewide financial reporting and budgetary assistance and oversight for state agencies and local entities. Although significant problems with SHARE persist, DFA is undertaking several projects to improve SHARE functionality, establish a reliable figure for historical book to bank imbalances, and ensure the statewide comprehensive annual financial report (CAFR) is timely and reliable. The department should focus additional energy on ensuring state agencies are operating within budget restraints to prevent budget shortfalls. DFA requested a moderate general fund increase for FY17 to reduce vacancy rates and increase hiring salaries for six new CPA positions approved for FY16, accommodate increased CAFR audit costs, and fund increases for several special appropriation pass-throughs. The agency also requested decreases for the fiscal agent contract and acequia and community education special appropriations and requested transferring the food banks special appropriation to the Human Services Department (HSD).

The committee recommendation for DFA includes a modest increase in both the general fund and the overall operating budget to lower the number of vacancies and increase revenues in the local DWI grant program administered by the Local Government Division (LGD). The recommendation decreases general fund support for special appropriations by about \$440 thousand, mostly as a result of transferring the appropriation for food banks to HSD, which already administers a large food bank program. Additionally, the committee recommendation supports a reorganization moving 3 FTE to the Policy Development Program from the Fiscal Management Program and 1 FTE to LGD from Program Support, at no additional cost, to better align positions with functions.

BUDGET ISSUES:

The overall DFA base budget request for FY17 was \$139.5 million and comprises funding for all of the agency's diverse functions. The budget request reflected funding for agency operations, programs administered by the agency (such as local DWI, civil legal services, and community development grants), special appropriations that pass through the agency (such as youth mentoring and acequia education), and two pass-through funds used by other agencies (the tobacco settlement fund and the county-supported Medicaid fund). The overall base budget request for FY17 was about \$17.5 million, or 11.2 percent, below the FY16 operating budget. The overall FY17 budget decreased due to the inclusion of about \$20 million of additional FY16 tobacco settlement fund monies, which flow through DFA, that the agency did not request for FY17. However, LFC staff will recommend legislation to continue the use of additional tobacco settlement revenue.

DFA requested an FY17 general fund appropriation of \$27.1 million, \$416.8 thousand, or 1.6 percent, over the FY16 operating budget. As in previous years, only about \$16.1 million, or 60 percent, of the general fund request covered operating expenses of agency programs; the remaining \$10.9 million was allocated to state expenditures or special appropriations that pass through DFA. With regard to the operating budget, DFA requested an overall increase of \$477.6 thousand to reduce the vacancy rate in the Policy Development Program, increase hiring salaries for the six new CPAs within the Fiscal Management Program, and accommodate increased CAFR audit costs. The FY17 request for special appropriation pass-throughs included about \$600 thousand in increases for the Land Grant Council, NM Acequia Commission, and leasehold community assistance for Cochiti Lake. Offsetting these increases were a \$117 thousand decrease for the fiscal agent contract and the transfer of the \$548 thousand appropriation for food banks to HSD.

In each of the last several fiscal years, DFA transferred significant sums of money out of the personal services and employee benefits category and reverted sizable general fund sums. In FY13, the agency transferred about \$870 thousand out of personnel and reverted \$895 thousand to the general fund. In FY14, DFA transferred \$522.5 thousand out of the category and reverted \$775 thousand to the general fund. At the close of FY15, the agency had transferred about \$768 thousand from the category and, although definitive figures are not available until December 2015, reversions will likely be similar to those in FY13 and FY14.

The committee recommends a general fund appropriation of \$26.4 million, a 1.1 percent decrease relative to the FY16 operating budget, although the recommendation includes about \$500 thousand of increases for decreasing vacancy rates, increasing hiring salaries for the six CPAs, higher CAFR audit costs, and several special appropriations. The overall decrease is almost entirely the result of transferring the \$548 thousand special appropriation for food banks to HSD.

Budgetary Oversight. In recent years, budget shortfalls in other agencies have been a recurring issue. In FY15, agencies, including HSD, the Department of Health (DOH), the Corrections Department (NMCD), and the Department of Public Safety (DPS), requested supplemental appropriations of about \$80 million. In FY16, HSD requested a \$47 million supplemental appropriation. The State Budget Division (SBD) at DFA is tasked with overseeing agency budgets and monitoring revenue received by agencies from sources other than the general fund; if revenue is not meeting projections, SBD is required to reduce the operating budget to reflect revenues. SBD should focus greater energy on monitoring agency budgets and expenditures to ensure potential shortfalls are identified early and actions are taken to mitigate the projected shortfall.

Statewide Financial Reporting. Between FY13 and FY16, the Financial Control Division (FCD) made significant progress in identifying and rectifying the problems with the state's general ledger cash account balances recorded in SHARE not matching balances in the state's cash accounts at the bank. Phase one of the cash management remediation project, completed in April 2013, facilitated point-forward, monthly reconciliation between SHARE and bank balances which, in violation of state statute, had not taken place since the introduction of SHARE in 2006. A total of \$5 million has been appropriated for phase two of the cash management remediation project - \$1.1 million in 2014 and an additional \$3.9 million during the 2015 legislative session - which will further improve point-forward cash reconciliations by incorporating third-party payment systems currently operating outside of SHARE and improving accounting processes for the state in the areas of payment processes, cash control processes, and general ledger processes. Phase two is scheduled for completion in April 2016.

In fall 2014, DFA contracted with the auditing firm Deloitte for \$1 million to analyze variances between SHARE and the state's bank accounts from FY07 through February 2013. The final report released by Deloitte in December failed to match a significant portion of book transactions to bank transactions or to produce a better estimate of the historical unreconciled shortfall. DFA has placed a liability against the state's operating reserve fund of \$101 million to cover any ultimate finding of historical imbalance. Beginning in March 2015, DFA developed and is testing a model to assess size and stability of differences between agency claims on the general fund and balances held at the State Treasurer's Office. DFA believes reliable historical imbalance will be identifiable by the FY15 audit, although the size of the imbalance has yet to be revealed.

Current cash remediation efforts will help set the stage for a successful SHARE upgrade, a necessary component of ongoing cash reconciliation. In the 2013 legislative session, the Department of Information Technology (DoIT) received a \$5 million appropriation for that upgrade, which has been reauthorized for FY16. DoIT issued a solicitation of vendors earlier this year and has identified two potential contractors for the upgrade, but a contract is not yet in place nor is a timeline for the upgrade.

FCD also is in the process of implementing software, Hyperion, to automate the compilation of the statewide CAFR, which has been chronically late and unreliable. The FY13 audited CAFR, the state's first-ever audited CAFR, was released close to a year and a half after the close of the fiscal year and the FY14 audited CAFR was not released until over a year after the close of the fiscal year; the standard submission date established by the Government Finance Officers Association (GFOA) is six months. A November 2015 Governing Magazine article highlighted New Mexico's late CAFR and emphasized the importance of timely CAFR production for a range of state functions, including bonding, state bond ratings, and budget and revenue projections. DFA anticipates Hyperion will be of some use in compiling the FY15 CAFR and fully functional as of the FY16 CAFR. The combination of projects related to SHARE and CAFR compilation will help the state ensure it can produce reliable, timely financial statements.

Local Government. During FY14 and FY15, LGD experienced substantial leadership turnover, but now has both a director and deputy director and has filled many previously vacant positions. This has improved LGD's ability to provide services to local governments and administer special programs and contracts efficiently.

The Civil Legal Services program experienced decreased funding during the economic downturn and has not returned to pre-recession funding levels. In particular, federal funding and other state funding sources have declined substantially. The FY16 operating budget included a \$300 thousand general fund increase for the Civil Legal Services program, bringing general fund support for the program close to FY09 levels and helping offset decreases in other state funds and federal funds. The committee recommends holding funding flat with FY16. In addition to funding for Civil Legal Services through DFA, several other agencies provide additional funding for independent contracts.

Laws 2014, Chapter 54, (House Bill 16) increased the distribution of liquor excise tax revenues to the local DWI grant fund from 41.5 percent to 46 percent for FY16 through FY18. The fund is projected to increase by about \$2 million to \$21.9 million in FY16 through FY18. A 2014 LFC performance evaluation of local DWI programs found that, although drug and alcohol courts are one of the strongest evidence-based programs that DWI grant funds can be used for, no counties currently do so. As such, the LFC recommendation supports maintaining a \$1 million DWI grant fund transfer at the same level from the local DWI fund to the Administrative Office of the Courts to support drug courts.

Executive Order 2013-06 prescribed uniform funding criteria for grantees to be eligible for local capital outlay appropriations, requiring an up-to-date audit without unaddressed findings of material weakness to qualify for funding. In particular, local entities with limited funding or expertise to devote to financial reporting appear to have had difficulty meeting reporting requirements and have not received appropriations. A total of 33 projects were ineligible for capital outlay funds as of the September 2015 bond sale, a marked decline from the 122 projects totaling \$13.4 million ineligible about two years ago. The combined efforts of LGD, the Capital Outlay Bureau, and the Office of the State Auditor have successfully diminished the number of entities impacted by the executive order. Although the need for financial reporting assistance is certainly recurring, the magnitude will likely diminish as noncompliance is remedied with greater frequency and the build-up of noncompliant entities is addressed.

Special Appropriations. Regarding special appropriations that pass through DFA and are administered by LGD, the committee recommendation for general fund revenue includes a \$50 thousand increase for the NM Acequia Commission, a \$75 thousand increase for the Land Grant Council to assist with contracting for legal services, a \$200 thousand increase for the county detention of prisoners, a \$100 thousand decrease for the behavioral health for prisoners, and a \$117.2 thousand decrease for the fiscal agent contract. The recommendation also transfers the \$548 thousand food banks appropriation to HSD. The request does not fully fund the increases requested by the NM Acequia Commission and the Land Grant Council, which are reported in the DFA request exactly as the entities submit them to DFA.

The \$200 thousand increase for the county detention of prisoners partially restores a cut to the appropriation in FY16. The total appropriation of \$2.8 million is used to reimburse counties for housing three specific categories of offenders in county jails per the County Detention Facility Reimbursement Act. Although fiscal constraints prevent the appropriation from being fully restored to the previous amount, the committee recognizes the need to fund county detention of prisoners. One supplemental funding option is to allow counties to reprioritize savings in county indigent funds resulting from Medicaid expansion and access to health insurance exchanges to defray the cost of housing state inmates in county jails.

The recommendation does not support the requested \$156.5 thousand, or 122 percent, increase for leasehold community assistance, which provides leasehold communities, currently only Cochiti Lake, with assistance in meeting operating expenses. Based on a review of the entity's FY14 financial audit, the community does not need additional financial assistance at this time.

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 one million dollars (\$1,000,000) from the local DWI grant fund, including local DWI grant program distributions, to be transferred to the administrative office of the court 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 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 2017. Repayments of emergency loans made pursuant to this paragraph shall be deposited in the board of finance emergency fund pursuant to the provisions of Section 6-1-5 NMSA 1978.

The other state funds appropriations to the community development, local government assistance and fiscal oversight programs of the department of finance and administration include thirteen million one hundred thousand dollars (\$13,100,000) from the 911 enhancement fund, twenty-two million dollars (\$22,000,000) from the local DWI grant fund, and one million five hundred thousand dollars (\$1,500,000) from the civil legal services fund.

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

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	BOF expansion for contracts	(P541)	0.0	0.0
1	Capital Outlay Expansion	(P541)	0.0	0.0
1	LGD Expansion	(P543)	0.0	0.0
1	FCD Expansion	(P544)	0.0	0.0
1	Citizens Substitute Care Review Expansion	(P545)	0.0	0.0
TOTAL			0.0	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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	3,440.1	3,326.3	3,903.4	3,681.3	10.7
SOURCES TOTAL	3,440.1	3,326.3	3,903.4	3,681.3	10.7
USES					
Personal Services and Employee Benefits	2,804.5	3,051.7	3,599.8	3,377.7	10.7
Contractual Services	113.5	108.3	131.5	131.5	21.4
Other	205.3	166.3	172.1	172.1	3.5
TOTAL USES	3,123.3	3,326.3	3,903.4	3,681.3	10.7
FTE					
Permanent	35.0	36.0	39.0	39.0	8.3
TOTAL FTE POSITIONS	35.0	36.0	39.0	39.0	8.3

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of capital projects older than five years for which the funding is not expended or reverted	0	0	0	0	0
Output	Dollar amount of capital projects older than five years that are not expended or reverted, in millions	0	0	0	0	0
Output	Percent of state agency capital outlay projects included in the infrastructure capital improvement plan	100%	100%	100%	100%	100%
* Outcome	General fund reserves as a percent of recurring appropriations	11%	TBD	10%	10%	10%
Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and gas revenue and corporate income taxes	2.2%	TBD	(+/-) 4%	(+/-) 3%	(+/-) 3%
* Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	0.7%	TBD	(+/-) 3%	(+/-) 4%	(+/-) 3%
Outcome	Average number of working days to process capital budget requests and budget adjustment requests	4 to 7	3	5	5	5
Quality	Average number of working days to process capital budget requests	New	3	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	97%	98%	97%	97%	97%
Output	Average number of bids received at each competitive bond sales	6	5	6	6	6
Efficiency	Percent of state payments processed electronically	82%	82%	>=80%	>=80%	>=80%
Outcome	Percent of state treasurer's investment committee meetings attended by board of finance director or designee	100%	100%	100%	100%	100%
Outcome	Percent of state agencies that submit performance measure data as required by the July 15 and September 1 statutory deadlines	New	New	95%	95%	95%
Outcome	Percent of training attendees that report training as satisfactory or above	New	New	85%	85%	85%
Outcome	Percent of agencies responding to the annual state budget division performance survey that rate customer service as satisfactory or above	New	New	85%	85%	85%

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)**

SOURCES	<u>FY17 - 2016-2017</u>				
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
General Fund Transfers	4,134.4	4,383.4	4,382.2	4,382.2	0.0
Federal Revenues	9,016.4	10,203.3	10,203.3	10,203.3	0.0
Other Revenues	31,642.9	34,362.3	34,800.0	34,800.0	1.3
Fund Balance	0.0	5,530.7	1,800.0	1,800.0	-67.5
SOURCES TOTAL	44,793.7	54,479.7	51,185.5	51,185.5	-6.0

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
USES						
	Personal Services and Employee Benefits	2,839.7	3,251.8	3,254.0	3,254.0	0.1
	Contractual Services	3,881.2	4,164.9	4,011.4	4,011.4	-3.7
	Other	29,572.7	45,763.0	42,620.1	42,620.1	-6.9
	Other Financing Uses	800.0	1,300.0	1,300.0	1,300.0	0.0
	TOTAL USES	37,093.6	54,479.7	51,185.5	51,185.5	-6.0
FTE						
	Permanent	25.0	24.0	25.0	25.0	4.2
	Term	21.0	21.0	21.0	21.0	0.0
	TOTAL FTE POSITIONS	46.0	45.0	46.0	46.0	2.2

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Outcome	Percent of acceptable payment requests processed within five working days of receipt	97%	97%	97%	97%	97%
Quality	Percent of tax rate certifications accurate in the initial submission to the local entity	100%	100%	100%	100%	100%
Output	Number of local entities participating in the infrastructure capital improvement planning program	322	340	325	325	335
Quality	Number of annual local site visits by DWI staff	40	46	45	45	45
Output	Number of local DWI program service areas for which benchmarks are developed and implemented to evaluate program effectiveness by June 30, 2016	3.5	4	4 to 8	4 to 8	4 to 8
Quality	Number of annual local site visits by E-911 staff	80	62	100	100	100
Outcome	Total number of persons who benefited from closed civil legal services cases	111,278	27,947	100,000	10,000	30,000
Efficiency	Percent of grant agreements, not restricted by state board of finance special conditions, issued within seventy-five days from availability of funds	97%	95%	95%	95%	95%
Output	Percent of community development block grant projects completed with closeout monitoring letter	95%	95%	90%	90%	90%
* Output	Percent of county and municipality budgets approved by the local government division of budgets submitted timely	84%	100%	90%	90%	90%
* Outcome	Number of counties and municipalities operating under a conditional certification during the fiscal year	16	5	5	5	5

FISCAL MANAGEMENT AND OVERSIGHT

The purpose of the fiscal management and oversight program is to approve all state professional service contracts and 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)

(dollars in thousands)					
	FY15	FY16	FY17 - 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	6,069.2	6,797.8	6,837.6	6,741.1	-0.8
Other Transfers	19,282.7	40,082.7	19,282.7	19,282.7	-51.9
Other Revenues	29,375.0	31,036.7	31,800.0	31,800.0	2.5
SOURCES TOTAL	54,726.9	77,917.2	57,920.3	57,823.8	-25.8

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
USES						
	Personal Services and Employee Benefits	4,507.0	5,330.8	5,175.8	5,174.1	-2.9
	Contractual Services	897.0	931.8	1,130.4	1,043.5	12.0
	Other	553.4	535.2	531.4	523.5	-2.2
	Other Financing Uses	47,173.6	71,119.4	51,082.7	51,082.7	-28.2
	TOTAL USES	53,131.0	77,917.2	57,920.3	57,823.8	-25.8
FTE						
	Permanent	63.0	70.0	67.0	67.0	-4.3
	TOTAL FTE POSITIONS	63.0	70.0	67.0	67.0	-4.3

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Efficiency	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	15	9	10	10	8
Output	Date of submitting the annual statewide cost allocation plan for federal approval	3/31	TBD	12/31	12/31	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	7/1	7/1	7/1	7/1	7/1
Efficiency	Percent of payments to vendors within the parameters set by the Procurement Code and contractual provisions	95%	99%	95%	95%	98%
Efficiency	Percent of payroll payments to employees made by the scheduled payday	99.5%	100%	100%	100%	100%
* Efficiency	Percent of vendor and employee payment vouchers processed within five working days	94%	95%	95%	95%	95%
Efficiency	Percent response to help desk requests within two business days	97%	89.2%	97%	97%	97%
* Output	Percent of bank accounts reconciled	100%	100%	100%	100%	100%
Outcome	Percent of error-free bank accounts	84%	99%	80%	80%	90%
Outcome	Percent of contracts rejected	14.3%	7%	15%	15%	15%

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	1,310.8	1,164.0	1,025.9	1,016.9	-12.6
	SOURCES TOTAL	1,310.8	1,164.0	1,025.9	1,016.9	-12.6
USES						
	Personal Services and Employee Benefits	890.6	1,023.6	899.1	890.1	-13.0
	Contractual Services	99.1	75.2	75.2	75.2	0.0
	Other	91.2	65.2	51.6	51.6	-20.9
	TOTAL USES	1,080.9	1,164.0	1,025.9	1,016.9	-12.6
FTE						
	Permanent	14.0	13.0	12.0	12.0	-7.7
	TOTAL FTE POSITIONS	14.0	13.0	12.0	12.0	-7.7

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	2	2	2	2	2
Output	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	2	2	2	2	2
Outcome	Percent of major fund reconciliation completed as an internal control within twenty-one days after the official closing of the books each quarter	93%	70%	90%	90%	90%
Outcome	Date of timely, unqualified audit opinion issued for the department audit	11/26	12/3	12/15	12/1	12/1
Outcome	Average number of working days to process department level budget adjustment requests and submit them to state budget division for review	New	New	2	2	2
Outcome	Date agency appropriation request is submitted to agency management for review and approval	New	New	8/15	8/20	8/20
Outcome	Percent of invoices processed and submitted to financial control for payment within forty-eight hours of acceptance	New	New	95%	95%	95%
Outcome	Percent of personnel action requests completed within forty-eight hours of acceptance	New	New	90%	90%	90%
Outcome	Percent of employee evaluations received by each employee's anniversary date in accordance with NMAC 1.7.9	New	New	95%	95%	95%

**DFA NON-OPERATING APPROPRIATIONS
BUDGET SUMMARY**
(dollars in thousands)
FY 2016 - 2017

	<u>FY16 Operating</u>	<u>FY17 Agency Request</u>	<u>FY16/FY17 FY17 LFC Recommendation</u>	<u>Pct. increase (decrease)</u>
SOURCES				
General fund transfers	10,970.5	11,457.7	10,530.3	-4.0%
Other transfers	289.9	180.0	180.0	-37.9%
General revenues	8,860.0	14,340.0	14,340.0	61.9%
SOURCES TOTAL	\$20,120.4	\$25,977.7	\$25,050.3	24.5%
USES				
(a) BOF emergency water fund	118.1	118.1	118.1	0.0%
(b) BOF fiscal agent contract	1,317.2	1,200.0	1,200.0	-8.9%
(c) Membership and dues	720.0	720.0	720.0	0.0%
(d) Citizens review board	644.5	584.6	584.6	-9.3%
(e) Youth mentoring program	700.1	700.1	700.1	0.0%
(f) One-on-one youth mentoring	2,403.3	2,403.3	2,403.3	0.0%
(g) Law enforcement enhancement	8,700.0	14,200.0	14,200.0	63.2%
(h) Regional housing authority oversight	199.5	199.5	199.5	0.0%
(i) Domestic violence prevention	79.8	79.8	79.8	0.0%
(j) State planning districts	668.4	668.4	668.4	0.0%
(k) Leasehold community assistance	128.5	285.0	128.5	0.0%
(l) County prisoner detention	2,690.9	2,690.9	2,890.9	7.4%
(m) Acequia and community ditch program	448.8	423.8	448.8	0.0%
(n) New Mexico acequia commission	49.3	196.9	99.3	101.4%
(o) Food bank	548.0	0.0	0.0	-100.0%
(p) Teen court-juvenile adjudication fund	179.9	159.9	159.9	-11.1%
(q) Land grant council	174.7	500.0	249.7	42.9%
(r) County food infrastructure	99.7	99.7	99.7	0.0%
(s) Children's interactive science	99.7	99.7	99.7	0.0%
(t) Behavioral health for prisoners	100.0	100.0	0.0	-100.0%
(u) Bernalillo active shooter	50.0	0.0	0.0	-100.0%
TOTAL EXPENDITURES	\$20,120.4	\$25,429.7	\$25,050.3	24.5%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,323.0	1,360.3	1,365.6	1,347.0	-1.0
Other Revenues	363,141.8	377,728.3	411,351.1	391,504.7	3.6
Fund Balance	3,625.2	7,000.0	0.0	2,560.5	-63.4
SOURCES TOTAL	368,090.0	386,088.6	412,716.7	395,412.2	2.4
USES					
Personal Services and Employee Benefits	971.6	959.0	992.2	973.6	1.5
Contractual Services	365,533.3	383,534.0	410,110.5	392,843.2	2.4
Other	262.1	235.3	248.4	248.4	5.6
Other Financing Uses	1,323.0	1,360.3	1,365.6	1,347.0	-1.0
TOTAL USES	368,090.0	386,088.6	412,716.7	395,412.2	2.4
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

AT A GLANCE:

NMPSIA, funded from employee payroll and school employer contributions to employee health plans and risk pool insurance assessments, covers hundreds of thousands of teachers and other educational employees, students, athletes, and volunteers, and billions of dollars in property values for school districts, charter schools and other educational entities throughout the state. Over the past three years, membership declined almost 5 percent due in part to more affordable coverage under Medicaid expansion and the health insurance exchange. However, premiums increased 12 percent and costs on a per-member basis grew 14 percent. To hold down premium increases, the program has increased co-pays and other out-of-pocket costs for consumers when accessing health care.

NMPSIA asked for an overall budget increase of 7 percent to pay health and risk claims and increases in contractual services, including the cost of excess insurance coverage. This would require up to an additional \$17 million from the general fund in the state equalization guarantee (SEG) appropriation for public schools for the employer's share of the increased premiums. Because of lower than expected increases in the agency's healthcare cost trends, the availability of other revenue, fund balances, and a smaller budget for excess insurance, the recommendation includes an additional \$3.5 million in the SEG general fund appropriation to cover school health insurance premium increases and no new revenue from increased school risk assessments.

BUDGET ISSUES:

NMPSIA administers health insurance plans and risk programs for 88 public school districts, 95 charter schools, and 23 other educational entities. Under the two programs, there are 44 thousand teachers and other educational employees with a combined payroll of \$1.5 billion, 273 thousand students, 42 thousand student athletes, 9,000 volunteers, and hundreds of buildings and other school property with a combined value of \$21 billion, including 8,400 school buses and other vehicles. During FY15, NMPSIA operated with 11 FTE and expended \$1.3 million for in-house administration, \$295 million for health care, and \$72 million for risk coverage.

Overall, the request was \$412.7 million, a \$26.6 million, or 7 percent increase from the FY16 operating budget. For the Benefits Program, the request included \$329.4 million from employee and employer contributions, an increase of \$26 million, and \$7 million from prescription drug rebates and other miscellaneous revenue. For the Risk Program, the request included \$74.4 million from school assessments, an increase of \$1.1 million, and \$580 thousand from other revenue, such as subrogation payments and interest on investments. The request for Program Support reflected savings in contractual services to offset increases for staff, IT, and facility maintenance.

The recommendation is \$395.4 million, a \$9.3 million, or 2.4 percent, increase from the FY16 operating budget. For the Benefits Program, the recommendation reflects 4 percent for medical inflation, lower than the agency's assumed trend, lower fees from the Affordable Care Act, and potential savings from negotiating new provider rates that pay for efficiency and high quality, not for number of visits or procedures. For the Risk Program, the recommendation proposes no increases from school assessments and reduces funding for excess insurance by 5 percent. To reduce costs for schools, NMPSIA should re-evaluate how it manages risk through self-insured limits and deductibles and eliminate coverage and excess insurance no longer warranted due to relatively stable claims the past five years. For Program Support, the recommendation includes smaller increases than requested.

Risk Coverage. Except for Albuquerque Public Schools, all school districts and charter schools, board members, employees, volunteers, and bus contractors are covered under risk policies administered by NMPSIA. The financing method is a combination of self-insurance of \$600 thousand for workers' compensation and \$750 thousand for property and liability per occurrence with excess insurance for larger losses. Through its broker, NMPSIA contracts with excess insurance companies to minimize exposure above those limits. Over the past five years, excess insurance costs increased 20 percent, from \$29 million to \$35 million, and claims payments increased proportional to inflation, from \$26 million to \$28 million, due to effective loss control and aggressive claims management.

Last year, the NMPSIA board reviewed the costs of excess insurance -- coverage for claims above a predetermined amount -- which is often significantly higher than other risk management programs in the state. NMPSIA's experts said the protection was needed because of the number of students under supervision, buildings in rural areas with less than optimal access to police and fire departments, and risks specific to New Mexico weather-related property losses. After identifying risks, NMPSIA allows consultants to advise the board on levels of reinsurance but does not prevent consultants from accepting commissions from these vendors. LFC recommends language that prohibits payments on both sides of such a transaction. Similar transactions caused trouble in the past for the State Investment Council and pension funds.

For the 2015 to 2016 plan year, NMPSIA increased the total risk assessment 10 percent and raised an additional \$6.8 million to shore up the fund. Twelve school districts and charter schools saw decreases in premiums between 2 percent and 24 percent, in part due to improved risk management; however, 187 saw increases up to 210 percent due to new exposures and incurred claims. Las Cruces Public Schools, Santa Fe Public Schools, Gallup-McKinley County Schools, Farmington Public Schools, and Roswell Independent Schools saw the largest increases. One cost driver for the Risk Program is the increase in the number of charter schools, which requires frequent visits for physical inspections and loss prevention training, especially in the area of human resources.

Health Coverage. For health benefits, NMPSIA increased premiums 4 percent in the fall of 2015, less than the blended rate of 8 percent the agency's actuary uses to forecast revenue needs but in line with other commercial plans. The annual single and family health premium under NMPSIA is now close to the national average, which is \$6,251 for single coverage with an employee paying close to 20 percent of the premium, and \$17,545 for family coverage with an employee paying close to 30 percent of the premium. On average, employees under NMPSIA pay 38 percent and the employer 62 percent of the premium for both single and family coverage. However, despite the higher contribution, out-of-pocket consumer costs, with the exception of deductibles, are comparable with most cost-sharing averages. According to a recent national employer survey, the average deductible is now \$1,300 and maximum out-of-pocket \$3,800; NMPSIA's plans are below those averages.

NMPSIA is one of four benefit programs administered by the Interagency Benefits Advisory Committee (IBAC) which collaborates on procuring health care but operates independently. Because of a smaller workforce, similar risks, and access to the same providers, IBAC should consolidate under one program that would allow direct contracting with high-value, low-cost delivery systems. The new entity could offer hospitals and physician groups patient volume. In return, the groups' could agree to reach targets for cost, quality, and patient experience. In addition, IBAC could participate along with all other public and private healthcare payers in a statewide repository of IT healthcare information. Twelve states have already established such databases to help governments and other healthcare purchasers, providers and consumers make informed decisions.

RECOMMENDED LANGUAGE:

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

Any expended balances in program support of the New Mexico public schools insurance authority remaining at the end of fiscal year 2017 from this appropriation shall revert to the benefits program and risk program.

BENEFITS

The purpose of the benefits program is to provide an effective health insurance package to educational employees and their eligible family members so they can be protected against catastrophic financial losses due to medical problems, disability or death.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	294,092.2	303,898.9	336,386.3	318,299.2	4.7
Fund Balance	724.4	7,000.0	0.0	2,560.5	-63.4
SOURCES TOTAL	294,816.6	310,898.9	336,386.3	320,859.7	3.2
USES					
Contractual Services	294,155.1	310,218.7	335,703.5	320,186.2	3.2
Other Financing Uses	661.5	680.2	682.8	673.5	-1.0
TOTAL USES	294,816.6	310,898.9	336,386.3	320,859.7	3.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES						
		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Percent change in per-member health claim costs	New	6.5%	≤6%	≤9%	≤5%
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	10	8	9	9	8
Outcome	Percent increase in pap smear screening compliance	58%	45%	2%	2%	2%
* Outcome	Percent change in medical premium as compared with industry average	6.6%	1.5%	≤3%	≤3%	≤3%
Outcome	Percent change in dental premium as compared with industry average	0%	0%	≤3%	≤3%	≤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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	69,049.6	73,829.4	74,964.8	73,205.5	-0.8
Fund Balance	2,874.8	0.0	0.0	0.0	
SOURCES TOTAL	71,924.4	73,829.4	74,964.8	73,205.5	-0.8
USES					
Contractual Services	71,262.9	73,149.3	74,282.0	72,532.0	-0.8
Other Financing Uses	661.5	680.1	682.8	673.5	-1.0
TOTAL USES	71,924.4	73,829.4	74,964.8	73,205.5	-0.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of schools in compliance with loss control prevention recommendations	New	51%	65%	65%	65%
* Outcome	Average cost per claim for current fiscal year	\$6,187	\$3,714	≤\$4,777	≤\$4,777	≤\$3,800
Outcome	Percent change in members' average premium costs per one hundred dollars of building value	0%	6%	≤6%	≤6%	≤6%
Outcome	Percent change in the average cost per ergonomic claim as compared with five-year average	New	-47%	≤5%	≤5%	≤3%
Outcome	Percent change in the average cost per water damage claim as compared with five-year average	New	3%	≤5%	≤5%	≤3%
Outcome	Percent change in the average cost per improper touching claim as compared with five-year average	New	-80%	≤3%	≤3%	≤3%
Outcome	Percent change in the average cost per individuals with disabilities education act claim as compared with five-year average	New	0.5%	≤4%	≤4%	≤4%
Outcome	Percent change in the average cost per bus accident claim as compared with five-year average	New	78%	≤4%	≤4%	≤4%
Outcome	Percent change in the average cost per roof damage claim as compared with five-year average	New	-73%	≤4%	≤4%	≤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	-48%	≤4%	≤4%	≤3%

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Transfers	1,323.0	1,360.3	1,365.6	1,347.0	-1.0
Fund Balance	26.0	0.0	0.0	0.0	
SOURCES TOTAL	1,349.0	1,360.3	1,365.6	1,347.0	-1.0
USES					
Personal Services and Employee Benefits	971.6	959.0	992.2	973.6	1.5
Contractual Services	115.3	166.0	125.0	125.0	-24.7
Other	262.1	235.3	248.4	248.4	5.6
TOTAL USES	1,349.0	1,360.3	1,365.6	1,347.0	-1.0
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	2,929.3	3,012.9	3,232.6	3,118.3	3.5
Other Revenues	314,794.9	296,624.0	326,453.6	313,049.7	5.5
SOURCES TOTAL	317,724.2	299,636.9	329,686.2	316,168.0	5.5
USES					
Personal Services and Employee Benefits	1,754.9	1,920.2	2,000.7	1,949.8	1.5
Contractual Services	261,226.9	294,056.3	323,797.4	310,507.8	5.6
Other	574.3	647.5	655.5	592.1	-8.6
Other Financing Uses	2,929.3	3,012.9	3,232.6	3,118.3	3.5
TOTAL USES	266,485.4	299,636.9	329,686.2	316,168.0	5.5
FTE					
Permanent	26.0	26.0	28.0	27.0	3.8
TOTAL FTE POSITIONS	26.0	26.0	28.0	27.0	3.8

AT A GLANCE:

The health of the NMRHCA trust fund has improved since FY11 because of higher contributions from public employees and employers, increased tax distributions, and cost reductions, but it still cannot support its long-term obligations to all future retirees. The agency has managed to limit growth in healthcare costs, despite growing membership and eligible dependents joining the plan, through shifting some costs to members through higher copays and coinsurance and strategies that encourage more efficient use of healthcare services.

The agency, which receives no revenue from the general fund except indirectly through public employee and employer contributions, requested a 10 percent increase from FY16. The committee recommends a more moderate increase of 5.5 percent, allowing for at least \$30 million to stay in the long-term reserve fund.

BUDGET ISSUES:

NMRHCA offers Medicare and pre-Medicare health plans for New Mexico's retired public employees. Nearly 100 thousand state, local government and educational employees contribute to the NMRHCA fund, and 58 thousand retirees and eligible dependents rely on the NMRHCA for their healthcare needs. In FY15, NMRHCA operated with 26 FTE and spent \$2.7 million for program support and \$263.8 million to administer benefits and pay claims. Under the FY16 operating budget, the agency is budgeted to spend nearly \$300 million, an increase of 12 percent over FY15 spending levels. Over the past several years, the agency has successfully kept the growth in healthcare costs below the industry trend, despite more members and the addition to the plan of eligible dependents. This was accomplished by shifting some healthcare costs to members by increasing copays and coinsurance and through member education and other strategies that encourage more efficient use of healthcare.

The health of the program's long-term trust fund has slowly improved, and the last time the program withdrew money from the fund to cover expenses was in 2007. Since FY11, because of increases in revenue from employee payroll deductions and employer contributions, tax distributions as prescribed by statute, and the implementation of a five-year plan to reduce expenses, NMRHCA added \$160 million to its trust fund. The balance in the fund is now \$432 million, as compared with \$123 million in 2007; still, this is only a small fraction of what may be needed long-term. According to the Governmental Accounting Standards Board (GASB), other post-employment benefits (OPEB), such as retiree health insurance, should be accounted for and reported using the same approach and methods as pension benefits, in part to ensure taxpayers and lawmakers understand the debt obligation. The current balance in the fund is only about 13 percent of what is needed to be considered solvent under these rules.

Overall, the request was \$329.7 million, a \$30 million or 10 percent increase from the FY16 operating budget. The request includes \$149 million from retiree premiums that reflects a 4 percent growth in membership and 6 percent medical inflation; \$117 million from employee and employer contributions, at 3 percent of payroll; \$32 million from the personal income tax suspense fund with all but \$3 million indexed at a 12 percent growth rate; and \$28 million from prescription drug rebates and other allowances. The request for Program Support included an additional \$220 thousand for 2 new FTE and actuarial and accounting services for GASB changes that will soon require employers providing OPEB through multi-employer cost-sharing plans like the NMRCHA to report their proportionate share of the plan's collective net OPEB liability annually in their financial statements.

The recommendation is \$316.2 million, a \$16.5 million or 5.5 percent increase, from the FY16 operating budget. This should ensure a minimum increase to the reserve fund of at least \$30 million for FY17. The recommendation assumes increases of 4 percent from retirees and eligible dependents joining the plan and 4 percent for increases in healthcare costs year over year, slower growth from negotiating new contracts with health plans and delivery systems, and lower fees pursuant to the Affordable Care Act. The recommendation also provides smaller increases in other costs. The program moved its Santa Fe location to space in the building owned by the Public Employees Retirement Association to improve member services. The recommendation includes funding for 1 new FTE and because of low turnover, does not take a vacancy rate.

As of the 2014 biannual valuation, the cost of unfunded healthcare liabilities on an actuarial basis decreased from \$3.7 billion to \$3.4 billion. The fund is now 10 percent funded, up from 6 percent in 2012, with enough projected revenue to sustain benefit costs for a 20 year period. Since 2012, to delay insolvency, NMRHCA phased out family coverage subsidies for retirees with multiple dependent children; introduced co-insurance on mail order prescriptions drugs; increased the specialty visit office co-pay for early retiree plans; implemented a graduated minimum age requirement of 55 to receive a subsidy for new retirees after 2020; increased years of service required to receive a maximum subsidy to 25 years for new retirees after 2020; reduced subsidies for early retirees and spouses to 64 percent and 36 percent, respectively; and implemented a financially-incentivized wellness program. Starting 2018, the program will also convert \$6,000 basic life insurance policies, which are 100 percent paid by NMRHCA, to supplemental retiree-paid life policies over a four-year period.

Since 2013, the board has pursued a statutory increase in contributions, which has not been approved because of concerns with the costs of benefits and negative impact on take-home pay. For the 2016 legislative session, the NMRHCA expressed interest in once again seeking legislation to increase employee payroll contributions from 1 percent to 1.375 percent and increase employer contributions from 2 percent to 2.75 percent of wages over three years beginning in FY18. If successful, the change would increase recurring revenue to the fund by \$90 million in FY20, \$15 million from the general fund. Without the increase, NMRHCA will need to consider further cost savings measures including changes to benefits for early retirees to keep the plan's value below the threshold of \$11,850 starting in 2018, or pay the 40 percent "cadillac tax" for costs above that amount. Despite its unpopularity, the cadillac tax appears to hold the most promise at slowing the rate of healthcare spending growth.

NMRHCA becomes the secondary payer once a retiree reaches Medicare-eligibility, which reduces plan costs. In recent years, the program has seen movement towards lower premium, higher out-of-pocket early retiree plans, which helps delay the cadillac tax, and movement from Medicare Supplement plans to Medicare Advantage plans that cost less because they are subsidized by the federal government based on a health plan's ranking. In 2016, an early retiree with 20 years of service will pay \$326 monthly for a lower out-of-pocket plan or \$175 monthly for a higher out-of-pocket plan. In contrast, a retiree that is Medicare-eligible with 20 years of service will pay \$178 monthly for a Medicare Supplement plan and up to \$88 monthly for a Medicare Advantage plan. NMRHCA pays 50 percent of the pool's total costs, and the other 50 percent is captured from annually updated premiums.

This fall, the Interagency Benefits Advisory Committee (IBAC), comprised of the NMRHCA, New Mexico Public School Insurance Authority, Albuquerque Public Schools, and General Services Department, will enter its fifth cooperative purchasing cycle to secure contracts for health benefits for 200,000 members and eligible dependents over four years. In past procurements, this effort lost momentum because IBAC did not have a direct relationship with delivery systems and negotiations occurred through contractual agreements with commercial carriers that also had access to IBAC clinical data. This procurement, however, is expected to yield progress in shifting some costs from fee-for-service to payment arrangements that share risks and savings with providers.

RECOMMENDED LANGUAGE:

Any unexpended balance in the program support program of the New Mexico retiree health care authority remaining at the end of fiscal year 2017 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)					
			<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	314,794.9	296,624.0	326,453.6	313,049.7	5.5
SOURCES TOTAL	314,794.9	296,624.0	326,453.6	313,049.7	5.5
USES					
Contractual Services	260,822.7	293,571.1	323,173.0	309,883.4	5.6
Other	36.2	40.0	48.0	48.0	20.0
Other Financing Uses	2,929.3	3,012.9	3,232.6	3,118.3	3.5
TOTAL USES	263,788.2	296,624.0	326,453.6	313,049.7	5.5
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES						
		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Minimum number of years of positive fund balance	19	20	18	20	25
* Efficiency	Total revenue increase to the reserve fund, in millions	\$57	\$42	\$25	\$25	\$50
Efficiency	Average monthly pre-medicare eligible per-participant claim cost	\$577	\$627	\$670	\$670	\$650
Output	Average monthly medicare eligible per-participant claim cost	\$252	\$247	\$340	\$340	\$260
* Efficiency	Percent variance of medical premium change with industry average	0.1%	-2.4%	+/-4%	+/-4%	+/-4%
Efficiency	Percent of average medical premium subsidy for pre-medicare and medicare plans	50%	50%	50%	50%	50%
Outcome	Percent of diabetics managed according to clinical guidelines	New	New	New	New	65%
Outcome	Emergency room visits per thousand members	New	New	New	New	200

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	2,929.3	3,012.9	3,232.6	3,118.3	3.5
SOURCES TOTAL	2,929.3	3,012.9	3,232.6	3,118.3	3.5
USES					
Personal Services and Employee Benefits	1,754.9	1,920.2	2,000.7	1,949.8	1.5
Contractual Services	404.2	485.2	624.4	624.4	28.7
Other	538.1	607.5	607.5	544.1	-10.4
TOTAL USES	2,697.2	3,012.9	3,232.6	3,118.3	3.5
FTE					
Permanent	26.0	26.0	28.0	27.0	3.8
TOTAL FTE POSITIONS	26.0	26.0	28.0	27.0	3.8

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Number of prior-year audit findings	0	1	0	0	0
Efficiency	Percent of deposits made within twenty-four hours	New	100%	100%	100%	100%
Efficiency	Percent of payments made within thirty days	New	100%	100%	100%	100%
Efficiency	Number of days to resolve customer service claims related to inquiries and appeals	8	5	6	7	6
Efficiency	Direct number of member interactions	New	New	11,500	11,500	11,500
Efficiency	Average speed of answered calls, in seconds	New	New	10	10	10

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>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	14,367.7	14,222.7	15,741.0	14,422.7	1.4
Other Transfers	12,171.5	11,744.5	13,510.6	12,943.0	10.2
Other Revenues	666,190.8	431,712.3	480,589.7	461,983.4	7.0
Fund Balance	2,319.7	5,026.6	3,534.6	3,401.5	-32.3
SOURCES TOTAL	695,049.7	462,706.1	513,375.9	492,750.6	6.5
USES					
Personal Services and Employee Benefits	17,301.3	20,303.0	20,336.6	19,582.3	-3.5
Contractual Services	39,608.0	46,502.3	47,754.5	43,869.1	-5.7
Other	387,010.5	384,124.2	431,774.2	416,356.2	8.4
Other Financing Uses	12,430.1	11,776.6	13,510.6	12,943.0	9.9
TOTAL USES	456,349.9	462,706.1	513,375.9	492,750.6	6.5
FTE					
Permanent	311.0	311.5	312.0	312.0	0.2
Term	1.0	1.0	0.0	0.0	-100.0
Temporary	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	314.0	314.5	314.0	314.0	-0.2

AT A GLANCE:

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

GSD asked for a nearly 11 percent increase, with substantial revenue increases built into agency budgets for the health benefits and associated risk funds per Department of Finance and Administration (DFA) instructions. State spending on group health benefits, those managed by GSD and others, has increased over \$100 million since FY12 and now makes up 20 percent of total compensation, up from 10 percent a decade ago.

LFC recommends an increase of 6.5 percent from the FY16 operating budget, for group health benefits, with a 1.4 percent increase in general fund revenue, for property insurance and utilities for state-owned facilities. LFC also reduces some of the associated increases built into budgets for the group health benefits and risk funds, to reflect a slower growth rate for building cash balances in these funds.

BUDGET ISSUES:

GSD provides consolidated services to public entities in the areas of employee health; risk management, including litigation defense and loss control; capital projects oversight and facilities management; vehicle and air transportation; surplus property; centralized procurement; and printing services. The current operating budget is \$462.7 million to cover operating expenses for six divisions; including \$97.2 million for the risk funds and \$323.6 million for the health fund. The agency has 314.5 authorized FTE; nearly half are funded from general fund revenue and the other half from other state funds including revenue generated from enterprise activities.

Group Health Benefits. Between FY09 and FY13, fund balance was depleted to offset the difference between rising costs and declining revenue from hiring freezes and loss of members to retirement. In 2013, GSD alerted the Legislature it was reaching insolvency, partly based on medical inflation projections of 10 percent. In response, the Legislature appropriated \$10 million from the general fund. Since then, the program increased premiums 28 percent and proposes another 4 percent for FY17. The program's funding goal for FY17 is to increase revenue in sufficient amounts to ensure reserves of \$39 million, or about 14 percent of total costs.

The recommendation assumes annual expenditure growth of 4 percent and reflects savings from wellness initiatives that include an onsite health clinic and employee assistance program for lower cost primary care and behavioral health, savings from payment arrangements other than fee-for-service under new agreements, and lower fees for the Affordable Care Act. The recommendation provides funding for a 1 percent increase in employer premiums, as opposed to 4 percent in budget requests, pursuant to DFA instructions. This allows approximately \$5 million in benefit cost reductions for state agencies compared with budget requests. Under the LFC recommendation, the expected reserve level is \$27 million, 8 percent of projected costs.

Risk Coverage. The latest actuarial study suggests losses paid from the risk funds in total for FY16 will be 13 percent lower. In FY15, the number of new workers' compensation claims was below the five-year average, somewhat due to a smaller workforce, and the average cost per claim was slightly higher, due to medical inflation. For liability coverage, the number of new medical malpractice claims dropped significantly, although, the average cost per claim has risen every year for the past five years. The number of new claims for law enforcement also dropped, as did the average cost per claim, although FY14 was the only other year in the past 10 that the average cost per claim was higher than FY15. For civil rights coverage, the number of claims in FY15 was the lowest in 10 years; however, the average cost per claim was higher than FY14 and higher than the five year average.

The recommendation for the risk funds is \$87.5 million, including decreases of \$4.5 million in total for the workers' compensation and public liability funds, and supports the program's request to reduce the budget for the state unemployment compensation fund by \$6.5 million. Overall, this achieves savings of approximately \$6 million compared with agency requests, per DFA instructions. The financial position of the funds in total was just over 50 percent as of June 30, 2015, (assets divided by estimated outstanding losses), which is GSD's targeted reserve level. Individually, the property and unemployment insurance funds are over 300 percent funded, although it is difficult to find an optimal level for the property fund. Starting FY15, GSD implemented an aggressive five-year solvency plan to replenish the risk funds after inadequate rate setting to hold down costs for agencies during recession years.

For workers' compensation, the recommendation assumes savings from a new pharmacy benefits management contract and earlier return-to-work options and provides modest increases for attorneys and consultants, closer to FY15 actual expenditures. In addition, the new clinic should help lower costs related to occupational injuries. For public liability, the recommendation assumes continued savings from working with insured entities on loss control and also provides modest increases for attorneys and consultants, closer to FY15 actual expenditures. Finally, LFC recommends extending the \$1.5 million appropriation from 2014 through FY17 to replace the risk management information system, which has been delayed, instead of providing additional funding in the operating budget.

Facilities Management. Last year, the Facilities Management Division reorganized into four bureaus: financial management; facility operations and maintenance, which accounts for the majority of staff and costs; capital projects, which includes design and construction for agency capital projects; and facility asset management, which oversees space use in state and leased buildings. As of September, FMD had six project managers (PM) on staff managing 42 large capital projects for agencies totaling \$132.9 million and with balances of \$82.4 million. That equates to \$22 million on average per PM, less than in prior years. For 2017, FMD submitted an infrastructure capital improvement plan to DFA for FY17 that included \$47 million to address statewide deficiencies and renewals "before emergencies arise" from roofs to critical building systems such as mechanical, electrical and plumbing systems.

In addition to managing capital projects, FMD is also responsible for 110 state-owned office buildings containing 2.5 million square feet (SF) and 355 office leases containing 2.75 million SF at a cost of \$50 million per year. Presently, leased space averages 346 gross square feet (GSF) per FTE in Santa Fe County -- down from over 400 GSF per FTE the year before -- 370 GSF per FTE in Bernalillo County, and 373 GSF per FTE in Dona Ana County. Although improvements have been made, such as moving agencies out of leased space into state-owned space and consolidating leases for other agencies, leased space is still higher than the standard of 215 GSF per FTE adopted by GSD. This excess space could be costing the state \$4 million annually in these three counties alone.

FMD requested an increase from the general fund of \$1.5 million to (1) replace other revenue for the operating budget from the capital projects fund, which DFA seeks to avoid due to restrictions on bond proceed expenditures; (2) cover increases for property insurance under a new insurance appraisal and utilities for state facilities; and, (3) fund salaries for 9 FTE, including five custodians. The program also submitted a supplemental request of \$1.1 million from the general fund, primarily for maintenance, repair, and replacement of equipment in state buildings and Department of Information Technology rate increases.

The general fund recommendation for FMD is \$12.7 million, an increase of approximately \$200 thousand from the general fund, for property insurance and utilities. The recommendation provides an increase of 10 percent from FY15 actual spending levels for compensation, including funding for five vacant custodian positions. The recommendation assumes funding for some capital project management will continue to be apportioned by DFA from the capital projects fund outside the operating budget. The program also has access to funding from the capital buildings repair fund to repair and equip buildings in Santa Fe, subject to Board of Finance approval.

Transportation. From FY11 to FY13, state motor pool rates did not include vehicle replacement, resulting in a high mileage state fleet. This led to increased costs for maintenance and fuel, higher for older vehicles. During 2015, 47 percent of the fleet exceeded its life cycle, an improvement from 54 percent the year before. For FY17, the program asked for an increase to pay for GPS monitoring in 2,000 vehicles, at a recurring cost of \$552 thousand; however, the costs in FY17 are partially offset by reductions in maintenance and fuel costs, lower than budgeted in FY16. The program bases leasing rates on prior-year expenditures. The recommendation supports the continuation of the vehicle replacement program, at \$3 million a year, and decreases overhead costs, in anticipation of fuel savings and other efficiencies from GPS monitoring.

For FY13, the Aviation Bureau did not request a general fund appropriation due to proceeds from the sale of aircraft. For FY14 and FY15, with proceeds exhausted, the Legislature appropriated \$1 million from the general fund to allow public entities to use the plane at a lower cost, paying just for fuel. The recommendation continues \$600 thousand from the general fund. Revenue from passengers for fuel is budgeted at \$140 thousand, slightly higher than the operating budget. The majority of flight hours are used by Department of Health providers serving rural areas. The recommendation for the Surplus Property Bureau is flat, as was the request.

Centralized Procurement. State Purchasing Division (SPD) is organized into four bureaus for IT, core and construction procurement, and contract management. The program has two sources of revenue, the general fund and fees. The general fund share has declined, from 80 percent in FY10 to just under 50 percent in FY15, and program costs have grown 30 percent. In 2012, vendor registration fees were discontinued, and as a result, the number of registered vendors almost doubled, to 3,884. Since then, administrative fees from contracts based on sales in New Mexico have significantly increased, to \$1.8 million per year, due to use of cooperative procurements and other price agreements, and to some extent, from improved reporting of fee-based sales by vendors. The LFC recommendation includes a slightly reduced transfer to program support, otherwise, supports the request.

SPD continues to use cash balances in the fees fund for infrastructure and other purposes. SPD and Chemeketa Community College in Oregon, in cooperation with the National Association of State Procurement Officials, implemented an online curriculum this year to certify chief procurement officers (CPOs) by July 1, pursuant to legislation passed in 2013. SPD paid for the course for almost 400 trainees from fees, at a cost of \$350 per trainee, who completed the course with an average passing rate of 88 percent. This year, SPD will use \$750 thousand from fees to pay for the modules to support the e-procurement system not implemented with SHARE. Next year, SPD plans to propose using an additional \$1.8 million from fees to add additional functionality to FMD's database of record called CAMPS (capital asset management and planning system) instead of asking for general fund revenue.

Print Services. The State Printing and Graphic Services program (SPG) is requesting a deficiency appropriation from the general fund of \$278 thousand to correct losses dating to 2007. The problem has been SPG's inability to generate revenue on a consistent basis to meet expenses. In addition, SPG lost business to competitors because of failure to modernize, and as a result, customer service has suffered. Under new leadership, state printing reduced its overhead, with 3 front office FTE and only 4 FTE for production. With the implementation of a digital store in FY16, SPG expects to grow business without additional FTE due to automation. In addition, SPG has acquired new digital presses that should help ensure higher quality products. The recommendation supports the request, close to flat with actual sales revenue generated in FY15.

Program Support. Program Support includes the Office of the Secretary and supports all financial and human resource functions, and information technology systems for the other divisions, with 40 FTE at a cost of \$3.8 million. In addition, the program provides an inter-agency mail service for agencies. Because of a vacancy rate of 12 percent, the recommendation does not include all increases for personnel and reduces funding for staff relief services.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2017 shall revert to the procurement services, state printing services, risk management, facilities management and transportation services programs based on the proportion of each individual program's assessment for program support.

Any unexpended balances in the risk management program of the general services department remaining at the end of fiscal year 2017 shall revert to the public liability fund, workers' compensation retention fund, state unemployment compensation fund, local public body unemployment compensation fund and group self-insurance fund based on the proportion of each individual fund's assessment for risk management division operations.

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)					
			<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	387,944.6	323,622.4	375,462.6	363,542.5	12.3
SOURCES TOTAL	387,944.6	323,622.4	375,462.6	363,542.5	12.3
USES					
Contractual Services	18,543.8	20,712.8	21,053.0	21,053.0	1.6
Other	312,722.2	300,000.0	350,000.0	338,240.0	12.7
Other Financing Uses	1,067.1	2,909.6	4,409.6	4,249.5	46.1
TOTAL USES	332,333.1	323,622.4	375,462.6	363,542.5	12.3
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of state group prescriptions filled with generic drugs	84%	83%	82%	82%	82%
Explanatory	Percent of eligible state employees purchasing state medical insurance	92%	95%	92%	92%	95%
* Efficiency	Percent change in state employee medical premium compared with the national industry average	11.0%	2.4%	≤ 7.0%	≤ 7.0%	≤ 3.0%
Efficiency	Percent change in state employee dental premiums compared with the national industry average	< 6%	3.4%	≤ 7%	≤ 7%	≤ 3%
* Outcome	Percent difference between the state plan's average per-member-per-month total healthcare cost compared with the national government sector per-member-per-month total healthcare cost	New	New	≤ 5%	≤ 5%	≤ 3%
Outcome	Percent of members with state medical coverage who participated in preventive health checkups	New	New	New	15%	15%

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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	8,245.8	7,378.4	8,872.5	8,550.3	15.9
Fund Balance	0.0	1,589.9	0.0	0.0	-100.0
SOURCES TOTAL	8,245.8	8,968.3	8,872.5	8,550.3	-4.7
USES					
Personal Services and Employee Benefits	4,057.7	4,850.8	4,627.0	4,627.0	-4.6
Contractual Services	103.4	169.3	200.0	150.0	-11.4
Other	409.4	571.0	510.1	425.0	-25.6
Other Financing Uses	3,288.3	3,377.2	3,535.4	3,348.3	-0.9
TOTAL USES	7,858.8	8,968.3	8,872.5	8,550.3	-4.7
FTE					
Permanent	59.0	56.0	55.0	55.0	-1.8
Temporary	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	61.0	58.0	57.0	57.0	-1.7

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Efficiency	Average time it takes to resolve a claim, in days	New	New	30	30	30
Outcome	Percent change in claims payments from the state unemployment insurance fund	New	New	≥2%	≥2%	≥2%
* Output	Percent increase in the number of alternative dispute resolution bureau training and outreach events held with the top twenty loss-producing agencies	New	New	New	5%	5%

RISK MANAGEMENT FUNDS

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	267,532.6	97,212.9	94,173.3	87,466.8	-10.0
SOURCES TOTAL	267,532.6	97,212.9	94,173.3	87,466.8	-10.0
USES					
Contractual Services	19,692.4	24,656.1	25,620.4	21,955.0	-11.0
Other	58,896.7	68,088.0	64,090.0	61,211.0	-10.1
Other Financing Uses	7,428.5	4,468.8	4,462.9	4,300.8	-3.8
TOTAL USES	86,017.6	97,212.9	94,173.3	87,466.8	
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Explanatory	Projected financial position of the public property fund	250%	274%	50%	50%	50%
* Explanatory	Projected financial position of the workers' compensation fund	18%	28%	50%	50%	50%
* Explanatory	Projected financial position of the public liability fund	22%	22%	50%	50%	50%

STATE PRINTING SERVICES

The purpose of the state printing services program is to provide cost-effective printing and publishing services for governmental agencies.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Revenues	1,313.7	1,483.5	1,376.4	1,373.8	-7.4
SOURCES TOTAL	1,313.7	1,483.5	1,376.4	1,373.8	-7.4
USES					
Personal Services and Employee Benefits	502.8	736.6	649.3	649.3	-11.9
Contractual Services	8.0	12.0	5.0	5.0	-58.3
Other	610.3	685.0	672.7	672.7	-1.8
Other Financing Uses	56.7	49.9	49.4	46.8	-6.2
TOTAL USES	1,177.8	1,483.5	1,376.4	1,373.8	-7.4
FTE					
Permanent	15.0	14.0	14.0	14.0	0.0
TOTAL FTE POSITIONS	15.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Revenue generated per employee	\$106,100	\$164,237	\$100,000	\$100,000	\$165,000
* Outcome	Sales growth in state printing revenue	1%	- 5%	8%	8%	8%
Output	Percent of printing jobs delivered on time	New	New	95%	95%	95%
Output	Print job error costs as compared with total sales	New	New	≤ 2%	≤ 2%	≤2%
Outcome	Average number of business days to provide a quote to the customer	New	New	2	2	2

FACILITIES MANAGEMENT

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,444.5	12,518.7	14,018.7	12,728.0	1.7
Other Transfers	95.9	25.7	0.0	0.0	-100.0
Other Revenues	0.0	606.7	0.0	0.0	-100.0
SOURCES TOTAL	12,540.4	13,151.1	14,018.7	12,728.0	-3.2
USES					
Personal Services and Employee Benefits	5,730.2	6,631.3	6,846.7	6,278.9	-5.3
Contractual Services	658.8	452.6	297.4	197.4	-56.4
Other	6,023.6	5,617.8	6,353.2	5,757.9	2.5
Other Financing Uses	108.4	449.4	521.4	493.8	9.9
TOTAL USES	12,521.0	13,151.1	14,018.7	12,728.0	-3.2
FTE					
Permanent	138.0	139.5	139.5	139.5	0.0
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	139.0	140.5	139.5	139.5	-0.7

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of time major facility equipment is operational	99%	99%	95%	97%	99%
Output	Percent of work orders completed on time	New	New	New	75%	75%
Outcome	Percent reduction in natural gas consumption, as compared with the prior four-year average for buildings in Santa Fe owned by the facilities management division	New	New	New	2.5%	2.5%
Outcome	Percent reduction in electricity consumption, as compared with the prior four-year average for buildings in Santa Fe owned by the facilities management division	New	New	New	2.5%	2.5%
* Efficiency	Percent of capital projects completed on schedule	New	New	New	90%	90%
* Efficiency	Percent of capital projects within budget	New	New	New	90%	95%
* Outcome	Percent reduction in base rent costs for office space renewals	New	New	New	50%	≥5%
Output	Percent of scheduled preventive maintenance requirements completed on time	New	New	New	80%	80%
Outcome	Ratio of building square feet per custodian	New	New	New	31,000	31,000
* Outcome	Percent of new office space leases meeting space standards	New	New	New	90%	95%
Outcome	Percent of office space lease renewals meeting space standards	New	New	New	50%	95%
Explanatory	Percent of agencies supplying master plan data to the facilities management division	New	New	New	100%	100%

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	647.8	600.3	622.9	600.0	0.0
Other Revenues	7,344.4	7,543.9	8,194.6	8,217.5	8.9
Fund Balance	2,319.7	3,436.7	3,534.6	3,401.5	-1.0
SOURCES TOTAL	10,311.9	11,580.9	12,352.1	12,219.0	5.5
USES					
Personal Services and Employee Benefits	2,241.5	2,586.2	2,483.2	2,472.1	-4.4
Contractual Services	128.2	180.5	184.7	184.7	2.3
Other	7,516.7	8,428.6	9,241.2	9,142.6	8.5
Other Financing Uses	397.0	385.6	443.0	419.6	8.8
TOTAL USES	10,283.4	11,580.9	12,352.1	12,219.0	5.5
FTE					
Permanent	33.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	33.0	35.0	35.0	35.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Explanatory	Percent of state vehicle fleet beyond five years	54%	47%	30%	≤ 20%	≤20%
Efficiency	Percent of revenues to expenses	New	New	90%	90%	90%
* Efficiency	Average vehicle operation costs per mile, as compared to industry average	New	New	<\$0.59	≤ \$0.59	≤\$0.59
* Outcome	Percent increase in revenue generated by surplus property, as compared to prior four-year average	New	New	New	5%	5%
* Outcome	Percent of leased vehicles that are utilized seven hundred and fifty miles per month	New	New	New	80%	80%

PROCUREMENT SERVICES

The purpose of the procurement services program is to provide a procurement process for tangible property for government entities to ensure compliance with the Procurement Code so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,275.4	1,103.7	1,099.4	1,094.7	-0.8
Other Revenues	2,055.5	1,242.9	1,382.8	1,382.8	11.3
SOURCES TOTAL	3,330.9	2,346.6	2,482.2	2,477.5	5.6
USES					
Personal Services and Employee Benefits	1,941.8	2,031.1	2,149.7	2,149.7	5.8
Contractual Services	14.0	25.0	100.0	100.0	300.0
Other	288.5	207.2	143.6	143.6	-30.7
Other Financing Uses	84.1	83.3	88.9	84.2	1.1
TOTAL USES	2,328.4	2,346.6	2,482.2	2,477.5	5.6
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Number of vendors who report fee-based sales	New	New	New	250	250
Output	Percent of procurements that use best value procurement methods	New	New	New	15%	15%
Output	Percent of public outreach activities completed	New	New	New	80%	80%
* Outcome	Percent of executive branch agencies with certified procurement officers	New	New	New	90%	99%
Output	Percent increase in procurement awards that include a preference	New	New	New	5%	5%
* Output	Percent of completed agency procurement compliance audits	New	New	New	75%	75%
* Outcome	Percent of procurement code violators receiving procurement code training	New	New	New	90%	90%

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	3,829.8	4,340.4	4,638.1	4,392.7	1.2
SOURCES TOTAL	3,829.8	4,340.4	4,638.1	4,392.7	1.2
USES					
Personal Services and Employee Benefits	2,827.3	3,467.0	3,580.7	3,405.3	-1.8
Contractual Services	459.4	294.0	294.0	224.0	-23.8
Other	543.1	526.6	763.4	763.4	45.0
Other Financing Uses	0.0	52.8	0.0	0.0	-100.0
TOTAL USES	3,829.8	4,340.4	4,638.1	4,392.7	1.2
FTE					
Permanent	39.0	40.0	41.5	41.5	3.8
TOTAL FTE POSITIONS	39.0	40.0	41.5	41.5	3.8

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of audit findings resolved	100%	67%	95%	95%	95%
* Output	Percent of accounts receivable dollars collected	New	97%	75%	95%	95%
Output	Percent of time information technology systems are operational	New	100%	95%	95%	95%
* Quality	Accuracy rate for financial transactions processed through the statewide human resources accounting and reporting management system	New	New	New	90%	99%
Outcome	Percent of prior year accounts receivable dollars collected for combined funds					

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	27,624.6	30,452.8	32,182.8	31,302.9	2.8
SOURCES TOTAL	27,624.6	30,452.8	32,182.8	31,302.9	2.8
USES					
Personal Services and Employee Benefits	5,594.2	6,198.6	6,175.7	5,562.5	-10.3
Contractual Services	20,928.6	22,827.6	24,633.0	24,508.9	7.4
Other	1,101.8	1,426.6	1,374.1	1,231.5	-13.7
TOTAL USES	27,624.6	30,452.8	32,182.8	31,302.9	2.8
FTE					
Permanent	63.0	65.0	68.0	65.0	0.0
Temporary	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	67.0	69.0	72.0	69.0	0.0

AT A GLANCE:

For FY15, the ERB fund returned 3.9 percent, less than the expected investment return target of 7.75 percent; however, it outperformed the benchmark and ranked in the top quartile of its peer universe. Three-, five-, and 30- year returns also exceeded the earnings target, but one-, 10-, and 15- year returns fell short, because returns exceeded the target in some time periods, and fell short in others. For FY15, private real estate and private equity generated the best performance, and emerging market assets the worst, losing 5 percent in value. However, performance came at a higher cost, due to more movement into alternative asset classes, which carry much higher fees.

ERB distributed \$900 million in benefits to 44,043 annuitants in FY15, an increase of 4.3 percent from FY14. The average annual benefit is now \$21,832, and on average, replaces 60 percent of pre-retirement income. Over the last 10 years, the average benefit has grown 2.2 percent per year. As with the Public Employees Retirement Association (PERA), a slow-growing workforce coupled with pay freezes some years worsened the fund's ability to pay these obligations. By the end of FY12, ERB's funded ratio, the share of pension liabilities covered by assets, dropped to 60 percent. In response, in 2013 the Legislature increased employee contributions, delayed the first cost-of-living adjustment (COLA), applied a COLA reduction until the fund is 100 percent funded, and enacted a retirement age of 55. The pension system appears to be adequately funded for now, at some cost to its members, and assuming the fund's investment asset allocation achieves the investment earnings target of 7.75 percent in most years.

BUDGET ISSUES:

The agency, which gets no general fund revenue, requested \$32.2 million in total, \$1.7 million above the FY16 operating budget. The request included a base appropriation of \$31.7 million and expansion of \$535.4 thousand for 3 additional FTE and related costs. Although the request for the personal services and employee benefits category appears less, it actually reflects an increase of \$354 thousand after adjusting for a significantly lower General Services Department liability premium. In FY15, the agency did not spend its entire budget for classified staff and increased the budget for exempt staff to enable salaries, especially for the investment group, to be similar to other state investment agencies. The request for the contractual services and other categories included an increase of \$1.7 million, or 7 percent, over the FY16 operating budget to cover managers, advisors, and related costs based on projections for growth in assets under management.

The committee recommends funding the agency at \$31.3 million. The recommendation funds vacant positions at mid-point, budgets the employer health premium for vacancies at the lowest cost plan option, and applies a 5 percent vacancy rate, slightly higher than the budgeted rate for FY16. The recommendation does not support the expansion request for more FTE. The contractual services category reflects increases for asset management fees proportional to the size of assets invested using a discount rate of 7.75 percent. In the other category, the recommendation reduces travel, training, and other expenses assumed under the expansion FTE request.

Fund Performance. A higher portion of the portfolio is now allocated to alternative assets and those fees are not part of the operating budget. Unlike conventional assets, such as stocks and bonds, fees for managing alternatives are embedded as part of periodic valuations. Fees for alternatives were \$112.2 million in FY15, due to higher allocations to these expensive asset classes. This was in addition to \$16.5 million in fees for conventional assets that require direct payments to managers as part of the operating budget. For FY15, the agency paid \$128.7 million in total fees, which in turn, helped generate investment returns of \$449 million, net of fees. After the required distributions from the fund for benefit payments and administrative expenses, the fund grew by \$142 million.

ERB's performance ranking among its peers for three-year returns is in the 73th percentile, meaning 73 percent of similar funds outperformed ERB. The ranking increases to the 46th percentile for five-year returns. The fund's risk-adjusted performance, as measured by the Sharpe ratio, ranks in the 18th percentile for the longer period. This means the fund produced more return per unit-of-risk than most of its peers, in part because of higher allocations to alternatives. This past interim, at the request of LFC and the Investments and Pensions Oversight Committee (IPOC), ERB, PERA, and the State Investment Council (SIC) developed a uniform reporting format for a comparative fee analysis and presented their differences in investment strategies to IPOC. ERB and PERA could now look at ways to reduce costs where there is overlap, particularly for investments, and it has been suggested that SIC join the group. However, SIC does not have the same liquidity needs as PERA and ERB.

Pension Solvency. Many assumptions are built into a plan's net pension liability (NPL), which is the amount by which liabilities exceed assets available to pay benefits long-term, including salary expectations, mortality rates, and returns. Keeping assumptions up to date more accurately reflects the funded ratio of the plan. The results of an ERB experience study this year suggested the return assumption of 7.75 percent should continue; the 2 percent COLA assumption, despite the statutory reductions until the plan is fully funded, should continue; the wage inflation assumption should be reduced to 3.75 percent; and the payroll growth assumption of 3.5 percent should continue unchanged. However, the study suggested that mortality assumptions should change to better reflect longevity increases for each generation. The board adopted the changes which reduced the funded ratio by 1 percent and extended the funding period, the time frame over which unfunded pension liabilities are paid off, to 2046.

ERB is assisting employers with new reporting requirements by the Governmental Accounting Standards Board (GASB). The requirements are for employers in cost-sharing plans to report their portion of pension liabilities if trust fund assets are not sufficient to cover benefits long-term. Previously, as long as employers paid their contributions, no recording of their liability on balance sheets and income statements was required. Although the rating agencies do not expect significant credit issues based solely on the new reporting, employers may end up with negative balances. For FY14, ERB's total NPL under the new rules was \$5.7 billion. GASB also requires plans to provide the sensitivity of the NPL to changes in the discount rate, which is 7.75 percent, in particular, calculated using a rate that was plus or minus 1 percentage point. With a decrease in the rate to 6.75 percent, the NPL increases to \$7.8 billion. With an increase in the rate to 8.75 percent, the NPL decreases to \$4 billion.

ERB expects to bring a proposal to the Legislature in 2017 to revise exceptions for its return-to-work (RTW) program. Presently, retirees wait one-year before returning-to-work and the retiree and employer pay contributions so there is no negative impact on the fund. However, there is no wait period or contributions to the fund if an employee works less than 25 percent of full-time status or earns less than \$15 thousand. More significantly, PERA retirees returning to work for ERB employers are not required to pay contributions. The annual loss to the fund had those positions been filled with new hires paying contributions in addition to their employers is \$4.5 million and growing. Nearly 3,500 individuals participate in ERB's RTW program, an increase of 15 percent since FY12. A third are working in higher education institutions as opposed to hard-to-fill positions in struggling public schools, the original intent of the program.

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Investment officer - 1 FTE	(P635)	237.4	0.0
2	Investment officer - 1 FTE	(P635)	237.4	0.0
<u>3</u>	<u>Accountant - 1 FTE</u>	<u>(P635)</u>	<u>60.6</u>	<u>0.0</u>
TOTAL			535.4	0.0

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Average rate of return over a cumulative five-year period	12.90%	10.10%	7.75%	7.75%	7.75%
Outcome	Average number of days to process refund requests	8	15	12	12	12
Outcome	Percent of members satisfied with seminars and trainings	98%	95%	95%	95%	98%
Output	Number of benefit estimates and purchase of service requests computed annually	6725	4,130	6,000	6,000	6,000
Output	Number of member workshops conducted	28	21	30	30	30
* Outcome	Funding period of unfunded actuarial accrued liability, in years	Infinite	<31	≤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 legislation to inform the Legislature, executive agencies, and the public. Additionally, the County Detention Facility Reimbursement Act requires the commission to annually calculate the felony incarceration percentage and the distribution amount for each eligible county, for which it receives \$30 thousand from the county detention facility reimbursement fund.

BUDGET SUMMARY (dollars in thousands)					
			FY17 – 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	578.2	578.2	578.2	578.2	0.0
Other Transfers	30.0	30.0	30.0	30.0	0.0
SOURCES TOTAL	608.2	608.2	608.2	608.2	0.0
USES					
Contractual Services	602.8	602.9	603.5	603.5	0.1
Other	4.5	5.3	4.7	4.7	-11.3
TOTAL USES	607.3	608.2	608.2	608.2	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

AT A GLANCE:

The commission does not have FTE but contracts with the University of New Mexico, paying a 9 percent fee for administrative costs. The agency supplements personnel with undergraduate, graduate, and doctoral-level researchers to complete its 15 targeted research projects each year. Recent studies include program evaluations on reentry services and recovery academies throughout the state as well as the prison population forecast report. The commission continues to provide valuable data to LFC.

The committee recommendation supports the commission's flat budget request for FY17. The commission requested nonreverting language for general fund appropriations, stating research projects are not bound to fiscal year constraints, causing difficulties in funding long-term projects. LFC does not support nonreverting language and recommends the commission implement long-term projects in phases.

NEW MEXICO SENTENCING COMMISSION

The purpose of the New Mexico sentencing commission is to provide information, analysis, recommendations and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so they have the resources they need to make policy decisions that benefit the criminal and juvenile justice systems.

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <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	15	15	15
Explanatory	Number of website hits per month	350,000	300,000	350,000	350,000	350,000
Outcome	Number of pragmatic research projects provided to policymakers that inform policy discussions in New Mexico	New	New	15	15	15

STATUTORY AUTHORITY:

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

The governor has oversight of the essential services of state government. The governor's powers include the appointment and removal of cabinet, board, and commission members, and governor-exempt employees, as well as the authority to pardon after conviction. The governor can veto appropriation legislation for a particular line item or an entire bill, language accompanying a specific appropriation, language following an appropriation explaining how an appropriation will be spent, or contingency language on the expenditure of an appropriation, as well as proclaim special sessions of the Legislature. About one-third of all states and territories have the same gubernatorial veto authority with respect to major budget bills.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,599.1	3,594.6	3,594.6	3,594.6	0.0
SOURCES TOTAL	3,599.1	3,594.6	3,594.6	3,594.6	0.0
USES					
Personal Services and Employee Benefits	2,826.7	2,979.1	2,979.1	2,979.1	0.0
Contractual Services	85.9	100.5	100.5	100.5	0.0
Other	424.9	515.0	515.0	515.0	0.0
TOTAL USES	3,337.5	3,594.6	3,594.6	3,594.6	0.0
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

AT A GLANCE:

The Office of the Governor achieved all continuing performance measure targets for FY15, including the number of days to answer or refer to the proper entity constituent requests for information, and the number of days to determine eligibility for consideration of pardon requests.

Although the base budget request for FY17 was flat with the FY16 operating budget, it was greater than the FY15 spending level. The request included increased funding above actual spending for attorney fees related to Indian gaming negotiations, in- and out-of-state travel expenses for the governor and her staff, aviation and motor pool usage from the General Services Department, staff training, office supplies, and information technology, including Department of Information Technology rate assessments.

The request also included \$80 thousand for the governor's contingency fund for discretionary spending. The fund is used for a range of expenses, from official travel to social functions. Administrations are given wide latitude on the use of 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. A report on the use of the fund is submitted annually to the Department of Finance and Administration.

The committee recommends the requested amount.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of business days to answer or refer to the proper entity constituent requests for information	8	8	8	8	8
Output	Number of days to process extraditions	14	14	14	14	14
Output	Number of days to post floor sessions, legislative committee meetings, state investment council, board of finance, and all other public meetings recorded by the office of the governor on www.governor.state.nm.us	1	1	2	2	2
Efficiency	Percent of governor exempt employees required to fill out a financial disclosure form	100%	100%	100%	100%	100%
Output	Number of days to review recommendations from notary compliance and enforcement unit and issue a final order	10	10	10	10	10
Output	Number of days to acknowledge receipt and determine eligibility for consideration of pardon requests	10	10	10	10	10
Output	Number of cabinet meetings held by the governor	12	12	12	12	12
Outcome	Percent of constituent service cases closed within thirty days of initial receipt	90%	90%	90%	90%	90%
Efficiency	Percent of governor exempt employees who have signed the code of conduct	100%	100%	100%	100%	100%
Output	Number of days to post executive orders to the governor's website after signed by the governor and the secretary of state	1	1	1	1	1

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	588.2	586.9	586.9	586.9	0.0
SOURCES TOTAL	588.2	586.9	586.9	586.9	0.0
USES					
Personal Services and Employee Benefits	474.6	498.4	498.4	498.4	0.0
Contractual Services	9.3	44.7	44.7	44.7	0.0
Other	46.8	43.8	43.8	43.8	0.0
TOTAL USES	530.7	586.9	586.9	586.9	0.0
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

AT A GLANCE:

The Office of the Lieutenant Governor achieved seven out of nine performance measure targets for FY15. Scheduling conflicts contributed to missing two targets for board and commission meeting attendance. As for constituent cases closed in 30 days, the lieutenant governor staff's primary role, staff closed 91 percent of cases, exceeding the target of 80 percent, underperforming the 95 percent achieved in FY14.

For FY17, the agency's request was flat with the FY16 operating budget. The agency requested budget for four filled exempt positions, including the lieutenant governor, and one vacant attorney position at a salary of \$81 thousand, excluding benefits. The filled positions include chief of staff, policy analyst and special projects coordinator. The committee recommends the requested amount.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of constituent service files closed within thirty days	95%	91%	80%	80%	95%
Output	Percent of border authority meetings or teleconferences held and attended	66%	100%	90%	80%	80%
Output	Percent of mortgage finance authority meetings held and attended	83%	83%	90%	80%	80%
Output	Percent of board of finance meetings held and attended	84%	92%	90%	90%	90%
Output	Percent of days in session and presided over (gavel down)	100%	100%	90%	90%	90%
Output	Percent of community development council meetings held and attended	100%	80%	90%	80%	80%
Output	Number of constituent service mobile office days held	12	4	4	4	4
Output	Percent of spaceport authority meetings or teleconferences held and attended	67%	100%	90%	90%	90%
Output	Number of constituent town hall meetings and economic forums held	14	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. ITC focuses on developing and implementing the state information technology (IT) plan and reviews and approves strategies for identifying IT projects that impact multiple agencies and proposed rules by the secretary.

MISSION:

The mission of the Department of Information Technology is to provide cost-effective and efficient enterprise products, services and solutions within a secure and reliable environment for its customers through leadership, strategic planning, standards and policy, architecture, and oversight.

BUDGET SUMMARY (dollars in thousands)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	Actuals	Budgeted	Request	Recommendation	(Decr)
SOURCES					
General Fund Transfers	877.4	975.4	1,475.9	1,021.1	4.7
Other Transfers	8,678.6	11,579.1	12,164.3	12,101.4	4.5
Federal Revenues	402.1	616.0	444.0	444.0	-27.9
Other Revenues	52,170.6	55,410.6	59,346.2	56,709.8	2.3
SOURCES TOTAL	62,128.7	68,581.1	73,430.4	70,276.3	2.5
USES					
Personal Services and Employee Benefits	16,517.5	18,378.3	20,423.5	18,542.9	0.9
Contractual Services	9,221.7	10,886.0	14,374.7	13,148.9	20.8
Other	25,942.3	27,734.8	26,431.9	26,420.2	-4.7
Other Financing Uses	8,678.6	11,582.0	12,200.3	12,164.3	5.0
TOTAL USES	60,360.1	68,581.1	73,430.4	70,276.3	2.5
FTE					
Permanent	210.0	210.0	212.0	210.0	0.0
Term	1.0	5.0	3.0	3.0	-40.0
TOTAL FTE POSITIONS	211.0	215.0	215.0	213.0	-0.9

AT A GLANCE:

Ongoing concerns remain regarding the lack of strategic IT planning for the state. After a three-year hiatus, the Information Technology Commission (ITC), staffed by DoIT, began meeting quarterly in December 2014; however, the commission has not met again since October 2014. Progress on ITC goals, such as the development of a new state IT strategic plan, has been very slow. Early in FY16, DoIT proposed to the state's Science, Technology and Telecommunications Committee that the ITC be replaced by an IT Advisory Board, which would develop a three-year IT strategic plan and propose new rules. However, no action has been taken.

The department's base budget request was \$4.4 million, or 6.3 percent, over the FY16 operating budget, largely due to higher costs of providing services and increased service utilization. The base request for general fund revenue is flat with FY16. DoIT also requested an expansion of 2 FTE and \$500 thousand within the Compliance and Project Management (CPM) program to support broadband initiatives around the state. Federal funding for the program ended in 2015. The recommendation does not support the expansion request at this time; in FY16 the department received \$100 thousand in partial support of the program.

BUDGET ISSUES:

In July 2015, DoIT proposed new service rates for information technology (IT) and telecommunication services to take effect July 1, 2017. The approved rates include a 10 percent increase in some desktop telephone services, a 20 percent increase in broadband, and a 15 percent increase in some cloud services. The subscription fee for SHARE, the statewide finance and personnel system, was increased 10 percent for FY17 to \$385 per FTE. DoIT estimates \$9.8 million in FY17 revenue collections from agencies for SHARE assessments and \$49 million for enterprise service assessments. About \$8.9 million in assessment revenue is allocated to the equipment replacement fund described above; the rest will be used for ongoing operations of the department.

In FY14, DoIT successfully moved the SHARE system to new hardware. Early in FY16 the department announced it was ready to move forward with the SHARE software upgrade to PeopleSoft 9.2, noting the system has stabilized and staff has made sufficient progress toward cash management goals relative to the state's comprehensive annual financial report (CAFR). The upgrade will include both the financial and human capital suites. Ongoing goals of the project are to standardize business processes and eliminate agency customizations. DoIT requested the use of \$1.5 million for the initiation phase, expected to continue through March 2016; planning and implementation timelines are less well-defined, with fall 2017 being the tentative target completion date. A \$5 million appropriation for the project was reauthorized in the 2015 legislative session.

While the agency received a clean audit and improved billing practices, DoIT continues to transfer large sums from personal services and employee benefits to contractual and other cost categories. DoIT attributes the transfers to service utilization and cost instability, as well as the inability to recruit and retain highly skilled staff. The agency's FY17 budget request applied no vacancy rate and includes \$950 thousand in overtime expenses, consistent with FY15 actual expenditures. A number of state agencies report difficulty recruiting and retaining highly skilled IT staff. However, DoIT has the capacity within its budget to address these issues and should work with the State Personnel Office to update technical job classifications, which the department indicates is a contributor to IT staffing difficulties. The FY17 recommendation for personnel costs applies a vacancy rate of 10 percent for Enterprise Services; the program has historically maintained a 20 percent to 25 percent vacancy rate.

Finally, LFC supports the requested transfer of 1 FTE from Enterprise Services to Compliance and Oversight for support of the agency's broadband program. Federal support for the broadband program ended January 2015; without ongoing state assistance for the program, ongoing mapping, planning, technical assistance and capacity building efforts will be limited. The recommendation supports the requested base level for personnel costs and provides a 5 percent increase in general fund to support contractual services within the program.

BASE EXPANSION:

The LFC recommendation does not support the request for 2 new FTE and \$500 thousand for the New Mexico broadband program (NMBBP) within the Compliance and Oversight Program. In FY16, the agency received \$100 thousand in partial support of the program.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Broadband - 2 FTE	(P772)	500.0	0.0
TOTAL			500.0	0.0

COMPLIANCE AND PROJECT MANAGEMENT

The purpose of the compliance and project management program is to provide information technology strategic planning, oversight and consulting services to New Mexico government agencies so they can improve services provided to New Mexico citizens.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	877.4	975.4	1,475.9	1,021.1	4.7
SOURCES TOTAL	877.4	975.4	1,475.9	1,021.1	4.7
USES					
Personal Services and Employee Benefits	692.8	804.3	1,008.0	783.7	-2.6
Contractual Services	0.0	0.0	228.0	45.2	
Other	48.2	45.7	58.1	46.4	1.5
Other Financing Uses	84.5	125.4	181.8	145.8	16.3
TOTAL USES	825.5	975.4	1,475.9	1,021.1	4.7
FTE					
Permanent	7.0	7.0	10.0	8.0	14.3
TOTAL FTE POSITIONS	7.0	7.0	10.0	8.0	14.3

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Explanatory	Number and budget requested for nonrecurring information technology appropriations as incorporated within annual agency information technology plans	24/\$60M	24/\$58M	20/\$50M	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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	402.1	616.0	444.0	444.0	-27.9
Other Revenues	52,153.6	55,410.6	59,346.2	56,709.8	2.3
SOURCES TOTAL	52,555.7	56,026.6	59,790.2	57,153.8	2.0
USES					
Personal Services and Employee Benefits	13,322.4	14,702.8	16,451.7	14,858.3	1.1
Contractual Services	7,437.1	7,270.5	10,102.8	9,059.8	24.6
Other	21,498.8	22,596.7	21,217.2	21,217.2	-6.1
Other Financing Uses	8,594.1	11,456.6	12,018.5	12,018.5	4.9
TOTAL USES	50,852.4	56,026.6	59,790.2	57,153.8	2.0
FTE					
Permanent	169.0	169.0	168.0	168.0	-0.6
Term	1.0	5.0	3.0	3.0	-40.0
TOTAL FTE POSITIONS	170.0	174.0	171.0	171.0	-1.7

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Queue-time to reach a customer service representative at the help desk, in seconds	0:09	0:09	<0:15	<0:20	<0:10
Outcome	Percent of the state voice communication network in service	99.9%	99.9%	99.9%	99.9%	99.9%
Outcome	Percent of co-located and enterprise hosted systems with documented system security plans	No Data	No Data	65%	65%	65%
Outcome	Number of anchor institutions using the forthcoming 700Mhz long-term evolution public safety network	No Data	No Data	5	5	5
Outcome	Percent of phone systems using internet protocol or other similar technologies to achieve virtual local calling within the state enterprise	17.9%	25%	15%	40%	40%
* Outcome	Percent of service desk incidents resolved within the timeframe specified for their priority level	83.2%	100%	90%	90%	100%
Outcome	Percent of scheduled uptime the financial suite of the statewide human resource, accounting and management reporting system is available during business hours	100%	100%	99.5%	99.5%	100%
Outcome	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%	100%	99.5%	99.5%	100%
Outcome	Percent of on-time delivery of statewide human resource, accounting, and management reporting system approved projects to the implementation date	No Data	85%	80%	80%	90%
Outcome	Percent of mainframe uptime affecting user access or batch scheduling	100%	100%	99.9%	99.9%	100%
Outcome	Number of perimeter and security-logged systems reporting security metrics to the network operations center	80%	99%	80%	80%	100%
Outcome	Percent of perimeter and security-logged devices reporting security metrics to the network operations center	New	New	80%	80%	80%

EQUIPMENT REPLACEMENT FUNDBUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>FY17 - 2016-2017 LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Transfers	5,901.2	8,411.3	8,902.8	8,902.8	5.8
SOURCES TOTAL	5,901.2	8,411.3	8,902.8	8,902.8	5.8
USES					
Contractual Services	1,751.6	3,575.5	4,009.9	4,009.9	12.1
Other	4,149.6	4,835.8	4,892.9	4,892.9	1.2
TOTAL USES	5,901.2	8,411.3	8,902.8	8,902.8	5.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	2,777.4	3,167.8	3,261.5	3,198.6	1.0
Other Revenues	17.0	0.0	0.0	0.0	
SOURCES TOTAL	2,794.4	3,167.8	3,261.5	3,198.6	1.0
USES					
Personal Services and Employee Benefits	2,502.3	2,871.2	2,963.8	2,900.9	1.0
Contractual Services	33.0	40.0	34.0	34.0	-15.0
Other	245.7	256.6	263.7	263.7	2.8
TOTAL USES	2,781.0	3,167.8	3,261.5	3,198.6	1.0
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	TBD	100%	95%	95%	100%
Output	Percent of accounts receivable dollars collected within sixty days of the invoice due date	80%	81%	80%	75%	80%
* Outcome	Dollar amount of account receivables over sixty days old	\$4,956,248	\$4,233,897	\$7,500,000	\$7,500,000	\$5,000,000

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)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	0.0	0.0	77.3	0.0	
Other Transfers	0.0	0.0	7.4	7.4	
Other Revenues	43,532.2	45,685.3	43,468.2	42,636.7	-6.7
SOURCES TOTAL	43,532.2	45,685.3	43,552.9	42,644.1	-6.7
USES					
Personal Services and Employee Benefits	5,895.5	6,298.7	6,843.1	6,463.1	2.6
Contractual Services	30,450.1	38,128.9	35,372.6	34,935.5	-8.4
Other	1,058.7	1,257.7	1,337.2	1,245.5	-1.0
TOTAL USES	37,404.3	45,685.3	43,552.9	42,644.1	-6.7
FTE					
Permanent	80.0	82.0	85.0	82.0	0.0
TOTAL FTE POSITIONS	80.0	82.0	85.0	82.0	0.0

AT A GLANCE:

For FY15, the PERA fund returned 1.87 percent, less than the expected return of 7.75 percent, underperformed its benchmark, and ranked in the bottom quartile of its peer group. By comparison, the fund returned 17.4 percent for FY14. Returns over three and five years also exceeded the target and benchmarks and ranked closer to the median of its peer group. Since inception, the fund exceeded the target, an important metric to ensure intergenerational equity. Nonetheless, performance came at a higher cost, due to more movement into alternative asset classes, which carry much higher fees.

PERA distributed \$995 million in benefits to nearly 40 thousand beneficiaries in FY15. The average pension is now \$24,684 and age at retirement is 56. On average, benefits replace 60 percent of pre-retirement income. Like the Educational Retirement Board, lackluster investment earnings some years and a slow growing workforce had worsened the fund's ability to pay benefits. By the end of FY12, PERA's unfunded liability, the gap between assets and liabilities, increased to \$6.2 billion and the funded ratio, the share of liabilities covered by assets, dropped to 65 percent. To put the pension system on a sustainable path, in 2013 the Legislature raised contributions, decreased and delayed cost-of-living adjustments, and decreased benefits for new hires after July 1, 2013, by changing pension formulas, vesting periods, and retirement eligibility. Although the fund saw smaller investment gains this past fiscal year, the program still expects to have a fully funded retirement system by 2043, which will be challenging given the current poor investment environment.

BUDGET ISSUES:

The agency, which gets no general fund revenue, requested \$43.6 million in total, \$2.1 million less than the FY16 operating budget. In the personal services and employee benefits category, the request included an additional \$544 thousand to cover compensation increases, fill vacancies, and add 3 expansion FTE. In the past two years, PERA has used vacancy savings to bring some salaries, especially for the investment group, into alignment with the other state investment agencies. This competition, coupled with staff with similar functions moving between the agencies, is driving up costs for all. The request for the contractual services category totaled \$35.4 million, a decrease of \$2.8 million, or 7.2 percent, from FY16, which reflects renegotiated management fees for investment contracts. The request also included increases in other costs for travel, a lease for an expanded Albuquerque office, and vehicle purchases.

PERA's request also includes \$77 thousand from the general fund for social security administration. In 1955, PERA became the agency responsible for processing requests from employers to affiliate with social security and collecting and transmitting social security taxes on behalf of those employers to the Internal Revenue Service (IRS). A separate fund was set up to allow PERA to recover administrative costs. The fund used to receive revenue from interest on taxes transmitted by employers to PERA prior to transfer to the IRS. However, in 1986 federal laws changed to require employers to transmit taxes directly to the IRS. Over the years, PERA has used fund balances to administer the program and the fund is exhausted. The recommendation does not include general fund for this purpose and suggests the Department of Finance and Administration take over this function.

The committee recommends funding the agency at \$42.6 million. The recommendation applies a 5 percent vacancy rate, higher than the request and lower than the average rate of 10 percent. The recommendation funds all vacant positions at mid-point and assumes all positions will be filled, with minimum turnover and a low vacancy rate, going forward. The recommendation does not fund the requested expansion. The recommendation for the contractual services category assumes growth in assets under management will be 7.75 percent, does not include funding for lobbyists, and does include funding for an attorney for the board for governance and fiduciary issues and to resolve conflicts between members. In the other category, the request for increases for staff travel, lease costs, and board training is supported, but out-of-state travel for board members accompanying PERA staff on due diligence reviews is not supported, to avoid the appearance of undue influence. The recommendation does not include funding for new vehicles due to underuse of the state's motor pool fleet.

Fund Performance and Solvency. Fees for managing alternative investments are not part of the operating budget. Unlike traditional assets, such as stocks and bonds, these fees are embedded as part of periodic valuations. Fees for alternatives were \$79.3 million in FY15, due to higher allocations to these expensive asset classes. This was in addition to \$19.7 million in fees for traditional assets that required payments to managers as part of the budget. For FY15, the agency paid \$99 million in total fees, which in turn, helped generate investment returns of \$336 million, net of fees. However, after benefits payments and administrative expenses, the fund slightly declined from FY14.

PERA is assisting employers with new reporting requirements by the Governmental Accounting Standards Board (GASB). The requirements are for employers in cost-sharing plans to disclose their pension liability on an equal footing with other long-term liabilities. Previously, as long as employers paid their contributions, no recording of their liability on balance sheets and income statements was required. Although the rating agencies do not expect significant credit issues based solely on the new reporting, employers may end up with negative balances. For FY14, PERA's total net pension liability (NPL), which is the amount benefit costs exceed assets available, was \$3.3 billion. GASB also requires plans to provide the sensitivity of the NPL to changes in the discount rate, which is 7.75 percent, in particular, calculated using a rate that was plus or minus 1 percentage point. With an increase of 1 percent, the NPL decreases to \$1.6 billion, with a decrease of 1 percent, the NPL increases to \$5.5 billion.

For the 2016 legislative session, PERA is contemplating a bill calling for a moratorium on changes to benefits for five years. In 2015, House Joint Memorial 2 called for a moratorium absent an emergency, such as a downturn in the economy. PERA is concerned about legislation, such as allowing retired police officers to return to work and collect both a pension and a salary, that could open the door to similar groups, from social workers to correctional officers, rolling back progress made toward solvency. In 2010, the Legislature restricted the ability for an employee to retire and return to work for a similar employer, collecting both a pension and a salary, as a disincentive to return to work after retirement. As an alternative, PERA allows employers to provide lump sum or bonus payments to workers because they are not included in the benefit calculation and do not impact the fund.

Agency Management. This past year, PERA initiated an accounting process improvement project to address significant deficiencies in the 2013 audit report. The audit noted incomplete member application forms, the potential for contributions to not be reported accurately, and unreliable monitoring systems that could result in over- or underpayment of benefits. In response, staff received training in more efficient accounting processes. Additionally, PERA conducted an internal audit to evaluate the accuracy of data from member applications and employer contribution reports. The audit identified weaknesses that centered around staff's reliance on employers and members to provide accurate data. In response, PERA is dedicating more resources to employer training and using information technology to identify discrepancies. Additional areas of focus for the audit team this year include investment policy compliance and board governance and fiduciary responsibility and training.

BASE EXPANSION LISTING
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Compliance officer - 1 FTE	(P640)	122.6	0.0
2	Legal assistant - 1 FTE	(P640)	57.7	0.0
3	Office support worker - 1 FTE	(P640)	41.1	0.0
TOTAL			221.4	0.0

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Quality	Percent of accurately computed retirements	99.8%	99.0%	99.0%	99.0%	99.8%
* Outcome	Funding period of unfunded actuarial accrued liability, in years	30	41	≤30	≤30	≤30
Efficiency	Average number of days to respond to requests for benefit estimates, military buy-backs and service credit verifications	24-28	30	25-30	25-30	25-30
* Outcome	Average rate of return on investments over a cumulative five-year period	17.03%	10.40%	7.75%	7.75%	7.75%
Outcome	Ten-year performance ranking in a national survey of at least fifty large public pension plans, as percentile	87th	87th	≥50th	≥50th	≥50th
Outcome	Ten-year annualized investment returns to exceed internal benchmark, in basis points	83	-55	>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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,798.1	2,791.7	2,791.7	2,729.7	-2.2
Federal Revenues	28.9	0.0	25.0	25.0	
Other Revenues	92.8	120.8	126.3	126.3	4.6
Fund Balance	101.3	97.5	92.1	92.1	-5.5
SOURCES TOTAL	3,021.1	3,010.0	3,035.1	2,973.1	-1.2
USES					
Personal Services and Employee Benefits	2,273.5	2,558.7	2,561.5	2,499.5	-2.3
Contractual Services	76.9	52.9	48.0	48.0	-9.3
Other	356.3	398.4	425.6	425.6	6.8
TOTAL USES	2,706.7	3,010.0	3,035.1	2,973.1	-1.2
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

AT A GLANCE:

The Commission for Public Records (CPR) continues to perform its records management responsibilities despite storage facilities in Santa Fe and Albuquerque being at full capacity. CPR requested a flat general fund budget.

LFC recommends CPR begin taking action to limit the number of records sent to CPR facilities for storage by increasing agency training and reviewing retention requirements imposed by the agency. The recommendation includes a slight funding reduction relative to the FY16 operating budget and applies a 9 percent vacancy rate.

BUDGET ISSUES:

The Commission for Public Records (CPR) notified agencies in FY15 that, due to space constraints at storage facilities, records would only be accepted when records currently in storage reach their retention period and are destroyed. In response to the capacity constraints, the Legislature appropriated \$600 thousand in FY14 for planning and design of an expanded records facility. CPR began the design process and requested \$13.2 million for the first phase of a records facility expansion.

In response to the space constraints, CPR is collaborating with the General Services Department to offer scanning of paper documents to state agencies. CPR notes the scanning and electronic storage of certain documents may reduce the amount of storage space required by state agencies, but the amount of the space savings, if any, is unknown at this time.

In addition to providing more electronic storage options to agencies, CPR completed an overhaul of the records and retention policies. In August 2015, CPR voted to adopt a single functional records retention and disposition schedule. The new schedule will consolidate the current 6,000 record classification categories into 352 and replace nearly 100 departmental schedules with a single schedule. These changes will likely improve records management practices and simplify email classification but CPR does not anticipate space savings as a result.

LFC recommended CPR consider the imposition of a per box storage fee as a way to both reduce demand for storage and increase revenue. CPR concluded a 35 cent per month per box storage fee would generate approximately \$625 thousand per year. During the summer of 2015, CPR solicited the Attorney General (AG) for an interpretation of the Public Record Act to determine the legality of imposing a storage fee on agencies. The AG noted the act requires CPR to provide record storage to state agencies and advised that an amendment to the act to authorize a storage fee would be necessary.

CPR requested a 6.8 percent vacancy rate in the personal services and employee benefits category and an overall flat general fund budget with a \$25 thousand increase in federal grant revenue. LFC recommends a 9 percent vacancy rate and fully funds the agency request in the contractual services and other costs categories. In FY15, CPR reverted \$184 thousand, or 6.1 percent, of total appropriations.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Maximum number of days between rule effective date and online availability	30	30	30	30	30
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	93%	96%	85%	85%	95%
Outcome	Percent of total records items scheduled, reviewed, amended or replaced within a five-year period	38%	38%	40%	40%	40%
Output	Number of research documents and educational activities provided by the state historian	27	56	25	25	40
Output	Number of times during a fiscal year that visitors accessed information on the New Mexico history website	213,076	202,005	200,000	200,000	200,000
* Outcome	Percent of requests for access to public records in its custody that the commission is able to satisfy within twenty-four hours	100%	100%	95%	95%	100%
Output	Percent of information technology help desk tickets reviewed and assigned within eight business hours	New	New	New	90%	90%
Output	Number of functional records retention and disposition schedule trainings provided	New	New	New	6	6

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,457.2	7,230.4	11,096.9	7,454.6	3.1
Other Revenues	1,950.0	1,250.0	0.0	1,700.0	36.0
Fund Balance	0.0	0.0	35.0	0.0	
SOURCES TOTAL	9,407.2	8,480.4	11,131.9	9,154.6	8.0
USES					
Personal Services and Employee Benefits	3,728.0	4,160.0	4,132.6	3,960.2	-4.8
Contractual Services	1,377.3	1,082.8	1,496.4	1,339.3	23.7
Other	4,221.4	3,237.6	5,502.9	3,855.1	19.1
TOTAL USES	9,326.7	8,480.4	11,131.9	9,154.6	8.0
FTE					
Permanent	58.0	59.0	59.0	59.0	0.0
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	59.0	59.0	59.0	59.0	0.0

AT A GLANCE:

The Secretary of State (SoS) requested sufficient general fund revenues to cover all expenses of the 2016 presidential election without the need for special or supplemental appropriations. The requested general fund increase of \$3.9 million, or 53 percent, primarily supports increases in the Elections Program and supplants public elections funds with general funds. The request for the Administration and Operations Program reduced the budget for personnel slightly but increased the budget for operational costs by 28 percent. Much of the non-election increases are for IT equipment purchases.

Since FY10, general fund appropriations to the elections program have increased 168 percent as the Legislature included an increasing proportion of election costs in the base budget of the SoS. The LFC recommendation for FY17 continues this approach by increasing Elections Program funding by 26.5 percent over FY16 to cover more of the recurring election costs. This increase is partially offset by decreases in the Administration and Operations Program.

BUDGET ISSUES:

Despite legislative action taken to curb the cost of elections, including the 2011 passage of legislation allowing the consolidation of traditional precincts, election expenses continue to increase. Appropriation growth, though significant, has not kept up with election cost increases and the Legislature has relied on special and supplemental appropriations to close the gap. Despite the persistent funding gap, the amount of the special and supplemental appropriations for elections decreased from \$1.4 million in FY14 to \$541 thousand in FY16. For FY17, SoS requested supplemental appropriations of \$574 thousand for the 2016 primary.

SoS oversees elections every fiscal year, with primary elections occurring in even-numbered fiscal years and general and presidential elections occurring in odd-numbered fiscal years. Historically, general and presidential elections have been more costly than primary elections due to increased advertising and printing costs primarily related to constitutional amendments and bond questions. Because primary elections represent minimum recurring election costs, the costs are considered recurring and included in the base budget.

The FY17 request discontinues use of public election funds and increases the budget of the Elections and Administration and Operations Programs. SoS requested an additional \$2.1 million, an increase of 79 percent from FY16, in the other category of the Elections Program to pay costs including rental of ballot printers and programming, advertising, and county clerk training. In FY16, the SoS operating budget included a 33 percent increase for ballot printer rental costs. For FY17, SoS requested \$1.1 million over the projected cost of the FY16 primary, including \$494 thousand to rent additional ballot printers for counties.

The LFC recommendation for the elections program includes an increase of \$959 thousand, or 26.5 percent, to fully fund the SoS-estimated need for election-related equipment but does not include funding for nonrecurring costs, such as printing, publication, and postage which fluctuate significantly from year to year. Based on information provided by SoS, these nonrecurring costs may add as much as \$750 thousand to the total cost of the election in FY17.

In accordance with the provisions of Laws 2015, Chapter 145, SoS estimated the ballot printer need for the entire state to be 916 machines for the 2016 general election. County clerks collectively requested 1,515 ballot printers for this election. Despite the significant difference between the SoS and county estimates, SoS requested sufficient funding to meet the county-requested level for ballot printers. The LFC recommendation fully funds the SoS-estimated need for election equipment and includes \$500 thousand in the other revenue category to allow SoS to accept county funding to cover ballot printer requests in excess of the formula recommendation.

In the Administration and Operations Program, LFC recommends an overall decrease of \$284.6 thousand, or 5.8 percent, to better align program revenues with actual expenditures; in FY15, SoS reduced the personnel budget by \$397 thousand, or 9.6 percent, and reverted \$26 thousand. In FY14, SoS reversions totaled \$238 thousand. For FY17, SoS requested a vacancy rate of 8.8 percent despite a vacancy rate of 23 percent in October, and a two-year rate of 21 percent. The LFC recommendation applies a vacancy rate of 11 percent and directs savings generated to the Elections Program.

In 2013, the Corporations Division of the Public Regulation Commission (PRC) was transferred to the SoS to provide a consolidated "one-stop shop" for business reporting and filing. Prior to the transfer of the division from PRC to SoS, both agencies maintained staff related to corporate reporting and filing. It is likely that high vacancy rates in the Administration and Operations Program of SoS are due to efficiency gains following the consolidation of corporate reporting and filing services.

The LFC recommendation reduces operational costs for administration by \$89 thousand, or 15 percent, relative to FY16. The reduction is related to the budget for IT equipment purchases. Significant transfers out of personnel, combined with historic reversions, suggest SoS will realize budget savings in FY16 sufficient to allow the office to purchase IT equipment contained in the FY17 budget request.

The LFC recommendation continues the use of public elections funds to supplement general fund appropriations in the Elections Program. The public election fund receives \$1.2 million per year in transfers from the tax suspense fund and the Public Regulation Commission (PRC) and had a fund balance of \$1.1 million at the close of FY14. Disbursements from the fund are made in even fiscal years. In FY14, the most recent year disbursements were made, \$675 thousand was disbursed to seven candidates from the election fund.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 1-19A-10 NMSA 1978 or other substantive law, the other state funds appropriation to the elections program of the secretary of state includes one million two hundred thousand dollars (\$1,200,000) from the public election fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2017 from appropriations made from the public election fund shall revert to the public election fund.

ADMINISTRATION AND OPERATIONS

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

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,845.1	4,867.2	4,971.7	4,582.5	-5.8
Fund Balance	0.0	0.0	35.0	0.0	
SOURCES TOTAL	4,845.1	4,867.2	5,006.7	4,582.5	-5.8
USES					
Personal Services and Employee Benefits	3,728.0	4,160.0	4,132.6	3,960.2	-4.8
Contractual Services	536.5	129.4	133.2	133.2	2.9
Other	558.2	577.8	740.9	489.1	-15.4
TOTAL USES	4,822.7	4,867.2	5,006.7	4,582.5	-5.8
FTE					
Permanent	58.0	59.0	59.0	59.0	0.0
Term	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	59.0	59.0	59.0	59.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of prior-year audit findings resolved	100%	0	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 process corporations documents	3	3	5	5	5

ELECTIONS

The purpose of the elections program is to provide voter education and information on election law and government ethics to citizens, public officials and candidates so they can comply with state law.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,612.1	2,363.2	6,125.2	2,872.1	21.5
Other Revenues	1,950.0	1,250.0	0.0	1,700.0	36.0
SOURCES TOTAL	4,562.1	3,613.2	6,125.2	4,572.1	26.5
USES					
Contractual Services	840.8	953.4	1,363.2	1,206.1	26.5
Other	3,663.2	2,659.8	4,762.0	3,366.0	26.6
TOTAL USES	4,504.0	3,613.2	6,125.2	4,572.1	26.5
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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 registered to vote	80%	75%	80%	80%	80%
Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	100%	100%	100%	100%	100%
Outcome	Percent of voting machines tested	100%	100%	100%	100%	100%
Quality	Number of errors, misspellings or mistranslations on election ballots	New	0	0	Not Req'd	0
Quality	Number of filed candidates whose names fail to appear on printed ballots	New	0	0	Not Req'd	0
Outcome	Number of counties meeting the Uniformed and Overseas Citizens Absentee Voting Act deadline of mailing overseas ballots not later than forty-five days prior to an election	New	New	33	33	33
* Outcome	Percent of reporting individuals in compliance with campaign finance reporting requirements	New	New	New	90%	100%
Outcome	Percent of reporting individuals who have been issued a notice of final determination for noncompliance	New	New	New	80%	80%
Outcome	Number of campaign finance training sessions offered each fiscal year	New	New	New	5	5
* Efficiency	Percent of public records requests responded to within the statutory deadline	100%	95%	95%	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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,295.1	4,341.1	4,552.3	4,335.4	-0.1
Other Transfers	236.2	235.3	249.0	249.0	5.8
SOURCES TOTAL	4,531.3	4,576.4	4,801.3	4,584.4	0.2
USES					
Personal Services and Employee Benefits	3,973.5	4,219.1	4,417.5	4,232.3	0.3
Contractual Services	25.5	50.5	50.1	36.8	-27.1
Other	344.2	306.8	333.7	315.3	2.8
TOTAL USES	4,343.2	4,576.4	4,801.3	4,584.4	0.2
FTE					
Permanent	53.0	53.0	55.0	53.0	0.0
TOTAL FTE POSITIONS	53.0	53.0	55.0	53.0	0.0

AT A GLANCE:

The State Personnel Office (SPO) submitted an FY17 request with a small base budget but also funding for two expansion positions for a total increase of 4.9 percent. SPO has not proposed an executive compensation plan for the past several years because the agency has focused on developing the new occupationally based salary structure. The lack of a compensation plan resulted in pay for many state jobs falling increasingly behind the market and in compaction of salaries as new employees are hired at or near the salary levels of tenured employees.

The LFC recommendation aligns the other costs and contractual services categories closer to FY15 actual expenditure levels and provides a slight increase to the personnel budget. The recommendation does not support the creation of additional positions in the agency but provides sufficient resource to allow SPO to complete the transition to the occupationally based pay structure.

BUDGET ISSUES:

SPO requested an increase of \$13.7 thousand from other revenues related to the shared human resource (HR) services provided to many small agencies. SPO currently provides HR services to 15 agencies and anticipates generating revenues of \$293 thousand, or 25 percent more than the amount budgeted in FY16. In FY17, SPO anticipates generating revenues of \$249 thousand providing HR services to 14 agencies.

SPO did not achieve several performance targets over the past year: the average number of days to fill a vacant position increased from 64 in to 69; the average new hire compa-ratio (salary divided by salary range mid-point) increased from 96.1 percent to 96.8 percent; and the percent of new employees who successfully completed their probationary period decreased slightly from 68 percent to 67 percent.

SPO is in the process of developing a new occupationally based salary structure to replace the state's single pay plan with 12 pay plans corresponding to the field of work (e.g. corrections, health care) but has yet to implement the changes or adjust pay bands to market rates. SPO has provided little leadership to address deteriorating personnel performance levels, including high turnover and low retention. Turnover and retention problems are highlighted by the increasing new hire compa-ratio, which suggests the current salary structure is falling behind the market and should be adjusted to reflect demand for labor. SPO has not provided an adjustment strategy for several years. Additionally, the average number of days to fill vacant positions remains over 60 for the fourth consecutive year. Performance data indicate SPO should be focusing on increasing agency efficiency in hiring, though the expansion positions requested for FY17 do not address this.

The LFC recommendation aligns the other costs and contractual services categories closer to the FY15 actual expenditure level. In the personal services and employee benefits category, SPO requested a vacancy rate of 1.5 percent; however, the committee recommends applying a vacancy rate of 2.4 percent, an increase of \$13.3 thousand over the FY16 operating budget.

In FY15, SPO transferred \$105 thousand, or 2.5 percent, from the personal services and employee benefits category and \$20 thousand from the contractual services category to the other costs category for facility improvements. The LFC recommendation accounts for prior-year budget adjustments by reducing the contractual service category to align with actual expenditures and increasing funding in the other cost category to better reflect the need.

BASE EXPANSION:

SPO requested two expansion positions, a paralegal to assist the general counsel and a program manager for the statewide personnel file digitization project. The committee recommendation does not support the request for additional FTE.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Paralegal FTE	(P643)	40.0	0.0
1	Personnel file manager FTE	(P643)	110.0	0.0
TOTAL			150.0	0.0

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Average number of days to fill a position from the date of posting	64	69	55	60	55
Explanatory	Percent of new employees who successfully complete their probationary period	68%	67%	75%	75%	75%
Explanatory	Percent of classified employees voluntarily leaving state service	New	3%	15%	15%	4%
Explanatory	Percent of classified employees involuntarily leaving state service	New	0.1%	5.0%	5.0%	2.0%
Efficiency	Average state employee sick leave usage per capita	24 hrs	22 hrs	24 hrs	Not Req'd	24 hrs
* Efficiency	State employee average overtime usage per month	New	15.5 hrs	12 hrs	Not Req'd	12 hrs
Outcome	Percent of state employees receiving overtime	New	16%	25%	Not Req'd	20%
Outcome	Percent of departments or agencies with over ninety percent of personnel evaluations completed	97%	9%	95%	95%	95%
Explanatory	Number of disciplinary actions for union-covered positions appealed to arbitration rather than personnel board	New	28	40	40	30

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
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	\$5,144	\$7,500	\$7,500	\$6,500
Outcome	Number of rule-compliance audit reviews performed during the fiscal year	20	22	10	10	15
Outcome	Percent of managers and supervisors who successfully complete the management and supervision training sponsored by the state personnel office within three months of date of hire	93%	94%	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	15%	13%	13%	13%	13%
* Efficiency	Average state classified employee compa-ratio	100%	101%	95%	95%	≥95%
Efficiency	Average state classified new hire compa-ratio	97%	97%	91%	91%	≤91%
Outcome	Average number of days to fill a position from advertisement closure to issue of employment offer letter	New	New	40	40	40
Outcome	Average number of days to post position following agency request	New	New	10	10	10
Output	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	99%	56%	95%	95%	95%

STATUTORY AUTHORITY:

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

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	231.1	231.0	238.9	235.5	1.9
SOURCES TOTAL	231.1	231.0	238.9	235.5	1.9
USES					
Personal Services and Employee Benefits	165.7	169.1	171.0	169.8	0.4
Contractual Services	6.0	8.6	8.6	8.6	0.0
Other	60.4	53.3	59.3	57.1	7.1
TOTAL USES	232.1	231.0	238.9	235.5	1.9
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

AT A GLANCE:

In FY15, none of the Public Employees Labor Relations Board's (PELRB) decisions were overturned in a judicial review and 100 percent of bargaining unit recognition petitions were processed within 180 days of filing.

In FY15, PELRB overspent its budget for the second time in three fiscal years. Following a deficiency in FY13, LFC suggested PELRB administratively attach to another agency for fiscal support but no further action was taken. In light of the FY15 over spending of \$1,000, LFC, Department of Finance and Administration, and PELRB are working to find a way to administratively attach the board to another agency to avoid budget overspending in the future.

The committee recommendation fully funds the request for personal services and employee benefits and provides an increase in the other costs category to ensure adequate funding for telecommunications and other operational expenses.

PUBLIC EMPLOYEES LABOR RELATIONS BOARD

The purpose of the public employee labor relations board is to ensure 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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	0%	0%	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	87%	100%	95%	95%	100%
Outcome	Percent of cases resolved through agreement, mediation or arbitration prior to hearing	New	85%	40%	50%	85%
Output	Percent of prohibited practice complaints, not settled or withdrawn, decided within one hundred eighty days of filing	New	100%	75%	80%	100%

STATUTORY AUTHORITY:

The Office of the State Treasurer (STO) is established within the executive branch of government by Article V of the New Mexico Constitution. The principal statutory provisions governing the Office of the State Treasurer are Sections 6-1-3, 6-8-6, 6-8-11, 6-10-10, 6-10-25 through 6-10-29, 6-10-37, 7-27-24 and 7-27-25, 8-6-1 through 8-6-7, 29-4-5, and 58-18-4 NMSA 1978.

MISSION:

The mission of the State Treasurer is to promote and protect the financial interests of the citizens and agencies of New Mexico through prudent financial decisions and actions involving state monies.

BUDGET SUMMARY (dollars in thousands)					
	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,785.1	3,779.4	3,779.4	3,779.4	0.0
Federal Revenues	4.0	4.0	4.0	4.0	0.0
Other Revenues	122.3	122.3	122.3	122.3	0.0
SOURCES TOTAL	3,911.4	3,905.7	3,905.7	3,905.7	0.0
USES					
Personal Services and Employee Benefits	2,836.6	3,179.8	3,114.7	3,114.7	-2.0
Contractual Services	299.8	206.4	419.7	419.7	103.3
Other	620.5	519.5	371.3	371.3	-28.5
TOTAL USES	3,756.9	3,905.7	3,905.7	3,905.7	0.0
FTE					
Permanent	40.0	40.0	40.0	40.0	0.0
TOTAL FTE POSITIONS	40.0	40.0	40.0	40.0	0.0

AT A GLANCE:

In 2015, STO made significant efforts to increase Information Technology (IT) security and awareness by performing reviews of its IT firewall and financial systems. Because of inherent risks, industry experts recommend a thorough IT review take place every year for all financial institutions. The cash management division of STO has worked closely with the Department of Finance and Administration (DFA) and the Department of Information Technology (DoIT) on the statewide accounting system (SHARE) cash remediation project. The project's goal is to implement leading practices for payment, cash control and general ledger processing on a statewide level.

STO was not initially consulted on the SHARE implementation in 2006, including the adoption of the SHARE treasury module that replaced the agency's independent cash processing system, TRACS. As a result, STO has no system by which it can independently track bank activity by agency and fund in accordance with governmental accounting standards. The abandonment of the TRACS system for the SHARE treasury module has limited STO's ability to fulfill its statutory duties and obligations under Section 8-6-4 NMSA 1978 among others. Because a mere upgrade of the SHARE system would not resolve this systemic issue and others identified in the SHARE cash remediation project, STO wants to return to a TRACS-like system independent of SHARE.

The low-interest-rate environment of post-recessionary years had a negative effect on investment returns at STO. Interest earnings on general fund balances have decreased significantly, from more than \$100 million in FY08 to \$17 million in FY15.

STO manages its holdings based on the liquidity needs of different beneficiaries. For example, the liquidity needs of the various bond funds and the LGIP require that funds be invested in short-term securities, which reduces yield. Further, STO segregates general fund holdings into liquidity and core 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 longer-term basis and is invested in long-term securities.

BUDGET ISSUES:

Except for some recategorization of expenses, the agency requested no change in its budget for FY16. The committee supports the request.

To avoid possible material audit findings, STO has realigned the categorization of some of its expenditures. Certain subscription fees erroneously marked as other costs are now categorized as contractual services. The LFC recommendation includes \$122.3 thousand from the local government investment pool (LGIP) management fees and \$4 thousand in federal reimbursements. LGIP fees are state funds that would otherwise revert directly to the general fund.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	18	0.05	5	5	5
Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	15	0.03	5	5	5
Outcome	Maximum number of audit findings	4	TBD	2	4	4
Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	New	90%	90%	90%	90%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	63.1	317.2	63.1	63.1	-80.1
Fund Balance	276.0	52.0	335.4	313.5	502.9
SOURCES TOTAL	339.1	369.2	398.5	376.6	2.0
USES					
Personal Services and Employee Benefits	232.6	259.0	282.8	266.0	2.7
Contractual Services	23.9	13.1	13.1	13.1	0.0
Other	82.6	97.1	102.6	97.5	0.4
TOTAL USES	339.1	369.2	398.5	376.6	2.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

AT A GLANCE:

For FY17, the board requested additional funding to cover increases in staff salaries, maintenance of new IT projects, and costs associated with additional board meetings. The request included \$15.2 thousand in pay increases for two positions. The board approved, and the agency is working with the state personnel office on, the reclassification of two positions and increased salaries to a level more commensurate with job requirements and duties. The board also approved a 16.6 percent pay increase for the agency director to align the position's salary with market rates. The committee recommendation provides funding to reduce the vacancy savings rate and provide the board with flexibility to address personnel costs.

In FY15 there were 2,238 architects registered in New Mexico: 710 in-state registrants and 1528 out-of-state registrants. The board generates revenues primarily from fees paid by architects renewing their licenses during every even-numbered fiscal year. The board had an ending fund balance of \$965 thousand for FY14 and projects an ending fund balance of \$919 thousand for FY16. Fund balance growth was 34.7 percent for the last three odd-numbered fiscal years and 19.1 percent for the last three even-numbered fiscal years. Currently, annual registration fees amount to \$112.50 for in-state registrants and \$162.50 for out-of-state registrants. A 2013 taskforce report from the Texas Society of Architects found that state fees for certification have increased an average of 242 percent over the past 30 years and the path to licensure is substantially more expensive than other comparable fields, such as engineering and law. The Texas Board of Architectural Examiners currently charges applicants \$105 for annual registration fees. The board should consider reducing fees to levels of surrounding states.

ARCHITECTURAL REGISTRATION

The purpose of the Board of Examiners for Architects is to regulate, through enforcement and licensing, the professional conduct of architects to protect the health, safety and welfare of the general public of the state.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of audited registrants who successfully meet the continuing education requirements.	2%	Off Year	80%	80%	Off year
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement committee	6	5	5	5	5
Outcome	Percent of reciprocity applicants who successfully complete the application process	New	New	80%	80%	80%
Efficiency	Percent of cases resolved prior to issuance of a notice of contemplated action	New	New	60%	65%	65%
Efficiency	Percent of cases where a notice of contemplated action has been issued but is resolved prior to hearing	New	New	80%	85%	85%

STATUTORY AUTHORITY:

The Border Authority was created pursuant to the Border Development Act, Sections 58-27-1 through 58-27-26 NMSA 1978, and is administratively attached to the Economic Development Department. The Border Authority is legislatively established as an independent executive branch agency operating in the capacity of a public "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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	330.9	330.1	353.8	330.1	0.0
Other Revenues	160.9	160.9	160.9	181.8	13.0
SOURCES TOTAL	491.8	491.0	514.7	511.9	4.3
USES					
Personal Services and Employee Benefits	297.2	303.6	322.7	320.8	5.7
Contractual Services	47.6	82.5	52.5	52.5	-36.4
Other	93.1	104.9	139.5	138.6	32.1
TOTAL USES	437.9	491.0	514.7	511.9	4.3
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

AT A GLANCE:

The Border Authority is working to improve the flow and number of vehicles passing through the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells and continues to work on a feasibility study for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa. The agency helped arrange meetings for LFC during the committee's September trip to the Mexican state of Chihuahua, and agency officials played and continue to play a significant role in facilitating exchanges between the two states. In light of the booming economy on the Mexican side of the border, increasing information exchanges and business connections across the border is critical to improving New Mexico's sluggish economic growth.

The agency requested an increase in FY17 to cover higher health insurance costs and increased maintenance costs for the Border Authority's building. The LFC recommendation fully funds personal services and employee benefits and contractual services costs but makes a minor downward revision to other costs. Fund balances increased significantly during FY15, and the LFC recommendation uses the fund balances to cover the expenditure increases, holding the general fund appropriation flat.

BUDGET ISSUES:

New Mexico goods exports grew 42 percent in 2012, fell by 9 percent in 2013, and grew 41 percent in 2014, reaching a record \$3.8 billion. Las Cruces and Farmington ranked first and second in the country for cities with the greatest export growth, and Santa Fe ranked fifth. Exports to Mexico represent the largest share of total exports and continue to increase, growing 33 percent in 2013 and 93 percent in 2014. New Mexico exports half as much to Israel as it does to Mexico, and all other export markets trail far behind. The U.S. Department of Commerce estimates New Mexico's exports support nearly 17 thousand U.S. jobs. However, the state continues to struggle to maintain manufacturing jobs, shedding jobs in the sector nearly every month in the last three years. This could indicate that many of the products are manufactured in other states and simply consolidated or warehoused in New Mexico before leaving the country.

The annual trade share of New Mexico ports within the West Texas and New Mexico region increased from 10 percent in FY14 to 21 percent in FY15. Commercial and noncommercial vehicular port traffic at the state's ports increased from less than 1.3 million vehicles in FY14 to about 1.5 million vehicles in FY15.

Dell Inc. made a deal with U.S. Customs and Border Protection to expand hours for southbound commercial traffic at the Santa Teresa port of entry during FY16. The company is paying to add four additional hours each weekday, bringing the operational hours in line with those of the cross-border bridges in El Paso. One of Dell's key business partners is Foxconn, Mexico's largest maquiladora and the largest contract manufacturer in the world. Foxconn employs 7,000 workers at its facility in San Jeronimo, Chihuahua, and invested \$230 million to build the first phase of the project. The plant is just across the border from Santa Teresa and could eventually grow to 20 thousand workers with additional investment of \$540 million.

Numerous companies expanded or relocated operations to the Santa Teresa industrial park in the last few years, and economic developers in the area report a significant increase in interest from companies after Union Pacific Railroad began construction on its \$400 million fueling and intermodal facility (a truck-to-rail hub) in Santa Teresa, which became operational in May 2014. Every building but one in the industrial park is now filled; however, there is currently no building construction to support ongoing business development in the area.

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

NMDOT is also working on another plan related to border infrastructure, the border master plan. New Mexico is the only border state that does not have a long-term, bi-national plan to coordinate infrastructure planning and funding with Mexico. NMDOT is working with the Federal Highway Administration and Mexican counterparts to develop a prioritized list of transportation needs, create a comprehensive database to use for planning, and establish a process for entities on both sides of the border to collaborate on infrastructure development issues.

Santa Teresa is the most-used border crossing in New Mexico and is the primary focus for additional infrastructure, but the federal government is also spending \$7.4 million for study and design work for a new port of entry facility at the Columbus crossing. The expansion project is estimated to cost \$65 million, but the construction funding is not yet approved. The design phase is scheduled for completion in May 2016.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	10%	21%	21%	23%	23%
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	300	300	300	300	300
Outcome	Commercial and noncommercial vehicular port traffic at New Mexico ports	1,279,179	1,463,046	1,400,000	1,400,000	1,500,000
Outcome	Number of Santa Teresa port of entry northbound traffic crossings	New	New	New	750,000	788,000
Outcome	Number of Columbus port of entry northbound traffic crossings	New	New	New	656,000	656,000
Outcome	Number of Antelope Wells port of entry northbound traffic crossings	New	New	New	56,000	56,000

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)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	12,337.8	13,576.8	18,276.8	14,426.8	6.3
Other Revenues	3,846.1	4,423.5	4,423.5	4,389.3	-0.8
Fund Balance	268.7	0.0	0.0	0.0	
SOURCES TOTAL	16,452.6	18,000.3	22,700.3	18,816.1	4.5
USES					
Personal Services and Employee Benefits	3,420.5	4,122.8	4,144.7	4,000.6	-3.0
Contractual Services	1,873.8	1,524.6	1,298.7	1,298.7	-14.8
Other	11,000.7	12,352.9	17,256.9	13,516.8	9.4
TOTAL USES	16,295.0	18,000.3	22,700.3	18,816.1	4.5
FTE					
Permanent	59.5	59.5	59.5	59.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	68.5	68.5	68.5	68.5	0.0

AT A GLANCE:

The Tourism Department continues to be a leader in data-driven management, and visitor spending levels continue to increase at a pace greater than the national average. The Legislature increased advertising funding for the department more than threefold over the last six years, from \$3 million in FY11 to \$9.2 million in FY16. After years of significant increases, the LFC recommendation provides a modest general fund increase for FY17 but reprioritizes some department funding for out-of-state advertising and event advertising.

BUDGET ISSUES:

The agency requested a general fund budget increase of \$4.7 million for FY17, including an additional \$4 million for general advertising, \$500 thousand for event sponsorships, and \$200 thousand for cooperative advertising. The LFC recommendation increases general fund revenues by \$850 thousand and reprioritizes \$388 thousand within the Tourism Department, providing an increase of \$1.2 million for out-of-state advertising and \$88 thousand for event sponsorship advertising. The \$388 thousand reprioritization results from the agency's plan to cancel a contract for a private company to assist with Clean and Beautiful Program advertising, reducing funding for personnel to more closely align with FY15 expenditures, and miscellaneous cost reductions.

The Tourism Department's FY16 operating budget allocates 68 percent of the \$13.6 million general fund appropriation to advertising, and the proportion of the budget spent on advertising has risen each year since FY11, when 28 percent of the \$10.8 million appropriation was spent marketing the state. However, the LFC recommendation reprioritizes the agency's budget, increasing the percent spent on advertising to 72 percent. The department hired a new advertising company in 2015, using a local business that previously worked with the agency to develop "New Mexico True Stories" videos for web promotions and addresses previous criticism over use of out-of-state advertising companies to promote the state.

The tourism industry experienced a third consecutive year of record visitor levels in 2014, according to an annual survey by Longwoods International. The report found New Mexico set a new high of 32.7 million travelers, compared with 32.2 million in 2013. However, in-state travel grew sufficiently to account for the increase and offset a small decline in out-of-state visitation, with New Mexicans accounting for an additional 661 thousand visits in 2014 and representing 30 percent of all visits to the state.

Overnight out-of-state visitation increased, but out-of-state day trips dropped by a greater number of visits, resulting in the small overall decline. However, because overnight visitors typically spend significantly more during a trip than those who visit for part of a day, the economic impact from out-of-state visitation likely increased during 2014 compared with the prior year, and overnight visitors are the target market for the Tourism Department for advertising outside of New Mexico because of this spending differential.

New Mexico faces two key challenges for increasing out-of-state tourism. The first issue is low intent to visit, with 1.9 percent of survey respondents reporting an intent to visit New Mexico compared with an average 4.7 percent intending to visit competitor states. Additionally, 29.8 percent of respondents surveyed after a visit to New Mexico said they intend to return within 12 months, while 47.4 percent intend to return to competitor states in the same timeframe. Increasing the repeat visitation rate is a primary goal because it is typically significantly cheaper to retain an existing customer than to convert a new customer. The second challenge is New Mexico's image as a pass-through location rather than a primary destination. Seventy percent of overnight visitors to the state choose it as their primary destination versus an average 83 percent for competitor states.

Leisure and hospitality is no longer the leading industry sector for job creation in New Mexico, but the sector increased jobs by 3.1 percent in FY15, nearly twice the statewide job growth rate of 1.6 percent. Despite falling behind other industries for job creation and the decline in out-of-state visitation, the Tourism Department's updated return on investment (ROI) study reported a 7-to-1 return on advertising expenditures in five key markets. This represents a significant increase from the 2012 ROI study that showed a return of 3-to-1, but the state's improved national ranking for overnight visitation from 36th in 2012 to 33rd in 2013 and 32nd in 2014 supports an increased ROI. Overnight visitation provides higher visitor expenditures than day trips, and the dollars spent per overnight primary visitor per day also increased from \$74.91 in FY13 to \$76.82 in FY14 and \$78.15 in FY15.

New Mexico Magazine is the oldest state magazine in the United States, founded in 1923, and is the third-largest state-owned publication with a circulation of more than 90 thousand and more than 240 thousand readers. Circulation increased in FY15 after two years of declines, but the New Mexico Magazine Program had a small operational loss for the second consecutive year, requiring a draw-down of \$127 thousand in fund balances to offset reduced sales revenues. The Tourism Department hired a new publisher for the program and replaced a couple of advertising sales representatives. Additionally, the program is improving its data collection and reporting. The magazine continues to be printed out of state, although the agency reports it persists in seeking a viable in-state option.

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)					
	FY15 2014-2015	FY16 2015-2016	FY17 - 2016-2017		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,690.9	10,997.7	14,997.7	12,092.8	10.0
Other Revenues	36.2	30.0	30.0	30.0	0.0
Fund Balance	6.2	0.0	0.0	0.0	
SOURCES TOTAL	9,733.3	11,027.7	15,027.7	12,122.8	9.9
USES					
Personal Services and Employee Benefits	1,439.0	1,760.8	1,754.2	1,711.0	-2.8
Contractual Services	606.6	350.1	352.0	352.0	0.5
Other	7,608.4	8,916.8	12,921.5	10,059.8	12.8
TOTAL USES	9,654.0	11,027.7	15,027.7	12,122.8	9.9
FTE					
Permanent	35.5	34.5	35.5	35.5	2.9
TOTAL FTE POSITIONS	35.5	34.5	35.5	35.5	2.9

		PERFORMANCE MEASURES				
		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent change in visits to New Mexico visitor information centers	2.0%	-3.9%	1.0%	1.0%	1.5%
Quality	Number of stories placed in the media	753	1,366	700	700	1,100
* Output	Percent of visitors who choose New Mexico as their primary destination	70.0%	70.2%	71.0%	71.0%	71.5%
Output	Dollar amount spent per visitor per day	\$68	\$76	\$63	\$63	\$75
* Outcome	New Mexico's domestic overnight visitor market share	1.1%	1.1%	1.1%	1.1%	1.1%
* Outcome	Percent change in New Mexico leisure and hospitality employment	1.1%	2.4%	3.0%	3.0%	3.0%
Output	Percent increase in social media fans	12%	97%	12%	12%	50%
Output	Percent change in visits over ten seconds to all department websites	44%	14%	3%	3%	20%
Output	Percent change in number of visitors to New Mexico	0.6%	1.6%	3.0%	3.0%	3.0%
* Outcome	Percent increase of gross receipts tax revenue from accommodations revenue	New	5.6%	2.5%	2.5%	5.0%
Outcome	Number of referrals from newmexico.org to partner websites	New	172,983	75,000	75,000	150,000
Explanatory	Percent of advertising spending of overall agency budget	New	New	50%	50%	72%

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>FY17 - 2016-2017</u>				
		<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	General Fund Transfers	1,074.8	1,030.2	1,730.2	871.3	-15.4
	Other Revenues	1,024.4	1,030.3	1,030.3	1,030.3	0.0
	Fund Balance	135.7	0.0	0.0	0.0	
	SOURCES TOTAL	2,234.9	2,060.5	2,760.5	1,901.6	-7.7
USES						
	Personal Services and Employee Benefits	215.7	321.9	372.5	357.8	11.2
	Contractual Services	426.6	230.4	10.9	10.9	-95.3
	Other	1,562.7	1,508.2	2,377.1	1,532.9	1.6
	TOTAL USES	2,205.0	2,060.5	2,760.5	1,901.6	-7.7
FTE						
	Permanent	6.0	6.0	6.0	6.0	0.0
	TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

		PERFORMANCE MEASURES				
		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of entities participating in collaborative applications for the cooperative advertising program	213	184	150	150	195
Outcome	Number of joint tourism ventures between New Mexico tourism department and Native American entities	22	22	22	22	22
* Outcome	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands	New	\$2,300	\$1,600	\$1,600	\$2,300
Outcome	Number of communities in New Mexico clean and beautiful clean-up, beautification, recycling and education events	New	1,033	50	50	1,000

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of volunteers in New Mexico clean and beautiful clean-up, beautification, recycling and education events	New	19,827	20,000	20,000	20,000
Outcome	Number of entities applying for event sponsorships	New	New	New	75	75
Output	Number of meetings with communities to facilitate prioritizing and implementing tourism infrastructure development projects	New	New	New	6	8

NEW MEXICO MAGAZINE

The purpose of the New Mexico magazine program is to produce a monthly magazine and ancillary products for a state and global audience so the audience can learn about New Mexico from a cultural, historical and educational perspective.

BUDGET SUMMARY
(dollars in thousands)

			FY17 - 2016-2017		Percent Incr (Decr)	
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
	Other Revenues	2,785.5	3,363.2	3,363.2	3,329.0	-1.0
	Fund Balance	126.8	0.0	0.0	0.0	
	SOURCES TOTAL	2,912.3	3,363.2	3,363.2	3,329.0	-1.0
USES						
	Personal Services and Employee Benefits	751.0	990.3	939.9	939.9	-5.1
	Contractual Services	772.6	900.0	885.5	885.5	-1.6
	Other	1,388.7	1,472.9	1,537.8	1,503.6	2.1
	TOTAL USES	2,912.3	3,363.2	3,363.2	3,329.0	-1.0
FTE						
	Permanent	5.0	5.0	5.0	5.0	0.0
	Term	9.0	9.0	9.0	9.0	0.0
	TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	True adventure guide advertising revenue	New	New	New	\$500,000	\$500,000
* Output	Advertising revenue per issue, in thousands	\$65	\$60	\$72	\$72	\$72
Output	Collection rate for ads sold in current fiscal year	92%	93%	93%	93%	93%
Output	Number of digital magazine subscribers	491	625	750	750	750
Output	Number of social media fans	New	New	150,000	150,000	160,000

PROGRAM SUPPORT

The purpose of program support is to provide administrative assistance to support the department's programs and personnel so they may be successful in implementing and reaching their strategic initiatives and maintaining full compliance with state rules and regulations.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15	FY16			Percent
		2014-2015	2015-2016	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES						
	General Fund Transfers	1,572.1	1,548.9	1,548.9	1,462.7	-5.6
	SOURCES TOTAL	1,572.1	1,548.9	1,548.9	1,462.7	-5.6
USES						
	Personal Services and Employee Benefits	1,014.8	1,049.8	1,078.1	991.9	-5.5
	Contractual Services	68.0	44.1	50.3	50.3	14.1

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15	FY16	Agency	LFC	Percent
		2014-2015	2015-2016	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
FTE	Other	440.9	455.0	420.5	420.5	-7.6
	TOTAL USES	1,523.7	1,548.9	1,548.9	1,462.7	-5.6
	Permanent	13.0	14.0	13.0	13.0	-7.1
	TOTAL FTE POSITIONS	13.0	14.0	13.0	13.0	-7.1

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Efficiency	Number of repeat audit findings	3	0	0	0	0
Outcome	Acceptance rate of payment vouchers	97%	98%	99%	99%	99%
Explanatory	Percent of administrative costs of overall agency operating budget	14%	8%	11%	11%	8%
Output	Percent of purchase orders and payment vouchers processed within forty-eight hours	95%	95%	90%	90%	95%

STATUTORY AUTHORITY:

The Economic Development Department (EDD) was created pursuant to the Economic Development Act in Sections 9-15-1 through 9-15-51 NMSA 1978. EDD promotes economic development and diversification, as well as business recruitment, expansion, and retention in New Mexico. The agency provides a coordinated statewide perspective on economic development activities, maintains a database for local and regional economic development groups, and serves as the comprehensive source of information for businesses wishing to locate or expand in the state.

MISSION:

The mission of the Economic Development Department is to facilitate the creation, retention, and expansion of jobs and increase investment through public and private partnerships to establish a stable diversified economy that will improve the quality of life for New Mexicans.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,387.3	9,494.9	11,494.9	10,097.7	6.3
SOURCES TOTAL	7,387.3	9,494.9	11,494.9	10,097.7	6.3
USES					
Personal Services and Employee Benefits	3,652.1	3,904.8	4,260.0	3,960.8	1.4
Contractual Services	2,555.0	2,951.5	3,347.5	3,022.2	2.4
Other	1,112.8	2,638.6	3,887.4	3,114.7	18.0
TOTAL USES	7,319.9	9,494.9	11,494.9	10,097.7	6.3
FTE					
Permanent	52.0	51.0	51.0	51.0	0.0
TOTAL FTE POSITIONS	52.0	51.0	51.0	51.0	0.0

AT A GLANCE:

The Economic Development Department (EDD) requested base budget increases to fully fund vacancies and the next phase of the film study. The agency also requested expansions for the Job Training Incentive Program (JTIP), MainStreet, business incubators, and international trade. The LFC recommendation increases funding for JTIP, business incubators, and for the Economic Development Partnership to market the state.

BUDGET ISSUES:

The agency request for FY17 included a budget of \$11.5 million, all from the general fund. This represents an increase of \$2 million, or 21 percent, compared with the FY16 operating budget. The request increased base funding for personnel by about \$350 thousand; added \$46 thousand to the base budget for the next phase of the film study; added an expansion of \$1 million for the Job Training Incentive Program (JTIP) for a total of \$3 million of recurring funding, more than recurring and nonrecurring funding combined in some prior years; added an expansion of \$500 thousand for the MainStreet program, an increase of 55 percent; added an expansion of \$50 thousand for business incubators; and added an expansion of \$50 thousand for international trade.

The LFC recommendation includes a general fund appropriation of \$10.1 million and provides an additional \$500 thousand for JTIP training for a total of \$2.5 million; adds \$150 thousand for the Economic Development Partnership to market the state, including advertising the 2013 legislative tax package and LEDA funding, for a total of \$1.3 million; and adds \$50 thousand for business incubators for a total of \$180 thousand. The recommendation also funds the agency's base budget request to include \$915 thousand for MainStreet programming; \$176 thousand for a competitive grant program for communities and regions to market themselves or improve local economic development assets and functions; and \$100 thousand for the Technology Research Collaborative housed at the New Mexico Institute of Mining and Technology.

Local Economic Development Act. EDD improved some aspects of accountability and performance reporting in FY15, but many issues remain, and the state does not receive sufficient reporting from businesses using tax incentives and Local Economic Development Act (LEDA) funds to properly evaluate these programs. As a result, it is impossible to determine the relative effectiveness and cost-efficiency for these programs or to determine if they provide a positive or negative financial return for the state. It is also impossible to evaluate if these programs act as rewards for job creation that would have occurred absent the incentives. EDD reported fewer jobs in FY15 than in FY14 despite spending about twice as much in LEDA funds, and this could be an indication of the department's discretionary capability substantially affecting cost-efficiency.

Of the \$50 million appropriated for LEDA projects in 2015, \$37.5 million was appropriated during the regular legislative session and \$12.5 million during the special session. The general fund portion of the appropriation is \$28.6 million, severance tax bonds provide \$10 million, and the remaining \$11.4 million is from other state funds -- primarily the New Mexico Finance Authority portion of the governmental gross receipts tax (GGRT). This is an increase of \$35 million compared with the appropriations for FY15 and an increase of \$46.7 million compared with FY14. Additionally, the Legislature included language to prevent a significant portion of unexpended general fund and GGRT balances remaining at the end of a fiscal year from reverting, providing the agency flexibility to use the appropriation as needed over time and providing time to more fully evaluate project proposals. Moreover, the Legislature extended the time to expend the \$10 million FY15 special appropriation for LEDA projects through FY16, providing the Economic Development Department approximately \$58 million for use in FY16 and beyond.

The cost per job created through LEDA funding ranges from as little as \$500 per job up to \$120 thousand per job for historic theaters (see "Cost per Job Created" chart in the LFC Volume III for cost-per-job rankings). Approximately half of the LEDA jobs for FY15 were for back office operations and call centers, which can typically easily relocate once New Mexico's suite of incentives expires. In November 2015, EDD awarded \$5.5 million in LEDA funds to Skorpis Technologies, Inc. in Albuquerque for 300 new jobs -- a cost of \$18.3 thousand per job in addition to costs for multiple other incentives the company is eligible to receive. This is the largest award in at least the last six years, and the cost per job is more than six times the average cost per job for LEDA projects in FY15.

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

New Mexico is funding the LEDA closing fund by seven to 15 times as much per capita as competitor states Texas, Arizona, and California. The \$58 million available for LEDA projects in FY16 translates to about \$29 per capita. Arizona and California have less than \$4 per capita available in their closing funds, and Texas, which has one of the best known closing funds, has about \$2 per capita. According to the Texas Governor's Office, the Texas Enterprise Fund decreased to less than \$60 million by June 30, 2015, and the last appropriation to the fund occurred in 2011. Additionally, the California closing fund is actually a nonrefundable income tax credit, whereas New Mexico's LEDA fund provides upfront dollars, making it a far more valuable program to expanding or relocating businesses.

Job Training Incentive Program. EDD used a budget adjustment request (BAR) to move the remaining \$7.4 million from the Job Training Incentive Program (JTIP) fund balance into the FY16 operating budget. The agency projects it will use these funds by the end of FY16 based on current and expected JTIP applications. The Legislature appropriated a near-record \$7.5 million for JTIP in the 2015 regular legislative session. Despite rising expenditures and exhausting available JTIP funding for a few months in early 2015, the JTIP board of directors approved program changes that could draw down funds faster by increasing the maximum reimbursement rate for a trainee's salary from 85 percent to 95 percent.

EDD appears to be violating statute in distributing JTIP funds, creating concerns for the administration of the agency's discretionary incentives and grant programs. Statute requires one-third of JTIP funding go to rural businesses, but the agency funded rural companies at significantly less than one-third of expenditures for at least the last three fiscal years, and rural awards dropped to 10.6 percent of the total in FY15. The agency should propose legislation if it wants to change or eliminate the rural provision instead of providing millions of dollars to companies apparently in violation of the statute.

Additionally, EDD requested less reporting and oversight for JTIP by asking to reduce the performance measures for JTIP from four to two. The agency wanted to stop reporting the average hourly wage of jobs funded through JTIP and discontinue reporting the percent of employees whose wages were subsidized by JTIP still employed in New Mexico after one year. However, these are critical measures to ensure jobs funded are not low or minimum wage positions and that the workforce the state is training remains employed and in the state after the training. If a majority of funds are used to fund poorly paid positions and those employees then leave the state to find better job opportunities, it would be a clear signal JTIP is not serving its intended purpose.

Economic Development Partnership. The best method the state can employ to bring companies into New Mexico is to market itself and the recent tax reductions and tax incentives, according to four site selectors that visited the state during FY15 at the behest of the Economic Development Partnership, which recruits business to the state. The site selectors praised the state's incentive package but advised they were not aware of the complete array of incentives available until they received briefings during their stay.

At the Economic Development Partnership's annual strategic planning meeting, board members discussed the option of developing a statewide brand and marketing plan similar to the "New Mexico True" campaign implemented by the Tourism Department. Currently, EDD, the Economic Development Partnership, and economic development organizations around the state all use different branding messages and rarely pool advertising resources. The "New Mexico True" campaign has been very successful by creating a strong branding message used by the Tourism Department and more than two dozen communities and private companies, leveraging state resources. In the absence of a statewide economic development brand, LFC recommends the Economic Development Partnership work with the Tourism Department to promote the state's economic development advantages under the "New Mexico True" brand.

Other Development Initiatives. The Economic Development Department expanded its recent efforts to support a statewide food infrastructure network by providing small grants to assist commercial kitchens and farmers' markets throughout the state. The grants ranged from \$9,500 to \$46 thousand and supported existing operations as well as training for five small communities (Raton, Anton Chico, El Morro, Ribera, and Las Vegas) planning to start commercial kitchens. This food infrastructure program is a key recipient of funding supplied through the state's five certified business incubators.

As mentioned above, the agency request and the LFC recommendation add \$46 thousand to the base budget for the third of four phases of the film industry study. The agency used vacancy savings in the Film Program to fund the first two phases, but due to recent hires and an increased employee liability risk rate, no vacancy savings are expected in FY17. The first phase of the film study found New Mexico spent approximately \$251 million from 2010 to mid-2014 on the film tax credit, generating an estimated \$1.5 billion in economic impact in return. The film productions returned 43 cents for every dollar of incentives, paying \$104 million in state and local taxes. The second phase found the industry supported annual employment of between 2,500 and 4,000 direct, indirect, and induced full-time equivalent positions for New Mexico residents between FY10 and FY14. Two-thirds of positions held by state residents met the minimum weekly hours for full-time employment. However, employment levels and investment by the industry for procurement of goods and services in the state dropped each year from FY11 through FY14. Phase three of the study will review the impact of the film tax credit, and phase four will assess total industry impacts on the state and provide recommendations for the tax credit.

Performance Measurement. A performance measure was added to the agency's list of metrics for FY15 to report the number of jobs filled that were previously announced and counted by the department in its jobs totals. Initially, the department planned to ask companies to voluntarily complete a questionnaire to report jobs filled, but some companies might have declined. The Workforce Solutions Department (WSD) stated it could report jobs filled for batches of companies, so EDD did not ask companies to voluntarily report. However, WSD later determined its data was insufficiently detailed to provide this reporting. Thus, EDD did not report anything for this performance measurement for FY15. LFC encourages EDD to require companies to report jobs filled and private investment levels if they receive any discretionary funding through the LEDA and JTIP programs.

BASE EXPANSION:

The requested expansion increases funding for JTIP by \$1 million, for the MainStreet program by \$500 thousand, for business incubators by \$50 thousand, and for international trade by \$50 thousand. The LFC recommendation includes a \$500 thousand increase for JTIP and includes language reinforcing the requirement to expend a minimum of one-third of funds in rural areas. The LFC recommendation also includes the requested \$50 thousand increase for business incubators.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes one million three hundred thirty thousand dollars (\$1,330,000) for the New Mexico economic development corporation and one hundred eighty thousand dollars (\$180,000) for business incubators.

The general fund appropriation to the economic development program of the economic development department in the other category includes two million five hundred thousand dollars (\$2,500,000) for the development training fund of which at least one-third shall be expended for training in nonurban areas and one hundred thousand dollars (\$100,000) for the technology research collaborative.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Job training incentive program (JTIP)	(P512)	1,000.0	500.0
2	Mainstreet	(P512)	500.0	0.0
3	International trade	(P512)	50.0	0.0
4	<u>New Mexico incubators</u>	<u>(P512)</u>	<u>50.0</u>	<u>50.0</u>
TOTAL			1,600.0	550.0

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>FY17 - 2016-2017</u>			
		<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>Percent</u>
		<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	4,660.4	6,767.3	8,707.1	10.0
	SOURCES TOTAL	4,660.4	6,767.3	8,707.1	10.0
USES					
	Personal Services and Employee Benefits	1,706.7	1,786.2	2,127.2	5.0
	Contractual Services	2,146.4	2,650.2	3,000.2	3.2
	Other	781.0	2,330.9	3,579.7	21.4
	TOTAL USES	4,634.1	6,767.3	8,707.1	10.0
FTE					
	Permanent	24.0	23.0	26.0	13.0
	TOTAL FTE POSITIONS	24.0	23.0	26.0	13.0

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Number of jobs created due to economic development department efforts	3,686	3,294	4,500	4,500	4,500
Output	Average annual cost per economic development partnership job created	\$573	\$4,189	\$620	\$465	\$590
* Outcome	Number of workers trained by the job training incentive program	1,355	1,894	1,400	1,400	1,500
* Outcome	Number of rural jobs created	1,562	726	1,750	1,500	1,600
Output	Number of building rehabilitations completed in mainstreet districts	162	196	160	150	175
Outcome	Total number of business expansions assisted by the economic development department	61	63	65	60	65
Output	Number of businesses provided technical assistance resulting in a funding package and job creation	5	2	7	5	5
Output	Number of businesses participating in the job training incentive program	46	59	50	50	50
Output	Average hourly wage of jobs funded by the job training incentive program	\$17.32	\$17.67	\$20.00	\$20.00	\$19.00
Output	Number of new business advocacy cases opened	101	69	100	100	100
Output	Number of business advocacy cases solved	67	72	65	45	70
Output	Number of dollars of private sector investment in mainstreet districts, in millions	\$9.9	\$7.9	\$10.0	\$9.0	\$9.5
Output	Percent of employees whose wages were subsidized by the job training incentive program still employed in New Mexico after one year	68%	89%	75%	66%	85%
* Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act	New	10:1	5:1	10:1	10:1
Outcome	Total number of jobs filled due to economic development department efforts	New	TBD	2,000	4,500	4,500
Output	Total capital investment of recruited companies that supports jobs created by the economic development partnership, in millions	New	New	\$80	\$80	\$80
* Output	Number of jobs created through the use of Local Economic Development Act funds	New	New	1,500	1,500	2,000
Output	Number of successfully completed agency grant funded projects resulting in job growth, new investment, increased revenue or workforce development	New	New	New	15	15

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of jobs created through competitive expansions facilitated by the economic development partnership	New	New	New	500	400
Outcome	Number of jobs created through business relocations facilitated by the economic development partnership	New	New	New	2,000	1,600
Outcome	Number of companies using a New Mexico technology ready for seed investment	New	New	New	10	10

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	755.3	758.5	818.7	772.0	1.8
SOURCES TOTAL	755.3	758.5	818.7	772.0	1.8
USES					
Personal Services and Employee Benefits	441.0	552.4	566.6	521.2	-5.6
Contractual Services	208.3	99.0	145.0	145.0	46.5
Other	96.4	107.1	107.1	105.8	-1.2
TOTAL USES	745.7	758.5	818.7	772.0	1.8
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of film and media worker days	189,782	298,398	190,000	190,000	250,000
Outcome	Number of photography projects principally made in New Mexico	61	79	61	60	75
Outcome	Number of major projects with budgets over one million dollars produced in New Mexico	18	25	19	15	22
* Outcome	Direct spending by film industry productions, in millions	\$162	\$286	\$200	\$200	\$250

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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,971.6	1,969.1	1,969.1	1,884.6	-4.3
SOURCES TOTAL	1,971.6	1,969.1	1,969.1	1,884.6	-4.3
USES					
Personal Services and Employee Benefits	1,504.4	1,566.2	1,566.2	1,563.4	-0.2
Contractual Services	200.3	202.3	202.3	142.0	-29.8
Other	235.4	200.6	200.6	179.2	-10.7
TOTAL USES	1,940.1	1,969.1	1,969.1	1,884.6	-4.3
FTE					
Permanent	20.0	20.0	17.0	17.0	-15.0
TOTAL FTE POSITIONS	20.0	20.0	17.0	17.0	-15.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Percent of previous years' audit findings resolved in one year	New	New	100%	100%	100%

STATUTORY AUTHORITY:

The Regulation and Licensing Department (RLD) was created pursuant to Sections 9-16-1 through 9-16-14, 60-13-1 through 60-15-14, 60-3A-1 through 60-8A-19, and 60-2B-1 through 60-2B-14 NMSA 1978 as an executive agency. RLD was created as a unified agency vested with 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 six programs. The Construction Industries and Manufactured Housing divisions are combined into one program. The remaining programs are classified in the same manner as the department's divisions: Financial Industries, Securities Industries, Alcohol and Gaming, Boards and Commissions, and Program Support.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY15	FY16	<u>FY17 – 2016-2017</u>		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	13,688.0	13,456.7	13,956.7	13,526.2	0.5
Other Transfers	1,958.0	5,596.7	5,653.6	5,653.6	1.0
Federal Revenues	19.2	17.5	17.5	17.5	0.0
Other Revenues	10,810.6	7,021.5	7,410.3	7,255.1	3.3
Fund Balance	519.3	961.0	1,089.6	1,089.6	13.4
SOURCES TOTAL	26,995.1	27,053.4	28,127.7	27,542.0	1.8
USES					
Personal Services and Employee Benefits	17,468.3	19,798.2	20,623.9	20,038.2	1.2
Contractual Services	1,503.2	1,223.0	1,212.5	1,212.5	-0.9
Other	3,828.2	4,202.8	4,328.1	4,328.1	3.0
Other Financing Uses	1,390.2	1,829.4	1,963.2	1,963.2	7.3
TOTAL USES	24,189.9	27,053.4	28,127.7	27,542.0	1.8
FTE					
Permanent	300.4	303.4	308.4	304.4	0.3
Term	3.7	1.0	1.0	1.0	0.0
Temporary	0.0	3.0	2.0	2.0	-33.3
TOTAL FTE POSITIONS	304.1	307.4	311.4	307.4	0.0

AT A GLANCE:

Strategic goals for the Regulation and Licensing Department (RLD) include streamlining the licensing and renewal process, encouraging responsible economic development in the alcohol industry, creating a safer environment for securities investment, reducing elderly fraud, continuing outreach to Native American investors, prosecuting unlicensed building contractors, improving turnaround for building permits and inspections, and prosecuting notary public abuses. In FY15, RLD reverted \$1.3 million to the general fund, of which \$924.3 thousand was from FY14 appropriations. The request includes 4 additional FTE: 3 FTE in the Construction Industries and Manufactured Housing Division and 1 FTE in the Financial Institutions Division.

For FY17, the committee recommends a slight increase from the FY16 operating budget, mostly attributed to increases in the personal services and employee benefits and other costs categories. The recommendation maintains FY16 levels for authorized FTE due to the high vacancy rate in the department, 16.4 percent, but provides sufficient funding for the department to reach its strategic goals and reduce the number of vacant positions.

BUDGET ISSUES:

The Construction Industries and Manufactured Housing Division struggles to fill vacant inspector positions in the southeastern region of the state, largely due to a major salary disparity between state compensation levels and private sector oil and gas compensation. Unable to attract and retain qualified applicants, the division has experienced large vacancy savings. The division plans to implement continuous recruitment, increase inspector pay to midpoint of their pay band, and request a geographical pay scale differential for certain regions of the state. RLD requested \$500 thousand in additional general funds and 3 new FTE for the Construction Industries and Manufactured Housing Division to account for salary increases in FY15 and overhead costs to bring the licensing function of the Accela permitting and inspection software in house. Obtaining this capability would allow the division to discontinue a contract with Psychological Services, Inc. for licensing of contractors and journeymen throughout the state. The department estimates the transfer to the general fund would increase \$500 thousand if the licensing functions were acquired and fees were collected directly by the division.

In FY15, the Construction Industries and Manufactured Housing Division received 269 complaints but only resolved 42 of the cases, which included investigations involving unlicensed contracting. The Accela program, scheduled for implementation in early FY16, would increase efficiency and allow the division to have all permitting, inspections, licensing, and compliance on a single software platform. In FY14, RLD purchased the Accela software for \$693 thousand, and in FY15, funded the implementation of the software for another \$884 thousand; both of these amounts were paid with vacancy savings through a budget adjustment request. For FY16, RLD requested an additional \$1.4 million from the general fund for implementation and staff training and received a data processing appropriation of \$650 thousand for the program.

In FY15, the Alcohol and Gaming Division issued 956 citations and resolved 637 of them. The resolution of these citations resulted in \$263.6 thousand in fines paid by liquor licensees for violations to the Liquor Control Act. Also, the division received and processed over 350 liquor license applications and more than 4,000 liquor license renewal applications. New liquor regulations enacted in 2015 changed liquor license renewal dates, extended license application processes, defined small brewer and winegrower reciprocity, and revised liquor control tasting permit violations.

A report produced by the U.S. Department of the Treasury, Council of Economic Advisers, and U.S. Department of Labor recommended that licensing requirements be limited "to those that address legitimate public health and safety concerns" and called for "comprehensive cost-benefit assessments of licensing laws to reduce the number of unnecessary or overly restrictive licenses." The paper found that over 25 percent of U.S. workers required licensure for their job, and state licensing had risen fivefold since the 1950s. New Mexico ranked ninth in the nation for percent of workforce licensed by the state (approximately 25.9 percent) and ranked 12th in average education or experience time required for licensure (about 413 days). The paper also found that unlicensed workers earned 10 percent to 15 percent lower wages than similar licensed workers, and licensing laws increased prices for goods and services between 3 percent and 16 percent without increasing the quality of goods and services. RLD should submit a proposal to revise overly restrictive licensing practices to improve regulatory efficiency and reduce regulatory barriers for the workforce.

In 2015, legislation was adopted to separate the Board of Body Art Practitioners from the Board of Barbers and Cosmetologists. The agency request includes \$394.4 thousand for personal services and employee benefits to accommodate additional staffing needs and other costs generated by the creation of the Board of Body Art Practitioners.

The LFC recommendation for boards and commissions reduced some operating budgets for boards with significant vacancy savings. In FY15, all boards and commissions met regularly according to statute. After accounting for operating reserves in all funds and agency transfers for projected Accela costs, RLD estimates a fund balance of \$6.6 million may be available in excess of agency needs. At the end of FY15, the department's fund balance was \$26.6 million. In 2015, the Legislature swept \$4.9 million from the department's available fund balance. As of October 2015, the division had 12 vacancies and seven board member vacancies.

In response to an LFC recommendation, the department aligned all individual boards and commissions and consolidated most of the FTE into one program. The following tables detail the sources, uses, and FTE for each board.

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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	8,647.0	8,144.0	8,644.0	8,644.0	6.1
Other Transfers	330.0	250.0	250.0	250.0	0.0
Federal Revenues	19.2	17.5	17.5	17.5	0.0
Other Revenues	96.8	144.7	176.7	176.7	22.1
Fund Balance	0.0	80.8	124.1	124.1	53.6
SOURCES TOTAL	9,093.0	8,637.0	9,212.3	9,212.3	6.7
USES					
Personal Services and Employee Benefits	6,863.8	6,969.6	7,682.5	7,682.5	10.2
Contractual Services	849.7	234.1	276.3	276.3	18.0
Other	1,430.4	1,417.7	1,230.0	1,230.0	-13.2
Other Financing Uses	13.6	15.6	23.5	23.5	50.6
TOTAL USES	9,157.5	8,637.0	9,212.3	9,212.3	6.7
FTE					
Permanent	112.0	114.0	117.0	113.0	-0.9
Term	3.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	115.0	115.0	118.0	114.0	-0.9

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <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	93%	15%	95%	20%	95%
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request	94%	96%	95%	95%	96%
Outcome	Percent of commercial plans reviewed within ten working days	84%	85%	85%	85%	95%
Outcome	Percent of residential plans reviewed within five working days	90%	90%	90%	90%	95%
Efficiency	Percent of all construction inspections performed within three days of inspection request	89%	93%	90%	90%	93%

FINANCIAL INSTITUTIONS

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,401.8	1,573.4	1,573.4	1,482.7	-5.8
Other Revenues	1,121.5	989.9	1,113.7	1,113.7	12.5
SOURCES TOTAL	2,523.3	2,563.3	2,687.1	2,596.4	1.3
USES					
Personal Services and Employee Benefits	1,905.4	2,152.2	2,203.3	2,112.6	-1.8
Contractual Services	5.5	24.0	18.7	18.7	-22.1
Other	281.4	315.6	367.9	367.9	16.6
Other Financing Uses	44.7	71.5	97.2	97.2	35.9
TOTAL USES	2,237.0	2,563.3	2,687.1	2,596.4	1.3
FTE					
Permanent	33.0	33.0	34.0	34.0	3.0
TOTAL FTE POSITIONS	33.0	33.0	34.0	34.0	3.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	93%	95%	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	81%	92%	95%	95%	95%

ALCOHOL AND GAMING

The purpose of the alcohol and gaming program is to regulate the sale, service and public consumption of alcoholic beverages and, in cooperation with the department of public safety, enforce the Liquor Control Act to protect the health, safety and welfare of the citizens of and visitors to New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	930.7	981.2	1,011.2	930.0	-5.2
Other Transfers	153.0	100.0	0.0	0.0	-100.0
SOURCES TOTAL	1,083.7	1,081.2	1,011.2	930.0	-14.0
USES					
Personal Services and Employee Benefits	783.6	891.6	917.4	836.2	-6.2
Contractual Services	14.0	110.9	22.9	22.9	-79.4
Other	71.7	78.7	70.9	70.9	-9.9
TOTAL USES	869.3	1,081.2	1,011.2	930.0	-14.0
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Temporary	0.0	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	15.0	15.5	15.5	15.5	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	118	118	100	150	125
* Output	Number of days to resolve an administrative citation that does not require a hearing	70	121	70	100	100
* Outcome	Number of days to issue a beer and wine liquor license	84	108	110	139	125

BOARDS AND COMMISSIONSBUDGET SUMMARY
(dollars in thousands)

			<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	28.7	28.7	28.7	28.7	0.0
Other Transfers	25.0	3,235.6	3,248.5	3,248.5	0.4
Other Revenues	9,227.1	5,156.4	5,387.8	5,232.6	1.5
Fund Balance	335.7	564.8	495.5	495.5	-12.3
SOURCES TOTAL	9,616.5	8,985.5	9,160.5	9,005.3	0.2
USES					
Personal Services and Employee Benefits	4,687.7	5,513.8	5,475.6	5,320.4	-3.5
Contractual Services	250.6	383.1	420.6	420.6	9.8
Other	1,179.3	1,440.7	1,511.0	1,511.0	4.9
Other Financing Uses	1,183.0	1,647.9	1,753.3	1,753.3	6.4
TOTAL USES	7,300.6	8,985.5	9,160.5	9,005.3	0.2
FTE					
Permanent	83.4	83.4	83.4	83.4	0.0
Temporary	0.0	2.0	1.0	1.0	-50.0
TOTAL FTE POSITIONS	83.4	85.4	84.4	84.4	-1.2

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	New	New	New	99%	99%
Output	Percent of complaints logged and processed within three days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	New	New	New	99%	99%
Efficiency	Percent of board meeting agendas available to the public and posted to the website at least seventy-two hours prior to the meeting and draft minutes prepared and posted to the website within ten working days after the meeting	New	New	New	99%	99%
Output	Percent of licensees who renew licenses using online services	New	New	New	75%	75%
Output	Percent of barber and cosmetology establishments inspected once every sixteen months	New	New	New	96%	99%
Output	Percent of body art establishments inspected once every sixteen months	New	New	New	96%	99%
Output	Percent of funeral service establishments inspected once every sixteen months	New	New	New	96%	99%
Output	Percent of pharmacy establishments inspected once every sixteen months	New	New	New	96%	99%

SECURITIES DIVISION

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

BUDGET SUMMARY
(dollars in thousands)

			<u>FY17 - 2016-2017</u>		
	FY15	FY16			Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	1,156.4	1,159.4	1,129.7	974.6	-15.9
Other Revenues	365.2	730.5	732.1	732.1	0.2
Fund Balance	183.6	315.4	470.0	470.0	49.0
SOURCES TOTAL	1,705.2	2,205.3	2,331.8	2,176.7	-1.3
USES					
Personal Services and Employee Benefits	1,164.0	1,567.7	1,578.5	1,423.4	-9.2
Contractual Services	96.2	190.1	183.5	183.5	-3.5
Other	371.6	353.1	480.6	480.6	36.1
Other Financing Uses	148.9	94.4	89.2	89.2	-5.5
TOTAL USES	1,780.7	2,205.3	2,331.8	2,176.7	-1.3
FTE					
Permanent	25.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	25.0	25.0	25.0	25.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
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%	95%	99%	99%	99%
Outcome	Percent of investment adviser registrants examined annually	50%	46%	50%	50%	50%
Output	Percent of all administrative and criminal actions processed annually	New	70%	70%	70%	70%
Outcome	Percent of complaints logged and assigned within two days of receipt of written complaint, then investigated and a course of action determined no later than four months from receipt of complaint	75%	80%	75%	75%	75%

Regulation and Licensing Department Boards and Commissions
BUDGET SUMMARY
(dollars in thousands)
FY 2015 - 2017

	FY15 <u>Actual</u>	FY16 <u>Operating</u>	FY17 <u>Agency Request</u>	FY17 <u>LFC Recomm- endation</u>	FY16/FY17 <u>Pct increase (decrease)</u>
SOURCES					
General fund transfers	28.7	28.7	28.7	28.7	0.0%
Other transfers	25.0	3,235.6	3,248.5	3,248.5	0.4%
Federal revenues	0.0	0.0	0.0	0.0	0.0%
Other revenues	9227.1	5,156.4	5,387.8	5,232.6	1.5%
Fund balance	335.7	564.8	495.5	495.5	-12.3%
SOURCES TOTAL	\$9,616.5	\$8,985.5	\$9,160.5	\$9,005.3	0.2%
USES					
New Mexico Public Accountancy Board	413.8	521.3	515.7	515.7	-1.1%
Board of Acupuncture and Oriental Medicine	195.8	236.3	235.7	235.7	-0.3%
New Mexico Athletic Commission	135.1	186.8	189.6	176.2	-5.7%
Athletic Trainer Practice Board	21.7	27.0	27.8	27.8	3.0%
Board of Barbers and Cosmetologists	936.3	989.6	1,043.1	1,043.1	5.4%
Board of Body Art Practitioners	0.0	100.0	153.5	153.5	53.5%
Chiropractic Board	136.3	149.1	150.0	150.0	0.6%
Counseling and Therapy Practice Board	363.5	428.8	433.9	433.9	1.2%
New Mexico Board of Dental Health Care	383.1	482.1	499.8	434.0	-10.0%
Interior Design Board	15.2	22.8	23.7	23.7	3.9%
Board of Landscape Architects	22.5	26.9	27.6	27.6	2.6%
Massage Therapy Board	220.1	246.9	252.4	252.4	2.2%
Board of Nursing Home Administrators	27.5	46.7	50.6	50.6	8.4%
Nutrition and Dietetics Practice Board	22.3	31.6	30.9	30.9	-2.2%
Board of Examiners for Occupational Therapy	82.7	91.9	94.0	94.0	2.3%
Board of Optometry	83.0	108.5	110.5	110.5	1.8%
Board of Osteopathic Medical Examiners	125.1	175.6	177.5	165.6	-5.7%
Board of Pharmacy	1,778.5	2,032.3	2,105.3	2,105.3	3.6%
Physical Therapy Board	131.6	150.9	152.8	152.8	1.3%
Board of Podiatry	31.7	50.9	52.1	52.1	2.4%
Private Investigations Advisory Board	300.3	339.1	282.5	282.5	-16.7%
New Mexico State Board of Psychologist Examiners	117.3	202.5	204.1	163.8	-19.1%
Real Estate Appraisers Board	350.3	382.5	389.7	389.7	1.9%
New Mexico Real Estate Commission	790.0	951.5	936.7	936.7	-1.6%
Advisory Board of Respiratory Care Practitioners	67.6	102.8	103.8	103.8	1.0%
Board of Social Work Examiners	267.6	287.1	292.1	292.1	1.7%
Speech Language Pathology, Audiology, and Hearing	136.1	153.9	155.9	155.9	1.3%
Aid Dispensing Practices Board					
Board of Thanatopractice	112.1	148.0	151.4	151.4	2.3%
Animal Sheltering Services Board	40.5	96.3	97.6	97.6	1.3%
Signed Language Interpreting Practice Board	77.2	150.8	155.2	131.4	-12.9%
Impaired Dentist	11.5	15.0	15.0	15.0	0.0%
Real Estate Commission Recovery	0.0	50.0	50.0	50.0	0.0%
TOTAL EXPENDITURES	\$7,396.3	\$8,985.5	\$9,160.5	\$9,005.3	0.2%

Regulation and Licensing Department Boards and Commissions

FTE Summary

FY 2015 - 2017

	FY15	FY16 Authorized	FY17	FY17	FY16/FY17
	<u>Actual</u>	<u>FTE</u>	<u>Agency</u>	<u>LFC Recomm-</u>	<u>Pct increase</u>
			<u>Request</u>	<u>endation</u>	<u>(decrease)</u>
New Mexico Public Accountancy Board	5.0	5.0	5.0	5.0	0.0%
Board of Acupuncture and Oriental Medicine	2.7	0.0	0.0	0.0	0.0%
New Mexico Athletic Commission	1.3	0.0	0.0	0.0	0.0%
Athletic Trainer Practice Board	0.2	0.0	0.0	0.0	0.0%
Board of Barbers and Cosmetologists	10.5	0.0	0.0	0.0	0.0%
Chiropractic Board	1.9	0.0	0.0	0.0	0.0%
Counseling and Therapy Practice Board	5.4	0.0	0.0	0.0	0.0%
New Mexico Board of Dental Health Care	4.2	0.0	0.0	0.0	0.0%
Interior Design Board	0.1	0.0	0.0	0.0	0.0%
Board of Landscape Architects	0.1	0.0	0.0	0.0	0.0%
Massage Therapy Board	3.2	0.0	0.0	0.0	0.0%
Board of Nursing Home Administrators	0.3	0.0	0.0	0.0	0.0%
Nutrition and Dietetics Practice Board	0.2	0.0	0.0	0.0	0.0%
Board of Examiners for Occupational Therapy	1.0	0.0	0.0	0.0	0.0%
Board of Optometry	0.9	0.0	0.0	0.0	0.0%
Board of Osteopathic Medical Examiners	1.6	0.0	0.0	0.0	0.0%
Board of Pharmacy	14.0	14.0	14.0	14.0	0.0%
Physical Therapy Board	1.3	0.0	0.0	0.0	0.0%
Board of Podiatry	0.4	0.0	0.0	0.0	0.0%
Private Investigations Advisory Board	4.2	0.0	0.0	0.0	0.0%
New Mexico State Board of Psychologist Examiners	2.4	0.0	0.0	0.0	0.0%
Real Estate Appraisers Board	3.6	0.0	0.0	0.0	0.0%
New Mexico Real Estate Commission	9.0	9.0	9.0	9.0	0.0%
Advisory Board of Respiratory Care Practitioners	1.1	0.0	0.0	0.0	0.0%
Board of Social Work Examiners	3.6	0.0	0.0	0.0	0.0%
Speech Language Pathology, Audiology, and Hearing	1.7	0.0	0.0	0.0	0.0%
Aid Dispensing Practices Board					
Board of Funeral Services	1.6	0.0	0.0	0.0	0.0%
Animal Sheltering Services Board	1.0	0.0	0.0	0.0	0.0%
Signed Language Interpreting Practice Board	1.0	0.0	0.0	0.0	0.0%
Flow Through	0.0	57.4	56.4	56.4	-1.7%
TOTAL FTE	83.5	85.4	84.4	84.4	-1.2%

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,523.4	1,570.0	1,569.7	1,466.2	-6.6
Other Transfers	1,450.0	2,011.1	2,155.1	2,155.1	7.2
SOURCES TOTAL	2,973.4	3,581.1	3,724.8	3,621.3	1.1
USES					
Personal Services and Employee Benefits	2,063.8	2,703.3	2,766.6	2,663.1	-1.5
Contractual Services	287.2	280.8	290.5	290.5	3.5
Other	493.8	597.0	667.7	667.7	11.8
TOTAL USES	2,844.8	3,581.1	3,724.8	3,621.3	1.1
FTE					
Permanent	32.0	33.0	34.0	34.0	3.0
Term	0.7	0.0	0.0	0.0	
Temporary	0.0	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	32.7	33.5	34.5	34.5	3.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	50%	53%	75%	75%	75%
Output	Percent of payment vouchers the administrative services division submits to the department of finance administration without errors	99%	98%	99%	98%	99%
Output	Percent of information service support tasks completed within the timeframe requested	93%	93%	99%	90%	99%
Quality	Percent of accurate payroll and personnel information entered into human resource management system	94%	94%	99%	94%	99%
Quality	Percent of customers satisfied with information service internal support services	85%	86%	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

STATUTORY AUTHORITY:

Article XI, Section 1, of the New Mexico Constitution created the Public Regulation Commission (PRC) in a merger of the former State Corporation and Public Utility commissions. PRC is composed of five elected members.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,852.6	7,840.2	8,765.0	7,428.7	-5.2
Other Transfers	6,399.6	5,949.4	5,949.4	6,473.6	8.8
Federal Revenues	1,061.5	953.0	953.0	953.0	0.0
Other Revenues	6,098.9	5,774.7	5,724.7	6,248.9	8.2
SOURCES TOTAL	21,412.6	20,517.3	21,392.1	21,104.2	2.9
USES					
Personal Services and Employee Benefits	11,828.8	11,879.0	12,556.7	12,266.1	3.3
Contractual Services	571.4	692.9	733.6	717.1	3.5
Other	1,638.8	2,170.7	2,377.1	1,872.1	-13.8
Other Financing Uses	6,098.9	5,774.7	5,724.7	6,248.9	8.2
TOTAL USES	20,137.9	20,517.3	21,392.1	21,104.2	2.9
FTE					
Permanent	153.0	153.0	153.0	153.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	154.0	154.0	154.0	154.0	0.0

AT A GLANCE:

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

PRC's FY17 budget request held funding flat for the Public Safety Program but significantly increased funding for the Policy and Regulation Program and Program Support. The LFC recommendation cuts spending in the Public Safety Program and increases funding for Program Support and the Policy and Regulation Program, addressing the need for a greater level of staffing and technical expertise to review and analyze case filings.

BUDGET ISSUES:

Overall, the LFC recommendation for PRC is a 2.9 percent increase over FY16; however, it reprioritizes expenditures and reduces the agency's reliance on general fund revenues. The recommendation brings the appropriation for the Public Safety Program in line with FY15 spending, a 5.8 percent cut from FY16, while leaving room for some growth, particularly for contract instructors at the Firefighter Training Academy. The recommendation slightly increases funding for Program Support to cover increasing costs associated with more filings and hearings, and significantly increases funding for the Policy and Regulation Program -- 8.2 percent -- to cover rising operational costs and to allow additional vacancies to be filled.

To reduce reliance on the general fund, the committee's recommendation increases funding from the fire protection fund in Program Support to reflect a more appropriate level given the number of FTE in the Fire Marshal Division relative to the overall agency FTE level. In addition, PRC requested including budget adjustment request (BAR) language in the 2015 General Appropriation Act to allow the agency to use \$480 thousand from the firefighter training academy use fee fund to cover personnel costs throughout the agency. The language was included in the bill but later vetoed; however, the LFC recommendation implements PRC's proposal for these recurring funds and uses the \$480 thousand to partially replace general fund revenues in Program Support for FY17. The overall budget recommendation uses 5.2 percent less general fund revenues.

Reversions from the fire protection fund to the general fund are decreasing annually by a schedule set in statute, dropping from \$16.1 million at the end of FY14 to \$15.2 million at the end of FY15. The schedule gradually increases transfers to the fire protection grant fund, rising from \$5.9 million at the end of FY14 to \$7.6 million at the end of FY15. By the end of FY25 and in each subsequent year, all funds in the fire protection fund will transfer to the fire protection grant fund. This grant fund provides revenues for fire departments and fire districts across the state, and data shows departments and districts receiving these grants are more likely to improve their Insurance Services Office (ISO) ratings. The ISO ratings are based on equipment levels and condition, response times, and water availability and pressure. PRC reports that, although the increasing funds are allowing for better equipment and contribute to faster response times, water availability and pressure is a bottleneck and remains an issue across much of the state.

Regulatory Activities. PRC continues to spend a significant portion of its time reviewing and analyzing the proposal by the Public Service Company of New Mexico (PNM) to shut down two of its four coal-fired units at the San Juan generating station and retrofit the other two with pollution control devices to meet new federal regulations. The agency estimates the 1,177 documents filed to date contain more than 42 thousand pages, and the case could continue, at least in part, for years. PRC has received criticism for its handling of the case during hearings, and some critics contend the agency could overstep its authority in this and other utility rulings. However, statute provides the agency significant leeway in how to decide such cases, instructing the utility division to “present to the commission its beliefs on how the commission should fulfill its responsibility to balance the public interest, consumer interest and investor interest.”

The commission held hearings in 2014 and 2015 regarding the ability of ride-sharing companies such as Lyft and Uber to operate in the state, and the commission made a determination in April 2015 to allow such services. A unanimous vote declared PRC has the authority to regulate ride-sharing operations, a claim previously disputed by Lyft, and a second vote with one commissioner dissenting approved rules under which the services must operate -- rules that differed from those for taxicab companies. However, taxi companies opposed the ruling and appealed the commission’s decision. After the New Mexico Supreme Court reviewed the case and remanded it back to PRC to hear motions for reconsideration, the commission voted to vacate the rules, and ride-sharing services are again in an uncertain regulatory environment without rules that officially allow the services to operate and without any requirements they must follow. Legislation or additional court appeals and lawsuits will likely be needed to completely resolve the situation to either formally allow or disallow ride-sharing operations in the state.

The New Mexico Broadband Task Force recommended PRC establish and maintain a fund of \$5 million to provide broadband infrastructure grants to telecommunications carriers to improve Internet access across the state. The funding would come from a new state rural universal service fund surcharge of 0.5 percent to 1 percent. If the commission applies the current surcharge methodology to the new surcharge, it would be a fee assessed on all intrastate telecommunications services, such as landline, wireless, and voice-over-Internet protocol. The task force, established by PRC, determined the agency already has the legal authority needed to establish the additional surcharge and grant program. Statute provides the agency with relatively broad authority to apply surcharges to provide revenues for the state rural universal service fund and to provide distributions from the fund for the purpose of supporting telecommunications services at affordable rates. The commission issued a draft rule and set a hearing for late 2015 to discuss the proposal.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 8-8-9.1 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the program support program of the public regulation commission include four hundred eighty thousand dollars (\$480,000) from the firefighter training academy use fee fund.

POLICY AND REGULATION

The purpose of the policy and regulation program is to fulfill the constitutional and legislative mandates regarding regulated industries through rulemaking, adjudications and policy initiatives to ensure the provisions of adequate and reliable services at fair, just and reasonable rates so the interests of the consumers and regulated industries are balanced to promote and protect the public interest.

BUDGET SUMMARY
(dollars in thousands)

			FY17 - 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	6,490.7	6,560.9	7,279.2	6,908.6	5.3
Other Transfers	977.9	718.5	718.5	775.4	7.9
SOURCES TOTAL	7,468.6	7,279.4	7,997.7	7,684.0	5.6
USES					
Personal Services and Employee Benefits	6,900.0	6,723.5	7,282.1	7,099.9	5.6
Contractual Services	94.5	63.9	91.5	91.5	43.2
Other	438.6	492.0	624.1	492.6	0.1
TOTAL USES	7,433.1	7,279.4	7,997.7	7,684.0	5.6
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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of docketed cases closed in a fiscal year	79%	78%	85%	80%	85%
Output	Number of docketed cases completed	252	300	300	300	315
* Efficiency	Average number of days for a rate case to reach final order	278	280	<270	<280	<275
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	+1.2%	+4.8%	+/-3.0%	+/-3.0%	+/-3.0%
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$139.4	\$82.4	\$150.0	\$100.0	\$150.0
Explanatory	Number of docketed cases opened in a fiscal year	400	385	400	400	400
* Outcome	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	10.0%	10.6%	15.0%	12.0%	12.0%
* Outcome	Comparison of average residential electric rates between major New Mexico utilities and selected utilities in regional western states	+0.1%	-0.5%	+/-2.0%	+/-3.0%	+/-2.0%
Efficiency	Kilowatt hours of electricity saved as a result of utility energy efficiency programs, in millions	126	126	126	126	130

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>FY17 - 2016-2017</u>				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
Other Transfers	4,989.2	4,749.2	4,749.2	4,421.2	-6.9	
Federal Revenues	1,061.5	953.0	953.0	953.0	0.0	
SOURCES TOTAL	6,050.7	5,702.2	5,702.2	5,374.2	-5.8	
USES						
Personal Services and Employee Benefits	3,408.6	3,606.4	3,606.4	3,608.2	0.0	
Contractual Services	433.0	574.6	574.6	572.9	-0.3	
Other	998.1	1,521.2	1,521.2	1,193.1	-21.6	
TOTAL USES	4,839.7	5,702.2	5,702.2	5,374.2	-5.8	
FTE						
Permanent	52.3	52.3	52.3	52.3	0.0	
Term	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	53.3	53.3	53.3	53.3	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of inspection and audit hours performed by the state fire marshal's office	5,418	4,312	7,300	7,000	7,000
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	137,908	148,062	138,000	130,000	145,000
* Output	Number of personnel completing training through the state firefighter training academy	4,218	4,275	4,200	4,200	4,250
Quality	Pass rate for state certification exams administered by the state firefighter academy	87.8%	87.8%	87.0%	87.0%	87.0%
Output	Percent of counties and municipalities participating in the arson task force or partnerships with the state fire marshal	83%	79%	79%	78%	80%
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 service office ratings of eight or better	65%	68%	65%	65%	68%
Explanatory	Number of fire districts statewide	367	368	367	367	368
Output	Number of inspection and audit hours performed by the pipeline safety bureau	12,784	10,463	10,000	10,000	11,000

PROGRAM SUPPORT

The purpose of program support is to provide administrative support and direction to ensure consistency, compliance, financial integrity and fulfillment of the agency mission.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,361.9	1,279.3	1,485.8	520.1	-59.3
Other Transfers	432.5	481.7	481.7	1,277.0	165.1
SOURCES TOTAL	1,794.4	1,761.0	1,967.5	1,797.1	2.0
USES					
Personal Services and Employee Benefits	1,520.2	1,549.1	1,668.2	1,558.0	0.6
Contractual Services	43.9	54.4	67.5	52.7	-3.1
Other	202.1	157.5	231.8	186.4	18.3
TOTAL USES	1,766.2	1,761.0	1,967.5	1,797.1	2.0
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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>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	1,189,770	662,495	1,000,000	1,000,000	1,000,000
Outcome	Percent of prior-year audit findings eliminated	80%	100%	90%	100%	100%
Explanatory	Number of prior-year audit findings	2	0	1	0	0

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	6,098.9	5,774.7	5,724.7	6,248.9	8.2
SOURCES TOTAL	6,098.9	5,774.7	5,724.7	6,248.9	8.2
USES					
Other Financing Uses	6,098.9	5,774.7	5,724.7	6,248.9	8.2
TOTAL USES	6,098.9	5,774.7	5,724.7	6,248.9	8.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	7,868.7	8,376.5	8,910.9	8,215.6	-1.9
Federal Revenues	974.3	2,456.7	2,562.8	2,562.8	4.3
Other Revenues	26,845.2	8,232.5	8,245.8	7,550.5	-8.3
Fund Balance	19,665.7	18,149.6	19,930.2	18,089.6	-0.3
SOURCES TOTAL	55,353.9	37,215.3	39,649.7	36,418.5	-2.1
USES					
Personal Services and Employee Benefits	5,879.8	8,947.2	9,595.9	8,532.3	-4.6
Contractual Services	1,139.6	1,816.8	2,095.1	1,595.9	-12.2
Other	15,067.8	18,074.8	19,047.8	18,074.7	0.0
Other Financing Uses	7,868.7	8,376.5	8,910.9	8,215.6	-1.9
TOTAL USES	29,955.9	37,215.3	39,649.7	36,418.5	-2.1
FTE					
Permanent	100.0	101.0	104.0	101.0	0.0
Term	26.0	26.0	26.0	26.0	0.0
TOTAL FTE POSITIONS	126.0	127.0	130.0	127.0	0.0

AT A GLANCE:

The Office of Superintendent of Insurance (OSI) requested a significant budget increase for FY17 from other state funds. Any balance in the insurance operations fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation reverts to the general fund; the remainder is kept as fund balance until the following year. The LFC recommendation reduces funding for the Insurance Policy Program because expenditures in FY15 were significantly lower than the FY16 operating budget, and any budget increase would decrease general fund revenues available for other critical state needs.

BUDGET ISSUES:

The requested budget increase would nearly fully fund personal services and employee benefits and pay for an additional 3 permanent FTE despite the current 33 percent vacancy rate. The LFC recommendation holds FTE levels flat and reduces overall funding by 2.1 percent but includes sufficient funding for OSI to fill 21 vacant positions.

OSI significantly improved revenue collection and auditing efforts for premium tax revenues and credits. Over the last two years, the agency began conducting audits of all prior-year revenue submissions and assessing penalties for noncompliance. This is a significant change from previous years when the agency rarely conducted revenue audits. Additionally, in 2015, the agency began historical audits for premium taxes and credits submitted up to 10 or more years ago. Under previous administrative practice, a company, while not explicitly allowed to, was able to erroneously claim certain credits twice, potentially resulting in artificially decreased annual premium tax payments of more than \$4 million per company per year. After finally initiating a systematic auditing process, OSI identified the process deficiency and implemented a new reporting process to help reduce the possibility of double-claiming credits. The agency estimates this could generate at least \$20 million additional recurring general fund revenues. Premium tax reports in 2015 appear to support this estimate.

However, the agency was also involved in a decision that will create a substantial negative general fund impact. The board of the New Mexico Medical Insurance Pool (NMMIP), a healthcare coverage option for high-risk patients created before the Affordable Care Act and chaired by the superintendent of insurance, voted to add a one-year delay to transition members out of the pool. NMMIP will transition a third of members who have other insurance options out of the pool each year over three years, starting in 2017. LFC staff estimates this timeframe would cost the state up to \$80 million in general fund transfers over four years -- \$23 million in 2016, \$27 million in 2017, \$19 million in 2018, and \$11 million in 2019 -- compared with a one-year pool depopulation in 2016 followed by closure of the pool in 2017, assuming insurers have enough tax liability to fully utilize their NMMIP credits.

If the insurance pool remained open for the approximately 1,000 members who reportedly do not have other viable insurance options, a one-year transition with no delay would save the state about \$47 million compared with the plan approved by the NMMIP board. The superintendent of insurance argued in favor of the one-year delay and reported transitioning out any significant number of members in 2016 would be disruptive to the market after Blue Cross and Blue Shield's decision to drop out of the health insurance exchange. He further argued that transitioning everyone at once could be devastating to the viability of the exchange. The board also voted to allow approximately 100 undocumented children previously transitioned out of the pool back in, adding an estimated \$3 million to the pool's annual losses.

The Patient's Compensation Fund Program is a flow-through expenditure program that pays malpractice settlements for member physicians and hospitals that 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 biennial actuarial study completed for patient's compensation fund (PCF) balances on June 30, 2014, indicates the fund is sound. However, the number and severity of settlement awards paid from the PCF is increasing. The 2016 study might indicate rate increases or legislative changes are needed to keep the fund actuarially sound. The fund balance at the end of FY15 was \$48.9 million.

New Mexico Mutual, the state's largest provider of workers' compensation insurance with 33 percent of the voluntary market, ended the 2014 tax year with a record surplus of \$115 million. The Legislature created New Mexico Mutual more than 20 years ago to enable a competitive market for employers to obtain workers' compensation insurance. New Mexico workers' compensation premiums were the 42nd lowest nationally in 2000 but increased to the 20th highest nationally and second highest regionally in 2014 because of high medical costs, case law erosion, and increased litigation. Claims frequency declined nearly every year in the last decade, but average claim size rose by 33 percent in 2014 compared with the average claim size for the prior four years. The increased claim severity was due to an increase in large and catastrophic losses, impacts of the slow economic recovery on a claimant's ability or desire to return to work, unprecedented air ambulance cost increases, inflation of health care costs, and other factors. However, following national guidelines, the company is lowering rates by 6.2 percent for 2016. New Mexico Mutual increased its market share by 6 percent in the last three years partly because national insurance carriers are less willing to write mono-line workers' compensation policies and are decreasing the number of class codes they will write, increasing the need for New Mexico Mutual to fill in the market gaps.

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>FY17 - 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	7,868.7	8,376.5	8,910.9	8,215.6	-1.9
Federal Revenues	974.3	2,456.7	2,562.8	2,562.8	4.3
Other Revenues	0.3	521.1	0.0	0.0	-100.0
Fund Balance	162.4	0.0	1,200.1	0.0	
SOURCES TOTAL	9,005.7	11,354.3	12,673.8	10,778.4	-5.1
USES					
Personal Services and Employee Benefits	5,878.0	8,792.2	9,393.2	8,377.3	-4.7
Contractual Services	921.2	1,366.4	1,554.0	1,205.5	-11.8
Other	894.4	1,195.7	1,726.6	1,195.6	0.0
TOTAL USES	7,693.6	11,354.3	12,673.8	10,778.4	-5.1
FTE					
Permanent	99.0	99.0	101.0	99.0	0.0
Term	26.0	26.0	26.0	26.0	0.0
TOTAL FTE POSITIONS	125.0	125.0	127.0	125.0	0.0

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	97%	86%	98%	98%	98%
Output	Percent of producer applications, appointments and renewals processed within ten business days	99.9%	99.9%	99.0%	99.0%	99.9%
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for either further criminal actions/prosecutions or closure within sixty days	73%	59%	88%	88%	88%
Output	Percent of domestic company examination reports adopted within eighteen months of the examination period	88%	100%	100%	100%	100%
Output	Percent of form and rate filings processed within ninety days within the life and health bureau	New	96%	97%	97%	97%
Output	Percent of form and rate filings processed within ninety days within the property and casualty bureau	New	100%	99%	99%	99%
Output	Number of managed healthcare outreach activities conducted annually	New	121	100	110	120
Output	Percent of office of superintendent of insurance interventions conducted with domestic and foreign insurance companies when risk-based capital is less than two hundred percent	100%	100%	100%	100%	100%

PATIENT'S COMPENSATION FUND

BUDGET SUMMARY (dollars in thousands)					
	FY17 - 2016-2017		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted			
SOURCES					
Other Revenues	13,092.2	0.0	0.0	0.0	
Fund Balance	19,503.3	18,149.6	18,730.1	18,089.6	-0.3
SOURCES TOTAL	32,595.5	18,149.6	18,730.1	18,089.6	-0.3
USES					
Personal Services and Employee Benefits	1.8	155.0	202.7	155.0	0.0
Contractual Services	218.4	450.4	541.1	390.4	-13.3
Other	14,173.4	16,879.1	17,321.2	16,879.1	0.0
Other Financing Uses	665.1	665.1	665.1	665.1	0.0
TOTAL USES	15,058.7	18,149.6	18,730.1	18,089.6	-0.3
FTE					
Permanent	1.0	2.0	3.0	2.0	0.0
TOTAL FTE POSITIONS	1.0	2.0	3.0	2.0	0.0

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY17 - 2016-2017		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted			
SOURCES					
Other Revenues	13,752.7	7,711.4	8,245.8	7,550.5	-2.1
SOURCES TOTAL	13,752.7	7,711.4	8,245.8	7,550.5	-2.1
USES					
Other Financing Uses	7,203.6	7,711.4	8,245.8	7,550.5	-2.1
TOTAL USES	7,203.6	7,711.4	8,245.8	7,550.5	-2.1
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 state agency is responsible for regulating and licensing physicians, physician assistants, anesthesiologist assistants, genetic counselors, polysomnographic technologists, and naprapaths. The nine members of the board are appointed by the governor to staggered four-year terms.

MISSION:

The mission of the medical board is to protect the public from the improper, unprofessional, incompetent, and unlawful practice of medicine by implementing and enforcing the laws and regulations controlling the granting and use of the privilege to practice medicine.

BUDGET SUMMARY (dollars in thousands)					
			FY17 – 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	2,071.8	1,774.5	1,828.0	1,791.0	0.9
Fund Balance	0.0	70.0	100.0	100.0	42.9
SOURCES TOTAL	2,071.8	1,844.5	1,928.0	1,891.0	2.5
USES					
Personal Services and Employee Benefits	1,001.7	1,224.6	1,229.7	1,208.3	-1.3
Contractual Services	256.4	245.0	321.4	321.4	31.2
Other	348.6	374.9	376.9	361.3	-3.6
TOTAL USES	1,606.7	1,844.5	1,928.0	1,891.0	2.5
FTE					
Permanent	15.0	15.5	15.5	15.5	0.0
TOTAL FTE POSITIONS	15.0	15.5	15.5	15.5	0.0

AT A GLANCE:

An increase in the number and length of complaint cases, along with a change in how the agency can pay for certain contractual services, prompted the Medical Board to seek an overall increase of 4.5 percent, with much of the increase attributed to contracts for hearing officers and investigative consultants. These services were considered exempt under the Procurement Code and paid from the other category. The agency request also sought an increase in the transfer from the fund balance, which has grown 23 percent in each of the last three years.

The committee recommendation calls for a smaller overall increase but fully supports the agency requested increase for contractual services and fund balance transfer.

BUDGET ISSUES:

For FY17 the board request and the committee recommends a 31 percent increase in contractual services to contract with hearing officers and consultants. However, the board's request did not reflect a commensurate reduction in the other category, even though those costs shifted from that category in FY16. In FY15, the board received 315 complaints for investigation and resolved 222 cases within 12 months, including carryovers from FY14. About 21 percent of complaints were resolved in less than six months.

In lieu of a possible licensure revocation, 54 physicians and seven physician assistants participated in the board's monitored treatment program for substance abuse in FY15; 25 participants were treated voluntarily. Seven individuals successfully completed the program and one participant relapsed.

The average number of application processing days for physician's licenses decreased by 35 days since rule changes took effect at the end of FY13. During FY15, the average time from application to licensure was 36 days; however, the average time from receipt of all necessary documentation to issuance of the license was 8.2 days.

The 2015 New Mexico Health Care Workforce Committee annual report estimates New Mexico had 1,909 primary care physicians (PCP) in 2014, 306 more than the national benchmark for similar populations. However, Bernalillo County accounts for approximately 42.3 percent of the total and has 273 more PCPs than the national average. The report found that 32 out of 33 counties qualified as full or partial federally designated health professional shortage areas for primary care, dental, and mental health. Without redistribution of the workforce, the report estimated a shortage of 145 PCPs and 136 physician assistants for the state, especially in rural areas. The report also found that older physicians are concentrated in rural areas, indicating underserved areas may face even more shortages as physicians retire or leave practice. The estimated number of PCPs in the state decreased from 2013 to 2014, with the highest decline in Bernalillo County.

The board should conduct a comprehensive review of medical practice acts to judiciously reduce barriers to workforce expansion. Additionally, the board should revisit the scope of practice for physician assistants and consider expanding their ability to practice independently.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	1,063,915	1,465,440	1,150,000	1,150,000	1,500,000
* Output	Number of triennial physician licenses issued or renewed	3,945	3,841	3,800	3,700	3,900
* Output	Number of biennial physician assistant licenses issued or renewed	436	476	430	430	480
Output	Number of biennial anesthesiologist assistant licenses issued or renewed	3	30	7	7	10
Output	Number of complaints resolved within twelve months	137	222	240	240	240
Output	Number of participants in monitored treatment programs	278	86	225	110	110
Outcome	Percent of participants who relapse	0.28%	0.3%	0.75%	0.75%	0.5%
Outcome	Number of days to issue a physician license	49	36	55	55	35

STATUTORY AUTHORITY:

The Nursing Practice Act, Sections 61-3-1 through 61-3-31 NMSA 1978, established the seven-member Board of Nursing to regulate 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)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	200.0	0.0	0.0	0.0	
Other Revenues	1,845.0	1,951.6	2,013.5	2,013.5	3.2
Fund Balance	185.1	378.6	360.8	259.5	-31.5
SOURCES TOTAL	2,230.1	2,330.2	2,374.3	2,273.0	-2.5
USES					
Personal Services and Employee Benefits	1,282.8	1,497.5	1,641.9	1,540.6	2.9
Contractual Services	152.8	171.8	150.4	150.4	-12.5
Other	594.5	660.9	582.0	582.0	-11.9
Other Financing Uses	200.0	0.0	0.0	0.0	
TOTAL USES	2,230.1	2,330.2	2,374.3	2,273.0	-2.5
FTE					
Permanent	19.0	19.0	22.0	22.0	15.8
TOTAL FTE POSITIONS	19.0	19.0	22.0	22.0	15.8

AT A GLANCE:

The Board of Nursing has experienced several organizational changes in the past year, including the hiring of a new executive director and director of education and unlicensed assistive personnel. The agency requested additional FTE in FY17 to meet new performance measures and renovate the board's existing workspace, which will include a larger conference room.

The committee recommendation for the Board of Nursing is a slight decrease from last year, mostly attributed to a decline in allocations from the nurse excellence fund and changes in a contractual agreement with the Regulation and Licensing Department. The committee does not support the agency's request for funding to remodel the board's workspace and recommends the agency adjust fees to increase transfers to the nurse excellence fund.

BUDGET ISSUES:

For FY17, the board requested an increase in funding to the personal services and employee benefits category for 3 additional FTE to meet changes in program workload. The additional FTE will replace a contracted IT support position, provide legal support for board prosecutions, and improve current monitoring of nurse education programs around the state. However, the personal services and employee benefits category request was overstated by \$101.3 thousand from a double entry of the agency director's salary.

To create office space for the new FTE and to enlarge its conference room, the request included \$50 thousand in the other category for construction costs of remodeling the board's workspace. The board estimates one-third of board meetings are overcrowded, leading the board to move the overflow to a storage room where they are provided video coverage of the meeting.

In response to the 2013 LFC evaluation, supplemental appropriations to institutions for nursing program expansion increased from \$1.8 million in FY14 to \$8.4 million in FY16. Included were funds to expand the number of nurses enrolled in graduate-level programs at the University of New Mexico, New Mexico State University, and Eastern New Mexico University. These efforts are intended to increase the number of advanced-practice nurses trained in New Mexico.

As of September 2015, eight nursing programs have fully implemented the New Mexico Nursing Education Consortium (NMNEC) curriculum, paving the way for bachelor's of science in nursing degrees to be offered at some community colleges throughout the state. NMNEC plans to implement a common statewide nursing curriculum available in 19 locations around the state by FY18. This partnership will provide students with the flexibility to pursue an associate's or bachelor's degree in nursing from any state-funded school.

The 2015 New Mexico Health Care Workforce Committee annual report found that 32 out of 33 counties were full or partial federally designated health professional shortage areas (HPSA) for primary care, dental, and mental health. Without redistribution of the workforce, the report estimated a shortage of 197 certified nurse practitioners and specialists for the state, especially in rural areas. From 2013 to 2014, the number of certified nurse practitioners and specialists increased by 139 and the number of counties with nurse shortages decreased by five. The Board of Nursing has a significant opportunity to support several recommendations from the committee's report including financial incentives to recruit and retain health care professionals, funding for medical education and training programs, and rule changes that promote and improve health services in rural areas.

For FY17, the board plans to allocate \$125 thousand from the nurse excellence fund: \$75 thousand for scholarship and programs at higher education institutions and \$50 thousand for other organizations such as the Center for Nursing Excellence and Heart Institute. In FY15, there were six nurse excellence fund grants totaling \$229.2 thousand. The board had an ending balance in the nurse excellence fund of \$147.9 thousand for FY15 and projects a balance of \$85.9 thousand at the end of FY16. The board should consider increasing the renewal surcharge on licensing fees to expand programmatic opportunities supported by the nurse excellence fund. The current surcharge is \$5 per license renewal.

The committee recommendation fully funds the personal services and employee benefits category with the 3 additional FTE but does not recommend funding construction costs for remodeling the board's workspace. The committee recommends the \$50 thousand for remodeling costs be repurposed to increase the nurse excellence fund in the other category and encourages the board to conduct a comprehensive review of all professional practice acts to judiciously reduce workforce barriers for nurses.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of applications processed within five days of receipt of completed application	98%	72%	99%	95%	100%
Output	Complaints logged and investigations initiated within two business days of receipt of written complaint	90%	98%	90%	95%	95%
* Output	Number of licensed practical nurse, registered nurse, advanced practice nurse licenses and unlicensed assistive personnel certificates issued	14,551	14,854	16,000	16,000	16,000
Quality	Percent of unlicensed assistive personnel programs in full compliance with rule requirements	80%	81%	95%	80%	95%
Quality	Percent of public meetings posted in compliance with the open meetings act	New	New	New	100%	100%
Quality	Number of continuing education compliance audits for unlicensed assistive personnel, licensed practical nurses, registered nurses and advanced practice nurses	174	177	185	185	185
Output	Number of unlicensed personnel certificates issued	New	389	450	450	450
Quality	Number of current active nursing licenses	30,290	30,895	32,000	32,000	32,000
Output	Number of certificates issued per rule requirement of one month for certified medication aides and certified hemodialysis technicians	15	14	20	15	20
Efficiency	Percent of endorsement applications processed within five days of receipt of completed application	New	New	100%	95%	100%
Output	Number of low- and medium-priority complaints investigated and presented to the board of nursing within six months	New	New	New	90%	90%
Output	Number of high-priority complaints investigated and presented to the board of nursing within nine months	New	New	New	90%	90%
Efficiency	Percent of licensees with an interperance-related complaint offered admission into the diversion program	New	New	New	100%	100%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Number of deficient or noncompliant unlicensed assistive personnel programs initiating a remediation process within two months	New	New	New	90%	90%
Efficiency	Percent of discipline orders reported to a national reporting database within thirty days	New	New	New	95%	100%
Efficiency	Number of unlicensed assistive personnel site visits completed within thirty days of the site visit requirement	New	New	New	90%	90%
Efficiency	Number of deficient or noncompliant pre-licensure nursing education programs initiating a remediation process within two months	New	New	New	90%	90%
Efficiency	Number of pre-licensure education site visits completed within thirty days of the site visit requirement	New	New	New	85%	90%

STATUTORY AUTHORITY:

The State Fair and State Fair Commission are established in, and governed by, Sections 16-6-1 through 16-6-31 NMSA 1978.

MISSION:

The mission of the State Fair is to professionally operate year-round events and entertainment and to maintain event venues for public use and benefit that help build the infrastructure for the annual New Mexico State Fair.

BUDGET SUMMARY (dollars in thousands)					
		<u>FY17 – 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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 Revenues	11,938.9	11,788.4	12,090.0	11,860.1	0.6
SOURCES TOTAL	11,938.9	11,788.4	12,090.0	11,860.1	0.6
USES					
Personal Services and Employee Benefits	5,795.3	5,326.4	5,686.6	5,543.7	4.1
Contractual Services	2,891.0	3,144.6	2,959.6	2,949.5	-6.2
Other	3,200.2	3,317.4	3,443.8	3,366.9	1.5
TOTAL USES	11,886.5	11,788.4	12,090.0	11,860.1	0.6
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	35.0	35.0	35.0	35.0	0.0

AT A GLANCE:

The New Mexico State Fair requested a small budget increase for FY17, and the LFC recommendation partially funds the increase, very closely matching the overall FY15 expenditure level. The 2014 audit contains 13 findings -- the second highest number for any state agency -- compared with eight findings in the 2013 audit. Three of the prior year's findings were repeated. However, there were no material weaknesses for the second year in a row.

The State Fair Commission met quarterly in 2014 and 2015, significantly improving oversight for the agency compared with the prior two years when the commission met just once each year. After requests from LFC, the State Fair and the General Services Department are finalizing a written contract for the operation of the African American Performing Arts Center, improving transparency.

BUDGET ISSUES:

Fair attendance increased in 2015 for the second year in a row after a drop in 2013 due to torrential rains during the first weekend of the fair. While attendance increased by a modest 0.5 percent compared with 2014, attendance for the last two years was higher than in any year since 2009. This is particularly remarkable given the fair was shortened from 17 days to 12 days in 2014 and to 11 days in 2015 to reduce operating costs. However, the number of attendees remains 38 percent lower than a decade ago, when attendance began to drop significantly, reaching a 10-year low in 2013. The agency attributes the increased attendance to better promotion and sales methods leading up to the event, including selling discounted tickets across the state in advance of the fair.

To generate advertising for the 2015 fair event in a new way, fair officials had a beer produced locally and sold in stores as the "New Mexico State Fair Beer." This marketing tactic recognizes the significant growth in the local craft brewing industry, and officials wanted to source as many of the components of the beer from local growers and producers as possible. Monks in Abiquiu produced the hops, and La Cumbre was selected through a competitive process as the brewer. The State Fair reports it was a great success and plans to source every ingredient locally in 2016. This innovative idea grabbed national attention, and fair officials received calls from other fairs and festivals interested in attempting similar projects.

The State Fair hired a new carnival operator for the fair for the 2015 through 2018 seasons. The agency is not legally required to use a request for proposals (RFP) process, but fair officials voluntarily issued an RFP for this important contract, which generates about \$1 million annually for the agency. However, despite sending the RFP to more than 60 carnival operators, only two responded with proposals. An evaluation committee selected a new operator based partly on an extensive selection of rides and the company's incorporation of a cashless ticketing system. Fair officials are considering moving to a similar system.

Despite increasing attendance at the last two annual fair events, the State Fair's revenues are insufficient to cover required insurance rate expenses, leading to increasing debt owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage. The agency's revenues for FY15 were \$52.4 thousand greater than expenditures only because expenses actually paid are included. The excess revenues could have been used to make a partial payment to GSD but would not have made a substantial impact on the increase in debt. In prior years, the State Fair gradually reduced the long-term debt to \$1.8 million, but by the end of FY15, the debt increased to \$3.5 million. Much of this increase is attributable to significantly higher risk rates assessed by GSD to the State Fair, particularly for unemployment compensation, which increased from \$171 thousand in FY13 to \$520 thousand in FY14 and \$565 thousand in FY15. The agency's budget was unable to accommodate these higher fees without either nonpayment or a shortfall, and the State Fair chose nonpayment, leading to the increase in debt. However, the unemployment compensation fee drops to \$95.9 thousand for FY16 and is just a little higher for FY17, and State Fair officials plan to resume making payments to GSD. The State Fair is also working with GSD in an attempt to reach a debt settlement agreement to clear the current debt.

The state fairgrounds suffer from decades of neglect and deferred maintenance. However, the agency is gradually addressing some issues, including resurfacing some parking lots and walkways most likely to cause falls, replacing sections of sewer and electrical systems, repairing or replacing rooftops in the worst condition, and improving drainage. The agency received \$2.5 million in capital outlay in 2015 and has \$470 thousand remaining from prior appropriations -- 17 percent of the \$2.7 million appropriated between 2012 and 2014. The State Fair's total capital outlay request was \$11.9 million for FY17, primarily for paving and roof repairs.

In 2006, the Legislature appropriated \$1.6 million to build the African American Performing Arts Center (AAPAC) on the state fairgrounds. The facility receives moderate and variable use, and the State Fair allowed a private organization to operate AAPAC with a verbal agreement rather than a contract. Although the State Fair is an enterprise agency and exempt from certain provisions of the state Procurement Code, a contract should be required when a private company, even a nonprofit organization, runs a state facility. This provides for continuity of operations if current State Fair officials depart the agency. LFC recommends the State Fair work with the General Services Department to finalize and implement the written contract currently in draft form. The Office of African American Affairs and the Martin Luther King, Jr. Commission are relocating into AAPAC during FY16, improving space utilization in the facility and reducing leasing costs for the agencies.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	88%	90%	95%	95%	95%
Output	Percent of counties represented through exhibits at the annual state fair	100%	100%	100%	100%	100%
* Output	Number of paid attendees at annual state fair event	361,700	420,624	400,000	430,000	430,000
* Output	Number of total attendees at annual state fair event	392,299	458,379	430,000	450,000	460,000

STATUTORY AUTHORITY:

The Engineering and Surveying Practice Act, Sections 61-23-1 through 61-23-32 NMSA 1978, established a 10-member State Board of Licensure for Professional Engineers and Surveyors to administer and exercise the authority granted by the act, including licensure and oversight. The 10 members, appointed by the governor to staggered five-year terms, meet regularly every other month. More than 8,327 practicing engineers and surveyors are currently licensed in New Mexico.

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	980.5	832.1	848.9	784.3	-5.7
SOURCES TOTAL	980.5	832.1	848.9	784.3	-5.7
USES					
Personal Services and Employee Benefits	404.4	506.9	504.8	450.2	-11.2
Contractual Services	65.3	198.3	224.5	214.5	8.2
Other	109.8	126.9	119.6	119.6	-5.8
TOTAL USES	579.5	832.1	848.9	784.3	-5.7
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

AT A GLANCE:

The executive director position has been vacant since 2011, and overall, the agency maintained a two-year vacancy rate of 37.5 percent. The agency had an FY15 ending fund balance of \$3.4 million and projects a balance of \$3 million at the end of FY17. The fund balance has increased annually by 27.9 percent in the last three fiscal years. The board has a significant opportunity to reduce fees for practicing engineers and surveyors, last updated in 2009. Currently, biennial license renewal fees are \$180 for professional engineers and surveyors.

The committee recommendation includes \$135 thousand in the contractual services category to cover overhead costs charged by the Regulation and Licensing Department (RLD) for administrative and IT support. The board entered into a memorandum of understanding with RLD after the Executive Order 2011-023 transferred staff to the Toney Anaya Building. In the FY17 budget request, the board requested to relocate from the Toney Anaya Building to another location in Santa Fe and use the overhead costs paid to RLD to lease a new office space. The committee recommendation does not support the move to leased office space.

LFC recommends a decrease in personal services and employee benefits from the FY16 operating budget, mostly attributed to high vacancy rates, but still 35 percent over FY15 expenditure levels. The recommendation also aligns funding for contractual services and other costs with appropriate FY15 uses.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100%	100%	100%	100%
Output	Number of examinations administered	518	515	600	600	600
* Output	Number of licenses or certifications issued within one year	741	843	725	750	875
Efficiency	Percent of cases resolved through compliance or legal action within one year	95%	20%	95%	95%	95%
Efficiency	The number of days, receipt of a complaint, to process, investigate and present it to the respective professional committee of the board	180	90	180	180	90

STATUTORY AUTHORITY:

Sections 60-2E-1 through 60-2E-62 NMSA 1978, the Gaming Control Act, establishes the primary functions and authority of the Gaming Control Board (GCB). This authority includes licensing, regulation, and enforcement of the provisions of the act. 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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,724.5	5,800.2	5,967.3	5,685.3	-2.0
SOURCES TOTAL	5,724.5	5,800.2	5,967.3	5,685.3	-2.0
USES					
Personal Services and Employee Benefits	3,489.0	3,964.6	4,150.9	3,868.9	-2.4
Contractual Services	758.5	806.1	800.0	800.0	-0.8
Other	1,229.8	1,029.5	1,016.4	1,016.4	-1.3
TOTAL USES	5,477.3	5,800.2	5,967.3	5,685.3	-2.0
FTE					
Permanent	57.0	57.0	57.0	57.0	0.0
TOTAL FTE POSITIONS	57.0	57.0	57.0	57.0	0.0

AT A GLANCE:

The board requested an increase in funding for the personal services and employee benefits category, mostly attributed to salary adjustments for reclassified positions. The board is working to fill all vacant positions but two governor-appointed positions have been vacant for over three years. The board continues to struggle with filling the executive director position due to statutory language, Section 60-2E-9 NMSA 1978, restricting salary flexibility and requiring five years of supervisory management experience in a gaming regulatory environment. In FY15 the board reverted \$246 thousand to the general fund. LFC recommends a decrease in personal services and employee benefits from the FY16 operating budget due to high vacancy rates but still 3.4 percent over FY15 expenditure levels.

BUDGET ISSUES:

In FY15, total revenue to the general fund from gaming operations reached \$136 million and contributed over \$53 million to the horsemen's trust fund. Gaming has also generated approximately \$2 million for charities and over \$600 thousand for compulsive gambling prevention and intervention programs.

In FY15, the net win for racetracks was \$265.3 million, and for tribal casinos it was \$738.3 million. Gaming taxes in FY15 included \$68.8 million from racetracks, \$826.1 thousand from manufacturers and distributors, and \$1 million from nonprofits. The tribes paid a total of \$66.7 million in revenue sharing to the state. The gaming machine count for FY15 is 2,981 at racetrack casinos, 650 at nonprofit operators, and approximately 15 thousand at tribal casinos. The recommendation includes \$739.6 thousand to maintain the gaming central monitoring system, fully installed at the end of FY14 to accurately verify revenue from all nontribal gaming venues.

Gaming Compacts. Currently, 12 gaming tribes and pueblos have signed the 2015 amended gaming compact: the Jicarilla Apache Nation, Mescalero Apache Tribe, Acoma Pueblo, Jemez Pueblo, Isleta Pueblo, Taos Pueblo, Navajo Nation, Ohkay Owingeh, Zuni Pueblo, Laguna Pueblo, Santa Clara Pueblo, and Tesuque Pueblo. The Jemez and Zuni pueblos have not yet opened any casinos. The U.S. Bureau of Indian Affairs (BIA) allowed the class III gaming compacts to take effect despite questions raised about the higher revenue sharing rate.

Pojoaque Pueblo did not sign the 2015 gaming compact, disagreeing with terms approved by the state gaming representative. The tribe asked BIA to issue class III gaming procedures for its operations but was blocked by a federal judge in response to a lawsuit filed by the executive that argued the tribe could not negotiate directly with the federal agency.

The tribe is asking the 10th U.S. Circuit Court of Appeals to overturn the injunction and has filed a lawsuit against the executive for failing to negotiate on the gaming compacts in good faith. On October, 7, 2015, a federal judge granted a preliminary injunction to Pojoaque Pueblo that prevented the executive and the Gaming Control Board from taking action against vendors that did business with the tribe after its compact expired on July 1, 2015. The U.S. Attorney's Office did not take action against the tribe after its compact expired but said it would monitor the tribe's compliance with 2001 gaming compact terms until the 10th Circuit resolved the matter. Under the 2015 gaming compact terms, Pojoaque Pueblo would have contributed a higher revenue sharing rate, which the tribe is exempt from until its litigation with the state concludes. In effect, the playing field for gaming tribes and pueblos is not level.

In FY15, the board was allowed to carry over the remaining balance of a \$200 thousand special appropriation for arbitration and litigation expenses related to tribal gaming through FY16. As of October 19, 2015, the remaining balance was \$106 thousand, and the board projects a balance of \$71.6 thousand at the end of FY16. In light of ongoing litigation, the board will be requesting another \$200 thousand special appropriation for FY17 and an extension for the \$71.6 thousand balance from the previous appropriation.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Quality	Percent of work permit and work permit renewals processed within fifteen business days	86%	80%	90%	90%	90%
Quality	Percentage of incidents reported to the central monitoring system help desk closed within three calendar days	94%	95%	95%	95%	97%
* Output	Percent of racetrack audit reports completed and mailed within thirty business days of field work completion	20%	30%	93%	90%	90%
* Output	Percent of all tribal inspection reports completed and mailed within thirty business days of field work completion	0%	60%	94%	93%	93%
Output	Percent increase in inspection rate of nontribal gaming operators	New	New	<7%	<7%	<7%
Output	Percent decrease in citation rate of nontribal gaming operators	New	New	>10%	>10%	>10%
Outcome	Percent increase in bingo and raffle inspection rate	New	New	<10%	<10%	<10%
Output	Percent decrease in bingo and raffle citation rate	New	New	>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)					
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted	FY17 – 2016-2017		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	2,430.2	2,427.3	3,266.4	2,184.6	-10.0
Other Transfers	350.0	664.9	665.0	960.3	44.4
Other Revenues	350.0	664.9	0.0	0.0	-100.0
SOURCES TOTAL	3,130.2	3,757.1	3,931.4	3,144.9	-16.3
USES					
Personal Services and Employee Benefits	1,233.0	1,392.8	1,567.0	1,445.5	3.8
Contractual Services	1,246.6	1,461.9	1,461.9	1,461.9	0.0
Other	143.5	237.5	237.5	237.5	0.0
Other Financing Uses	0.0	664.9	665.0	0.0	-100.0
TOTAL USES	2,623.1	3,757.1	3,931.4	3,144.9	-16.3
FTE					
Permanent	19.3	20.3	20.3	20.3	0.0
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	21.7	22.7	22.7	22.7	0.0

AT A GLANCE:

For FY17, the commission request included additional funding in the personal services and employee benefits category to cover increases in staff, salaries, and employee liability insurance rates. The request included 1 additional FTE the department added in FY16 for an equine medical manager position. The \$665 thousand in the operating budget and request in the other financing uses represents the transfer from the racehorse testing fund to the operating budget.

The LFC recommendation supports increased equine testing and maximizes the use of racehorse testing fund revenues. Except for a generally accepted accounting principles (GAAP) adjustment, the recommendation is a 1.7 percent overall increase from the FY16 operating budget and includes \$960.3 thousand from the racehorse testing fund to help the commission combat horse doping and ensure the integrity of horseracing in the state.

BUDGET ISSUES:

The FY16 operating budget includes revenue from the racehorse testing fund and the corresponding expenditure twice in the budget due to GAAP required by the Department of Finance and Administration (DFA). This double entry was used by DFA to capture the transfer of funds into an operating budget as well as the actual expenditure and made the operating budget appear larger. For FY17, DFA instructed agencies the double entry was no longer needed. The agency request and LFC recommendation remove the GAAP entry in the other financing uses and other revenues categories, creating the impression of a significant overall budget decrease.

Racehorse Testing. Laws 2013, Chapter 102 (Senate Bill 72), created the racehorse testing fund to be administered by the State Racing Commission for the handling and testing of urine and other specimens taken from racehorses pursuant to the Horse Racing Act. The legislation took effect in January 2015 and stipulated that 50 percent of the parimutuel tax collected from both class A and class B racetrack licensees be transferred to the racehorse testing fund instead of the general fund. During the first nine months of 2015, monthly transfers to the fund averaged \$83.4 thousand. At the end of FY15, the balance in the fund was \$401 thousand.

The State Racing Commission plans to significantly increase spending on equine testing for race meets and develop an out-of-competition testing program. From FY12 to FY15, blood and urine testing expanded at an annual rate of 20 percent, and 7,691 tests were performed in FY15. Out-of-competition testing increased from 17 tests in FY14 to 200 tests in FY15. In FY15, 242 horses tested positive for an illegal stimulant, mostly attributed to the class III drug, clenbuterol. The commission suspended, for a year, all use of clenbuterol in horses, beginning July 23, 2015.

The Horse Racing Act requires the State Racing Commission to contract with independent laboratories that meet or exceed the current national laboratory standards for testing horses, as established by the Association of Racing Commissioners International. Currently, the commission completes all equine testing with the University of California, Davis. Although the University of California, Davis, is regarded as a high-quality testing facility, other nationally accredited labs could also provide the service. LFC notes concerns over the commission's decision to forgo a competitive procurement process for an independent equine testing laboratory.

Sanction Delays. In FY15, the LFC reviewed the amount of time it takes to settle a track steward issued sanction, and found on average the time between a ruling made by the track stewards and an appeal heard by the hearing officer was 429 days, followed by up to two months for the commission to act on hearing officer recommendations.

From FY12 to FY14, the commission issued 500 drug violation rulings, including 106 class I and class II drug violations that were appealed to a hearing officer. In FY15, the commission issued 242 rulings and 42 cases were appealed to hearing officers. In FY16, the Attorney General's Office provided three district attorneys to help the commission's two hearing officers with horse doping cases. As of October 30, 2015, 28 appeals and violations were awaiting a hearing by a hearing officer, 16 cases were pending in court, and 140 cases had been adjudicated. On December, 12, 2014, the commission had \$533 thousand in unpaid fines, including \$448 thousand owed by licensees who had appeals yet to be heard by the hearing officer. The commission collected \$153.9 thousand in fines in FY15.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	2%	3%	0.03%	0.03%	2%
* Output	Total amount collected from parimutuel revenues, in millions	\$1.0	\$1.2	\$1.0	\$1.0	\$1.2
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,500	\$4,682	\$5,500	\$6,000	\$5,500
Output	Number of audit exceptions noted on annual financial statement	4	2	0	1	0
Outcome	Percent of prior-year audit findings resolved	99%	98%	99%	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	2	3	3	3
Efficiency	Average number of days to bring case to prosecution	New	30	30	30	25
Outcome	Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check	New	20	20	30	20
Efficiency	Average number of days to refer investigation cases for administrative prosecution	New	30	30	30	25

STATUTORY AUTHORITY:

The seven-member Board of Veterinary Medicine was established under the Veterinary Practice Act, Sections 61-14-1 through 61-14-20 NMSA 1978.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)	
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	336.0	332.9	343.3	332.6	-0.1	
Fund Balance	0.0	0.0	10.0	10.0		
SOURCES TOTAL	336.0	332.9	353.3	342.6	2.9	
USES						
Personal Services and Employee Benefits	170.7	174.6	180.0	180.0	3.1	
Contractual Services	104.2	110.5	115.2	106.7	-3.4	
Other	60.2	47.8	58.1	55.9	16.9	
TOTAL USES	335.1	332.9	353.3	342.6	2.9	
FTE						
Permanent	3.0	3.0	3.0	3.0	0.0	
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0	

AT A GLANCE:

For FY17, the board requested additional funding to cover worker's compensation premium increases set by the General Services Department, increased contract services provided by facility inspectors, and costs associated with court reporting services. In FY15, agency expenditures exceeded the operating budget, requiring a budget adjustment of \$15.6 thousand from the fund balance to cover employee salaries. The board had a fund balance of \$129 thousand at the end of FY15 and projects a balance of \$119 thousand at the end of FY17. The committee recommendation fully funds personal services and employee benefits and a slight increase in funding for contractual services over the FY16 levels. The recommendation increases the other cost category over the FY16 level but is slightly less than the FY15 expenditure amount because the board anticipates a decrease in court reporting service costs for disciplinary hearings in FY17.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of facility licenses issued annually	309	298	305	300	305
Output	Number of facilities inspected annually	84	150	155	155	155
Outcome	Percent of inspected facilities meeting minimum standards	99%	99%	99%	99%	99%
Outcome	Percent of inspected facilities requiring a plan of correction	0.01%	1%	<1%	3%	<1%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	0.01%	0%	<1%	1%	<1%
Output	Number of registered veterinary technicians licenses issued annually	197	197	210	220	220
* Output	Number of veterinarian licenses issued annually	1,122	988	1,050	1,000	1,050
Outcome	Attrition rate of all licensees annually	3%	2%	3%	3%	3%
Outcome	Percent of formal complaints resolved without disciplinary action	59%	80%	93%	93%	93%
Output	Number of months to resolution of disciplinary matter	3.1	4	3	4	3
Outcome	Percent of complaints resolved through adjudication	65%	1%	5%	5%	5%
Outcome	Percent of New Mexico-registered veterinary technicians employed in the state	91%	91%	90%	94%	94%
Outcome	Percent of New Mexico-licensed veterinarians employed in the state	40%	61%	60%	65%	65%
Output	Number of bovine artificial insemination permits issued annually	New	New	New	25	30
Output	Number of bovine pregnancy diagnosis permits issued annually	New	New	New	40	55

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)					
	FY17 – 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	123.2	123.2	210.0	123.2	0.0
Other Revenues	3,820.8	3,699.6	3,628.2	3,692.1	-0.2
SOURCES TOTAL	3,944.0	3,822.8	3,838.2	3,815.3	-0.2
USES					
Personal Services and Employee Benefits	113.9	129.4	128.9	106.0	-18.1
Contractual Services	3,438.9	3,461.7	3,470.1	3,470.1	0.2
Other	293.1	231.7	239.2	239.2	3.2
TOTAL USES	3,845.9	3,822.8	3,838.2	3,815.3	-0.2
FTE					
Permanent	2.9	2.0	2.9	2.9	42.5
TOTAL FTE POSITIONS	2.9	2.0	2.9	2.9	42.5

AT A GLANCE:

The FY17 budget request included an increase in the general fund appropriation to pay for increasing insurance premiums and a small increase in FTE, reflecting the commission's decision to hire a financial manager and an additional part-time assistant to replace the former director position. The LFC recommendation holds general fund revenues flat compared with FY16 and recommends the train's revenues from ticket and retail sales cover the remainder of the increase.

BUDGET ISSUES:

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Revenues and operating expenses over the last 10 years fluctuated considerably, depending largely on ridership, from lows of \$2.7 million in revenues in FY11 and \$2.6 million in operating expenses in FY06 to highs of \$3.9 million and \$4 million, respectively, in FY15. In five of those 10 years, including FY15, reported operating expenditures appear greater than operating revenues, which would result in operating shortfalls. However, financial reporting from the agency contains conflicting and inaccurate information to an extent that LFC staff cannot verify an operating loss actually occurred in FY15 or the magnitude of the potential loss.

The agency struggles with severe financial reporting and ridership tracking issues. The numbers in the operating budgets and requests sent to LFC and DFA differ substantially from those sent to Colorado and submitted by the agency for use in the "Cumbres and Toltec Combined and Consolidated Revenues and Expenditures" chart in the LFC Volume III, and the agency reports numbers listed in the chart do not reflect reality. The annual audits do not provide financial information in the detail needed to verify what the agency provides to LFC, and the FY14 audit contains one or more factual errors, creating concerns regarding the document's accuracy and validity. Furthermore, the FY14 audit listed a material weakness finding requiring four adjustments totaling \$467 thousand. In the description of the finding, the auditor reported, "[S]ince significant adjustments to the financials were made it calls into question whether the Commission staff has/had the expertise to apply generally accepted accounting principles in recording the entity's financial transactions and/or preparing its financial statements."

LFC recommends the Office of the State Auditor perform the annual audit in the future to provide greater financial oversight. Additionally, the commission operates outside of SHARE, the state government's finance and human resource computer system, and LFC recommends the agency move over its financial accounts to SHARE for FY17 to improve oversight and accountability. DFA and LFC staff currently have limited ability to verify the reported financial condition.

As noted above, the ridership levels reported to LFC do not match those reported to Colorado or those provided in the annual audits, with some numbers differing by as much as 20 percent. These disparities are great enough to mask trends in ridership levels, making it difficult to determine the success of marketing efforts and operations. An LFC evaluation might be helpful to review documentation, processes, and train operations to accurately assess the situation and determine if current marketing efforts, train operations, and internal controls are sufficient to maintain operational profitability and meet the agency's goal of becoming self-sufficient by FY22.

The primary use of funding from New Mexico and Colorado is for infrastructure. New Mexico provided \$3.2 million in capital outlay funding over the last four years, and Colorado supplied \$4.3 million over the same period. The railroad has suffered from capital infrastructure neglect throughout much of its history, requiring significant upgrades to track, cars, engines, and other infrastructure to achieve safe and reliable operations and visually appealing facilities for customers. The commission has spent 92 percent of the \$850 thousand capital outlay appropriation from 2013 and spent all of the \$185 thousand appropriation from 2014, but has not yet spent any of the \$645 thousand received in 2015. Although the railroad has spent most of the money it received, delays often occur because much of the repair and upgrade work needs to wait until the train's operating season ends. The agency requested \$1.7 million in capital outlay for FY17 and plans to request successively smaller amounts over the next several years, leveling out at \$235 thousand, all for track rehabilitation, in FY20 and FY21.

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>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Outcome	Total number of passengers	34,504	30,127	40,000	35,000	35,000
* Output	Revenue generated from ticket sales, in millions	\$3.3	\$3.5	\$3.5	\$3.5	\$3.6

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.

BUDGET SUMMARY (dollars in thousands)					
FY17 – 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	200.5	200.5	200.5	200.5	0.0
SOURCES TOTAL	200.5	200.5	200.5	200.5	0.0
USES					
Personal Services and Employee Benefits	123.5	112.4	112.5	112.5	0.1
Contractual Services	46.6	74.4	74.4	73.3	-1.5
Other	17.5	13.7	13.6	14.7	7.3
TOTAL USES	187.6	200.5	200.5	200.5	0.0
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

AT A GLANCE:

The Office of Military Base Planning and Support (OMBPS) general fund request for FY17 was flat compared with FY16. The LFC recommendation fully funds the request but corrects a minor error.

BUDGET ISSUES:

Like OMBPS, the Military Base Planning Commission is administratively attached to the Economic Development Department (EDD). The commission met three times in FY15. In January 2015, the long-time director resigned, and a new director was appointed in February.

The Legislature extended the sunset dates to July 2022 for OMBPS and the commission during the 2015 regular legislative session. Laws 2015, Chapter 123, (Senate Bill 369) changed the authority to appoint the OMBPS director from the governor's homeland security adviser to the governor and altered the immediate reporting structure, removing the homeland security adviser and inserting the governor's chief of staff. The bill also changed the makeup of the commission, reducing membership from 17 to 12. The new membership consists of the lieutenant governor; nine representatives from the counties, or adjoining counties, in which military bases are located; and two representatives appointed at large from other counties. The governor appointed 10 members to the newly revised commission, leaving two commission seats temporarily vacant.

New Mexico lost its only active duty U.S. Army unit with the departure of the 2nd Engineer Battalion from White Sands Missile Range (WSMR) in 2014 and early 2015. Although this was part of an overall Army restructuring, the WSMR battalion commander reports that this was the only battalion to relocate from one installation to another. Two companies within the battalion relocated to Missouri and Louisiana, one company disbanded, and the remaining portion of the battalion relocated to Fort Bliss. OMBPS reports WSMR commanding general is seeking to reacquire a critical mass of active duty personnel.

The director and the commission worked with WSMR to resolve a dispute with SunZia over proposed installation of transmission lines across the northern extension area of the missile range. The land is used by WSMR for missile testing, and the Department of Defense expressed concern regarding the potential for the transmission lines to interfere with current missile testing as well as possible future testing, reducing the value of the range to the military. The commission promoted the economic impact of the facility and the negative impact on existing jobs that could result from SunZia's proposal. Under direction from the federal government, the dispute was resolved with an arrangement to bury a total of five miles of the transmission lines in three segments but keep SunZia's requested route intact. Some commission members and military personnel remain concerned the SunZia lines could negatively impact future WSMR operations even with the partial line burial.

The U.S. Department of Defense (DOD) proposed a round of base realignments and closures (BRAC) due to excess infrastructure and requested the timeline begin in 2017. However, Congress has not yet supported the BRAC request, which could further delay the start date, likely until 2019 or later. In anticipation of a future BRAC round, OMBPS is addressing military value issues in federal legislation proposed by DOD, including 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.

OMBPS had to scale back on plans for contract work in FY15 to address these military value issues due to a late contract start date and the need to pay for unexpected personnel costs after the prior director's retirement. However, the agency plans to use all of its funding for contracts in FY16, including a potential contract to assist with an airspace optimization plan, and reports the contract work will become increasingly important in advance of the potential BRAC round. Additionally, the director is seeking a federal grant to conduct a military land use compatibility study, which would require a state match of \$20 thousand.

The agency has nearly \$700 thousand remaining from a capital outlay appropriation in 2006, which was reauthorized in 2010 and again in 2014. The funds are scheduled to revert at the end of June 2016, but the agency might request another extension and an alternate use of funds to assist the Air Force in the planned reconstruction of an entry gate at Cannon Air Force Base to modernize the gate and alleviate congestion outside the gate. However, work on the gate could be delayed due to federal budget issues.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of military units impacted by the activities of the commission and the office	10	10	10	10	10
Outcome	Number of community support organizations that have benefited from the activities of the commission and the office	8	8	8	10	10
Output	Number of communities assisted by the office of military base planning and support	8	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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u>	<u>LFC</u>	<u>Incr</u>
SOURCES			<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
General Fund Transfers	463.1	462.5	2,812.8	612.5	32.4
Other Revenues	2,664.3	3,953.8	4,086.1	4,747.3	20.1
Fund Balance	0.0	2,482.6	0.0	0.0	-100.0
SOURCES TOTAL	3,127.4	6,898.9	6,898.9	5,359.8	-22.3
USES					
Personal Services and Employee Benefits	1,196.3	1,584.8	1,739.7	1,538.2	-2.9
Contractual Services	256.8	3,974.4	2,862.1	1,524.5	-61.6
Other	928.2	1,339.7	2,297.1	2,297.1	71.5
TOTAL USES	2,381.3	6,898.9	6,898.9	5,359.8	-22.3
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	9.0	9.0	11.0	9.0	0.0
TOTAL FTE POSITIONS	18.0	18.0	20.0	18.0	0.0

AT A GLANCE:

Spaceport America was built with the expectation Virgin Galactic would be the anchor tenant and launch customers into near-space following completion of the necessary infrastructure. The company originally planned for commercial launches to begin as early as 2010, but Virgin Galactic suffered numerous setbacks and delays and has not completed building its replacement spacecraft after a fatal midair accident in October 2014. A potential commercial launch date is likely at least a year away due to the need for additional design and safety testing, leading to continued risk and uncertainty regarding launch revenues for the New Mexico Spaceport Authority (NMSA). An adverse lease provides minimal payments until commercial flights begin, increasing the need for the agency to minimize costs and attract other companies and ancillary businesses to the site.

The Spaceport Authority requested a budget for FY17 that is flat overall compared with the FY16 operating budget but supported by six times the level of general fund transfers. The request also increases FTE and personnel funding without a fixed date for launches from Virgin Galactic. The LFC recommendation holds FTE at the existing level, applies a slight vacancy rate, and reduces the funding for contract firefighters and security guards by half from the FY16 level of \$2 million. The committee increases general fund transfers and recommends the agency continue to work to increase other revenues from enterprise sources.

BUDGET ISSUES:

Virgin Galactic's test setbacks substantially impact NMSA's budget; the company currently pays annual lease and user fees of \$1.6 million. The company reports its replacement spacecraft is 90 percent complete and hopes to begin operations at the spaceport in late 2016, which would provide additional enterprise revenues for NMSA in FY17 but would leave the agency's FY16 budget with little external revenue.

The Spaceport Authority was able to sustain operations throughout FY15 without a shortfall and without requiring use of a special or supplemental appropriation by using the majority of its remaining fund balances. However, the agency projects it will exhaust its fund balance in FY16 and require use of the \$500 thousand conditional special appropriation it received from the Legislature. After the Virgin Galactic accident and the resulting additional launch delay, NMSA estimated it would face a shortfall in FY16 and requested the special appropriation. This additional nonrecurring funding was needed because the agency ramped up operations in anticipation of Virgin Galactic flights without requiring the company to cover the incremental costs if it did not launch by a specific date.

Visitors and Tenants. The key to reducing or eliminating any potential shortfall and achieving long-term financial stability as an enterprise agency is increasing the number of visitors to, and tenants at, the spaceport. A study performed by an NMSA contractor estimated annual visitation could reach 200 thousand people once Virgin Galactic begins its commercial launches and the proposed visitor centers are built. However, the agency reports visitor levels remained at about 3,000 for FY15. Additionally, the agency revised downward its projected visitor levels even after Virgin Galactic is fully operational, estimating 61 thousand visitors by 2017 and over 100 thousand visitors by 2020.

SpaceX signed a lease as a spaceport tenant in 2013 but has not launched from New Mexico despite original plans for test launches in late 2013 or early 2014. Additionally, SpaceX announced a deal with Texas to build its own spaceport near Brownsville. The company's chief executive officer said the new facility will be the world's first commercial launch complex designed specifically for orbital missions. Texas provided the company \$15.3 million to help develop the necessary infrastructure. However, SpaceX still plans to launch test flights from Spaceport America and invested an estimated \$2 million in launch infrastructure at the site. NMSA projected the company would begin launches in the summer or fall of 2015, but SpaceX's rocket and spacecraft explosion in late June, launched from Cape Canaveral with supplies for the International Space Station, could lead to additional delays. The company's current lease expires in April 2016, although two one-year lease extensions are available.

UP Aerospace is an experimental and commercial launch company based in Colorado that carries customer payloads in rocket launches. The company launches from a vertical launch pad at Spaceport America. However, while UP Aerospace has launched more than a dozen rockets over the last several years, these launches provide little revenue for NMSA because they rely on just a small fraction of the spaceport's infrastructure.

In late FY15 and early FY16, three additional companies -- X2nSat, Exos Aerospace, and ARCA Aerospace -- announced plans to become customers of the spaceport and test rocket systems or use the site for satellite communications. However, it is unclear how much additional revenue NMSA would receive through the proposed leases.

Firefighter and Security Costs. A significant portion of NMSA's expenses comes from a contract with Fiore Industries to provide emergency and security services. Initially, this contract staffing of security guards and firefighters cost \$500 thousand per year, but for FY16, the agency projects it will spend \$2 million for 12 firefighters, eight security guards, and two administrators, and the agency requested funding to increase the contract to \$2.3 million for FY17. This represents one-third of the FY17 budget request despite minimal, infrequent launch activity at the facility.

This level of emergency responder staffing is not required by the State Fire Marshal's Office. The agency reports the preparedness level these 22 personnel provide was helpful in the Federal Aviation Administration (FAA) recertification process but was unable to provide documentation showing FAA staffing requirements for the certification. It appears the NMSA director has sole discretion with regard to the number of emergency responders, and the associated expenditures may be too high for a facility that receives so little use and minimal launch revenues. Additionally, the nearest fire department, in Truth or Consequences, has the second best possible insurance services office rating, which compares the responsiveness and capabilities of fire departments. Furthermore, it is unclear if NMSA must be FAA certified for its current unmanned vertical launches or if the certification would only be needed once commercial tourist launches begin. If it is not a current need, perhaps NMSA should wait to maintain the certification until Virgin Galactic commits to a definite launch date.

Capital Outlay. The Legislature appropriated a total of \$142.2 million in capital outlay funding to the Spaceport Authority for planning, design, and construction of Spaceport America and related infrastructure. Including the bond proceeds from the incremental gross receipts taxes imposed by Sierra and Doña Ana counties, the total cost rises to \$218.5 million.

NMSA reported that \$14.6 million of the total funding it received since inception in capital outlay appropriations remains. Most construction is complete, but the agency has ongoing project planning and design, environmental mitigation, construction management, and southern road costs. The agency completed installation of displays and exhibits in a portion of an on-site building at the end of June and opened the area as a small visitor center as a solution to the inability to raise the funding needed to build a larger on-site visitor center.

Construction has not yet begun on the southern road leading to the facility. Doña Ana County completed the design of the road, but the road surveying work did not align correctly with the corridor studied in the environmental assessment, requiring additional delays to reconfigure the road design. Because of delays related to the road design and reviews by the U.S. Bureau of Land Management, construction likely will not start until at least the end of 2015 and conclude approximately one year later.

Business Plan. The Spaceport Authority announced soon after the Virgin Galactic accident in October 2014 it would develop an updated business plan and attempt to recruit additional tenants to the spaceport. The agency publicly released the plan in May 2015, and it adds a new aerospace business sector -- satellite ground stations and teleports (antenna systems). These businesses would use the spaceport as a location for communications with satellites, a growing industry in need of additional ground stations to provide tracking, telemetry, and control, according to NMSA. The agency reports the advantages it offers to this industry include stable and dry weather patterns, southern latitude, minimal electromagnetic interference, and low horizons in all directions for line-of-sight communications.

By 2020, NMSA plans to add at least two new space launch customers, two space launch testing customers, two unmanned aerial systems customers, and six ground station tenants. The agency also plans to host 10 major "revenue and brand awareness generating events" in 2016, recruit three sponsors by 2016 and two more by 2017, grow merchandise revenues by 300 percent from 2015 to 2016, and partner with at least five New Mexico schools for educational programs by 2018.

The business plan does not always provide the spaceport's advantages for recruitment of industry sectors, leading to uncertainty regarding New Mexico's ability to compete for such projects. For example, in the special events section, the plan mentions there is worldwide interest in running and biking activities and reports triathlon and long-distance relay events are the most profitable races. Without explanation of why this would be a good fit for the spaceport, the plan suggests partnering with a race director for a race in 2016.

The aerospace marketing strategy is composed of just six bullet points in the business plan and contains no additional timelines to measure progress. The lack of details and direct ties to the performance targets for business recruitment make it difficult to assess whether the strategy will be effective and allow the agency to meet its targets. The agency has no action plan listing the incremental steps needed to reach the goals and no discussion of the resources the agency needs to implement the marketing strategy. The ability and timing for the spaceport to achieve self-sufficiency remains uncertain.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of customers and tenants	New	New	5	4	7
Output	Number of events held	New	New	10	10	10
* Quality	Total revenue generated from operations, in millions	New	New	\$4.0	\$4.0	\$4.9
Output	Number of visitors to the spaceport	1,903	3,000	64,300	35,000	35,000
Outcome	Annual number of jobs due to New Mexico spaceport authority efforts	187	122	225	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 18-8-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA 1978 (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA 1978 (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA 1978 (Cultural Properties Preservation Easement Act).

MISSION:

The department's mission is to lead in the preservation, development, promotion, and access to New Mexico's cultural resources for the use, education, and enjoyment of present and future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	30,443.8	30,688.1	32,263.1	31,088.1	1.3
Other Transfers	5.0	125.0	145.0	145.0	16.0
Federal Revenues	3,718.8	3,474.5	3,130.0	3,130.0	-9.9
Other Revenues	6,343.2	7,000.4	6,486.7	6,486.7	-7.3
Fund Balance	2,012.7	1,142.3	0.0	100.0	-91.2
SOURCES TOTAL	42,523.5	42,430.3	42,024.8	40,949.8	-3.5
USES					
Personal Services and Employee Benefits	28,072.4	28,319.5	29,429.5	28,528.2	0.7
Contractual Services	3,754.9	4,686.1	3,506.6	3,406.6	-27.3
Other	9,662.0	9,424.7	9,088.7	9,015.0	-4.3
TOTAL USES	41,489.3	42,430.3	42,024.8	40,949.8	-3.5
FTE					
Permanent	420.3	417.8	420.3	417.8	0.0
Term	87.5	91.0	91.0	91.0	0.0
TOTAL FTE POSITIONS	507.8	508.8	511.3	508.8	0.0

AT A GLANCE:

The Cultural Affairs Department (DCA) submitted a budget request for FY17 that provided an overall budget decrease. However, the request for general fund revenues increased, with the department planning to use this source of funding to replace nearly depleted fund balances and declining federal revenues and other state funds. The budget request assumed a relatively small vacancy rate, reflecting the high number of positions the agency filled in FY15. However, the agency exceeded its appropriated budget authority by filling so many vacancies, forcing the need for either a supplemental appropriation or substantial cost-saving measures, including potential furloughs. The LFC recommendation increases general fund revenues to partially offset declining other revenues but provides limited funding to fill additional positions.

BUDGET ISSUES:

The FY17 budget request was \$42 million -- a decrease of \$406 thousand, or 1 percent, compared with the FY16 operating budget. However, the general fund request was \$32.3 million -- an increase of \$1.6 million, or 5.1 percent. DCA transferred administration of the contract for adult literacy programming and the associated \$755 thousand of funding to the Higher Education Department (HED), so the true increase in general fund support requested by DCA is \$2.6 million, or 8.6 percent, after accounting for savings in General Services Department insurance rates.

The agency's request to eliminate use of fund balance revenues from the \$1.1 million level in the FY16 operating budget is partially due to a long-term decrease in fund balances but primarily due to the agency's request to use most of the fund balance to partially cover the projected shortfall in FY16 due to excessive hiring. The balances were accrued during years before the economic downturn when general fund appropriations made to DCA were nonreverting, allowing the agency to accumulate unexpended balances. During the downturn, fund balance revenues were used to support agency operations, replacing a portion of general fund appropriations.

The LFC recommendation includes a total appropriation of \$41 million, including \$31 million of general fund revenues – a \$1.4 million increase in general fund support compared with the FY16 operating budget but less than the FY17 request, and uses \$100 thousand of fund balances to partially offset declining federal revenues and other state funds. The recommendation allows limited personnel funding to fill additional positions in light of the significant increase in employees at the end of FY15 compared with historical levels. The committee encourages the Cultural Affairs Department to implement a hiring freeze and all possible cost-saving measures to reduce the size of the projected shortfall.

In addition to declining fund balances, DCA faces a few key, ongoing challenges for its Museums and Historic Sites Program, which makes up 59 percent of the agency's budget. The first is maintaining facilities, many of which have significant deferred maintenance issues, creating safety hazards and exposing art and historical structures of significant cultural value to risk of damage or destruction.

The second key issue is maintaining updated exhibits. Many exhibits are left in place for years without updates, reducing interest in repeat visits. For example, the Museum of Indian Arts and Culture (MIAC) has two key exhibits that have received essentially no updates in the nearly 20 years since their installation. Similarly, Fort Sumner was built with plans to have an exhibition wing, but it took years to build a permanent exhibit space, and that space remains empty.

The third key issue is controlling costs and increasing attendance and associated revenues. Without changing exhibits and marketing to make people aware of them, visitor levels are not likely to increase significantly, placing a ceiling on revenues generated by the facilities. Museum visitation declined in FY15 by nearly 21 thousand visitors, or about 2.8 percent. The most significant decline was at the Museum of Natural History and Science, with visitation dropping by 36 thousand visitors, or 14 percent. However, under new leadership at the Museum of Space History and the National Hispanic Cultural Center, attendance increased by 6 percent and 26 percent, respectively.

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

The Board of Regents of the Museum of New Mexico heard a request from the Museum of New Mexico Foundation to use the state-owned Halpin building in the Santa Fe rail yard area as a satellite location for the Museum of Art. The satellite location would focus on contemporary works of art while the existing location on the plaza would focus on the museum's 20th century collections. The foundation expects to raise \$8 million to renovate the Halpin building, but the new program would require annual support from the state of about \$1 million for operational costs. The Cultural Affairs Department has struggled for years to properly maintain its museums and historic sites, and this proposal would add significant additional financial pressure to the agency's budget.

The Museum of New Mexico Foundation supports the museums and historic sites through fund development for exhibitions, education programs, financial management, and advocacy. The foundation provided \$3.2 million in financial assistance in FY14 and \$3 million in FY15 (see "Museums and Historic Sites Combined and Consolidated" in the LFC Volume III for detailed financial information, including foundation support).

DCA's Los Luceros historic property is underused, and the agency is in negotiations with New Mexico State University (NMSU) to transfer all or a majority of the property to the university. The property would be managed by staff at NMSU's existing Alcalde Sustainable Agriculture Science Center. NMSU would initially lease the property to commercial growers and develop a formal plan to create an agricultural research and incubator program to teach beginning farmers. The university reports the key barriers for these farmers are access to land, equipment, and training. LFC encourages DCA to work with NMSU to complete the transfer of the property to make better use of this state asset.

Capital Outlay Status. DCA owns 191 buildings across the state, including properties associated with eight museums and eight historic sites, and has no facility master plan or structured method to prioritize funding. Capital outlay appropriations are often used for emergency repairs, but many facilities continue to suffer from a lack of maintenance, including roofs leaking into critical areas such as server rooms, and heating and air conditioning systems that are failing or function poorly and negatively impact the visitor experience. In some instances, structures of historic and cultural significance are structurally unsound or collapsing due to a lack of funding for repairs.

DCA received no statewide capital outlay funding in 2014. For 2015, the agency requested \$24.5 million and received \$3.5 million for statewide projects in addition to \$2 million in local capital outlay funding.

Most of the agency's capital outlay projects are proceeding and drawing down funds on a reasonable schedule. However, the public and tribal libraries have been very slow to spend funds appropriated in 2012. The agency reports the libraries wanted to keep significant fund balances until they received the new appropriations in 2014, but one year later, significantly more than half of the funds appropriated in 2012 remain unspent.

The agency's 2016 capital outlay request was \$21.6 million, composed of the following amounts: \$3.8 million for critical repairs to address safety issues, including fire suppression systems at multiple museums; \$7.7 million for lower-priority repairs, such as making stucco repairs at the National Hispanic Cultural Center; \$3.9 million for exhibit upgrades and facility renovations; \$1.7 million for equipment; and \$4.5 million for planning and expansion.

By statute, agencies receiving non-infrastructure capital outlay funding are required to spend 1 percent of the funding on public art. The Art in Public Places (AIPP) program at DCA manages this activity. To help address funding needs for art preservation, the Legislature could consider amending statutory language to allow agencies to use funding for both the acquisition and the preservation of art. During the 2015 regular legislative session, House amendments to the capital outlay bill proposed using \$2.5 million from AIPP to fund capital projects for DCA; however, this was removed during the special legislative session.

Two ongoing issues with AIPP are high fund balances and fund reconciliation. Data supplied by DCA indicates the department has \$8 million in unspent balances, including \$2.3 million accumulated from a decade or more ago. However, while LFC and Department of Finance and Administration (DFA) staff requested a fund reconciliation from the agency, what DCA supplied was unable to confirm these exact balances exist and are available for use. LFC and DFA staff continue to meet with the agency to review fund balance data and address this concern.

RECOMMENDED LANGUAGE:

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

MUSEUMS AND HISTORIC SITES

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

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	20,121.0	20,111.0	21,264.7	20,804.4	3.4
Other Transfers	0.0	125.0	145.0	145.0	16.0
Federal Revenues	62.6	93.8	92.5	92.5	-1.4
Other Revenues	4,521.2	4,213.2	3,917.1	3,917.1	-7.0
Fund Balance	1,548.7	450.0	0.0	100.0	-77.8
SOURCES TOTAL	26,253.5	24,993.0	25,419.3	25,059.0	0.3
USES					
Personal Services and Employee Benefits	18,180.5	17,681.6	18,328.4	17,974.2	1.7
Contractual Services	1,252.0	1,332.9	1,185.0	1,185.0	-11.1
Other	6,228.9	5,978.5	5,905.9	5,899.8	-1.3
TOTAL USES	25,661.4	24,993.0	25,419.3	25,059.0	0.3
FTE					
Permanent	299.8	298.3	300.3	298.3	0.0
Term	37.5	39.5	39.5	39.5	0.0
TOTAL FTE POSITIONS	337.3	337.8	339.8	337.8	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Attendance to museum and monument exhibitions, performances, films and other presenting programs	851,101	823,450	840,000	833,700	840,000
Output	Number of participants at off-site educational, outreach and special events related to museum missions	90,417	74,707	85,000	77,800	85,000
Output	Number of participants at on-site educational, outreach and special events related to museum missions	294,587	449,932	305,000	449,932	449,932
Output	Number of students taught through programming developed by the department of cultural affairs that meets state educational standards	New	New	100,000	100,000	100,000

PRESERVATION

The purpose of the preservation program is to identify, study and protect New Mexico's unique cultural resources, including its archaeological sites, architectural and engineering achievements, cultural landscapes and diverse heritage.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	961.1	684.6	811.5	811.5	18.5
Other Transfers	5.0	0.0	0.0	0.0	
Federal Revenues	1,255.6	1,286.5	1,062.5	1,062.5	-17.4
Other Revenues	1,744.9	2,681.0	2,489.2	2,489.2	-7.2
Fund Balance	0.0	142.5	0.0	0.0	-100.0
SOURCES TOTAL	3,966.6	4,794.6	4,363.2	4,363.2	-9.0
USES					
Personal Services and Employee Benefits	3,108.3	3,541.9	3,388.7	3,388.7	-4.3
Contractual Services	205.7	569.7	419.7	419.7	-26.3
Other	727.5	683.0	554.8	554.8	-18.8
TOTAL USES	4,041.5	4,794.6	4,363.2	4,363.2	-9.0
FTE					
Permanent	23.0	23.0	23.0	23.0	0.0
Term	33.5	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	56.5	57.0	57.0	57.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of participants in off-site educational, outreach and special events related to preservation mission	22,872	28,415	23,000	25,146	28,000
* Explanatory	Number of historic structures preservation projects completed annually using preservation tax credits	36	32	40	32	34
Explanatory	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$30	\$9	\$25	\$10	\$18
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	86%	90%	90%	90%	90%
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	18	40	22	22

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,104.0	4,302.1	3,734.7	3,594.6	-16.4
Federal Revenues	1,613.2	1,525.6	1,368.5	1,368.5	-10.3
Other Revenues	42.8	75.1	47.0	47.0	-37.4
Fund Balance	152.1	0.0	0.0	0.0	
SOURCES TOTAL	5,912.1	5,902.8	5,150.2	5,010.1	-15.1
USES					
Personal Services and Employee Benefits	2,350.0	2,677.6	2,722.0	2,649.4	-1.1
Contractual Services	1,060.2	1,116.8	282.9	282.9	-74.7
Other	2,254.5	2,108.4	2,145.3	2,077.8	-1.5
TOTAL USES	5,664.7	5,902.8	5,150.2	5,010.1	-15.1
FTE					
Permanent	33.5	33.5	33.5	33.5	0.0
Term	13.0	14.5	14.5	14.5	0.0
TOTAL FTE POSITIONS	46.5	48.0	48.0	48.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of participants in educational, outreach and special events related to library mission	19,416	14,791	20,500	15,000	19,416
Output	Number of searches in statewide informational databases provided by the state library	6,361,104	9,162,129	7,000,000	9,200,000	9,200,000
* Outcome	Percent of grant funds from recurring appropriations distributed to communities of less than twenty thousand people	New	New	75%	75%	75%

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,332.7	1,555.9	1,572.4	1,340.9	-13.8
Federal Revenues	787.4	568.6	606.5	606.5	6.7
Fund Balance	0.0	49.8	0.0	0.0	-100.0
SOURCES TOTAL	2,120.1	2,174.3	2,178.9	1,947.4	-10.4
USES					
Personal Services and Employee Benefits	690.3	925.8	930.4	799.0	-13.7
Contractual Services	1,053.7	1,087.6	1,087.6	987.6	-9.2
Other	171.6	160.9	160.9	160.8	-0.1
TOTAL USES	1,915.6	2,174.3	2,178.9	1,947.4	-10.4
FTE					
Permanent	11.0	11.0	11.5	11.0	0.0
Term	3.5	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	14.5	14.0	14.5	14.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of clients provided technical assistance to participate in New Mexico arts programs	4,586	7,137	4,500	4,859	6,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	36%	35%	35%	35%	35%
Output	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,083,081	1,331,044	1,100,000	1,124,924	1,300,000
* Output	Number of persons reached through educational and outreach programs conducted by New Mexico arts staff	4,254	10,841	4,300	4,300	8,000
Output	Number of new arts ventures, businesses or projects jump-started across New Mexico annually	New	New	New	3	3

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>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	3,925.0	4,034.5	4,879.8	4,536.7	12.4
Other Revenues	34.3	31.1	33.4	33.4	7.4
Fund Balance	311.9	500.0	0.0	0.0	-100.0
SOURCES TOTAL	4,271.2	4,565.6	4,913.2	4,570.1	0.1
USES					
Personal Services and Employee Benefits	3,743.3	3,492.6	4,060.0	3,716.9	6.4
Contractual Services	183.3	579.1	531.4	531.4	-8.2
Other	279.5	493.9	321.8	321.8	-34.8
TOTAL USES	4,206.1	4,565.6	4,913.2	4,570.1	0.1
FTE					
Permanent	53.0	52.0	52.0	52.0	0.0
TOTAL FTE POSITIONS	53.0	52.0	52.0	52.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of performance targets in the General Appropriation Act met, excluding this measure	83%	50%	85%	87%	85%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	90	45	30	45	45
Output	Number of material weakness audit findings in the last available financial statement audit	5	1	0	0	0
Output	Number of significant deficiency audit findings in the last available financial statement audit	7	1	0	0	0

STATUTORY AUTHORITY:

The New Mexico Livestock Board was created by Sections 77-2-1 through 77-2-29 NMSA 1978. The board is responsible for controlling disease, preventing theft or illegal movement of livestock, and promoting greater economy, service, and efficiency in the administration of laws related to the livestock industry of New Mexico. The board is composed of nine members appointed by the governor to staggered six-year terms. Seven members of the board must raise and own cattle and sheep in the state and be residents of New Mexico. An executive director manages the agency under the direction of the board.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,400.9	1,395.8	1,395.8	941.0	-32.6
Federal Revenues	105.7	0.0	0.0	0.0	
Other Revenues	4,590.3	4,213.6	4,213.6	4,413.6	4.7
Fund Balance	0.0	600.6	600.6	700.6	16.7
SOURCES TOTAL	6,096.9	6,210.0	6,210.0	6,055.2	-2.5
USES					
Personal Services and Employee Benefits	3,929.7	4,523.1	4,523.1	4,368.3	-3.4
Contractual Services	193.6	283.1	283.1	283.1	0.0
Other	1,120.3	1,403.8	1,403.8	1,403.8	0.0
TOTAL USES	5,243.6	6,210.0	6,210.0	6,055.2	-2.5
FTE					
Permanent	75.0	75.0	75.0	75.0	0.0
TOTAL FTE POSITIONS	75.0	75.0	75.0	75.0	0.0

AT A GLANCE:

The agency continues to struggle with filling vacancies for livestock inspector positions. The LFC recommends a slight decrease in the personal services and employee benefits category from the FY16 operating budget due to high vacancy rates, but still 15.5 percent over FY15 expenditure levels. The recommendation fully funds contractual services and other costs, including the cost to purchase and equip inspector vehicles because the board will not request a special appropriation for replacement vehicles as in previous years.

BUDGET ISSUES:

The two major drivers of the board's revenue, mill levy and inspection fees, are impacted by weather and market conditions. According to the National Weather Service, drought conditions in the state continue to lessen with only 8 percent of the state still in moderate drought. Precipitation for the first eight months of 2015 was near or above normal, ranking the period as the third wettest year on record. The seasonal outlook indicates the remaining areas of the state with moderate drought conditions will likely be removed by late 2015.

Drought easement has improved conditions for the state's livestock industry. Growth in the state's cattle inventory in 2015 contrasted the 17.3 percent decline in inventory that occurred from January 2010 to 2014. According to the Department of Agriculture, as of January 2015 the New Mexico inventory of all cattle and calves was up 2.3 percent from January 2014. The board projects an increase in revenue from livestock inspections as livestock numbers continue to grow.

Every five years, the minimum value of livestock for property taxation purposes is reassessed by the Taxation and Revenue Department. In tax year 2015, the minimum taxable value of livestock increased by 24 percent from tax year 2010 levels, resulting in yield controlled rates for the mill levy on livestock. Yield control reduces certain property tax rates to offset increases in reassessed property values and limits revenue collections. The increase in livestock valuation lowered mill levy rates by approximately 12 percent. Sections 7-37-7.1. NMSA 1978 subjected this special levy on livestock to yield control, but the provision had not previously been applied since the amendment took effect in 1986. The applicability of yield control to the annually imposed special levy is questionable and LFC recommends that the Property Tax Division of the Taxation and Revenue Department and Local Government Division of the Department of Finance and Administration promulgate a regulation on the application of yield control for livestock property tax rates. Efforts to resolve this issue are ongoing. The board had a fund balance of \$3.6 million at the end of FY15 and the committee projects a balance of \$3.8 million at the end of FY17. The fund balance has increased by 75.6 percent in the last three fiscal years.

Enforcement of quarantines and disposition of animals deemed estrays could have a large impact on the budget and fund balance. The agency estimates that emergency expenditures could exceed \$1 million in the event of a mass seizure or contagious disease outbreak.

The agency request includes \$250 thousand to purchase and equip inspector vehicles. The board plans to purchase 10 new trucks each year and currently maintains 144 vehicles. The agency recently sold nine vehicles at auction for a total of \$25 thousand and currently has 55 vehicles with mileage over 120 thousand miles.

LIVESTOCK INSPECTION

The purpose of the livestock inspection program is to protect the livestock industry from loss of livestock by theft or straying and to help control the spread of dangerous livestock diseases.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Average percent of investigation findings completed within one month	65%	55%	75%	75%	75%
* Output	Number of road stops per month	86.5	84	80	80	85
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	90	60	60	60	60
* Outcome	Number of livestock determined to be stolen per one thousand head inspected	0.013	0.007	0.010	0.010	0.010
* Outcome	Number of disease cases per one thousand head inspected	0.09	0.05	0.10	0.10	0.10
Output	Number of on-site verifications of animal health, disease control and movement	39,914	35,502	38,000	38,000	38,500
Outcome	Percent of vouchers processed within ten business days	95%	96%	95%	95%	95%
Output	Percent of payment vouchers the New Mexico livestock board submits to the department of finance and administration without errors	New	New	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 oversee depredation complaints as well as the implementation of intervention options for dealing with animals causing property damage; and Administration, which provides agencywide administrative direction, oversight, and infrastructure support services. The commission employs a director responsible for the administration of the department.

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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
Federal Revenues	12,535.7	13,842.9	13,416.9	13,416.9	-3.1
Other Revenues	26,009.0	24,518.2	26,220.2	26,525.6	8.2
Fund Balance	0.0	1,841.2	675.1	675.1	-63.3
SOURCES TOTAL	38,544.7	40,202.3	40,312.2	40,617.6	1.0
USES					
Personal Services and Employee Benefits	18,378.4	20,761.2	21,624.2	20,624.6	-0.7
Contractual Services	2,833.7	4,077.3	4,077.3	4,077.3	0.0
Other	13,454.3	13,866.5	14,428.4	14,268.4	2.9
Other Financing Uses	497.3	1,497.3	182.3	1,647.3	10.0
TOTAL USES	35,163.7	40,202.3	40,312.2	40,617.6	1.0
FTE					
Permanent	296.0	296.0	318.0	313.0	5.7
Term	10.0	10.0	0.0	0.0	-100.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	309.0	309.0	321.0	316.0	2.3

AT A GLANCE:

The Department of Game and Fish (DGF) has a three-year average vacancy rate of 24.3 percent in the field operations program, but vacancies for game wardens decreased by 6.8 percent between FY15 and FY16. The department's vacancies have also declined for all divisions from the previous fiscal year by 4.8 percent. For FY17, the department is requesting additional funding for the personal services and employee benefits and other costs categories to add 10 additional game wardens in the field operations program. The department and the State Personnel Office have also proposed a pay adjustment plan that increases, on average, overall salaries for current and new game wardens by 3.4 percent. This plan will help the department recruit and retain game wardens and reduce the square miles covered by field officers in the state.

For FY17, the committee recommends a slight increase from the FY16 operating budget, mostly attributed to the agency's expansion request, which includes \$541.5 thousand in the personal services and employee benefits category and \$160 thousand in the other costs category to fund 2 FTE for information security and quality assurance and 5 FTE in the field operations program for additional game wardens. The committee recommendation fully supports the agency request to increase overall game warden salaries by 3.4 percent. The recommendation also includes a \$150 thousand increase in the transfer of game protection fund appropriations to the state parks program of the Energy, Mineral and Natural Resources Department and supports the department's request for contractual services and other costs.

BUDGET ISSUES:

The department reports average square miles covered by district officers in its field operations program is the second highest of 13 western states with wildlife law enforcement. The agency currently has 19 game warden vacancies, which increases the area covered by officers to a level similar with Nevada, the highest state at 3,252 square miles per officer.

On average, an officer in the 13 western states covers about 919 square miles. If the agency fully staffs all game warden positions, each officer will cover about 2,252 square miles. With 10 additional game wardens, average coverage would decrease to 1,900 square miles. DGF reports 18 recruits are currently training in the field or at the Law Enforcement Academy, and it expects 11 will become game wardens by the end of FY16. The department is working with state universities to implement an internship program to further improve the department's recruitment efforts.

In FY16, DGF entered into negotiations with the State Land Office over proposals to increase fees for hunter access to state trust lands. The department's request includes an increase of \$673.8 thousand in the other costs category for lease agreements with the State Land Office and other landowners for various wildlife and fishing access areas. The department currently transfers \$200 thousand to the State Land Office for access to 8.9 million acres of state trust land. The Arizona Game and Fish Department, which has access to 9.3 million acres of state trust land, does not pay the State Land Department a fee for access. Three other states—Idaho, Nevada, and Wyoming—also do not pay a fee for access to state trust land. Of the states that do pay a fee for access to state trust land, Colorado pays a fee per acre totaling \$830.3 thousand, Montana charges a fee per user totaling \$1.1 million, and Utah pays a set fee of \$738.7 thousand. New Mexico has the lowest set fee amount and fee per acre of the four states with access charges.

As of September 15, 2015, the department had \$13.6 million in outstanding capital outlay project appropriations greater than \$1 million. Of that amount, \$13 million was outstanding for projects behind schedule. The total capital outlay request for the Legislature in 2016 is \$20.6 million. The department's capital priorities include seven projects: dam safety rule compliance, design and construction of the northwest area office, fishery renovations, wildlife and riparian habitat restoration, off-highway vehicle recreation park construction, shooting range construction and improvements, hatchery renovations and improvements, and Pecos Canyon habitat protection. Funding for the projects includes \$500 thousand from the bond interest and retirement fund, \$1 million from the habitat stamp program, \$500 thousand from the big game enhancement fund, \$600 thousand from the trail safety fund, \$750 thousand from the habitat management fund, \$11.8 million from the game protection fund, and \$5.5 million in federal assistance.

The nonreverting game protection fund, the department's operating fund and its largest fund, 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 department projects fund revenue will reach \$35.7 million in FY17. If the department fully expends its operating budget and proposed capital outlay appropriations by FY17, the game protection fund ending balance is projected to be \$18 million. The committee projects the ending fund balance to be significantly higher given historically low expenditure rates by the department.

In addition to the game protection fund, the agency manages the share with wildlife fund, the Sikes Act fund, the big game enhancement fund, the big game depredation damage fund, the habitat management fund, and the trail safety fund. The combined fund balance at the end of FY15 was \$12.3 million, but the department projects a decrease to \$11.1 million by the end of FY17.

In FY15, the department transferred \$315 thousand to the State Parks program of the Energy, Mineral and Natural Resources Department (EMNRD) for projects related to fishing activities and added \$500 thousand from the game protection fund and \$500 thousand from the trail safety fund in FY16 to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties. For FY17, the committee recommends a transfer of \$650 thousand from the game protection fund and \$500 thousand from the trail safety fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties in addition to a \$315 thousand recurring appropriation to EMNRD. The committee recommendation also includes \$182.3 thousand to the Interstate Stream Compact Compliance and Water Development Program of the State Engineer for dam operations. The committee projects the balances in the game protection fund and trail safety fund will be sufficient for FY17 transfers.

BASE EXPANSION:

The department requested an expansion for two new information technology positions to assist with payment card industry data security standard compliance and cyber security and quality assurance and 10 game warden positions to increase law enforcement coverage and assist with conservation education programs. The committee recommends funding the two information technology positions and five of the game warden positions requested in the expansion. Funding for the expansion positions will total \$701.5 thousand, which will be funded through the game protection fund and reprioritized budget savings.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the conservation services program of the department of game and fish in the other financing uses category includes six hundred fifty thousand dollars (\$650,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties and five hundred thousand dollars (\$500,000) from the trail safety fund for transfer to the state parks program of the energy, mineral and natural resources department.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Game warden - 10 FTE	(P716)	963.0	481.5
2	IT security and quality assurance - 2 FTE	(P719)	220.0	220.0
TOTAL			1,183.0	701.5

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	267.4	212.4	212.4	212.4	0.0
Other Revenues	7,658.0	7,730.5	8,933.5	8,452.0	9.3
Fund Balance	0.0	287.3	287.3	287.3	0.0
SOURCES TOTAL	7,925.4	8,230.2	9,433.2	8,951.7	8.8
USES					
Personal Services and Employee Benefits	5,890.2	6,582.4	7,225.4	6,903.9	4.9
Contractual Services	26.1	72.8	72.8	72.8	0.0
Other	1,481.4	1,575.0	2,135.0	1,975.0	25.4
TOTAL USES	7,397.7	8,230.2	9,433.2	8,951.7	8.8
FTE					
Permanent	96.0	96.0	106.0	101.0	5.2
TOTAL FTE POSITIONS	96.0	96.0	106.0	101.0	5.2

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of conservation officer hours spent in the field checking for compliance	33,570	40,417	33,000	31,000	40,000
* Output	Number of hunter and conservation education programs delivered by field staff	281	639	350	350	600
Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators	157	256	145	130	250

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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	12,014.3	13,308.7	12,998.3	12,998.3	-2.3
Other Revenues	9,321.0	8,501.2	9,083.8	10,189.3	19.9
Fund Balance	0.0	1,166.1	0.0	0.0	-100.0
SOURCES TOTAL	21,335.3	22,976.0	22,082.1	23,187.6	0.9
USES					
Personal Services and Employee Benefits	9,003.8	9,886.6	9,886.6	9,527.1	-3.6
Contractual Services	2,158.6	3,372.8	3,432.8	3,432.8	1.8
Other	8,352.2	8,219.3	8,580.4	8,580.4	4.4
Other Financing Uses	497.3	1,497.3	182.3	1,647.3	10.0
TOTAL USES	20,011.9	22,976.0	22,082.1	23,187.6	0.9
FTE					
Permanent	144.0	144.0	154.0	154.0	6.9
Term	10.0	10.0	0.0	0.0	-100.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	157.0	157.0	157.0	157.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Number of days of elk hunting opportunity provided to New Mexico resident hunters on an annual basis	167,599	203,862	200,000	200,000	200,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	87%	84%	86%	84%	84%
* Output	Annual output of fish from the department's hatchery system, in pounds	634,779	637,200	620,000	620,000	620,000
Outcome	Percent of anglers satisfied with opportunity and success	83%	90%	84%	84%	85%
Output	Acres of accessible sportsperson opportunity through the open gate program	126,169	126,169	130,000	130,000	130,000
Output	Percent of state threatened and endangered species studied and conserved through the state wildlife action plan	New	New	New	10%	11%
Output	Number of youth hunting opportunities	4,416	5,382	4,800	4,800	5,000

WILDLIFE DEPREDAATION AND NUISANCE ABATEMENT

The purpose of the wildlife depredation and nuisance abatement program is to provide complaint administration and intervention processes to private landowners, leaseholders and other New Mexicans so they may be relieved of, and precluded from, property damage and annoyances or risks to public safety caused by protected wildlife.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	43.0	0.0	0.0	0.0	
Other Revenues	973.8	823.4	823.4	823.4	0.0
Fund Balance	0.0	215.8	215.8	215.8	0.0
SOURCES TOTAL	1,016.8	1,039.2	1,039.2	1,039.2	0.0

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
USES						
	Personal Services and Employee Benefits	280.2	288.1	288.1	288.1	0.0
	Contractual Services	45.2	125.7	125.7	125.7	0.0
	Other	416.2	625.4	625.4	625.4	0.0
	TOTAL USES	741.6	1,039.2	1,039.2	1,039.2	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

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	94%	95%	95%	95%	95%
Output	Number of educational publications distributed with a message about minimizing potentially dangerous encounters with wildlife	351,200	650,000	600,000	600,000	650,000
Outcome	Percent of wildlife nuisance complaints responded to	New	New	New	95%	99%

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)

			<u>FY17 - 2016-2017</u>		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
Federal Revenues	211.0	321.8	206.2	206.2	-35.9
Other Revenues	8,056.2	7,463.1	7,379.5	7,060.9	-5.4
Fund Balance	0.0	172.0	172.0	172.0	0.0
SOURCES TOTAL	8,267.2	7,956.9	7,757.7	7,439.1	-6.5
USES					
Personal Services and Employee Benefits	3,204.2	4,004.1	4,224.1	3,905.5	-2.5
Contractual Services	603.8	506.0	446.0	446.0	-11.9
Other	3,204.5	3,446.8	3,087.6	3,087.6	-10.4
TOTAL USES	7,012.5	7,956.9	7,757.7	7,439.1	-6.5
FTE					
Permanent	52.0	52.0	54.0	54.0	3.8
TOTAL FTE POSITIONS	52.0	52.0	54.0	54.0	3.8

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	30	20	20	20	20
Outcome	Average departmentwide vacancy rate for the fiscal year	New	New	15%	15%	10%

STATUTORY AUTHORITY:

The Energy, Minerals and Natural Resources Department (EMNRD) was created by Sections 9-5A-1 through 9-5A-7 NMSA 1978 and includes the following six divisions: Energy Conservation and Management, Healthy Forests, State Parks, Mine Reclamation, Oil and Gas Conservation, and Program Leadership and Support.

MISSION:

The mission of EMNRD is to position New Mexico as a national leader in energy and natural resource areas. This includes developing reliable supplies of energy and energy-efficient technologies with a balanced approach toward conserving renewable and nonrenewable resources; protecting the environment and ensuring responsible reclamation of land and resources affected by mineral extraction; growing and managing healthy, sustainable forests; and improving the state park system that protects New Mexico's natural, cultural, and recreational resources for posterity and contributes to a sustainable economy statewide.

BUDGET SUMMARY (dollars in thousands)					
FY17 – 2016-2017					
	FY15 2014-2015	FY16 2015-2016	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	22,566.2	19,988.2	21,138.2	20,368.0	1.9
Other Transfers	3,956.3	4,926.6	4,458.3	4,608.3	-6.5
Federal Revenues	19,205.4	21,587.1	19,325.9	19,325.9	-10.5
Other Revenues	16,325.7	14,846.4	15,140.3	15,140.3	2.0
Fund Balance	1,455.6	7,611.5	8,152.3	8,152.3	7.1
SOURCES TOTAL	63,509.2	68,959.8	68,215.0	67,594.8	-2.0
USES					
Personal Services and Employee Benefits	29,771.4	31,988.1	32,659.1	32,349.6	1.1
Contractual Services	5,697.8	11,299.5	10,620.7	10,508.3	-7.0
Other	21,025.5	22,315.4	22,048.8	21,850.5	-2.1
Other Financing Uses	4,530.9	3,356.8	2,886.4	2,886.4	-14.0
TOTAL USES	61,025.6	68,959.8	68,215.0	67,594.8	-2.0
FTE					
Permanent	393.0	393.0	394.0	393.0	0.0
Term	37.0	46.0	46.0	46.0	0.0
Temporary	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	483.0	492.0	493.0	492.0	0.0

AT A GLANCE:

EMNRD requested a slight decrease from the FY16 operating budget, primarily due to reduced federal revenues. However, the request includes a general fund increase to support energy-efficiency inspections, forest restoration and wildland firefighter training, and reducing vacant positions in the State Parks Division (SPD) and matching funds for federal mine reclamation grants. The requested general fund increase also includes expansions to support policy analysts focused on geothermal energy and brackish water issues.

Like the agency's request, the LFC recommendation represents a decrease from the FY16 operating budget. The recommendation fully supports the request to reduce SPD's vacancies and partially supports the requests for increased funding for mine reclamation and forestry efforts but does not include funding for the requested expansions.

BUDGET ISSUES:

The agency's overall FY17 request of \$68.2 million represented a \$744.8 thousand, or 1.1 percent, reduction from the FY16 operating budget. The general fund request totaled \$21.1 million and was \$1.15 million, or 5.8 percent, higher than FY16 funding levels. EMNRD requested reduced use of the oil reclamation fund balance revenue for Oil Conservation Division contracts due to the recent decline in the price of oil reducing drilling activity and increased use of SPD's fund balance, which receives governmental gross receipts tax revenue pursuant to Section 7-1-6.38 NMSA 1978.

The LFC recommendation of \$67.6 million is a decrease of nearly \$1.4 million, or 2 percent, from the agency's FY16 operating budget. While the overall reduction is attributable to reduced federal revenues, the recommendation includes a general fund increase of \$492 thousand and a vacancy savings rate of 13 percent compared with the agency's request, which applied a 12 percent vacancy rate. The recommendation provides funding to fill about 34 positions which were vacant when the agency submitted its request.

Energy Conservation and Management. The recommendation for the Energy Conservation and Management Program totals \$2.9 million, essentially flat with the FY16 operating budget. The recommendation does not include the requested general fund increases for third-party inspections of energy-efficiency projects and an expansion FTE focused on geothermal energy policy. Still, the recommendation is \$540 thousand, or 23 percent, higher than FY15 expenditures.

Healthy Forests. The FY17 recommendation for the Healthy Forests Program is \$10.9 million, just \$40.2 thousand less than the amount requested, and does not include general fund increases for miscellaneous other costs. Reduced federal revenues in both the request and recommendation are primarily due to the expiration of a one-time grant that allowed the agency to purchase conservation easements.

Beginning in FY15, the Healthy Forests Program received a budget increase to establish firefighting crews composed of armed forces veterans and to ensure crew members are trained, using the program's federal funds, to meet national firefighter standards. The recommended general fund increase will support positions needed to continue to match federal funds for the veteran fire crews and forest and watershed restoration.

While drought conditions contributing to the risk of fire are beyond anyone's control, the threat of forest fires highlights the importance of hazardous fuel reduction across private and public land. In the 2015 legislative session, House Bill 38, passed nearly unanimously by the Legislature, proposed to establish an advisory board representing a variety of stakeholders to adopt best management practices and prioritize forest and watershed project funding. The governor vetoed the bill and \$2.5 million in appropriations contingent on its enactment. State forestry officials will treat and restore about 7,700 acres with \$6.2 million in capital outlay funding from the 2014 legislative session. Still, New Mexico's efforts continue to fall well short of the acreage experts estimate should be treated annually to thin overgrown forests so they are more resilient to fire, drought, insects, and disease.

State Parks. With increased precipitation and reservoir levels, State Parks saw 700 thousand more visitors in FY15 compared with FY14 and visitation remained strong in the first quarter of FY16 after the number of visitors to state parks dropped significantly in FY12 and FY13. While self-generated revenue per visitor has remained flat, and below performance target levels, increased visitation should result in increased revenue. LFC's Volume III includes a table comparing FY14 and FY15 visitation and revenue for each state park.

The overall FY17 recommendation for State Parks is \$29.4 million, nearly \$1 million higher than the FY16 operating budget and fully funds the agency's request. This includes increases of \$150 thousand each from the general fund and the game protection fund to reduce vacancy rates and increased use of SPD's fund balance to support infrastructure improvements. LFC's recommendation in the personal services and employee benefits category is \$1 million, or 9.2 percent, higher than FY15 expenditures to allow the agency to fill critical vacant positions to ensure the safety of visitors to state parks and maximize revenue collection.

The other revenues category recommendation for SPD totals \$10 million and includes \$4.8 million from governmental gross receipts tax, \$1.3 million from park admissions, \$2.3 million from campground rentals, and other park-related incomes. These other revenues, combined with \$3.9 million in fund balance, comprise 47 percent of the program's total revenue in FY16.

Mine Reclamation. The FY17 recommendation for the Mine Reclamation Program represents a \$20 thousand increase from the FY15 operating budget to provide matching funds for federal grants. The recommendation fully funds the request other than a requested \$5,000 increase for IT contracts.

In October 2015, the Mine Reclamation Program received a national award from the U.S. Department of the Interior for a series of projects safeguarding 297 mine openings in the Lake Valley region in Sierra County. Judges selected the Lake Valley projects for successfully meeting challenging site conditions due to a large number of dangerous mine openings, the presence of weak subsurface soil and rock, deteriorated timber cribbing, and near-surface underground workings. These projects are scattered over approximately 2 square miles, and the program preserved significant bat habitat in the underground mine workings by designing and constructing 69 bat-compatible closures. Because of poor rock conditions near the surface and the presence of several partially collapsed large openings, the program used an innovative technique developed to stabilize and plug 17 abandoned mine openings by using 140 large, spent tires from earthmoving and mining equipment.

Oil and Gas Conservation. While the dramatic decline in the price of oil began last summer, the active rig count peaked in December 2014 and New Mexico saw record levels of production in FY15. While operators reacted to reduced prices by lowering the number of active rigs, improved technology may contribute to continued production gains.

The LFC recommendation for the Oil Conservation Division fully funds the request and reduces use of the oil reclamation fund due to the decline in drilling activity. Overall, the request and recommendation are \$559.2 thousand, or 4.8 percent, lower than the FY16 operating budget, with the reduction applied to the contractual services category. Despite the overall decrease, the request and recommendation include a \$188 thousand increase for personnel costs. Despite the request to decrease use of fund balance and reduce funding for contracts, the agency requested a target of 30 abandoned wells plugged in FY17, the same as the FY16 target for plugged wells.

Program Leadership and Support. The FY17 recommendation for Program Support is flat with the FY16 operating budget and does not support requested general fund increases related to reducing vacancy rates, increasing contracts regarding implementation of the state energy plan and IT services, employee training and education, and funding for a brackish water policy analyst.

BASE EXPANSION:

As noted above, EMNRD requested two expansion items totaling \$300 thousand: (1) an additional FTE for a geothermal policy analyst within Energy Conservation and Management and (2) funding for a currently authorized policy analyst dedicated to brackish water issues within Program Leadership and Support. The LFC recommendation does not include these expansions. However, the recommendation for personnel costs is higher than FY15 expenditures by \$323.3 thousand for Program Leadership and Support and \$87.6 thousand for Energy Conservation and Management.

RECOMMENDED LANGUAGE:

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

The internal service funds/interagency transfers appropriations to the state parks program of the energy, minerals and natural resources department include six hundred fifty thousand dollars (\$650,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties. Any unexpended balances remaining at the end of fiscal year 2017 from this appropriation shall revert to the game protection fund.

Notwithstanding the provisions of Section 66-3-1019 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the state parks program of the energy, minerals and natural resources department include five hundred thousand dollars (\$500,000) from the trail safety fund for state park operations. Any unexpended balances remaining at the end of fiscal year 2017 from this appropriation shall revert to the trail safety fund.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Brackish water coordinator	(P745)	150.0	0.0
2	<u>Geothermal coordinator - 1 FTE</u>	<u>(P740)</u>	<u>150.0</u>	<u>0.0</u>
TOTAL			300.0	0.0

ENERGY CONSERVATION AND MANAGEMENT

The purpose of the energy conservation and management program is to develop and implement clean energy programs to decrease per capita energy consumption, utilize New Mexico's substantial renewable energy resources, minimize local, regional and global air emissions, lessen dependence on foreign oil and reduce in-state water demands associated with fossil-fueled electrical generation.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	615.0	813.9	1,013.9	813.9	0.0
Federal Revenues	1,757.0	2,080.0	2,098.8	2,098.8	0.9
SOURCES TOTAL	2,372.0	2,893.9	3,112.7	2,912.7	0.6
USES					
Personal Services and Employee Benefits	1,004.8	1,092.4	1,175.3	1,092.4	0.0
Contractual Services	252.0	374.8	407.0	374.8	0.0
Other	168.1	1,426.7	1,530.4	1,445.5	1.3
Other Financing Uses	947.1	0.0	0.0	0.0	
TOTAL USES	2,372.0	2,893.9	3,112.7	2,912.7	0.6
FTE					
Permanent	12.0	12.0	13.0	12.0	0.0
TOTAL FTE POSITIONS	12.0	12.0	13.0	12.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	51	45	51	51	51
Output	Number of inventoried clean energy projects evaluated annually	66	64	63	63	65
Outcome	Percent of applications for clean energy tax credits reviewed within thirty days of receipt	99%	75%	99%	75%	90%
Outcome	Percent reduction in energy use in public facilities upgraded by clean energy projects	11%	14%	10%	10%	14%

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,991.5	3,982.7	4,232.7	4,192.5	5.3
Federal Revenues	9,235.2	8,346.1	6,066.1	6,066.1	-27.3
Other Revenues	618.3	408.4	465.9	465.9	14.1
Fund Balance	15.3	126.2	171.3	171.3	35.7
SOURCES TOTAL	13,860.3	12,863.4	10,936.0	10,895.8	-15.3
USES					
Personal Services and Employee Benefits	5,337.9	5,509.2	5,282.9	5,282.9	-4.1
Contractual Services	289.9	1,133.6	530.3	530.3	-53.2
Other	7,999.6	6,195.0	5,077.1	5,036.9	-18.7
Other Financing Uses	75.5	25.6	45.7	45.7	78.5
TOTAL USES	13,702.9	12,863.4	10,936.0	10,895.8	-15.3

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
FTE						
	Permanent	70.0	70.0	70.0	70.0	0.0
	Term	10.0	10.0	10.0	10.0	0.0
	TOTAL FTE POSITIONS	80.0	80.0	80.0	80.0	0.0

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
*	Output	2,074	1,625	1,875	1,600	1,700
	Number of nonfederal wildland firefighters provided professional and technical incident command system training					
*	Output	12,277	15,142	19,000	15,000	15,000
	Number of acres treated in New Mexico's forest and watersheds					
	Output	133	112	110	100	115
	Number of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training					
	Outcome	New	New	30	30	30
	Number of people employed under the veterans program					

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)

		FY17 - 2016-2017				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	11,092.4	8,886.9	9,186.9	9,036.9	1.7
	Other Transfers	2,609.5	3,714.7	3,200.0	3,350.0	-9.8
	Federal Revenues	2,291.6	3,137.3	3,137.3	3,137.3	0.0
	Other Revenues	9,681.4	9,758.8	9,984.3	9,984.3	2.3
	Fund Balance	1,200.3	2,856.9	3,922.7	3,922.7	37.3
	SOURCES TOTAL	26,875.2	28,354.6	29,431.2	29,431.2	3.8
USES						
	Personal Services and Employee Benefits	11,469.6	12,179.8	12,528.3	12,528.3	2.9
	Contractual Services	507.4	115.0	692.8	692.8	502.4
	Other	11,058.2	13,133.1	13,773.9	13,773.9	4.9
	Other Financing Uses	2,763.9	2,926.7	2,436.2	2,436.2	-16.8
	TOTAL USES	25,799.1	28,354.6	29,431.2	29,431.2	3.8
FTE						
	Permanent	188.0	188.0	187.0	187.0	-0.5
	Term	5.0	5.0	5.0	5.0	0.0
	Temporary	53.0	53.0	53.0	53.0	0.0
	TOTAL FTE POSITIONS	246.0	246.0	245.0	245.0	-0.4

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Number of visitors to state parks	3,983,417	4,684,605	3,900,000	3,900,000	4,500,000
* Explanatory	Self-generated revenue per visitor, in dollars	\$0.96	\$0.87	\$0.96	\$0.96	\$0.96
Output	Number of interpretive programs available to park visitors	2,358	1,780	2,500	2,000	2,250
Output	Number of persons who complete a certified New Mexico boating safety education course	712	753	700	700	750

MINE RECLAMATION

The purpose of the mine reclamation program is to implement the state laws that regulate the operation and reclamation of hard rock and coal mining facilities and to reclaim abandoned mine sites.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	394.4	543.7	568.7	563.7	3.7
Other Transfers	51.4	96.9	96.9	96.9	0.0
Federal Revenues	4,858.9	6,854.8	6,854.8	6,854.8	0.0
Other Revenues	698.1	679.2	690.1	690.1	1.6
Fund Balance	240.0	57.1	46.2	46.2	-19.1
SOURCES TOTAL	6,242.8	8,231.7	8,256.7	8,251.7	0.2
USES					
Personal Services and Employee Benefits	2,942.4	3,100.1	3,123.7	3,123.7	0.8
Contractual Services	2,830.1	4,719.5	4,768.0	4,768.0	1.0
Other	323.4	375.1	328.0	323.0	-13.9
Other Financing Uses	134.5	37.0	37.0	37.0	0.0
TOTAL USES	6,230.4	8,231.7	8,256.7	8,251.7	0.2
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
Term	17.0	17.0	17.0	17.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	99%	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%
Outcome	Percent of inspections of active mining operations showing compliance with approved permits and regulations	New	New	New	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)

			FY17 - 2016-2017		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,670.0	2,662.6	2,662.6	2,662.6	0.0
Federal Revenues	222.0	285.4	285.4	285.4	0.0
Other Revenues	5,326.6	4,000.0	4,000.0	4,000.0	0.0
Fund Balance	0.0	4,571.3	4,012.1	4,012.1	-12.2
SOURCES TOTAL	9,218.6	11,519.3	10,960.1	10,960.1	-4.9
USES					
Personal Services and Employee Benefits	4,747.9	5,542.2	5,730.2	5,730.2	3.4
Contractual Services	1,667.1	4,803.0	3,984.4	3,984.4	-17.0
Other	975.6	806.6	878.0	878.0	8.9
Other Financing Uses	609.9	367.5	367.5	367.5	0.0
TOTAL USES	8,000.5	11,519.3	10,960.1	10,960.1	-4.9
FTE					
Permanent	56.0	56.0	56.0	56.0	0.0
Term	5.0	14.0	14.0	14.0	0.0
TOTAL FTE POSITIONS	61.0	70.0	70.0	70.0	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	38,920	47,539	39,000	39,000	40,000
Output	Percent of application drill permits approved within ten business days of receipt	New	90%	60%	60%	90%
Outcome	Number of abandoned oil and gas wells properly plugged	32	31	30	30	30
Explanatory	Number of violations issued	New	New	New	New	New
Explanatory	Size of oil spills in barrels	New	New	New	<20,000	<20,000
Output	Percent of inspections of oil and gas wells and associated facilities showing compliance with permits and regulations	New	New	New	97%	97%

PROGRAM LEADERSHIP AND SUPPORT

The purpose of program leadership and support is to provide leadership, set policy and provide support for every division in achieving their goals.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,802.9	3,098.4	3,473.4	3,098.4	0.0
Other Transfers	1,295.4	1,115.0	1,161.4	1,161.4	4.2
Federal Revenues	840.7	883.5	883.5	883.5	0.0
Other Revenues	1.3	0.0	0.0	0.0	
SOURCES TOTAL	4,940.3	5,096.9	5,518.3	5,143.3	0.9
USES					
Personal Services and Employee Benefits	4,268.8	4,564.4	4,818.7	4,592.1	0.6
Contractual Services	151.3	153.6	238.2	158.0	2.9
Other	500.6	378.9	461.4	393.2	3.8
TOTAL USES	4,920.7	5,096.9	5,518.3	5,143.3	0.9
FTE					
Permanent	50.0	50.0	51.0	51.0	2.0
TOTAL FTE POSITIONS	50.0	50.0	51.0	51.0	2.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	100%	100%
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn	30	30	30	30	30

STATUTORY AUTHORITY:

Sections 9-5B-1 through 9-5B-11 NMSA 1978 establish the New Mexico Youth Conservation Corps Act. The purpose of the act is to provide employment for youth in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. The corps is administratively attached to the New Mexico Energy, Minerals and Natural Resources Department (EMNRD).

MISSION:

The Youth Conservation Corps' mission is to promote the education, success, and well-being of the youth of New Mexico through the conservation and enhancement of the state's natural resources and lasting community benefits.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	3,815.0	3,800.0	3,800.0	3,800.0	0.0
Fund Balance	939.4	875.8	875.8	875.8	0.0
SOURCES TOTAL	4,754.4	4,675.8	4,675.8	4,675.8	0.0
USES					
Personal Services and Employee Benefits	168.1	170.7	170.6	170.6	-0.1
Contractual Services	3,533.7	4,267.0	4,267.0	4,267.0	0.0
Other	93.7	238.1	238.2	238.2	0.0
Other Financing Uses	265.0	0.0	0.0	0.0	
TOTAL USES	4,060.5	4,675.8	4,675.8	4,675.8	0.0
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

AT A GLANCE:

The Youth Conservation Corps (YCC) is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. YCC's budget request for FY17 was essentially flat compared with FY16 and is \$615.3 thousand, or 15 percent, more than FY15 actual expenditures.

At the direction of the Department of Finance and Administration, YCC changed its project award process for the FY16 and FY17 cycle to require applicants to respond to a formal request for proposals rather than submit an online application. Agency staff expects the change to provide greater detail in project proposals and application reviews, improving transparency and accountability while decreasing the likelihood of award protests.

BUDGET ISSUES:

For FY17, the agency request of \$4.7 million was primarily in the contractual services category for project awards to other state agencies, local governments, nonprofit organizations, and Native American tribes and pueblos. The agency did not request funding in the other financing uses category because those expenses are now budgeted as grants to other agencies in the other costs category and interagency contracts in the contractual services category.

For the FY15 and FY16 cycle, YCC awarded funds for 45 projects totaling \$4.4 million and employing over 850 youth. Examples of projects funded include renovations at Los Lunas' Bosque Park, restoring walls at the ancient Puye Cliff Dwellings, and trail building at sites throughout the state. Additionally, the Santa Fe County Fire Department hired corps members to thin forests at wildland-urban interfaces.

NEW MEXICO YOUTH CONVERSATION CORPS

The purpose of the New Mexico youth conservation corps 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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of youth employed annually	877	832	840	850	850
Outcome	Percent of grant awards used for wages for corps members	76%	77%	75%	75%	77%
Outcome	Percent of projects completed within one year	93%	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. Four entities administer, promote, and produce the intertribal ceremonial event: the Intertribal Ceremonial Office (ICO), a state agency; the Gallup Intertribal Ceremonial Association (GICA), a nonprofit organization; the Intertribal Ceremonial Board, part of the nonprofit; and the New Mexico Tourism Department, which provides administrative oversight.

BUDGET SUMMARY (dollars in thousands)						
FY17 – 2016-2017						
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	104.7	104.8	104.7	75.0	-28.4	
SOURCES TOTAL	104.7	104.8	104.7	75.0	-28.4	
USES						
Contractual Services	104.5	104.8	104.7	75.0	-28.4	
TOTAL USES	104.5	104.8	104.7	75.0	-28.4	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0		

AT A GLANCE:

The agency request for FY17 was essentially flat with FY16, decreasing slightly due to a lower rate for the annual audit. The LFC recommendation reduces general fund revenues in recognition of lower agency effectiveness. ICO should work to increase funding from the city, county, and private sources for the event.

Performance results for the FY15 and FY16 ceremonials declined significantly, with tickets sold and number of sponsorships dropping by nearly half compared with FY14. Sponsorship revenues in FY15 dropped to a little more than one-fourth of the FY14 results; revenues for FY16 increased slightly but remained at less than one-third of the FY14 results. This marks three years out of the last four the ceremonial has underperformed compared with historical results, and this year's performance level deteriorated significantly.

ICO spent the FY15 appropriation on advertising, the state audit, and services for the ceremonial event, including rodeo services, tent rentals for performances, security, and insurance fees.

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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	7,435	3,427	7,500	7,500	7,500
Output	Dollar value of sponsorships	\$161,583	\$44,250	\$170,000	\$170,000	\$170,000
Outcome	Percent of operating revenue from sources other than the general fund	89%	90%	94%	94%	90%
Output	Number of sponsorships	81	49	115	115	105

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)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	15,124.3	14,753.3	16,848.5	15,397.3	4.4
SOURCES TOTAL	15,124.3	14,753.3	16,848.5	15,397.3	4.4
USES					
Personal Services and Employee Benefits	11,205.9	11,429.9	11,766.7	11,534.9	0.9
Contractual Services	895.1	1,507.8	3,141.0	2,007.8	33.2
Other	1,787.6	1,815.6	1,940.8	1,854.6	2.1
Other Financing Uses	620.6	0.0	0.0	0.0	
TOTAL USES	14,509.2	14,753.3	16,848.5	15,397.3	4.4
FTE					
Permanent	156.0	156.0	156.0	156.0	0.0
TOTAL FTE POSITIONS	156.0	156.0	156.0	156.0	0.0

AT A GLANCE:

Following record revenues in FY14 due to a boon in oil production and prices, SLO received the second most royalties in the agency's history in FY15. Additionally, significant improvements in SLO's royalty audit efforts in recent years resulted in \$10.9 million in collections in FY15. The agency requested a slight base increase for FY17 to hire additional staff and fill vacancies and cover rising operational costs and an expansion to increase funding for state trust land restoration. The committee recommendation partially funds the request, with the difference primarily due to the recommendation applying a slightly higher vacancy rate and including a smaller increase for other costs than the agency requested.

BUDGET ISSUES:

SLO requested \$16.8 million for FY17, including a base increase of \$595.2 thousand, or 4 percent, over the FY16 operating budget. Including the expansion request mentioned above, the overall request represents an increase of nearly \$2.1 million, or 14 percent, over FY16 appropriations. The agency is funded solely from land office maintenance fund revenues. Balances of the land office maintenance fund in excess of a budgetary reserve are transferred to beneficiaries, with the distribution for public schools going to the general fund.

The committee's base recommendation of \$15.4 million is an increase of \$644 thousand, or 4.4 percent, over the FY16 operating budget and supports reducing the agency's vacancy rate and corresponding increases in other costs. The recommendation does not include the requested base increase for contractual services and keeps the category's base flat with FY16 operating levels; however, the recommendation includes \$500 thousand to partially fund the requested expansion within the contractual services category.

Despite the transition to a new administration, SLO continued efforts to reduce the agency's vacancy rate with authority from the State Personnel Office to directly certify lists and post openings on the state personnel information technology system. Still, high vacancy rates persist and the recommendation applies a vacancy rate of 5 percent, about half of the historical rate of 10 percent.

In collaboration with the Taxation and Revenue Department (TRD) and the Energy, Minerals and Natural Resources Department, SLO is working to replace the Oil and Natural Gas Administration and Revenue Database (ONGARD). ONGARD is responsible for approximately 30 percent of all state revenue collections and supports business processes associated with collection of taxes and royalties paid on the extraction of oil and natural gas resources as well as the revenues from other SLO leasing activities. ONGARD has served the state well over the past 20 years, however, improving the system is limited by the technology available when it was developed. In 2012, the Legislature appropriated \$6 million to TRD to stabilize and begin modernizing ONGARD, and the three agencies are now requesting a total of \$12 million to replace the system.

BASE EXPANSION:

SLO's request included a \$1.5 million expansion for contracts to improve watershed health, reduce hazardous fuel, and remediate caliche pits on trust lands. SLO manages 25 thousand acres in urban interface areas that need to be treated and has identified over 2,000 caliche pits and illegal dump sites to be restored. With the sustained drought and heavy fuel loads continuing to threaten communities near wildland urban interfaces with forest fire and in response to a similar expansion request by SLO, the Legislature increased the agency's recurring budget by \$200 thousand in FY15. With the requested expansion, SLO proposes to treat nearly 6,000 acres of forests and watersheds and to remediate eight caliche pits or illegal dump sites. The agency also requested a special appropriation of \$2 million for additional restoration efforts.

In addition to \$444.8 thousand in the agency's base budget for restoration efforts, the LFC recommendation includes \$500 thousand for the requested expansion to allow SLO to complete some of the proposed projects. Partially funding the expansion will not reduce the effectiveness of the restoration projects, especially forest and watershed treatment, because they are scalable to funding levels. The agency will prioritize projects based on scientific data, current conditions, and research from the State Forestry Division identifying communities most at risk from wildfire.

RECOMMENDED LANGUAGE:

The commissioner of public lands is authorized to hold in suspense amounts received pursuant to agreements entered into for the sale of state royalty interests that, as a result of the sale, became eligible for tax credits under Section 29 of the Internal Revenue Code, above those amounts required by law to be transferred to the land grant permanent fund. The commissioner may expend as much of the money so held in suspense, as well as additional money held in escrow accounts resulting from the sales and money held in fund balance, as is necessary to re-purchase the royalty interests pursuant to the agreements.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Watershed and trust land restoration</u>	<u>(P615)</u>	<u>1,500.0</u>	<u>500.0</u>
TOTAL			1,500.0	500.0

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

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
Output	Total trust revenue generated, in millions	\$817	\$740	\$800	\$466	\$625
Outcome	Bonus income per leased acre from oil and gas activities, in dollars	\$473	\$393	\$450	\$306	\$350
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$6.9	\$10.9	\$2.4	\$2.0	\$4.0
* Output	Average income per acre from oil, natural gas and mineral activities, in dollars	\$273	\$258	\$250	\$162	\$225
Output	Percent of total trust revenue generated allocated to beneficiaries	98.0%	98.0%	98.0%	96.5%	97.0%
* Output	Number of acres restored to desired conditions for future sustainability	3,889	3,009	3,500	5,862	5,000
Output	Percent of identified unauthorized uses on agricultural leases brought into compliance	100%	100%	100%	100%	100%
Output	Annual income from renewable energy	\$615,782	\$775,142	\$800,000	\$850,000	\$850,000

STATUTORY AUTHORITY:

The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are companion agencies. Pursuant to Section 72-2-1 through 72-2-18 NMSA 1978, the state engineer, appointed by the governor and confirmed by the Senate, is responsible for supervision of New Mexico's water resources, including the measurement, appropriation, and distribution of the resources.

ISC consists of nine members. Eight are appointed by the governor and the ninth member is the state engineer, who serves as the commission secretary. Pursuant to Section 72-14-1 through 72-14-44 NMSA 1978, ISC negotiates compacts with other states, settles interstate water controversies, and is responsible for fostering equitable distribution and division of water in interstate stream systems. New Mexico is currently party to eight interstate stream compacts. ISC also operates and maintains the Ute Dam. ISC has an administrative director who also serves as the deputy state engineer.

Agency functions include water rights application and disposition; administrative hearings; water rights adjudication; computer database abstraction, imaging, and population; water delivery via interstate compacts; water metering; water conservation; dam inspection; acequia and community ditch improvement; and collaboration with federal agencies and New Mexico water users to meet the requirements of the Endangered Species Act.

MISSION:

The mission of OSE is to actively protect and manage the water resources of New Mexico for beneficial uses by its people and in accordance with law.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u>	<u>LFC</u>	<u>Incr</u>
SOURCES			<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
General Fund Transfers	18,707.5	19,395.0	23,195.0	19,894.9	2.6
Other Transfers	7,902.0	8,317.6	6,813.0	7,989.6	-3.9
Federal Revenues	214.1	166.7	174.9	174.9	4.9
Other Revenues	13,027.9	12,302.9	10,807.4	12,302.9	0.0
SOURCES TOTAL	39,851.5	40,182.2	40,990.3	40,362.3	0.4
USES					
Personal Services and Employee Benefits	23,239.6	25,593.4	26,396.0	25,984.1	1.5
Contractual Services	5,235.6	7,739.0	7,739.3	7,513.9	-2.9
Other	5,740.9	6,239.8	6,245.0	6,242.4	0.0
Other Financing Uses	610.0	610.0	610.0	621.9	2.0
TOTAL USES	34,826.1	40,182.2	40,990.3	40,362.3	0.4
FTE					
Permanent	339.0	350.0	350.0	350.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	341.0	352.0	352.0	352.0	0.0

AT A GLANCE:

From FY08 to FY13, the irrigation works construction fund (IWCF) was increasingly used to support agency operations, reducing fund balances. The Legislature steadily reduced use of the IWCF in the operating budget from FY14 through FY16 and continued IWCF reduction was the primary focus of the agency's FY17 request. Apart from this, the request included smaller increases to reduce vacancy rates in key areas and provide general fund revenue for the silvery minnow refugium.

The LFC recommendation supports the request to fund silvery minnow refugium operations and provides a small amount of general fund to reduce use of the IWCF. The recommendation also provides slight increases for personnel costs for the Water Resource Allocation Program (WRAP) and the Interstate Stream Commission (ISC).

BUDGET ISSUES:

The agency's overall FY17 request of nearly \$41 million, included a \$3.8 million, or 19.6 percent, general fund increase and included \$3 million to reduce use of the IWCF, \$500 thousand to reduce vacancy rates, and \$300 thousand to support silvery minnow refugium operations. The request applied an agency wide vacancy rate of 8.6 percent, funding 322 of 352 authorized FTE.

The FY17 committee recommendation of nearly \$40.4 million represents an \$180.1 thousand increase from the FY16 operating budget and is \$5.8 million, or 16.7 percent, greater than FY15 expenditures. The recommendation includes \$19.9 million from the general fund, a \$500 thousand, or 2.6 percent, increase over FY16 levels. Of the increase, \$100 thousand is used to reduce use of the IWCF in the Litigation and Adjudication Program (LAP), \$297 thousand supports silvery minnow refugium operations, and \$100 thousand is to reduce vacancy rates in WRAP. In addition to the revenue swap, the recommendation reduces use of the IWCF in the contractual services category within ISC by \$225 thousand, relative to FY16 funding levels, by holding appropriations for legal support services and operation of the Pecos River basin well field and pipelines in the Roswell basin flat while supporting the requested reductions for contracts related to water planning and water rights acquisition services.

Despite making progress in lowering vacancy rates in recent years, OSE's average vacancy rate increased from 13 percent at the end of FY14 to 17 percent as of December 1, 2015. Overall, the FY17 recommendation for the personal services and employee benefits category is \$2.7 million, or 11.8 percent, higher than FY15 expenditures to allow the agency to fill vacant positions. The recommendation includes an agency wide vacancy savings rate of 11 percent, funding 314 of OSE's 352 authorized FTE and 28 positions which were vacant when the agency submitted its request. The recommendation also includes a \$100 thousand increase for Interstate Stream Commission personnel costs to allow the program to hire 2 FTE which were vacant as of the agency's request.

Water Resource Allocation Program. After the Legislature increased funding in the personal services and employee benefits category to support increased hiring in FY15 and FY16, WRAP significantly reduced a longstanding backlog in water rights applications as of September 2015. The agency's FY17 request included an additional \$500 thousand to further reduce vacancies within WRAP. The committee recommendation includes \$100 thousand in additional personnel, funding 8.5 FTE which were vacant as of the agency's request. WRAP was able to significantly improve service levels in FY15 and into the first quarter of FY16, when the program more than doubled the average number of unprotected water rights applications processed monthly during FY15 and continued to reduce the water rights application backlog.

Interstate Stream Commission. The general fund recommendation for ISC represents a \$397 thousand, or 20 percent, increase from the FY16 operating budget to support silvery minnow refugium operations and to reduce the program's vacancy rate. As noted above, the recommendation also reduced ISC's use of the IWCF by maintaining FY16 funding levels for contracts related to the Pecos River well field and legal support. According to the agency, augmentation pumping is only prescribed when there is imminent danger of a compact delivery shortfall. With New Mexico's Pecos Compact credit at 97.6 thousand acre-feet and the largest annual deficit only reaching 36 thousand acre-feet, increased funding for augmentation pumping is not likely to be needed in FY17. Due to increased surface water supplies in the Pecos basin, ISC has not needed to pump from its well field since September 2013.

Litigation and Adjudication Program. The current vacancy rate in the Litigation and Adjudication Program (LAP) remains the highest of all OSE programs at 26.7 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The recommendation is flat with the FY16 operating budget but is nearly \$1.4 million, or 22 percent, more than FY15 actual expenditures, including \$1.1 million, or 25.9 percent, more in the personal services and employee benefits category. LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contracts to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use. The recommendation for contractual services for LAP is flat with the FY16 operating budget and \$300.3 thousand, or 26 percent, higher than FY15 expenditures.

Litigation to establish the relative priority rights of water users has lasted decades. Currently, 12 adjudications are pending in New Mexico; six in state court and six in federal court. At the current pace and under the current approach, LAP is decades away from adjudicating the state's water rights. While OSE reported 61 percent of water rights were adjudicated at the end of FY15, this figure does not provide a clear view of progress because it only reflects active and completed adjudications and does not include adjudications that have not been initiated. OSE spent \$18.4 million from FY12 to FY15 to adjudicate 5,341 acres, a cost of approximately \$3,450 per acre. Based on the rate of progress from FY12 to FY15, completing ongoing adjudications will take 113 years and an additional \$549 million if the agency's approach to the process and funding levels do not change.

Revenues. Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund, the improvement of the Rio Grande income fund, the emergency drought water agreement fund, and the New Mexico Finance Authority water project fund. The IWCF and the improvement of the Rio Grande income fund receive an annual revenue distribution from the land grant permanent fund, the State Land Office, and other minor sources. LFC's Volume III document includes tables identifying revenues and expenditures for FY15 and FY16 and projecting the same through FY18.

Revenue to the irrigation works construction fund is projected to be \$8.3 million for FY17 and the LFC recommendation distributes \$13.4 million from the IWCF. At this rate of income and expenditure, the LFC projects the FY17 year-end fund balance of the IWCF will be nearly \$5 million.

Revenue to the improvement of the Rio Grande income fund is estimated at \$1.7 million for FY16, with an estimated ending balance of \$6.3 million. The FY17 recommendation distributes nearly \$2 million from the fund, primarily to support ISC operations and the acequia and community ditch program. Additionally, pursuant to Section 72-4A-9(A) NMSA 1978, the recommendation for LAP includes \$3.1 million from the water project fund of which \$621.9 thousand is transferred to the Administrative Office of the Courts (AOC) in the other financing uses category. The recommended transfer is larger than in past years to comply with the requirement that 20 percent of OSE's water project fund distribution be transferred to AOC. This recommended increase of \$11.9 thousand over FY16 operating levels is offset with a reduction in the personal services and employee benefits category because the program's vacancy rate was nearly 30 percent when the agency submitted its request.

Capital Requests. The agency's FY17 capital projects request totaled \$20.4 million. Top ranked projects included Indian water rights settlements (\$15 million), surface and ground water measurement (\$2.6 million), the San Acacia levee project (\$2 million), and dam rehabilitation (\$500 thousand).

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include nine hundred thirty-eight thousand one hundred dollars (\$938,100) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the other state funds appropriations to the water resource allocation program of the state engineer include nine hundred thirty-four thousand four dollars (\$934,400) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-6 NMSA 1978 or other substantive law, the other state funds appropriations to the water resource allocation program of the state engineer include one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of the Rio Grande income fund.

For the Interstate Stream Commission.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include three million seven hundred forty-four thousand six hundred dollars (\$3,744,600) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-6 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include three hundred forty-seven thousand nine thousand dollars (\$347,900) from the improvement of the Rio Grande income fund.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the other state funds appropriations to the interstate stream compact compliance and water development program of the state engineer include three million nine hundred forty-four thousand seven hundred dollars (\$3,944,700) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-6 NMSA 1978 or other substantive law, the other state funds appropriations to the interstate stream compact compliance and water development program of the state engineer include one million four hundred sixty-one thousand one hundred dollars (\$1,461,100) from the improvement of the Rio Grande income fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with 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 appropriations to the interstate stream compact compliance and water development program of the state engineer include one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations and eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balances remaining at the end of fiscal year 2017 from this appropriation shall revert to the game protection fund.

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

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer in the contractual services category includes up to three hundred thousand dollars (\$300,000) for engineering services for approved acequia or community ditch projects.

The interstate stream commission's authority to make loans for irrigation improvements includes five hundred thousand dollars (\$500,000) for loans to acequias and 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 New Mexico irrigation works construction fund includes two million dollars (\$2,000,000) for irrigation districts, acequias, conservancy districts and soil and water conservation districts for purchase and installation of meters and measuring equipment. The maximum loan term is five years.

For the Litigation and Adjudication Program.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include one million four hundred one thousand six hundred dollars (\$1,401,600) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the other state funds appropriations to the litigation and adjudication program of the state engineer include one million four hundred ninety-five thousand five hundred dollars (\$1,495,500) from the New Mexico irrigation works construction fund.

The other state funds appropriations to the litigation and adjudication program of the state engineer include three million one hundred nine thousand seven hundred dollars (\$3,109,700) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For Program Support.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriations to program support of the state engineer include four hundred sixty-five thousand eight hundred dollars (\$465,800) from the New Mexico irrigation works construction fund.

Notwithstanding the provisions of Section 72-14-23 NMSA 1978 or other substantive law, the other state funds appropriations to program support of the state engineer include four hundred sixty-six thousand eight hundred dollars (\$466,800) from the New Mexico irrigation works construction fund.

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state so all New Mexicans 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>FY17 - 2016-2017</u>			
	FY15	FY16	Agency	LFC	Percent
	2014-2015	2015-2016	Request	Recommendation	Incr
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	11,975.7	12,021.8	12,521.8	12,121.8	0.8
Other Transfers	862.0	938.1	938.1	938.1	0.0
Federal Revenues	90.6	0.0	0.0	0.0	
Other Revenues	1,651.5	1,705.3	1,705.3	1,705.3	0.0
SOURCES TOTAL	14,579.8	14,665.2	15,165.2	14,765.2	0.7
USES					
Personal Services and Employee Benefits	11,831.4	12,643.9	13,143.9	12,743.9	0.8
Contractual Services	730.1	624.7	624.7	624.7	0.0
Other	1,520.4	1,396.6	1,396.6	1,396.6	0.0
TOTAL USES	14,081.9	14,665.2	15,165.2	14,765.2	0.7
FTE					
Permanent	178.0	185.0	185.0	185.0	0.0
TOTAL FTE POSITIONS	178.0	185.0	185.0	185.0	0.0

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	76	108	70	70	80
* Explanatory	Number of unprotested and unaggrieved water right applications backlogged	1,513	1,219	650	650	600
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%	87%	100%	100%	100%
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	5,309	22,792	23,000	23,000	23,000
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	90%	91%	92%	92%	95%
Outcome	Number of state engineer orders issued to correct deficiencies and to improve the condition rating at high hazard publicly owned dams	New	New	New	1	1

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,247.8	1,958.1	2,258.1	2,355.1	20.3
Other Transfers	4,957.4	5,409.1	5,409.1	5,184.1	-4.2
Federal Revenues	123.5	166.7	174.9	174.9	4.9
Other Revenues	5,856.0	5,525.6	5,525.6	5,525.6	0.0
SOURCES TOTAL	13,184.7	13,059.5	13,367.7	13,239.7	1.4
USES					
Personal Services and Employee Benefits	3,822.8	3,808.2	4,110.8	4,210.8	10.6
Contractual Services	3,210.7	5,316.1	5,316.5	5,091.1	-4.2
Other	3,341.1	3,935.2	3,940.4	3,937.8	0.1
TOTAL USES	10,374.6	13,059.5	13,367.7	13,239.7	1.4
FTE					
Permanent	47.0	47.0	47.0	47.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	49.0	49.0	49.0	49.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	102,000	95,700	>0	>0	>0
* Outcome	Cumulative state-line delivery credit per the Rio Grande compact and amended decree at the end of the calendar year, in acre-feet	62,400	0	>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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,345.9	1,561.8	4,558.9	1,661.8	6.4
Other Transfers	1,556.8	1,501.6	0.0	1,401.6	-6.7
Other Revenues	4,903.4	4,605.2	3,109.7	4,605.2	0.0
SOURCES TOTAL	7,806.1	7,668.6	7,668.6	7,668.6	0.0
USES					
Personal Services and Employee Benefits	4,221.8	5,316.6	5,316.6	5,304.7	-0.2
Contractual Services	1,135.5	1,435.8	1,435.8	1,435.8	0.0
Other	316.7	306.2	306.2	306.2	0.0
Other Financing Uses	610.0	610.0	610.0	621.9	2.0
TOTAL USES	6,284.0	7,668.6	7,668.6	7,668.6	0.0
FTE					
Permanent	71.0	71.0	71.0	71.0	0.0
TOTAL FTE POSITIONS	71.0	71.0	71.0	71.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Number of offers to defendants in adjudications	540	594	600	600	600
* Outcome	Percent of all water rights with judicial determinations	55%	61%	59%	59%	64%
* Output	Percent of objections resolved informally without referral to mediation	New	85%	85%	85%	85%

PROGRAM SUPPORT

The purpose of program support is to provide necessary administrative support to the agency programs so they may be successful in reaching their goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,138.1	3,853.3	3,856.2	3,756.2	-2.5
Other Transfers	525.8	468.8	465.8	465.8	-0.6
Other Revenues	617.0	466.8	466.8	466.8	0.0
SOURCES TOTAL	4,280.9	4,788.9	4,788.8	4,688.8	-2.1
USES					
Personal Services and Employee Benefits	3,363.6	3,824.7	3,824.7	3,724.7	-2.6
Contractual Services	159.3	362.4	362.3	362.3	0.0
Other	562.7	601.8	601.8	601.8	0.0
TOTAL USES	4,085.6	4,788.9	4,788.8	4,688.8	-2.1
FTE					
Permanent	43.0	47.0	47.0	47.0	0.0
TOTAL FTE POSITIONS	43.0	47.0	47.0	47.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	New	15	15	15	15

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Section 28-21-1 through 28-21-4 NMSA 1978. The agency is attached administratively to the Human Services Department.

MISSION:

The agency's mission is to study and provide solutions to issues relevant to African-Americans, ensure recognition of the accomplishments and contributions made by African-Americans in New Mexico and the United States, and act as an advocate for African-American citizens in New Mexico.

BUDGET SUMMARY (dollars in thousands)					
FY17 – 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	809.1	808.0	886.2	976.7	20.9
SOURCES TOTAL	809.1	808.0	886.2	976.7	20.9
USES					
Personal Services and Employee Benefits	362.9	460.2	513.4	654.6	42.2
Contractual Services	192.5	207.4	177.4	177.4	-14.5
Other	223.7	140.4	195.4	144.7	3.1
TOTAL USES	779.1	808.0	886.2	976.7	20.9
FTE					
Permanent	7.0	7.0	7.0	10.0	42.9
TOTAL FTE POSITIONS	7.0	7.0	7.0	10.0	42.9

AT A GLANCE:

In FY15, the Office of African American Affairs (OAAA) achieved all performance targets. The agency has 7 FTE, all of which are currently filled.

For FY17, the OAAA request fully funded 7 FTE and included an expansion request for a receptionist FTE. Additionally, the request included an expansion request of \$40.4 thousand for additional rental equipment and advertising.

The committee recommendation fully funds 7 FTE in OAAA and shifts 3 FTE and \$167.8 thousand of general fund monies from the Martin Luther King Jr. Commission to improve accountability over expenditures and programs.

The Martin Luther King, Jr. Commission between FY04 and FY13 failed to revert a total of \$220 thousand to the general fund by the statutory deadline and struggled to submit its FY13 audit on time. The commission's audits have reported between one and four findings each fiscal year since 2002. Additionally, the commission requested a deficiency in FY15 of \$99.3 thousand, or 29.4 percent of the total appropriation.

The commission and OAAA will be co-locating in FY17, which will allow OAAA to assist the commission administratively while reducing duplication.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency <u>Rank</u>		(<u>Program</u>)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	Receptionists and information clerk - FTE	(P692)	16.7	0.0
2	<u>Equipment rental and advertising costs</u>	(P692)	40.4	0.0
TOTAL			57.1	0.0

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of individuals and organizations recognized annually for achievement in improving the quality of life for African Americans in New Mexico	53	53	50	50	53
Output	Number of stakeholders receiving information from the agency	829	1,267	800	900	900
Output	Number of educational conferences, town hall meetings, workshops and forums to increase awareness of resources and issues of importance pertaining to improving the quality of life for New Mexico African American citizens	20	22	20	20	21
Output	Number of informative meetings, documents and publications to increase awareness of health disparities that adversely affect the New Mexico African American community	10	8	6	6	8
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%	85%	50%	50%	75%

STATUTORY AUTHORITY:

Sections 28-11B-1 through 28-11B-4 and Sections 63-9F-1 through 63-9F-13 NMSA 1978 created the Commission for Deaf and Hard-of-Hearing Persons. The commission consists of seven members, a majority of whom are deaf or hard-of-hearing. Three members are ex officio and four are appointed by the governor without regard for party affiliation.

MISSION:

The commission is responsible for overseeing the New Mexico telecommunications relay network for deaf and hard-of-hearing citizens in government agencies, institutions, and businesses, as well as for hearing individuals affiliated with those who have a hearing loss. The commission operates a single program providing advocacy, outreach, referral, educational services, and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
FY17 – 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	299.2	300.0	1,500.0	306.0	2.0
Other Revenues	2,494.7	2,797.0	2,265.1	2,265.1	-19.0
Fund Balance	64.4	668.1	0.0	445.5	-33.3
SOURCES TOTAL	2,858.3	3,765.1	3,765.1	3,016.6	-19.9
USES					
Personal Services and Employee Benefits	818.4	1,108.4	1,125.5	1,071.0	-3.4
Contractual Services	1,197.6	1,832.5	2,298.5	1,238.5	-32.4
Other	310.5	333.2	316.1	316.1	-5.1
Other Financing Uses	491.0	491.0	25.0	391.0	-20.4
TOTAL USES	2,817.5	3,765.1	3,765.1	3,016.6	-19.9
FTE					
Permanent	15.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	15.0	16.0	16.0	16.0	0.0

AT A GLANCE:

The FY17 LFC recommendation for the Commission for Deaf and Hard-of-Hearing Persons reflects a challenging juncture for the agency as it faces declines in telecommunications relay service surcharge (TRS) revenue, the primary resource the agency uses to provide services and equipment to the population it serves. The recommendation recognizes the expected reduced TRS revenue, which the agency projects at \$2.3 million, about \$230 thousand, or 9 percent, below FY15 actual revenues. The recommendation adds \$6 thousand, or 2 percent, to general fund revenue, uses \$445.5 thousand in fund balance, applies a 5 percent vacancy rate, and reduces the longstanding transfer to the Division of Vocational Rehabilitation (DVR) by \$100 thousand. The recommendation provides about \$1.2 million for contractual services to allow the agency to serve its constituents, approximately 3.4 percent over FY15 actual expenditures.

BUDGET ISSUES:

The agency request included a total of \$1.2 million in general fund revenue, or 40 percent over the FY16 operating budget. Part of the increase was intended to replace lost revenue from the TRS surcharge on residential services, dropping because of the growing use of alternative phone services, and avoid further depleting the TRS fund balance. The requested increase included funding to expand services, such as targeting additional accessible technology to veterans and renewing a previous effort to study the mental health needs of deaf and hard-of-hearing persons. LFC recommends the agency work more closely with the state's Veterans' Services Department and the Human Services Department to leverage those agencies' efforts to provide expanded services to these vulnerable populations.

The recommendation includes \$306 thousand from the general fund for deaf and deaf-blind support service provider programs, 2 percent over the FY16 operating budget. The recommendation includes \$391 thousand in the other financing uses category to fund a \$366 thousand transfer to the Division of Vocational Rehabilitation, \$100 thousand less than FY16, to match with federal funds for deaf and hard-of-hearing rehabilitation services, as well as \$25 thousand to transfer to the Signed Language Interpreting Practices Board to support licensure activities for interpreters. The recommendation also includes \$445.5 thousand in fund balance; however, while the recommendation relies less on fund balance than in previous years, actual FY16 TRS revenue will likely be less than what was estimated, which could bring the agency's fund balance well below \$100 thousand by the end of FY17.

Telecommunications Access Fund. The agency faces significant challenges with respect to the viability of the telecommunications access fund, exacerbating concerns regarding the transfer of a portion of the funds to the Division of Vocational Rehabilitation (DVR). The commission receives the majority of its revenues from a telecommunications relay service (TRS) surcharge of 0.33 percent on intrastate telephone services and intrastate mobile telecommunications services that originate and terminate in New Mexico and are provided by home service providers to customers whose place of primary use is in New Mexico.

The Taxation and Revenue Department has indicated trends in residential phone service will continue to impact the TRS fund and efforts to audit providers are generally not productive. For example, there have long been declines in landline service; however, according to a June 2014 report by the Federal Communications Commission, nearly half of residential U.S. wireline voice service customers are now using a voice-over-Internet protocol (VoIP) service, and roughly 38 percent are not buying their VoIP service from an incumbent phone carrier like AT&T and Verizon. In the recent past, carriers providing VoIP services have prevailed in court cases and legally avoid the imposition of many fees and taxes, such as the New Mexico TRS surcharge — and increasing numbers of consumers are taking advantage of the more affordable services.

Consequently, the transfer of TRS revenue to DVR could be phased out over time, resulting in a loss of about \$1.5 million in federal matching dollars, and CDHH has the challenge of finding alternative approaches to meet its needs, given the considerable constraints on available state dollars. In preparation for FY18 and beyond, the agency will need to seek additional grant opportunities and federal support and consider statutory changes to the existing TRS fund. For example, the agency might pursue legislation that would include VoIP in the TRS service base.

While inconsistent revenue issues, if not resolved, could eventually impact the commission's performance, leadership attributes FY15 performance dips (in technology equipment distributions and number of clients provided service) to timing issues around contract terms and mandatory wait times for new equipment distributions to clients. CDHH expects performance to rebound somewhat in FY16 as new contracts come online and the agency works to fill vacancies.

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 three hundred sixty-six thousand dollars (\$366,000) 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

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of workshops and training sessions conducted	121	108	120	120	120
Output	Number of outreach events coordinated	68	53	75	75	75
Output	Average number of relay calls per month	13,518	8,544	12,000	12,000	12,000
* Output	Number of accessible technology equipment distributions	1,349	829	1,300	1,300	1,300
Output	Staff hours devoted to reducing communication barriers	18,558	19,538	18,000	18,000	19,000
* Output	Number of clients provided assistance to reduce or eliminate communication barriers	751	492	800	800	700
Output	Number of information referral and outreach contacts	15,069	15,144	12,000	12,000	12,000
Output	Number of newly issued New Mexico community signed language interpreter licenses	11	12	15	15	15
Output	Number of signed language interpreters who participated in agency-sponsored professional development	New	226	200	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)						
	FY15	FY16	FY17 – 2016-2017		Percent	
	2014-2015 <u>Actuals</u>	2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Incr <u>(Decr)</u>	
SOURCES						
General Fund Transfers	336.6	336.0	337.5	151.1	-55.0	
SOURCES TOTAL	336.6	336.0	337.5	151.1	-55.0	
USES						
Personal Services and Employee Benefits	173.5	175.8	188.9	0.0	-100.0	
Contractual Services	48.1	12.7	12.7	151.1	1,089.8	
Other	121.7	147.5	135.9	0.0	-100.0	
TOTAL USES	343.3	336.0	337.5	151.1	-55.0	
FTE						
Permanent	3.0	3.0	3.0	0.0	-100.0	
TOTAL FTE POSITIONS	3.0	3.0	3.0	0.0	-100.0	

AT A GLANCE:

The Martin Luther King, Jr. Commission's most recent audit for 2013 reported the agency failed to revert \$220 thousand to the general fund by the statutory deadline between FY04 and FY13, and did not submit its FY13 audit on time. The commission's audits have reported between one and four findings each fiscal year since 2002. Additionally, the commission requested a deficiency in FY15 of \$99.3 thousand, or 29.4 percent of the appropriation.

In FY17, the commission will be moving with the Office of African American Affairs (OAAA). Co-locating will allow OAAA to assist the commission administratively while reducing duplication. Currently, the commission is authorized 3 FTE and all are filled.

The committee recommendation effectively transfers \$167.8 thousand and 3 FTE to the OAAA and consolidates the remaining funding in the contractual services category. The funding shift will allow OAAA to assist the commission administratively and prioritize more funding for direct services to support the agency's mission.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</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	2	2	2	2	2
Output	Number of statewide holiday commemorative programs supported	10	10	10	8	10
Output	Number of youth anti-violence workshops conducted	9	20	12	20	20
Outcome	Number of student ambassadors who worked with state agencies to explore the historical, social, political and cultural themes associated with the life and works of Dr. King	New	35	30	55	55
Output	Number of stakeholder meetings held statewide	New	5	5	5	5

STATUTORY AUTHORITY:

The Commission for the Blind was created by Sections 28-7-15 through 28-7-23 NMSA 1978. The commission consists of three members appointed by the governor for staggered three-year terms. The agency provides a variety of services enabling the blind and visually impaired to become fully participating members of society.

MISSION:

The Commission for the Blind's mission is to enable people who are blind to achieve vocational, economic, and social equality. This is to be accomplished by providing career preparation, training in the skills of blindness, and, above all, promoting the belief that blindness is not a barrier to successful employment or to living an independent and meaningful life.

BUDGET SUMMARY (dollars in thousands)					
<u>FY17 – 2016-2017</u>					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,089.8	2,151.5	2,151.5	2,151.5	0.0
Other Transfers	80.0	78.7	80.0	80.0	1.7
Federal Revenues	5,009.6	5,569.0	5,649.2	5,649.2	1.4
Other Revenues	5,579.5	5,011.9	4,968.6	4,968.6	-0.9
Fund Balance	184.7	0.0	0.0	0.0	
SOURCES TOTAL	12,943.6	12,811.1	12,849.3	12,849.3	0.3
USES					
Personal Services and Employee Benefits	4,528.1	4,711.6	5,042.5	4,934.2	4.7
Contractual Services	202.6	147.9	203.8	203.8	37.8
Other	8,212.9	7,951.6	7,603.0	7,711.3	-3.0
TOTAL USES	12,943.6	12,811.1	12,849.3	12,849.3	0.3
FTE					
Permanent	92.5	92.5	92.5	92.5	0.0
TOTAL FTE POSITIONS	92.5	92.5	92.5	92.5	0.0

AT A GLANCE:

The FY17 general fund recommendation for the Commission for the Blind is mostly flat with the FY16 operating budget, allowing it to meet federal funds requirements for maintenance of effort and provide assistive technology for its independent living consumers, for whom less federal funding is available. The recommendation reduces the vacancy rate slightly from FY16 to about 8.5 percent, increasing the personal services and employee benefits category by just over \$220 thousand. The commission has made some progress filling vacancies and should be able to rely less on overtime and contract help.

The budget request included and recommendation includes just under \$5 million in other revenues, first added to the budget in FY14 for a federal Randolph Sheppard Act contract to provide food services at the Federal Law Enforcement Training Center in Artesia. The Randolph Sheppard Act revenue also includes Business Enterprise Program (BEP) set-aside funding for blind persons to operate vending facilities in other locations.

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 near the top nationwide for the percent of clients with quality employment outcomes, the percent of clients with competitive starting wages, and the percent of clients relying on their own income when exiting services. However, the number of quality employment opportunities obtained has dropped in recent years due to a reduction in job opportunities at the federal, state, and municipal government levels. Nevertheless, the average hourly wage for hires increased from \$18.94 in FY14 to \$22.07 in FY15 - considerably above the year's target of \$13.50.

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 skills center for the blind and visually impaired in Albuquerque houses the Students Transition to Employment Program, which provides instruction in Braille, computer skills, personal management, and cooking to blind students between the ages of 14 and 21, as well as to seniors. A total of 580 individuals were trained in independent living skills at seven locations across the state, including the residential facility in Alamogordo.

RECOMMENDED LANGUAGE:

Any unexpended balances in the blind services program of the commission for the blind remaining at the end of fiscal year 2017 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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Average hourly wage for the blind or visually impaired person	\$18.94	\$22.07	\$15.00	\$13.50	\$17.00
* Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	25	15	28	23	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	588	580	600	600	600
Output	Percent of clients who rely on their own earnings exiting from vocational rehabilitation services	Not Avail	Not Avail	80%	80%	80%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	10.4	10	10	10	10

STATUTORY AUTHORITY:

Section 9-21-1 through 9-21-24 NMSA 1978 created the Indian Affairs Department and the advisory Indian Affairs Commission. The commission consists of 10 members appointed by the governor.

MISSION:

The mission of the Indian Affairs Department (IAD) is to lead and improve the quality of the life for all New Mexico Indian citizens by affecting policy that strengthens tribal-state relations.

BUDGET SUMMARY (dollars in thousands)					
			FY17 – 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,701.1	2,698.7	2,723.7	2,723.7	0.9
Other Transfers	249.3	249.3	249.3	249.3	0.0
SOURCES TOTAL	2,950.4	2,948.0	2,973.0	2,973.0	0.8
USES					
Personal Services and Employee Benefits	978.9	1,194.2	1,207.0	1,207.0	1.1
Contractual Services	630.5	858.9	883.6	821.1	-4.4
Other	625.7	894.9	882.4	944.9	5.6
TOTAL USES	2,235.1	2,948.0	2,973.0	2,973.0	0.8
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Temporary	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	15.0	15.0	16.0	16.0	6.7

AT A GLANCE:

The FY17 LFC recommendation funds the agency request for personal services and employee benefits, reducing the vacancy rate to 0.5 percent to allow the department to fill positions. The secretary narrowed the Indian Affairs Department's (IAD) focus to concentrate on improving oversight of tribal and capital projects and coordinating state-tribal relations.

The recommendation transfers a modest amount from contractual services to the other cost category to support an additional \$50 thousand for a Native American self-help home construction pilot project, direction for which is included in recommended language. The transfer of \$249.3 thousand from the tobacco settlement program fund for tobacco cessation and prevention programs for Native American communities throughout the state remains at the same level as in previous years.

BUDGET ISSUES:

IAD plays a key role in coordinating relations between New Mexico and 24 tribes, nations, and pueblos, including the Fort Sill Apache and the Southern Ute under the auspices of the State-Tribal Collaboration Act. It also organizes an annual summit for tribal leaders and the executive branch.

The department lost critical staff expertise in FY15 and has only 2 FTE to oversee more than \$60 million of TIF and capital outlay projects. To assist with these duties, IAD entered into a memorandum of understanding with the Environment Department for engineering services and site inspections to ensure compliance with approved budgets and scopes of work; for FY17, the contract is for \$90 thousand, flat with FY16.

Beginning in 2012, 5 percent of annual severance tax bond funds were allocated to the TIF, and for FY15, the Tribal Infrastructure Board awarded \$14.3 million to 33 infrastructure projects for tribal entities. While IAD has redoubled efforts to improve the TIF award process, train tribal entities, and improve oversight, there persists the chronic challenge of completing projects in a timely manner. As of March 2015, \$29 million in unspent TIF awards, not including \$14.3 million in 2015 awards, went unspent as local entities struggled to complete projects. Further, a considerable amount of 2014 and 2015 awards were allocated toward planning and design for even more new projects.

The department also receives funds to issue grants to qualified tribal-serving organizations and federally recognized Indian nations for support of special projects to address health, education, and social and cultural initiatives. In FY16, IAD awarded \$601 thousand through a competitive award process, including \$183 thousand to the Pueblo of Jemez for phase two of a housing self-help construction pilot project and \$150 thousand to the Navajo Department of Emergency Management (NDEM) for community emergency response team (CERT) training.

Finally, IAD receives annual distributions for the Tribal Tobacco Cessation and Prevention Program through the state's Tobacco Use Prevention and Control Program. In FY16, 10 Native American-serving entities received a total of \$249 thousand for targeted smoking cessation programs. The department contracts with a consulting firm to evaluate program reporting, monitoring, and promoting best practices for the best use and management of the funds to address the health impacts of smoking in Native American Communities.

BASE EXPANSION:

The recommendation does not support the expansion request for \$25 thousand in general fund revenue to support the annual state-tribal leadership summit. The summit is an annual responsibility of the IAD. The department should be able to absorb increased summit costs and should coordinate with the Public Education Department, which hosts a similar meeting with tribal leaders, or seek federal grants for the summit as it has done in the past.

RECOMMENDED LANGUAGE:

The general fund appropriation to the Indian affairs program of the Indian affairs department in the other costs category includes two hundred thirty-two thousand five hundred eighty-one dollars (\$232,581) to support a Native American self-help home construction pilot project. Any unexpended or unencumbered balance remaining at the end of fiscal year 2017 shall revert to the general fund.

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
FY17 - 2016-2017

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
<u>1</u>	<u>State tribal collaboration summit</u>	<u>(P696)</u>	<u>25.0</u>	<u>0.0</u>
TOTAL			25.0	0.0

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of capital outlay or tribal infrastructure project training sessions conducted	12	26	15	15	15
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	91%	100%	90%	90%	90%
Output	Number of cabinet-level agencies that have fully complied with the State-Tribal Collaboration Act	29	25	27	27	27
Output	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical infrastructure	New	83%	65%	65%	80%
Outcome	Percent of cabinet-level agencies that have fully complied with the State-Tribal Collaboration Act	New	New	New	80%	80%
* Outcome	Percent of capital projects over fifty thousand dollars completed and closed on schedule	New	New	New	75%	75%
* Outcome	Percent of tribal infrastructure fund projects over fifty thousand dollars completed and closed on schedule	New	New	New	75%	75%
Quality	Percent of tribes, nations and pueblos that rate services provided by Indian affairs department as satisfactory or better	New	New	New	80%	80%
Quality	Percent of cabinet-level departments that rate services provided by Indian affairs department as satisfactory or better	New	New	New	80%	80%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA 1978 elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD), the Traumatic Brain Injury (TBI) Program from the Department of Health (DOH), and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the health-related programs (D&E waiver, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

ALTSD is now composed of four programs: the Consumer and Elder Rights Program, which administers the Long-Term Care Ombudsman Program and the Aging and Disability Resource Center; the Aging Network Program, which administers the federal Older Americans' Act and encompasses the functions of the former Older Worker and Community Involvement programs; the Adult Protective Services Program, which investigates cases of elder neglect, abuse, and exploitation; and Program Support, which provides clerical, record-keeping and administrative support to the department in the areas of personnel, budget, procurement, and contracting.

MISSION:

The mission of the Aging and Long-Term Services Department is to provide accessible, integrated services to older adults, adults with disabilities, and caregivers to assist them in maintaining their independence, dignity, autonomy, health, safety, and economic well-being, thereby empowering them to live on their own terms in their own communities as productively as possible.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	47,491.3	47,879.4	48,379.4	48,379.4	1.0
Other Transfers	2,828.3	3,097.6	3,398.6	3,191.3	3.0
Federal Revenues	11,787.9	12,551.9	12,551.9	12,551.9	0.0
Other Revenues	129.0	128.9	128.9	128.9	0.0
Fund Balance	0.0	0.0	21.1	21.1	
SOURCES TOTAL	62,236.5	63,657.8	64,479.9	64,272.6	1.0
USES					
Personal Services and Employee Benefits	15,430.2	15,862.8	16,513.8	16,149.7	1.8
Contractual Services	3,949.8	4,553.8	4,403.8	4,403.8	-3.3
Other	42,731.8	43,241.2	43,562.3	43,719.1	1.1
TOTAL USES	62,111.8	63,657.8	64,479.9	64,272.6	1.0
FTE					
Permanent	227.5	228.5	232.5	228.5	0.0
Term	7.5	7.5	7.5	7.5	0.0
TOTAL FTE POSITIONS	235.0	236.0	240.0	236.0	0.0

AT A GLANCE:

The Aging and Long-Term Services Department requested additional revenue to add social and community service coordinators to the Aging and Disability Resource Center in the Consumer and Elder Rights Program and to fund cost-of-living adjustments, reduce waiting lists for homemaker services, and address conference on aging costs in the Aging Network.

The LFC recommendation largely supports the department's request but makes adjustments to General Services Department rates, adjusts vacancy rates, and does not expand the number of authorized FTE.

BUDGET ISSUES:

The Aging and Long-Term Services Department (ALTSD) request increased revenue from the general fund by \$500 thousand, the Medicaid match by \$301 thousand, and the use of fund balances by \$21.1 thousand. In total, the request would increase revenues by \$822.1 thousand, or 1.3 percent.

Consumer and Elder Rights. With 287 thousand New Mexicans providing annual unpaid care to adults, the department convened the New Mexico State Family Caregiver Task Force in April 2014, and pursuant to House Joint Memorial 4, developed the New Mexico state plan for family caregivers. To begin addressing some of the burden family caregivers bare, the task force recommended adopting goals such as ensuring family caregivers access the resources they need, are properly trained, and are supported.

With \$250 thousand from the general fund and a reduction in contractual services from the FY16 operating budget, the department's request for the Community and Elder Rights Program increased personnel costs by \$651 thousand to fund additional social and community service coordinators and a caregiver support manager. The request created a Caregiver Resource Center within the Aging and Disability Resource Center (ADRC). Requested amounts would also have funded several vacancies in the ADRC to increase the number of calls answered by a live operator, to address the 10.7 percent increase in call volume between FY14 and FY15.

The LFC recommendation supports the department's request for additional social and community services coordinators but does not increase the number of authorized FTE. Instead, the vacancy savings rate was lowered to allow three more positions to be filled.

Adult Protective Services. The department's request left revenue and expenditures for the Adult Protective Services (APS) Program unchanged from the FY16 operating budget. As documented in a May 2015 LFC evaluation of Adult Protective Services, demand for adult protective services is increasing, but the division's impact remains unclear. Reports of adult abuse, neglect, and exploitation are increasing. However, current data and performance measures make it difficult to assess the effectiveness of New Mexico's APS system in preventing future maltreatment. APS received between 11 thousand and 12 thousand reports of abuse, neglect, or exploitation in FY14, of which nearly 7,000, or 57 percent, were screened in for investigation.

As discussed in the May LFC evaluation, New Mexico APS does not report on repeat maltreatment, hampering the state's ability to determine the effectiveness of interventions. APS collected and reported data on repeat maltreatment as a General Appropriation Act performance measure through FY09, but this practice was discontinued in FY10 as repeat maltreatment rates were rising. After declining to a rate of approximately 9 percent in FY07, the rate of repeat maltreatment climbed to 12 percent in FY08 and a high of roughly 14 percent in FY09 before this measure was discontinued.

The LFC recommendation includes a repeat maltreatment performance measure, is sufficient to fill several vacant FTE, and adjusts General Services Department rates.

Aging Network. The department's request for the Aging Network increased revenue from the general fund by \$250 thousand and increased revenue generated by the conference on aging by \$21.1 thousand. Of the increased general fund amounts, \$180 thousand would have been used to maintain current services levels made more costly by rising food and personnel costs for senior service providers and \$70 thousand would have addressed waiting lists for homemaker services and adult daycare.

The Aging Network serves older adults through cooperative arrangements with New Mexico area agencies on aging for the provision of supportive services, such as congregate and home-delivered meals, transportation, caregiver support, and multipurpose senior centers. In FY15 the Aging Network served meals to 80 percent of the nearly 64 thousand New Mexicans age 60 and older estimated to be "food insecure," as defined by the U.S. Department of Agriculture. Additionally in FY15, the Aging Network provided about 417 thousand hours of respite care to older New Mexicans easing the burden on caretakers.

The LFC recommendation increases allocations from the general fund for these services by \$456 thousand, with the intent of ensuring older New Mexicans' food security and reducing waiting lists for other services.

Program Support. The department's request for Program Support was unchanged from the FY16 operating budget; however, due to \$256 thousand in funded vacancies in FY16, the LFC recommends increasing the vacancy savings rate in FY17.

The department's FY14 audit indicated the department resolved five of the six prior-year audit findings but continued to have issues related to research and resolution of account balances with implementation of SHARE. Eleven new findings were added in FY14 with a significant deficiency due to the department's cash receipts process. The majority of the other findings were related to the department's federal awards, such as issues with allowable costs; procurement, suspension, and debarment; sub recipient monitoring; eligibility; federal reporting; and matching.

The department received capital outlay requests totaling \$40.5 million from senior centers statewide. ALTSD and area agencies on aging requested nearly \$28.6 million for major construction, code compliance renovations, specialized vehicles, meals equipment, and other equipment statewide. As of November, the department had not submitted a detailed capital outlay request. Additionally, according to LFC's quarterly capital outlay \$1 million or greater report, the department has nearly \$45 million in outstanding projects. The majority are on time except for three projects totaling more than \$15 million.

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 in the aging network program of the aging and long-term services department remaining at the end of fiscal year 2017 from appropriations made from the other state funds category for the conference on aging 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 people with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY (dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,187.0	2,197.7	2,447.7	2,301.2	4.7
Other Transfers	600.0	599.0	900.0	692.7	15.6
Federal Revenues	1,247.8	1,370.3	1,370.3	1,370.3	0.0
SOURCES TOTAL	4,034.8	4,167.0	4,718.0	4,364.2	4.7
USES					
Personal Services and Employee Benefits	3,276.5	3,355.7	4,006.7	3,702.9	10.3
Contractual Services	90.1	292.0	142.0	142.0	-51.4
Other	670.1	519.3	569.3	519.3	0.0
TOTAL USES	4,036.7	4,167.0	4,718.0	4,364.2	4.7
FTE					
Permanent	41.5	41.5	45.5	41.5	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	47.5	47.5	51.5	47.5	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Quality	Percent of calls to the aging and disability resource center answered by a live operator	87%	70%	85%	85%	80%
* Outcome	Percent of ombudsman complaints resolved within sixty days	99%	98%	95%	95%	98%
Quality	State ranking for the number of complaints received per nursing and assisted living facility beds	Top 25%	Top 25%	Top 25%	Top 25%	Top 25%
Quality	State ranking of New Mexico state health insurance assistance program	12th	12th	12th	12th	12th
Outcome	Percent of uninsured medbank patients qualified to receive critical medication at low or zero cost	55%	51%	55%	55%	55%
Outcome	Percent of clients appointed as legal guardians of kinship children in their care	95%	96%	95%	95%	95%
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	45%	90%	90%	60%

AGING AND LONG-TERM SERVICES DEPARTMENT

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PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
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	96%	90%	90%	96%
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	21%	15%	15%	25%
Quality	Percent of residents requesting transitional services who were satisfied with the counseling, information and assistance received during the six month transitions service	New	New	90%	90%	90%
Outcome	Percent of residents who remained in the community six months following a nursing home care transition	New	New	85%	85%	85%

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and people with disabilities so they can remain independent and involved in their communities and to provide training, education and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.

BUDGET SUMMARY (dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	30,173.1	30,347.8	30,597.8	30,805.7	1.5
Federal Revenues	10,040.7	10,557.6	10,557.6	10,557.6	0.0
Other Revenues	129.0	128.9	128.9	128.9	0.0
Fund Balance	0.0	0.0	21.1	21.1	
SOURCES TOTAL	40,342.8	41,034.3	41,305.4	41,513.3	1.2
USES					
Personal Services and Employee Benefits	100.5	125.5	125.5	126.6	0.9
Contractual Services	44.1	87.8	87.8	87.8	0.0
Other	40,117.5	40,821.0	41,092.1	41,298.9	1.2
TOTAL USES	40,262.1	41,034.3	41,305.4	41,513.3	1.2
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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of individuals exiting the federal older worker program who obtain unsubsidized employment	45%	45%	43%	43%	48%
Outcome	Community service hours provided by the state older worker program as a percent of work hours budgeted	95%	92.4%	95%	90%	95%
Output	Number of one-way trips provided to eligible consumers for the purpose of accessing community services	693,949	636,453	750,000	750,000	750,000
Output	Number of persons receiving aging network community services	101,021	139,493	100,000	100,000	150,000
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	61%	80%	62%	62%	85%
Output	Number of hours of service provided by senior volunteers, statewide	1,536,756	1,489,882	1,700,000	1,700,000	1,700,000
Outcome	Percent of older adults served by the fifty plus older worker connection who obtain unsubsidized employment	45%	44%	43%	43%	45%
Outcome	Number of hours of caregiver support provided	New	New	400,000	400,000	400,000
Output	Number of providers and consumers receiving training to build their knowledge and capacity with regard to aging network services	New	New	1,600	1,600	1,600
Output	Number of persons served through statewide health promotion events and classes	New	New	5,000	5,000	5,000

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	11,166.6	11,363.4	11,363.4	11,365.2	0.0
Other Transfers	2,228.3	2,498.6	2,498.6	2,498.6	0.0
SOURCES TOTAL	13,394.9	13,862.0	13,862.0	13,863.8	0.0
USES					
Personal Services and Employee Benefits	8,048.9	8,251.9	8,251.9	8,253.7	0.0
Contractual Services	3,756.6	4,045.7	4,045.7	4,045.7	0.0
Other	1,580.5	1,564.4	1,564.4	1,564.4	0.0
TOTAL USES	13,386.0	13,862.0	13,862.0	13,863.8	0.0
FTE					
Permanent	132.0	133.0	133.0	133.0	0.0
TOTAL FTE POSITIONS	132.0	133.0	133.0	133.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	1,533	1,416	1,500	1,250	1,250
Outcome	Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	98%	98%	98%	98%	98%
Quality	Percent of contracted homecare and daycare service providers receiving no deficiencies during annual on-site audits by adult protective services	94%	100%	95%	92%	92%
Output	Number of adult protective services' investigations of abuse, neglect or exploitation	New	5,931	6,100	6,100	6,100
Outcome	Percent of senior centers within adult protective services jurisdiction receiving outreach visits	New	51%	30%	30%	55%
* Outcome	Percent of adults with repeat maltreatment	New	New	New	New	8%

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	3,964.6	3,970.5	3,970.5	3,907.3	-1.6
Federal Revenues	499.4	624.0	624.0	624.0	0.0
SOURCES TOTAL	4,464.0	4,594.5	4,594.5	4,531.3	-1.4
USES					
Personal Services and Employee Benefits	4,004.3	4,129.7	4,129.7	4,066.5	-1.5
Contractual Services	59.0	128.3	128.3	128.3	0.0
Other	363.7	336.5	336.5	336.5	0.0
TOTAL USES	4,427.0	4,594.5	4,594.5	4,531.3	-1.4
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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of draws of federal funds that meet federal timeliness standards	New	75%	90%	90%	90%
Outcome	Percent of vouchers accepted by the department of finance and administration without rejection	New	New	96%	96%	96%

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,012,947.9	1,018,947.7	1,105,061.7	1,089,246.9	6.9
Other Transfers	144,527.6	170,665.9	173,479.9	153,279.2	-10.2
Federal Revenues	5,029,941.5	5,350,495.5	5,793,615.4	5,798,482.3	8.4
Other Revenues	102,239.1	104,449.2	90,570.3	94,070.3	-9.9
SOURCES TOTAL	6,289,656.1	6,644,558.3	7,162,727.3	7,135,078.7	7.4
USES					
Personal Services and Employee Benefits	110,670.3	112,223.8	112,461.0	112,278.7	0.0
Contractual Services	160,015.9	177,377.9	189,338.3	174,232.0	-1.8
Other	5,955,215.3	6,353,315.9	6,860,928.0	6,848,568.0	7.8
Other Financing Uses	60,402.0	0.0	0.0	0.0	
TOTAL USES	6,286,303.5	6,642,917.6	7,162,727.3	7,135,078.7	7.4
FTE					
Permanent	1,889.5	1,918.5	1,918.5	1,918.5	0.0
Term	67.0	34.0	33.0	33.0	-2.9
Temporary	50.0	100.0	100.0	100.0	0.0
TOTAL FTE POSITIONS	2,006.5	2,052.5	2,051.5	2,051.5	0.0

AT A GLANCE:

Fiscal year 2016 was the second full year of Medicaid expansion for low-income adults under the federal Patient Protection and Affordable Care Act (ACA). While improving access to care and reducing the uninsured rate in New Mexico, higher than expected enrollment and declining federal support represent significant challenges for the state. Reduced federal support and higher than expected enrollment is projected to impact the state's general fund by \$41 million in FY17.

The committee recommendation funds much of the agency request except for lower utilization costs associated with expected increased utilization review, a process to help the state reduce unnecessary and inappropriate medical care delivery. Further, the LFC recommendation reprioritizes nearly \$6 million in general fund savings within Behavioral Health Services to the Medical Assistance Division for Medicaid; however, the recommendation does provide \$500 thousand for behavioral health crisis stabilization services within Medicaid Behavioral Health. Finally, LFC assumes \$36.5 million in general fund savings from cost-containment initiatives implemented by the department, about \$5.2 million less than in the department's budget request.

BUDGET ISSUES:

HSD's FY17 budget request was \$7.163 billion from all revenue sources, a \$518 million, or 7.8 percent, increase compared with the FY16 operating budget. The requested FY17 general fund appropriation of \$1.105 billion represented an \$86.1 million increase, or 8.5 percent, compared with FY17, primarily due to reduced federal support for the state's newly eligible Medicaid-expansion population. The committee recommendation provides \$7.14 billion in total funding, an increase of 7.4 percent compared with the FY16 appropriated level, including \$1.089 billion from the general fund, and assumes \$36.5 million in general fund savings from Medicaid cost containment. The LFC recommendation for personal services and employee benefits remains essentially flat at \$112.3 million.

Medicaid and Medicaid Behavioral Health. Beginning January 1, 2017, all adult residents with incomes up to 138 percent of the federal poverty level (about \$16.2 thousand per year for a single person) became eligible for Medicaid under the Affordable Care Act (ACA). Early on, HSD projected expansion-related enrollment of about 163 thousand, including newly eligible adults and transfers from the State Coverage Insurance program. In December 2015, the department projected 262 thousand by the end of FY17. While slightly less expensive per enrollee than originally expected, the estimated general fund impact of this population is expected to be \$41 million in FY17, growing to \$155.4 million by 2020 when federal support declines to 90 percent.

The HSD request for state general fund revenues for Medicaid is a net increase of \$85 million in FY17, due primarily to decreased federal support for the expansion population, increased enrollment growth, utilization of services, revenue changes (such as less revenue from drug rebates), and \$45 million in recurring costs from prior years included as an adjustment to the FY16 base budget. The increased costs are despite a higher federal match rate (FMAP) of 71.13 percent for the base Medicaid population, finalized two months after the September FY17 budget request, which provided \$16.3 million in general fund savings. To help reduce pressure on the state's general fund, HSD's request assumed a net total of \$141 million, \$41.7 million from the general fund, cost-containment measures, left largely undefined by the department. However, in its updated December 2015 Medicaid projection, HSD announced \$16.3 million in general fund savings due to a higher federal match rate would be used to reduce the need for cost-containment measures.

The general fund recommendation for Medical Assistance (not including Medicaid Behavioral Health and administration) is \$863 million, a \$77 million, or 9.8 percent, increase compared with FY16. The recommendation includes \$21.2 million to replace tobacco revenue for Medicaid and \$12.4 million to replace reductions in drug rebates. The recommendation funds the majority of the department's requests for the expansion population, enrollment growth, increased utilization, increases due to Medicare rates, and increases associated with members moving from less-expensive cohort categories to more expensive ones (for example, from Centennial Care Physical Health to Long-Term Services and Supports). Another \$1.4 million from the general fund revenue was included to allow the department to nearly double its contract for Utilization Review, a safeguard against unnecessary and inappropriate medical care. It allows for review of medical necessity, quality of care, appropriateness of decision-making, place of service, and length of hospital stay.

Anticipating savings from increased utilization review, the LFC recommendation reduces projected utilization growth across categories by 20 percent. The recommendation also includes an estimated \$3 million in increased federal support for Native Americans due to an anticipated policy change by the Centers for Medicare and Medicaid. The proposed policy change is intended to improve access to care and be responsive to states' concerns that the federal government should assume more of the cost of services for Native Americans. Finally, the recommendation assumes \$36.5 million in general fund savings due to implementation of previously promised or new cost-containment measures by the department, about \$5.2 million less than HSD's original request. Such measures initiated by other states include efficiencies and improved outcomes due to improved care coordination, managed-care organization payment reforms, such as bundled payments, hospital pay-for-performance incentives, and other healthcare delivery or payment restructuring.

Medicaid Behavioral Health. The recommendation funds the department's requested \$1.4 million for increases in utilization and \$500 thousand, or about half the requested amount, for behavioral health crisis stabilization services.

Tobacco Settlement Revenue. Master settlement agreement (MSA) revenue decreased in fiscal years 2014 and 2015 due to a reduction in the settlement payment pursuant to a successful challenge by participating manufacturers of New Mexico's enforcement of the MSA. Total MSA revenue is projected to be approximately \$37 million in FY17, revised downward from \$40 million in the FY16 operating budget due to ongoing uncertainties. Consequently, the recommendation includes \$1.3 million for Medicaid breast and cervical cancer treatment and \$7.6 million for general Medicaid, \$57 thousand and \$343.4 thousand below the FY16 operating budget, respectively. Further, pursuant to current law, the recommendation does not include continuation of the additional \$20.8 million in tobacco settlement program funds for Medicaid authorized in the 2015 legislative session for FY16. Rather, the recommendation replaces the reduced tobacco settlement revenue for Medicaid with \$21.2 million in general fund revenue.

Safety Net Care Pool. In FY15, the Safety Net Care Pool (SNC) replaced the Sole Community Provider (SCP) program for offsetting uncompensated costs for hospitals providing services to patients without healthcare coverage. At its peak, the SCP program provided more than \$275 million in annual funding to hospitals; however, a decrease in uncompensated care following Medicaid expansion reduced the need for the SCP. SNC uncompensated care reimbursements to hospitals are capped at a maximum of \$68.9 million per year for the five years of the Centennial Care waiver and are allocated according to hospital size, with the smallest hospitals being reimbursed for 100 percent of their reported uncompensated costs. The largest hospitals benefit from a rate increase implemented to help support uncompensated care costs; HSD's most current projection is that, if unchanged, the rate increase for calendar year 2015 will total \$157.7 million, a \$15.2 million increase from calendar year 2014. Two years ago, the Legislature approved \$9 million in general fund revenues to support the SNC program, which remains in the HSD base request for FY17. Finally, counties are required to contribute the equivalent of 1/12th of a percent gross receipts tax revenue, which HSD projects at \$25 million in FY16 and \$26.6 million in FY17. Increased county revenues have reduced what had been a \$9 million shortfall for the pool to an estimated \$2 million or less.

Income Support Program. The recommendation for general fund revenue is \$44.9 million and includes the requested \$92.7 thousand increase for the General Assistance Program (GA). The GA program is a safety net program for clients with no resources and who do not qualify for any other HSD assistance program. Many clients on the GA program are disabled and qualify for Social Security Disability benefits but are waiting for a determination from the Social Security Administration. In FY17 the program is projected to serve approximately 3,400 clients and will spend \$10.2 million. The program is projected to have only \$346 thousand in Social Security reimbursements carryover from FY16, resulting in the requested increase over the FY16 operating budget. Also the request included and recommendation includes \$548 thousand for food banks, which reflects a shift in funds from the Department of Finance and Administration to HSD. The transfer consolidates the food programs within HSD. The LFC recommendation does not include the request for \$224.8 thousand to expand the supplemental nutrition assistance program (SNAP) Senior Supplement, a state-funded supplement to the federal SNAP benefit for elderly and disabled individuals. The \$50 thousand increase in federal funds largely reflects increases in SNAP caseload (about 12 percent higher from the same time last year), the value of the commodities distributed in the Commodities Program and projected higher spending in the utilities assistance (LIHEAP) program. Each of these programs is a federal "flow-through" program that does not require a state match.

Temporary Assistance for Needy Families. TANF enrollment decreased further to 12,817 cases, down 12 percent from one year ago, and far below the recession high of well over 21,000. HSD increased the cash benefit 7.5 percent in August 2015; however, the department expects minimal enrollment increases from the change. Consequently, the recommendation for TANF cash assistance is \$49.5 million, revised downward from the request of \$51 million to reflect the department's latest projection. The LFC recommendation supports the request to slightly increase the benefit for the twice-per-year clothing allowance and to allow for increasing use of diversion payments, a lump sum option TANF clients can choose instead of traditional monthly cash payments.

The LFC recommendation partially supports department initiatives to expand the Career Links program which provides activities for skill improvement and 20 hours per week of subsidized employment. Career Links is increased by \$2 million, for a total of nearly \$6 million, to expand the program to additional communities across the state. The increase will allow New Mexico Works to provide additional support services and allow more cooperating New Mexico businesses to hire participants in subsidized temporary job assignments. The recommendation does not support the department's proposed \$1.5 million new TANF program intended to help noncustodial parents overcome barriers to making regular child support payments because it may duplicate other services. Finally, the recommendation eliminates the \$1.75 million appropriation for the department's TANF substance abuse services program. In FY15, about 197 clients enrolled in the program and 45 clients graduated, including clients who either completed the 12-week program or left the program due to employment. This is down from 199 and 63 in FY14, respectively. This amounts to nearly \$39 thousand per graduate. These costs are unreasonably high, particularly when there is no information about how clients are doing 30 days or one year after completing the program. The TANF request and recommendation for prekindergarten, child care, home visiting and supportive housing through the Children, Youth and Families Department and Public Education Department remain flat with FY16. Projected TANF carry-over at the end of FY17 is \$31 million. This includes an estimated \$11.6 million in TANF contingency funds for FY16 expected in FY17. TANF contingency funds are awarded in the year following the state request and are based on economic conditions during the request year.

In FY15, HSD reported on two proposed work requirement changes for SNAP (food stamp) recipients. The first is federally mandated and requires healthy adults without children to work 20 hours per week or otherwise limits benefits to three months in a three-year period. A second and more controversial change not federally mandated requires healthy adults age 16-59 with children 12 years or older to participate in employment and training (E&T). While there are exemptions, such as not working more than 30 hours per week, not being in a drug or alcoholic rehabilitation program, not being in a county, tribe, or pueblo with a high unemployment rate, etc., some argue HSD lacks the capacity to provide assistance and oversight to expand E&T to some 63 thousand additional recipients. The expanded E&T requirements for healthy adults without children went into effect October 2015; new requirements for the second group will be implemented as individuals recertify their benefits, considered "rolling implementation," beginning October 1, 2016. HSD has noted financial assistance for child care and transportation will be available.

Behavioral Health Services Division. 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 Optum Health. The contract with OptumHealth was extended by the department through 2016, with another extension expected through FY17; however, in a special appropriation request submitted separately from its budget request, the department requested \$408.5 thousand and 10 new FTE to begin the process of taking over the "administrative services" (ASO) function of OptumHealth, including contracting with direct service providers and paying claims. HSD notes the transition, which would include hiring and training staff and implementation of a new claims processing function, would not be complete until fiscal year 2018. Among potential benefits of the transition are faster payments to providers and real-time access to all financial, operational, and utilization and service data. Further, HSD estimates the department would save nearly \$6 million in state and federal funds from administrative and gross receipts tax associated with the ASO contract, which could be redirected to provide more services for clients. The LFC recommendation supports the request; however, staff requested a business plan for the project, including a more detailed description of associated costs and timelines.

For the BHSD base budget request, HSD identified about \$6 million in savings as fewer people rely on state-only funded health coverage and obtain services through Medicaid or other insurance through ACA. The request reinvests all of the savings to expand existing programs -- such as mental health sexual assault and supportive housing -- and provides funding for a number of new initiatives, such as cognitive enhancement therapy, addiction recovery services, supportive employment, and a peer empowerment center. However, due to pressures on the state's general fund, the LFC recommendation redirects the savings to cover costs in the Medicaid Assistance Division. Nevertheless, the FY17 budget contains new federal grants for behavioral health that continue through FY17 and beyond. For example, the department recently received a five-year Partnership for Success Substance Abuse and Mental Health Services Administration (SAMHSA) grant for \$1.6 million per year to address underage drinking and prescription drug misuse. HSD also received a three-year Housing Supports, Health, and Recovery for Homeless Individuals Program grant for \$1.8 million per year, which enhance the infrastructure of New Mexico's behavioral health service system to increase capacity and provide improved care to 450 individuals, 150 per year, who experience chronic homelessness and have substance use disorders or a serious mental illness in the counties of Bernalillo, Dona Ana and Santa Fe. In FY16, legislators passed and the governor approved \$1.3 million for regional crisis stabilization units for individuals experiencing a behavioral health crisis, \$1.5 million for transitional and supportive housing, and \$1.2 million for health homes to coordinate physical and mental health treatment of the sickest patients.

In June 2015, the state's Attorney General's Office (NMAG) hired a contractor to complete the 12 remaining investigations of New Mexico behavioral healthcare providers suspected of fraud by HSD. In the last legislative session, NMAG received a \$1.8 million special appropriation for the investigations; the contract stipulates the remaining audits should be complete by the end of calendar year 2015. Despite ongoing reports of service disruptions following the reorganization, HSD reports 89 thousand people received behavioral health services in FY14, substantially up from 74 thousand in FY13. The department began reporting this measure by calendar year to coincide with federal reporting requirements and notes 133 thousand people have been served in the first three quarters of 2015. Additionally, in November 2015, it was announced New Mexico improved 10 spots in Mental Health America's annual rankings, "The State of Mental Health in America." New Mexico showed improvement across the board in these rankings, including overall, adult, youth, need, and access categories. Nevertheless, the program must continue to address service and access gaps and poor outcomes, and the Behavioral Health Collaborative must continue work to redefine its core mission and develop and implement a statewide strategic plan for behavioral health.

Child Support Enforcement Division. CSED's \$7.9 million general fund request for FY17 is flat with FY16. The program receives a match rate of approximately 66 percent federal funds to 34 percent state funds and receives additional federal incentive payments for meeting performance targets; it expects \$3 million in incentive funding for FY17, up from of \$2.5 million in FY16 and \$1 million in FY15. CSED reported record child support collections of \$137 million in FY14 and \$140 million in FY15.

Program Support. The recommendation of \$56.7 million (\$17 million in general fund revenue) represents a 0.2 percent increase overall for the program. The recommendation includes the requested \$204.9 thousand in general fund revenue and 7 FTE transfer from the Program Integrity Unit (PIU) of the Medicaid Assistance Program, responsible for quality and compliance audits and reviews of managed-care organizations, Medicaid providers, and others, to prevent fraud, waste, and abuse. The transfer is consistent with a 2011 LFC recommendation to consolidate program review and audit functions of HSD within the Office of Inspector General in Program Support. The recommendation reduces contracts \$150 thousand, closer to FY15 actual expenditures. The department is reassessing its information technology and data analytics capabilities. LFC staff requested the department develop a five-year plan for how it will address the growing need to collect, analyze, and report on Medicaid-related information to improve transparency and, ultimately, improve health outcomes for clients.

RECOMMENDED LANGUAGE:

The appropriations to the medical assistance program of the human services department assume the state will receive an enhanced federal medical assistance percentage rate for those enrolled in the new adult category through fiscal year 2017, 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 federal medical assistance percentage rates established by the Patient Protection and Affordable Care Act, the human services department shall reduce or rescind eligibility for the new adult category.

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include one million two hundred fifty-five thousand four hundred dollars (\$1,255,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and seven million five hundred sixty-three thousand nine hundred dollars (\$7,563,900) from the tobacco settlement program fund for medicaid programs.

The general fund appropriations to the medicaid behavioral health program of the human services department in the other cost category include five hundred thousand dollars (\$500,000) for support of behavioral health regional crisis stabilization units.

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-five million five hundred thousand dollars (\$55,500,000) from the federal temporary assistance for needy families block grant to provide cash assistance grants to participants as defined in the New Mexico Works Act, including wage subsidies for participants, two clothing allowances per year, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include ten million seven hundred thousand dollars (\$10,700,000) 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 and five million nine hundred fifty-one thousand dollars (\$5,951,000) 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, four million five hundred thousand dollars (\$4,500,000) for home-visiting programs, thirteen million six hundred thousand dollars (\$13,600,000) for prekindergarten, and nine hundred thousand (\$900,000) for a pilot supportive housing project.

The federal funds appropriations to the income support program of the human services department include three million five hundred thousand dollars (\$3,500,000) from the federal temporary assistance for needy families block grant for transfer to the public education department for prekindergarten.

The appropriations to the income support program of the human services department include seven million two hundred twenty thousand dollars (\$7,220,000) from the general fund and three million eighty thousand three hundred dollars (\$3,080,300) from other state funds for general assistance. Any unexpended balances remaining at the end of fiscal year 2017 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 and thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The general fund appropriations to the income support program of the human services department include five hundred forty-eight thousand dollars (\$548,000) for the food banks program.

MEDICAL ASSISTANCE

The purpose of the medical assistance program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost health care.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	801,978.1	802,034.0	885,651.6	878,025.0	9.5
Other Transfers	144,527.6	170,665.9	173,479.9	153,279.2	-10.2
Federal Revenues	3,749,529.9	4,034,581.9	4,400,493.9	4,411,583.8	9.3
Other Revenues	91,188.2	90,763.7	76,289.3	79,789.3	-12.1
SOURCES TOTAL	4,787,223.8	5,098,045.5	5,535,914.7	5,522,677.3	8.3
USES					
Personal Services and Employee Benefits	12,436.1	13,093.7	12,657.6	12,643.1	-3.4
Contractual Services	50,313.1	60,659.2	64,451.6	62,831.6	3.6
Other	4,703,483.8	5,024,292.6	5,458,805.5	5,447,202.6	8.4
Other Financing Uses	20,929.3	0.0	0.0	0.0	
TOTAL USES	4,787,162.3	5,098,045.5	5,535,914.7	5,522,677.3	8.3
FTE					
Permanent	180.5	180.5	173.5	173.5	-3.9
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	191.5	191.5	184.5	184.5	-3.7

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of medicaid managed care long-term care recipients who receive services within ninety days of eligibility determination	94%	94%	94%	94%	96%
* 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	65%	65%	70%	70%	70%
* 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	63%	52%	70%	68%	68%
* Outcome	Average percent of children and youth ages twelve months to nineteen years in medicaid managed care who received one or more well-child visits with a primary care physician during the measurement year	92%	75%	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%	63%	86%	86%	86%
Output	Number of medicaid managed-care recipients who transition from nursing facilities who are served and maintained with community-based services for six months	TBD	187	150	170	185
* Outcome	Number of emergency room visits per one thousand medicaid managed-care member months	35	42	40	40	35
Outcome	Percent hospital readmissions for children in medicaid managed care, ages two to seventeen years, within thirty days of discharge	7%	7%	6%	6%	6%
* Outcome	Percent hospital readmissions for adults in medicaid managed care, eighteen and over, within thirty days of discharge	11%	11%	9%	9%	9%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Rate of return on investments for medicaid recoveries	\$4.09	\$3.36	\$4.00	\$4.00	\$4.00
Outcome	Percent of member deliveries that received a prenatal care visit in the first trimester or within forty-two days of eligibility	85%	20%	85%	85%	85%
Output	Expenditures for children and youth receiving services through medicaid school-based service programs, in millions	New	\$15.5	\$14.5	\$15.0	\$15.0
Quality	Percent of members reporting satisfaction with centennial care services	New	New	82%	82%	82%
Output	Number of individuals enrolled in mediaid and incarcerated in a facility contracted with the human services department	New	New	New	500	500
Output	Centennial Care rewards member participant rate	New	New	New	47%	47%
Outcome	Rate of short-term complication admissions for medicaid managed-care members with diabetes	New	New	New	500	500
Output	Number of medicaid managed-care members enrolled in a patient-centered medical home	New	New	New	215,000	215,000
Outcome	Percent of medicaid managed-care members ages five through sixty-four years identified as having persistent asthma and dispensed appropriate medications that they remained on during at least fifty percent of the treatment period	New	New	New	48%	50%
Outcome	Percent of members age sixty-five years and older who have had a fall or problem with balance in the past twelve months who were seen by a practitioner in the last twelve months and who have received a fall-risk intervention	New	New	15%	15%	15%

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)

		<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
SOURCES				<u>Agency Request</u>	<u>LFC Recommendation</u>	
	General Fund Transfers	102,665.0	105,705.0	107,131.0	107,487.9	1.7
	Federal Revenues	345,453.6	380,048.0	400,084.0	400,694.8	5.4
	SOURCES TOTAL	448,118.6	485,753.0	507,215.0	508,182.7	4.6
USES						
	Other	448,118.6	485,753.0	507,215.0	508,182.7	4.6
	TOTAL USES	448,118.6	485,753.0	507,215.0	508,182.7	4.6
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	4%	7%	5%	5%	5%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative and medicaid programs	91,273	107,729	110,000	160,000	160,000

INCOME SUPPORT

The purpose of the income support program is to provide cash assistance and supportive services to eligible low-income families so they can achieve self-sufficiency. Eligibility requirements are established by state law within broad federal statutory guidelines.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	45,771.6	44,264.2	45,129.7	44,861.8	1.4
Federal Revenues	862,082.9	862,894.6	919,585.3	912,970.6	5.8
Other Revenues	3,084.6	3,510.8	3,775.8	3,775.8	7.5
SOURCES TOTAL	910,939.1	910,669.6	968,490.8	961,608.2	5.6
USES					
Personal Services and Employee Benefits	57,799.4	56,352.7	56,352.7	56,244.9	-0.2
Contractual Services	27,684.2	32,491.6	40,104.4	35,054.4	7.9
Other	784,141.2	821,825.3	872,033.7	870,308.9	5.9
Other Financing Uses	39,052.4	0.0	0.0	0.0	
TOTAL USES	908,677.2	910,669.6	968,490.8	961,608.2	5.6
FTE					
Permanent	1,031.0	1,060.0	1,060.0	1,060.0	0.0
Term	44.0	15.0	15.0	15.0	0.0
Temporary	50.0	100.0	100.0	100.0	0.0
TOTAL FTE POSITIONS	1,125.0	1,175.0	1,175.0	1,175.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	50%	35%	55%	50%	50%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	60%	27%	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	88%	89%	88%	88%	90%
Outcome	Percent of expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness within seven days	98%	92%	99%	99%	99%
* Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	50%	48%	52%	50%	52%
Outcome	Percent of regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness within thirty days	98%	94%	99%	99%	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)

		FY17 - 2016-2017				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	38,495.6	42,031.2	42,031.2	33,926.7	-19.3	
Federal Revenues	23,996.7	18,262.0	18,645.3	18,644.7	2.1	
Other Revenues	32.2	21.0	187.5	187.5	792.9	
SOURCES TOTAL	62,524.5	60,314.2	60,864.0	52,758.9	-12.5	
USES						
Personal Services and Employee Benefits	2,538.7	2,611.7	2,807.1	2,804.0	7.4	
Contractual Services	58,096.6	55,506.3	55,806.3	47,704.3	-14.1	
Other	788.1	555.5	2,250.6	2,250.6	305.1	
Other Financing Uses	420.3	0.0	0.0	0.0		
TOTAL USES	61,843.7	58,673.5	60,864.0	52,758.9	-10.1	
FTE						
Permanent	33.0	33.0	33.0	33.0	0.0	
Term	12.0	8.0	7.0	7.0	-12.5	
TOTAL FTE POSITIONS	45.0	41.0	40.0	40.0	-2.4	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Percent of youth on probation served by the behavioral health collaborative and medicaid programs	48%	59%	54%	54%	58%
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	70%	70%	75%	71%	75%
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	26%	30%	45%	47%	45%
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	52%	46%	65%	67%	65%
Outcome	Percent reduction in the gap between children in school receiving behavioral health services and their counterparts in achieving age appropriate proficiency scores in math (eighth grade)	12.1%	5.7%	12%	8.5%	8.5%
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).	7.8%	1.7%	7.5%	7.1%	7.1%
Output	Increase in the number of persons served through telehealth in rural and frontier counties	1,330	2,699	1,500	2,900	2,900
* 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	New	39%	35%	35%	40%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Explanatory	Number of suicides of youth served by the behavioral health collaborative and medicaid programs	New	2	2	2	2
Quality	Percent of members reporting satisfaction with behavioral health services	New	New	85%	85%	85%
Outcome	Percent of adults diagnosed with major depression who remained on an antidepressant medication for at least one hundred eighty days	New	New	New	26%	26%
Outcome	Percent of parents or caregivers of children who had an overall "positive" response about the services their children received as measured by the improved functioning scale in the annual satisfaction survey	New	New	New	83%	83%

CHILD SUPPORT ENFORCEMENT

The purpose of the child support enforcement program is to provide location, establishment and collection services for custodial parents and their children; to ensure that all court orders for support payments are being met to maximize child support collections; and to reduce public assistance rolls.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017				
		FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	7,946.6	7,932.3	7,932.3	7,920.8	-0.1
	Federal Revenues	19,387.3	19,387.3	19,159.4	19,143.5	-1.3
	Other Revenues	4,349.6	5,859.9	6,087.8	6,087.8	3.9
	SOURCES TOTAL	31,683.5	33,179.5	33,179.5	33,152.1	-0.1
USES						
	Personal Services and Employee Benefits	19,307.3	20,632.3	20,632.3	20,604.9	-0.1
	Contractual Services	7,249.9	7,329.3	7,329.3	7,329.3	0.0
	Other	4,777.9	5,217.9	5,217.9	5,217.9	0.0
	TOTAL USES	31,335.1	33,179.5	33,179.5	33,152.1	-0.1
FTE						
	Permanent	383.0	383.0	383.0	383.0	0.0
	TOTAL FTE POSITIONS	383.0	383.0	383.0	383.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of cases having support arrears due, for which arrears are collected	56%	65%	62%	67%	67%
* Outcome	Amount of child support collected, in millions	\$137	\$140	\$140	\$145	\$145
* Outcome	Percent of current support owed that is collected	56%	57%	62%	62%	62%
* Outcome	Percent of cases with support orders	79%	83%	85%	85%	85%
Outcome	Percent of children born out of wedlock with paternity establishment in child support cases	101%	101%	100%	100%	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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	16,091.0	16,981.0	17,185.9	17,024.7	0.3
Federal Revenues	29,491.1	35,321.7	35,647.5	35,444.9	0.3
Other Revenues	3,584.5	4,293.8	4,229.9	4,229.9	-1.5
SOURCES TOTAL	49,166.6	56,596.5	57,063.3	56,699.5	0.2
USES					
Personal Services and Employee Benefits	18,588.8	19,533.4	20,011.3	19,981.8	2.3
Contractual Services	16,672.1	21,391.5	21,646.7	21,312.4	-0.4
Other	13,905.7	15,671.6	15,405.3	15,405.3	-1.7
TOTAL USES	49,166.6	56,596.5	57,063.3	56,699.5	0.2
FTE					
Permanent	262.0	262.0	269.0	269.0	2.7
TOTAL FTE POSITIONS	262.0	262.0	269.0	269.0	2.7

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<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	90%	97%	90%	90%	96%
Outcome	Percent of invoice payments completed within thirty days of date of a payable invoice	100%	98%	100%	100%	100%
Output	Percent of timely final decisions on administrative disqualification hearings	100%	100%	100%	100%	100%
* Efficiency	Percent compliance with internal schedule approved by the department of finance and administration for turnaround time associated with the expenditure of federal funds and the request for reimbursement for expenditures from federal treasury	100%	100%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date	100%	100%	100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau	12%	17%	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	100%	100%	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>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,389.0	10,880.1	12,180.1	11,080.1	1.8
Other Transfers	2,781.0	8,634.3	8,686.1	9,534.0	10.4
Federal Revenues	45,979.8	51,893.4	46,180.9	46,180.9	-11.0
Other Revenues	4,063.7	0.0	0.0	0.0	
Fund Balance	1,884.6	7,136.1	7,186.1	8,034.0	12.6
SOURCES TOTAL	66,098.1	78,543.9	74,233.2	74,829.0	-4.7
USES					
Personal Services and Employee Benefits	26,213.9	27,957.8	29,182.7	29,182.7	4.4
Contractual Services	13,610.4	14,600.3	13,969.1	13,806.0	-5.4
Other	20,937.6	28,849.7	23,895.3	23,806.3	-17.5
Other Financing Uses	1,884.6	7,136.1	7,186.1	8,034.0	12.6
TOTAL USES	62,646.5	78,543.9	74,233.2	74,829.0	-4.7
FTE					
Permanent	423.0	422.2	422.0	422.0	0.0
Term	137.0	131.0	136.0	136.0	3.8
TOTAL FTE POSITIONS	560.0	553.2	558.0	558.0	0.9

AT A GLANCE:

In FY17, the agency projected a decrease in federal revenues of almost \$5.7 million, or 11 percent below the FY16 operating budget. The WSD budget request reduces total expenditures by \$4.3 million, or 5.5 percent, but was still above FY15 actual expenditures by \$8.1 million, or 12 percent. A majority of the requested \$1.3 million general fund increase replaced federal funds, primarily in the Workforce Technology Program. Additionally, the agency request also included a \$1.5 million transfer from the Workers' Compensation Administration (WCA). Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1.5 million for operations of WSD.

The department received an increase of \$11.4 million, or 223 percent, from the general fund in FY15, a majority of which was for IT services. Despite this significant increase, the Workforce Technology Program requested an additional \$1.1 million from the general fund to replace declining federal revenue typically used for IT maintenance costs. The program also requested an additional \$200 thousand from the general fund to develop a statewide internship portal. The portal will be directed to students and job seekers to connect to public and private sector job shadow and internship programs. WSD and the Higher Education Department have been identified as key agencies to collaborate on the development of the portal. The LFC recommendation includes an additional \$100 thousand from the general fund to support recurring expenditures for staff and continued maintenance of the portal. The remaining \$100 thousand in the agency request was a nonrecurring expense for the development of the portal and should be funded through the IT appropriations process. The LFC recommendation for the Workforce Technology Program includes an additional \$100 thousand from the general fund and \$847.9 thousand from fund balances to replace federal revenues.

The FY17 request included a transfer of \$100 thousand in general fund revenues from the Employment Services Program to Program Support for administrative support; the LFC recommendation supports this transfer.

Agency wide, LFC recommends using \$8 million in fund balances. A majority of the fund balances used in the recommendation is from the Employment Security Department (ESD) penalty and interest fund balance, and the LFC increases the use of this fund balance \$847.9 thousand above the agency request. The ESD fund balance is projected to be \$4.7 million after FY17 appropriations. WSD reported the continued use of ESD fund balance will cause the fund to be mostly depleted, resulting in the possible need for substantial increases of general fund revenues in FY18; however, as of November 2015, of the \$5.2 million included in the FY16 operating budget, \$3.2 million remains unencumbered. LFC also recommends using \$1.3 million from the labor enforcement fund (LEF) and \$656.3 thousand from the public works apprenticeship and training fund (PWAT) in the Labor Relations Program and \$1.5 million transfer from WCA throughout the agency.

BUDGET ISSUES:

In FY17, the agency projects federal revenues to decrease of almost \$5.7 million, or 11 percent below the FY16 operating budget. The WSD budget request reduces total expenditures \$4.3 million, or 5.5 percent, but is still above FY15 actual expenditures by \$8.1 million, or 12 percent. A majority of the requested \$1.3 million general fund increase replaced federal funds primarily in the Workforce Technology Program. Additionally, the agency request also included a \$1.5 million transfer from the Workers' Compensation Administration (WCA). Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1.5 million for operations of WSD.

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RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the unemployment insurance program of the workforce solutions department include nine hundred thousand dollars (\$900,000) from the workers' compensation administration fund of the workers' compensation administration.

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include six hundred thousand dollars (\$600,000) from the workers' compensation administration fund of the workers' compensation administration.

UNEMPLOYMENT INSURANCE

The purpose of the unemployment insurance program is to administer an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	364.4	862.0	862.0	862.0	0.0
Other Transfers	3.7	3,031.7	3,032.9	3,032.9	0.0
Federal Revenues	9,200.8	6,754.4	6,497.5	6,497.5	-3.8
SOURCES TOTAL	9,568.9	10,648.1	10,392.4	10,392.4	-2.4
USES					
Personal Services and Employee Benefits	8,268.3	8,769.1	8,543.7	8,543.7	-2.6
Contractual Services	303.7	363.6	333.6	333.6	-8.3
Other	996.9	1,515.4	1,515.1	1,515.1	0.0
TOTAL USES	9,568.9	10,648.1	10,392.4	10,392.4	-2.4
FTE					
Permanent	134.0	137.3	141.7	141.6	3.1
Term	70.0	66.6	67.0	67.0	0.6
TOTAL FTE POSITIONS	204.0	203.9	208.7	208.6	2.3

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of new employer accounts completed within ninety days	87%	90%	86%	86%	88%
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	79%	95%	75%	75%	80%
Output	Percent of all first payments made within fourteen days after the waiting week	84%	92%	85%	85%	90%
Output	Percent accuracy rate of claimant separation determinations	88%	89%	75%	75%	85%
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a new unemployment insurance claim, in minutes	New	New	15	15	15
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification, in minutes	New	New	15	15	15
Output	Achieved call adherence measurement within the customer service operations center	New	94%	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)

	<u>FY17 - 2016-2017</u>				
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	1,566.8	963.0	963.0	963.0	0.0
Other Transfers	1,643.7	2,577.7	2,578.3	2,578.3	0.0
Federal Revenues	279.6	229.5	330.0	330.0	43.8
SOURCES TOTAL	3,490.1	3,770.2	3,871.3	3,871.3	2.7
USES					
Personal Services and Employee Benefits	1,980.0	2,115.2	2,176.3	2,176.3	2.9
Contractual Services	238.9	44.0	45.2	45.2	2.7
Other	1,171.0	1,611.0	1,649.8	1,649.8	2.4
TOTAL USES	3,389.9	3,770.2	3,871.3	3,871.3	2.7
FTE					
Permanent	34.0	33.4	33.4	33.4	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	36.0	35.4	35.4	35.4	0.0

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Outcome	Percent of wage claims investigated and resolved within ninety days	91%	100%	91%	91%	95%
Output	Number of targeted public works inspections completed	1,618	1,424	1,600	1,600	1,600
* Output	Average number of days to investigate and issue a determination on a charge of discrimination	New	New	180	180	180
Outcome	Number of apprentices registered and being trained	New	New	1,320	1,320	1,320
* Output	Number of compliance reviews and quality assessments on registered apprenticeship programs	New	New	6	6	6

WORKFORCE TECHNOLOGY

The purpose of the workforce technology program is to provide and maintain customer-focused, effective and innovative information technology services for the department and its service providers.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017			Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	7,982.1	7,480.0	8,780.0	7,680.0	2.7
Other Transfers	773.5	1,817.9	1,517.9	2,365.8	30.1
Federal Revenues	6,797.5	5,414.4	4,874.2	4,874.2	-10.0
SOURCES TOTAL	15,553.1	14,712.3	15,172.1	14,920.0	1.4
USES					
Personal Services and Employee Benefits	3,039.7	3,321.6	3,734.8	3,734.8	12.4
Contractual Services	9,213.1	8,124.2	8,665.0	8,501.9	4.6
Other	3,294.3	3,266.5	2,772.3	2,683.3	-17.9
TOTAL USES	15,547.1	14,712.3	15,172.1	14,920.0	1.4
FTE					
Permanent	33.0	42.0	40.0	40.0	-4.8
Term	6.0	7.0	6.0	6.0	-14.3
TOTAL FTE POSITIONS	39.0	49.0	46.0	46.0	-6.1

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of time the unemployment framework for automated claims and tax series application are available during scheduled uptime	100%	99%	100%	98%	99%
Outcome	Response time from system outage to restoration of service on unemployment framework for automated claims and tax services, in minutes	62	31	20	20	20
* Outcome	Percent of time unemployment insurance benefits are paid within three business days of claimant certification	94%	96%	100%	100%	100%

EMPLOYMENT SERVICES

The purpose of the employment services program is to provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017			Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,361.5	1,460.9	1,360.9	1,360.9	-6.8
Other Transfers	17.0	124.6	124.6	124.6	0.0
Federal Revenues	11,946.6	15,458.7	14,936.8	14,936.8	-3.4
SOURCES TOTAL	13,325.1	17,044.2	16,422.3	16,422.3	-3.6
USES					
Personal Services and Employee Benefits	6,736.1	6,971.9	7,251.1	7,251.1	4.0
Contractual Services	3,180.5	5,006.0	3,968.6	3,968.6	-20.7
Other	3,403.7	5,066.3	5,202.6	5,202.6	2.7
TOTAL USES	13,320.3	17,044.2	16,422.3	16,422.3	-3.6
FTE					
Permanent	115.0	112.5	114.1	114.1	1.4
Term	41.0	39.4	43.0	43.0	9.1
TOTAL FTE POSITIONS	156.0	151.9	157.1	157.1	3.4

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of employers sampled reporting customer satisfaction	99%	99%	99%	99%	99%
Output	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services	126,296	118,102	75,000	75,000	110,000
Outcome	Percent of recently separated veterans entering employment	47%	51%	55%	55%	55%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	42%	44%	45%	45%	45%
Output	Total number of individuals receiving Wagner-Peyser employment services	121,727	98,489	150,000	150,000	120,000
* Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	53%	58%	51%	51%	55%
Outcome	Percent of those who received Wagner-Peyser employment services retaining employment services after six-months	75%	80%	70%	70%	75%
* Outcome	Average six-month earnings of persons entering employment after receiving Wagner-Peyser employment services	\$13,122	\$13,553	\$12,500	\$12,500	\$13,500
Outcome	Percent of recently separated veterans retaining employment after six months	71%	74%	65%	65%	74%
Outcome	Average six-month earnings of people entering employment after receiving veterans' services	\$16,522	\$15,841	\$16,000	\$16,000	\$16,000

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction and administrative support to each agency program to achieve organizational goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
General Fund Transfers	114.2	114.2	214.2	214.2	87.6	
Other Transfers	343.1	1,082.4	1,432.4	1,432.4	32.3	
Federal Revenues	17,755.3	24,036.4	19,542.4	19,542.4	-18.7	
SOURCES TOTAL	18,212.6	25,233.0	21,189.0	21,189.0	-16.0	
USES						
Personal Services and Employee Benefits	6,189.8	6,780.0	7,476.8	7,476.8	10.3	
Contractual Services	674.2	1,062.5	956.7	956.7	-10.0	
Other	12,071.7	17,390.5	12,755.5	12,755.5	-26.7	
TOTAL USES	18,935.7	25,233.0	21,189.0	21,189.0	-16.0	
FTE						
Permanent	107.0	97.0	93.0	93.0	-4.2	
Term	18.0	16.0	18.0	18.0	12.5	
TOTAL FTE POSITIONS	125.0	113.0	111.0	111.0	-1.8	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	86%	40%	70%	70%	70%
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	2	2	4	4	4
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	4	4	4	4	4
* Output	Number of youth receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	New	New	1,400	1,400	1,400
* Outcome	Percent of youth who entered employment or are enrolled in post-secondary education or advanced training after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	New	New	57%	57%	57%
* Output	Number of adult and dislocated workers receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	2,193	3,023	2,600	2,600	2,600
* Outcome	Percent of individuals who enter employment after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	67%	74%	65%	65%	67%
* Output	Percent of individuals who retain employment after receiving Workforce Investment Act or Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce board	87%	93%	85%	85%	87%

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY17 - 2016-2017		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted			
SOURCES					
Other Revenues	4,063.7	0.0	0.0	0.0	
Fund Balance	1,884.6	7,136.1	7,186.1	8,034.0	12.6
SOURCES TOTAL	5,948.3	7,136.1	7,186.1	8,034.0	12.6
USES					
Other Financing Uses	1,884.6	7,136.1	7,186.1	8,034.0	12.6
TOTAL USES	1,884.6	7,136.1	7,186.1	8,034.0	12.6
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the Worker's Compensation Act (Sections 52-1-1 through 52-1-70 and Sections 52-5-1 through 52-5-22 NMSA 1978), Occupational Disease Disablement Act (Sections 52-3-1 through 52-3-60 NMSA 1978), and Health Care Provider Act (52-4-1 through 52-4-5 NMSA 1978). WCA is responsible for monitoring the insurance industry to ensure compliance with accepted performance standards, mediating and adjudicating contested workers' compensation claims, and regulating workers' compensation self-insurance activity.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u>	<u>LFC</u>	<u>Incr</u>
SOURCES			<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
Other Revenues	12,403.1	12,374.1	11,543.5	12,403.1	0.2
Fund Balance	0.0	0.0	286.8	240.3	
SOURCES TOTAL	12,403.1	12,374.1	11,830.3	12,643.4	2.2
USES					
Personal Services and Employee Benefits	8,145.8	8,088.1	9,035.2	8,526.1	5.4
Contractual Services	309.4	435.7	475.5	400.6	-8.1
Other	1,991.0	2,352.1	2,319.6	2,216.7	-5.8
Other Financing Uses	900.0	1,498.2	0.0	1,500.0	0.1
TOTAL USES	11,346.2	12,374.1	11,830.3	12,643.4	2.2
FTE					
Permanent	123.0	123.0	124.0	124.0	0.8
TOTAL FTE POSITIONS	123.0	123.0	124.0	124.0	0.8

AT A GLANCE:

In FY15, WCA improved performance and met a majority of target measures. Despite the 9 percent reversion in the prior year, the agency requested additional personal services and employee benefits (PS&EB) funding in FY17 to improve agency performance. Importantly, the request did not include the transfer to the Workforce Solutions Department (WSD) for FY17 as was included in the operating budget for previous years. LFC recommends the transfer to WSD continue at \$1.5 million.

BUDGET ISSUES:

WCA receives funding from quarterly fees of \$2 collected from employees and matched with an employer contribution of \$2 and a 30 cent assessment to support the uninsured employer's fund, for a combined total of \$17.20 per employee per year. The 30 cent assessment is used to pay claims filed against employers noncompliant with the workers' compensation insurance law. The base assessment for workers' compensation has not increased since it was first established in 1993. Additionally, the agency's projected fund balance in FY17 will be over \$8 million.

WCA reported in 2014 an estimated \$317.8 million was paid in workers' compensation. Total paid losses are up 2.1 percent from 2013 but the total number of claims decreased 0.6 percent from 44,050 in 2013 to 43,806 in 2014. However, WCA also reported the rate of serious injury and illness caused by workplace conditions per 100 workers increased from 0.57 in FY14 to 0.68 in FY15. The agency believes the increase may be due to improved reporting by insurance companies.

The agency's FY17 request included an almost \$947.1 thousand, or 11.7 percent, budget increase for the personal services and employee benefits category. The request includes 124 FTE, including an expansion of 1 FTE for the Medical Cost Containment Bureau, and fully funds all FTE. Currently, there are 9 vacant FTE agency wide, and a 7 percent vacancy rate. The average vacancy rate for the agency over the previous two fiscal years was about 11 percent. Given this history, LFC recommends an increase of 5.4 percent in the personal services and employee benefits category to fund currently filled FTE and the expansion FTE.

The agency request for the contractual services category included an increase of about \$39.8 thousand over the FY16 operating budget. A majority of the increase is for medical cost-containment services. The LFC recommendation includes funding for the cost-containment services; however, it reduces other contractual amounts to align with FY15 expenditure a level, 8.1 percent less than the FY16 appropriation.

In FY15, the agency received \$12.4 million in revenues. WCA is projecting similar revenues but only requested spending \$11.8 million for FY17. Given stable revenue projections, the LFC recommendation continues the \$1.5 million transfer to the Workforce Solutions Department (WSD) for the Labor Relations Program. With the transfer, ending cash balances in FY17 remain over \$8 million.

BASE EXPANSION:

The LFC recommendation includes \$81.9 thousand and 1 FTE for medical cost-containment services. The FTE should allow the agency to become involved in worker compensation cases earlier to reduce loss of time for the employee and medical costs for the employer. In particular, the FTE would be focused on development of new parameters for case management at earlier stages in the claims process and reducing the caseload in the Medical Cost Containment Bureau.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the workers' compensation program of the workers' compensation administration in the other financing uses category includes nine hundred thousand dollars (\$900,000) from the workers' compensation administration fund for the unemployment insurance program of the workforce solutions department and six hundred thousand dollars (\$600,000) from the workers' compensation administration fund for the labor relations program of the workforce solutions department.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Medical cost containment-1 FTE	82.3	81.9
TOTAL		82.3	81.9

WORKERS' COMPENSATION ADMINISTRATION

The purpose of the workers' compensation administration program is to assure the quick and efficient delivery of indemnity and medical benefits to injured and disabled workers at a reasonable cost to employers.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,495.6	11,204.7	10,643.5	11,216.3	0.1
Fund Balance	0.0	0.0	0.0	240.3	
SOURCES TOTAL	11,495.6	11,204.7	10,643.5	11,456.6	2.2
USES					
Personal Services and Employee Benefits	7,838.7	7,770.9	8,712.4	8,203.3	5.6
Contractual Services	299.7	385.7	375.5	300.6	-22.1
Other	1,573.8	1,549.9	1,555.6	1,452.7	-6.3
Other Financing Uses	900.0	1,498.2	0.0	1,500.0	0.1
TOTAL USES	10,612.2	11,204.7	10,643.5	11,456.6	2.2
FTE					
Permanent	119.0	119.0	120.0	120.0	0.8
TOTAL FTE POSITIONS	119.0	119.0	120.0	120.0	0.8

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of formal claims resolved without trial	96%	95%	95%	95%	95%
Output	Number of reviews of employers to ensure the employer has workers' compensation insurance	4,986	5,370	4,000	4,000	4,500
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.57	0.68	0.60	0.60	0.60
* Outcome	Percent of employers referred for investigation that are determined to be in compliance with insurance requirements of the Workers' Compensation Act	91%	96%	90%	90%	93%
Efficiency	Average entry time for first reports of injury, in days	1	1	1	1	1
Outcome	Percent of data entry and coding accuracy	96%	95%	96%	96%	96%
* Output	Number of first reports of injury processed	26,704	26,448	30,000	30,000	26,500
Output	Number of employers who had a workplace safety inspection or consultation performed by the workers' compensation administration's safety specialists	New	New	125	125	125
Outcome	Percent of employers in the extra hazardous programs who pass the follow up inspections	New	New	85%	85%	85%
Output	Number of formal complaints and applications resolved within six months of filing	New	New	1,200	1,200	1,200
Outcome	Percent of employers with workers' compensation premium liabilities above fifteen thousand dollars that have met reporting requirements for safety inspections	New	New	36%	36%	36%

UNINSURED EMPLOYERS FUNDBUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Other Revenues	907.5	1,169.4	900.0	1,186.8	1.5
Fund Balance	0.0	0.0	286.8	0.0	
SOURCES TOTAL	907.5	1,169.4	1,186.8	1,186.8	1.5
USES					
Personal Services and Employee Benefits	307.1	317.2	322.8	322.8	1.8
Contractual Services	9.7	50.0	100.0	100.0	100.0
Other	417.2	802.2	764.0	764.0	-4.8
TOTAL USES	734.0	1,169.4	1,186.8	1,186.8	1.5
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

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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	5,803.4	5,693.0	6,569.0	5,893.0	3.5
Other Transfers	466.0	466.0	0.0	366.0	-21.5
Federal Revenues	29,746.0	40,721.1	39,096.8	38,464.0	-5.5
Other Revenues	34.9	0.0	0.0	0.0	
Fund Balance	0.0	300.0	0.0	250.0	-16.7
SOURCES TOTAL	36,050.3	47,180.1	45,665.8	44,973.0	-4.7
USES					
Personal Services and Employee Benefits	16,322.3	19,005.5	19,149.9	19,149.9	0.8
Contractual Services	833.6	1,339.4	5,885.0	5,125.3	282.7
Other	18,626.0	26,835.2	20,630.9	20,697.8	-22.9
TOTAL USES	35,781.9	47,180.1	45,665.8	44,973.0	-4.7
FTE					
Permanent	277.0	297.0	297.0	297.0	0.0
Term	20.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	297.0	297.0	297.0	297.0	0.0

AT A GLANCE:

The LFC general fund recommendation for FY17 is a 3.5 percent increase over the FY16 operating budget. Overall, the recommendation is a substantial increase over FY15 actual expenditures but is moderately lower than the FY16 level. The Division of Vocational Rehabilitation continues to struggle to fill vacant positions in key programs. Under the federal Workforce Innovation and Opportunity Act of 2014, DVR will now be required to provide pre-employment transition services to all students with disabilities.

BUDGET ISSUES:

The committee recommendation of \$44.9 million provides an increase of \$9.2 million, or 25.7 percent, over FY15 actual expenditures. The general fund recommendation of \$5.9 million is a 3.5 percent increase over the FY16 operating budget. However, the total recommendation is a 4.7 percent cut, because of a decrease in other transfers and federal revenues.

In the personal services and employee benefits category, DVR's FY15 expenditures totaled \$2.6 million less than what was appropriated. The agency reports it is working to fill vacancies, but little progress has been made, with 41 funded but vacant FTE and a funded vacancy rate of 15.1 percent in September 2015 similar to the previous year. The committee recommendation assumes additional staff will be hired to increase the number of clients served and maximize the use of federal funds for clients. In the Rehabilitation Services Program, the Independent Living Services Program, and the Disability Determination Program, DVR requested to reclassify some expenses included in the other cost category in FY15 and FY16 as contractual services in FY17. The committee recommendation supports the agency's request to correctly categorize these expenses.

For FY17, DVR's request of \$45.7 million represented a decrease of \$1.5 million from the FY16 operating budget. However, the FY17 request was a 27.6 percent increase over FY15 expenditures. The agency requested a general fund increase of \$876 thousand to offset a decrease of \$466 thousand from the transfer of funds from the Commission for Deaf and Hard-of-Hearing Persons and an additional \$410 thousand from the general fund to maximize available federal matching funds in the Rehabilitation Services Program. The committee recommendation includes a transfer of \$366 thousand from the commission and a general fund increase of \$250 thousand for the Rehabilitation Services Program. The committee recommends the agency reprioritize general funds to leverage federal revenues and use fund balances where permissible.

Since 2011, DVR has been under a federal order of selection, requiring the division to give first priority for services to applicants who have the most significant disabilities and limitations. DVR must create a waiting list for others seeking service. In FY15, DVR was able to serve all 9,364 applicants; however, only 41 percent of clients achieved suitable employment outcomes after receiving services.

Program Funding. The primary program for the agency is the Rehabilitation Services Program, and the LFC recommendation of \$26.2 million represents a 11.3 percent increase over FY15 expenditures. The program receives federal grant funding at a 3.7 to 1 match rate. The general fund recommendation of \$4.7 million, along with the \$366 thousand transfer from the Commission for Deaf and Hard-of-Hearing Persons qualifies as state matching funds. With the transferred funds from the commission, DVR provides vocational training for hearing-disabled persons. Although the agency requested eliminating the transfer, the recommendation reduces the transfer by \$100 thousand with a corresponding general fund increase. The agency reports \$2.1 million in available fund balance in this program but did not request the use of any of this balance; the recommendation uses \$200 thousand of fund balance in lieu of additional general fund revenue. The recommendation provides funding to fill 22 currently vacant positions within the program.

The Independent Living Services Program contracts with three centers with 10 locations throughout the state to provide independent living services and supports to people with disabilities in their communities. The committee recommends \$1.2 million in general fund support with \$50 thousand of fund balance to maintain a flat budget with FY16.

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 New Mexico. The recommendation supports the request at \$17.2 million, an \$89.7 thousand increase over FY16. Vacancies remain a concern in the Disability Determination Program. Over 2014 and 2015, backlogs in certain types of disability claims have developed within the program and some New Mexico claims are being adjudicated by other state and federal disability determination services. In FY15, the program had \$1.2 million in funded vacancies, but unlike other DVR programs, the Disability Determination Program does not have complete authority to fill all vacancies due to federal requirements to advertise positions.

Nationally, the number of workers receiving federal SSDI benefits increased from 2.9 million in 1980 to 8.8 million in 2012. Possible factors driving SSDI growth include more generous benefits, increased access to the program, an aging population, a growing share of working women eligible for SSDI, and the increase in social security's full retirement age. The growth of people receiving SSDI raises concern about the long-term solvency of the program.

The federal Workforce Innovation and Opportunity Act of 2014 requires state vocational rehabilitation agencies, such as DVR, to make pre-employment transition services available to students with disabilities. Also, the act requires DVR to set aside 15 percent of federal vocational rehabilitation program funds to provide pre-employment transition services to all students with disabilities, such as access to postsecondary education programs and integrated employment.

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 three hundred sixty-six thousand dollars (\$366,000) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

REHABILITATION SERVICES PROGRAM

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,519.2	4,408.9	5,284.9	4,658.9	5.7
Other Transfers	466.0	466.0	0.0	366.0	-21.5
Federal Revenues	18,827.3	23,357.5	21,643.5	21,010.7	-10.0
Other Revenues	34.9	0.0	0.0	0.0	
Fund Balance	0.0	300.0	0.0	200.0	-33.3
SOURCES TOTAL	23,847.4	28,532.4	26,928.4	26,235.6	-8.0
USES					
Personal Services and Employee Benefits	11,123.7	12,629.5	12,762.6	12,762.6	1.1
Contractual Services	489.2	787.0	2,265.3	1,505.6	91.3
Other	11,967.4	15,115.9	11,900.5	11,967.4	-20.8
TOTAL USES	23,580.3	28,532.4	26,928.4	26,235.6	-8.0
FTE					
Permanent	186.5	200.5	200.3	200.3	-0.1
Term	14.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	200.5	200.5	200.3	200.3	-0.1

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	720	824	900	925	925
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	39.5%	41.0%	56.0%	56.0%	56.0%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	97.7%	96.7%	98.0%	97.0%	98.0%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	99.1%	92.0%	98.0%	95.0%	95.0%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	3.0	2.8	3.0	5.0	3.0
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 PROGRAM

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,284.2	1,284.1	1,284.1	1,234.1	-3.9
Federal Revenues	210.4	256.1	256.1	256.1	0.0
Fund Balance	0.0	0.0	0.0	50.0	
SOURCES TOTAL	1,494.6	1,540.2	1,540.2	1,540.2	0.0
USES					
Personal Services and Employee Benefits	48.1	44.4	52.3	52.3	17.8
Contractual Services	0.0	0.0	1,480.0	1,480.0	
Other	1,445.2	1,495.8	7.9	7.9	-99.5
TOTAL USES	1,493.3	1,540.2	1,540.2	1,540.2	0.0
FTE					
Permanent	0.5	0.5	0.7	0.7	40.0
TOTAL FTE POSITIONS	0.5	0.5	0.7	0.7	40.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of independent living plans developed	779	665	800	650	750
* Output	Number of individuals served for independent living	996	1,338	1,025	1,250	1,300

DISABILITY DETERMINATION PROGRAM

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	10,708.3	17,107.5	17,197.2	17,197.2	0.5
SOURCES TOTAL	10,708.3	17,107.5	17,197.2	17,197.2	0.5
USES					
Personal Services and Employee Benefits	5,150.5	6,331.6	6,335.0	6,335.0	0.1
Contractual Services	344.4	552.4	2,139.7	2,139.7	287.3
Other	5,213.4	10,223.5	8,722.5	8,722.5	-14.7
TOTAL USES	10,708.3	17,107.5	17,197.2	17,197.2	0.5
FTE					
Permanent	90.0	96.0	96.0	96.0	0.0
Term	6.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim	95	118	100	109	100
* Quality	Percent of initial disability determinations completed accurately	95.9%	97.6%	98.0%	97.0%	98.5%

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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,323.0	1,321.0	1,410.0	1,322.9	0.1
Federal Revenues	432.6	433.8	434.4	434.4	0.1
Fund Balance	100.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	1,855.6	1,854.8	1,944.4	1,857.3	0.1
USES					
Personal Services and Employee Benefits	846.6	1,012.8	1,085.6	1,019.8	0.7
Contractual Services	280.1	330.3	353.4	333.0	0.8
Other	475.3	511.7	505.4	504.5	-1.4
TOTAL USES	1,602.0	1,854.8	1,944.4	1,857.3	0.1
FTE					
Permanent	10.0	10.0	11.0	10.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	15.0	14.0	0.0

AT A GLANCE:

The FY17 budget recommendation of \$1.86 million is flat with FY16. A finding in the agency's June 30, 2014, audit contained a "questioned cost," noting federal funds were being used to pay unnecessary lease costs for the agency's Technology Assistance Program. The recommendation assumes the agency will relocate NMTAP to state-owned facilities and reprioritized a portion of the savings to fully fund personal services and employee benefits because the commission has done well filling vacancies and meeting performance targets.

BUDGET ISSUES:

The recommendation reduces rent expense in the other costs category by \$57.8 thousand in line with a FY14 audit finding and the agency's intent to move to a state-owned building. The federal savings are applied to contractual services within the Technology Assistance Program (NMTAP), replacing general fund revenues where possible. A modest amount of the general fund savings are used to fully fund the agency's 14 FTE.

The FY17 request included and recommendation includes \$434.4 thousand in federal funds and 4 FTE for NMTAP, previously transferred from the Division of Vocational Rehabilitation. The program loans assistive technology devices to the disabled and assists with the financing for equipment purchases and home and vehicle modifications. The FY17 recommendation also includes \$221.6 thousand in general fund support requested for 1 FTE for the Brain Injury Advisory Council, previously transferred to the commission from the Developmental Disabilities Planning Council.

The recommendation fully funds GCD's request to use \$100 thousand of fund balance for the quality of life program to provide services for individuals with disabilities, including those supporting independent living functions and communication accessibility, and includes additional assistance to Native American families with disabled children. The recommendation also fully funds the requested \$150 thousand for assistive technology equipment and home modifications for persons with disabilities. Because the commission is dependent on general fund appropriations for its base programs, it should actively seek grants and other revenue sources to support its operations.

BASE EXPANSION:

The recommendation does not support the commission's request for \$71.4 thousand and 1 FTE for an architectural access specialist position to conduct site inspections and enforce accessibility code compliance.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Architectural access specialist - 1 FTE	(P698)	71.4	0.0
TOTAL			71.4	0.0

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability program is to promote policies and programs that focus on common issues faced by New Mexicans with disabilities, regardless of type of disability, age or other factors. The commission educates state administrators, legislators and the general public on the issues facing New Mexicans with disabilities, especially as they relate to Americans with Disabilities Act directives, building codes, disability technologies and disability culture so they can improve the quality of life of New Mexicans with disabilities.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017			
	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,101.3	1,099.4	1,188.4	1,101.3	0.2
Federal Revenues	432.6	433.8	434.4	434.4	0.1
Fund Balance	100.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	1,633.9	1,633.2	1,722.8	1,635.7	0.2
USES					
Personal Services and Employee Benefits	773.1	936.4	1,009.2	943.4	0.7
Contractual Services	222.8	247.3	270.4	250.0	1.1
Other	409.9	449.5	443.2	442.3	-1.6
TOTAL USES	1,405.8	1,633.2	1,722.8	1,635.7	0.2
FTE					
Permanent	9.0	9.0	10.0	9.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	14.0	13.0	0.0

PERFORMANCE MEASURES

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
* Outcome	Percent of requested architectural plan reviews and site inspections completed	79%	97%	90%	90%	90%
Output	Number of technology assistance program devices loaned statewide	116	156	116	125	125
Output	Number of technology assistance program outreach presentations, trainings and events	45	162	45	100	100
Output	Number of New Mexicans informed about disability issues and recommended systems improvements through collaborative partnerships, presentations, events and public forums	New	7,573	500	500	7,000
Outcome	Percent of constituent calls related to the Americans with Disabilities Act and services for individuals with disabilities provided with information and referral	New	99.8%	98%	98%	98%

BRAIN INJURY ADVISORY COUNCIL

The purpose of the brain injury advisory council program is to provide guidance on the use and implementation of programs provided through the human services department's brain injury services fund so the department may align service delivery with needs identified by the brain injury community.

BUDGET SUMMARY (dollars in thousands)						
FY17 - 2016-2017						
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	221.7	221.6	221.6	221.6	0.0	
SOURCES TOTAL	221.7	221.6	221.6	221.6	0.0	
USES						
Personal Services and Employee Benefits	73.5	76.4	76.4	76.4	0.0	
Contractual Services	57.3	83.0	83.0	83.0	0.0	
Other	65.4	62.2	62.2	62.2	0.0	
TOTAL USES	196.2	221.6	221.6	221.6	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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of individuals receiving education or training on brain injury issues who demonstrate increased knowledge as evidenced by pre- and post-training tests	99%	95%	98%	98%	98%

STATUTORY AUTHORITY:

The Developmental Disabilities Planning Council (DDPC) was created to comply with the federal Developmental Disabilities Assistance and Bill of Rights Act and functions as a statewide planning and advocacy agency for people with developmental disabilities (Sections 28-16A NMSA 1978). The council is composed of no fewer than 18 members and at least 60 percent of the members must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. The council includes the Office of Guardianship, responsible for providing guardianship services to individuals assigned by the judiciary as being unable to manage their financial affairs (Section 45-5-310 NMSA 1978).

MISSION:

The 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)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	5,207.8	5,396.7	5,524.0	5,396.7	0.0
Other Transfers	587.3	535.0	625.0	625.0	16.8
Federal Revenues	479.4	479.8	484.2	484.2	0.9
Fund Balance	0.0	0.0	467.3	221.3	
SOURCES TOTAL	6,274.5	6,411.5	7,100.5	6,727.2	4.9
USES					
Personal Services and Employee Benefits	927.5	1,007.6	1,137.0	1,046.6	3.9
Contractual Services	4,278.0	4,900.7	5,445.0	5,172.3	5.5
Other	466.5	503.2	518.5	508.3	1.0
TOTAL USES	5,672.0	6,411.5	7,100.5	6,727.2	4.9
FTE					
Permanent	13.0	13.0	14.0	13.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	15.0	14.0	0.0

AT A GLANCE:

The FY17 LFC recommendation fully funds personal services and employee benefits for the 14 FTE within the Developmental Disabilities Planning Council (DDPC) and transfers 1 FTE from the DDPC to the Office of Guardianship at the agency's request to better support the demanding programmatic needs of that office. The recommendation does not support the requested \$77.3 thousand and 1 FTE for a new program manager. DDPC reports it filled vacancies and made progress clearing waitlists for guardianship services; however, the number of clients receiving corporate guardianship at the end of FY15 was 924, a decrease of 189, or 17 percent, from FY14. DDPC notes it has difficulty recruiting treatment guardians due to low provider rates and requested \$544.3 thousand in fund balance to increase rates 15 percent, from \$304 per month to \$350 per month. The LFC recommendation provides about \$221 thousand in fund balance to support a 5 percent increase in rates.

BUDGET ISSUES:

The recommendation of \$6.7 million for DDPC includes \$5.4 million from general fund revenues, flat with FY16. The recommendation also supports the requested \$484 thousand in federal funds and \$550 thousand in Medicaid revenue. The Human Services Department (HSD) transfers Medicaid funds to DDPC for technical assistance and DDPC contractor and guardianship representative consultation.

The recommendation supports the transfer of 1 FTE from DDPC to the Guardianship Office as requested by the department. In FY14, the agency experienced extensive management and staff turnover. However, under a new director the agency has stabilized somewhat and currently has just one vacancy. The agency reports it is actively addressing previous audit findings and that guardianship service contracts are executed and payments are disbursed in a more timely manner.

Overall contractual services for the Guardianship Office are recommended at \$4.9 million, an increase of about 5.9 percent over FY16. This includes \$4.3 million for corporate and mental health treatment guardianship contracts, flat with FY16, and includes \$220 thousand in fund balance for a 5 percent rate increase for guardian contractors to help recruit and retain guardians. However, the agency should collect data and report how other states structure similar programs and how New Mexico compares.

Finally, the department should add additional performance measures for the Office of Guardianship and should seek sources of funding other than general fund revenue, such as additional Medicaid funds, donations, and contributions.

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 LFC, the agency doubled its lease costs. The recommendation provides the requested level of lease funding, but LFC recommends the agency move to state-owned space.

BASE EXPANSION:

The agency requested \$77.3 thousand in general fund revenue and 1 FTE for a program manager within the Office of Guardianship. The committee does not recommend this expansion at this time.

RECOMMENDED LANGUAGE:

Any unexpended balance in the office of guardianship of the developmental disabilities planning council remaining at the end of fiscal year 2017 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Guardian staff manager - 1 FTE</u>	<u>(P737)</u>	<u>77.3</u>	<u>0.0</u>
TOTAL			77.3	0.0

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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	770.8	778.0	758.7	738.2	-5.1
Other Transfers	75.0	75.0	75.0	75.0	0.0
Federal Revenues	479.4	479.8	484.2	484.2	0.9
SOURCES TOTAL	1,325.2	1,332.8	1,317.9	1,297.4	-2.7
USES					
Personal Services and Employee Benefits	550.1	627.2	611.2	590.7	-5.8
Contractual Services	318.8	285.6	286.7	286.7	0.4
Other	368.6	420.0	420.0	420.0	0.0
TOTAL USES	1,237.5	1,332.8	1,317.9	1,297.4	-2.7
FTE					
Permanent	8.0	8.0	7.0	7.0	-12.5
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	9.0	9.0	8.0	8.0	-11.1

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Output	Number of client contacts to assist on health, housing, transportation, education, child care, medicaid services and other programs	14,056	15,833	13,000	13,000	15,500
Output	Number of individuals trained on self-advocacy and disability-related issues	2,694	11,898	2,000	2,000	10,000
Output	Number of trainings conducted annually on self-advocacy and disability-related issues	77	477	130	150	400
Outcome	Percent of participants satisfied with trainings and outreach presentations as evidenced by post-evaluation	98%	96%	98%	96%	98%
Outcome	Percent of participant knowledge gained through education or training on self-advocacy and disability-related issues as evidenced by training tests	96%	80%	90%	85%	85%
Outcome	Percent increase in number of individuals with developmental disabilities and their family members receiving leadership and advocacy skill training	8%	88%	7%	50%	50%
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	3%	100%	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	2%	8%	5%	8%	8%

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)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,437.0	4,618.7	4,765.3	4,658.5	0.9
Other Transfers	512.3	460.0	550.0	550.0	19.6
Fund Balance	0.0	0.0	467.3	221.3	
SOURCES TOTAL	4,949.3	5,078.7	5,782.6	5,429.8	6.9
USES					
Personal Services and Employee Benefits	377.4	380.4	525.8	455.9	19.8
Contractual Services	3,959.2	4,615.1	5,158.3	4,885.6	5.9
Other	97.9	83.2	98.5	88.3	6.1
TOTAL USES	4,434.5	5,078.7	5,782.6	5,429.8	6.9
FTE					
Permanent	5.0	5.0	7.0	6.0	20.0
TOTAL FTE POSITIONS	5.0	5.0	7.0	6.0	20.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Quality	Percent of clients satisfied with legal resources provided by the office of guardianship, as indicated by a satisfaction survey	0%	88%	92%	90%	92%
* Outcome	Percent of protected persons properly served with the least restrictive means, as evidenced by an annual technical compliance audit	0%	No Data	98%	95%	95%
Quality	Percent of protected persons properly served by professional guardianship providers satisfied with services, as evidenced by an annual satisfaction survey	0%	No Data	90%	90%	90%

STATUTORY AUTHORITY:

Sections 23-3-1 through 23-3-3 NMSA 1978 created the Miners' Hospital of New Mexico. The Miners' Hospital of New Mexico was created by the state constitution. The hospital is an income beneficiary of the land grant permanent fund, with its enabling statute providing for the free or reduced-cost treatment and care of resident miners, while miners who have the ability to pay for their care are billed for services. The facility operates a 47-bed extended-care facility and a 33-bed acute care hospital that also provides health care to non-miners. An outreach program exclusively for miners uses a mobile van equipped to do chest x-rays, pulmonary function tests, and audiology tests. Revenues from Medicare, Medicaid, third-party payers and private patient payments also support the hospital. The hospital does not receive general fund appropriations and all revenues are nonreverting.

MISSION:

The mission of the Miners' Hospital of New Mexico, an agency of the state of New Mexico, is to be the leader in health care, providing quality acute care, long-term care, and related services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	6,040.9	6,000.0	6,000.0	6,000.0	0.0
Federal Revenues	324.0	474.6	474.6	474.6	0.0
Other Revenues	21,808.4	17,588.7	20,725.4	20,648.7	17.4
Fund Balance	2,318.3	2,226.9	0.0	346.6	-84.4
SOURCES TOTAL	30,491.6	26,290.2	27,200.0	27,469.9	4.5
USES					
Personal Services and Employee Benefits	15,431.0	16,064.9	17,000.0	17,669.9	10.0
Contractual Services	3,650.6	4,222.0	4,100.0	3,700.0	-12.4
Other	5,369.1	6,003.3	6,100.0	6,100.0	1.6
Other Financing Uses	6,040.9	0.0	0.0	0.0	
TOTAL USES	30,491.6	26,290.2	27,200.0	27,469.9	4.5
FTE					
Permanent	210.5	210.5	207.5	224.0	6.4
Term	13.5	13.5	19.3	19.3	42.6
Temporary	0.0	0.0	34.7	0.0	
TOTAL FTE POSITIONS	224.0	224.0	261.4	243.3	8.6

AT A GLANCE:

With improved physician salaries, the Miners' Hospital of New Mexico was able to hire about 13 new physicians, resulting in increased spending on physician base salaries. Some of the new physicians are expected to staff the recently opened primary rural health clinic designed to provide advanced primary care services. The clinic should result in increased third-party revenues. The increase in staff physicians will also result in reduced contract staff spending. LFC recommended reducing contract physician services. In a separate compensation package the LFC recommendation includes targeted salary increases for nurses and other direct care staff.

BUDGET ISSUES:

Hospitalist, emergency, primary care, obstetrics/gynecology, and surgery departments all hired new physicians which, in FY15, resulted in increased revenues from third-party payments for care. In FY16, appropriations were increased to more closely match expected revenue. For FY17, the LFC recommendation increased revenue from payments for care in the other revenues category by \$525.3 thousand, used \$346.6 thousand from fund balances, and increased federal revenues from the FY15 level to reflect Affordable Care Act covered patients.

Distributions from the land grant permanent fund, land maintenance fund, and one-seventh of charitable penal and reform to the miners' trust fund are projected at \$7 million, well above the requested \$6 million. Due to revenue from this source continually exceeding appropriated amounts, a fund set aside for these revenues has continued to grow. The fund grew from \$4.8 million in July 2011 to \$8.9 million in July 2013 and to \$10 million in July 2015. For FY17, the hospital's request would swap safety net care pool revenue for fund balances, which will accelerate the fund's growth.

In FY15 the hospital worked with the State Personnel Office and created alternative pay bands for physicians, allowing the hospital to improve physician recruitment considerably. The hospital continues to work with the State Personnel Office to explore options for reclassification of other positions. For example, the inability to pay market rates for nurses has forced the hospital to contract for nursing care.

FY15 budget adjustments marked a \$2.7 million, or a 21.2 percent, increase in personnel expenditures, largely attributable to physician salaries. Using a \$91.7 thousand per FTE cost, LFC projections indicate the hospital's request was inadequate to fully fund the personal services and employee benefits category and, if funded at requested levels, the hospital would request sizable budget adjustments in FY17. With the increase in staff physicians the hospital should see a decrease in spending on contracted physicians.

The FY17 LFC recommendation for contractual services is \$400 thousand less than requested but more in line with FY15 actual expenditures. To reduce reliance on budget adjustments, LFC recommended spending more on personnel costs than the amount requested and sets the recommended FTE level at 243.3.

With a 25 percent turnover rate and elevated vacancy rates, the LFC recommendation in a separate compensation package, includes targeted salary increases for nurses and other direct care staff. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies and is contingent on consensus revenue estimates achieving targeted levels and adequate general fund reserve levels.

Performance. Hospital administration recruited surgeons and other healthcare professionals to provide needed care and maximize use of the facilities. However, censuses of the nursing home and residential shelter care homes have been declining over the last two years. The long-term care facility's occupancy rate was 70 percent in FY14 and dropped to 68 percent in FY15. The hospital's infection rate has also been increasing from below 1 percent in FY13 to 5.4 percent in FY15. Additionally, the percent of patients readmitted to the hospital within 30 days with the same or similar diagnosis increased from 0.04 percent to 7 percent between FY14 and FY15. Medicare may choose not to reimburse for care when patients are readmitted for the same issue within 30 days. However, the gross number of days of accounts receivable dropped from 138 days in FY14 to 72 days in FY15.

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 received reauthorization to build a behavioral health clinic instead. The project has not moved forward and the agency has yet to provide a solid plan for the facility.

As of October 2015, the medical center's FY14 audit had yet to be released and the hospital is on the state auditor's "at risk list" for agencies failing to comply with the Audit Act. The hospital recently hired consultants to help get financial statements back in order and there should be a final report by December 2015.

Additionally, to correct prior-year accounting errors, the Department of Finance and Administration instructed agencies to no longer apply generally accepted accounting principle adjustments for funds being transferred into operating budgets, which explains the difference between FY15 actual expenditure amounts and budgeted amounts in the other financing uses category.

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
	Outcome	Percent of budgeted revenue collected	95%	89%	100%	100%
*	Outcome	Annual percent of healthcare-associated infections	1.9%	5.4%	<1.5%	<1.5%
	Outcome	Average patient length of stay, in days, for the acute care facility	2.8	2.9	3.0	3.0
*	Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	6.0%	2.2%	<5.0%	<5.0%
	Output	Number of outpatient visits	9,337	9,553	13,000	13,000
	Output	Number of visits to the outreach clinic	266	325	350	350
	Output	Number of surgeries performed	1,196	815	1,300	850
	Outcome	Percent of occupancy at nursing home based on licensed beds	70%	68%	85%	70%
	Efficiency	Gross number of days in accounts receivable	138	72	50	50
*	Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	0.04%	7.0%	<5.0%	<5.0%
	Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes	19%	12%	<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	0.01%	3.0%	<1.0%	<1.0%
	Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated	88.4%	85.7%	≥80.0%	≥80.0%
	Quality	Rate of medication errors per one thousand medications administered	0.01%	0.07%	≤2.0%	≤2.0%
	Outcome	Percent of patients who return to mobile outreach clinic every three years to evaluate the progression of their pulmonary disease disability	30%	25%	50%	50%
	Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds	20%	10%	85%	25%
*	Output	Percent occupancy in acute care facility based on number of licensed beds	23%	25%	40%	35%

STATUTORY AUTHORITY:

The Department of Health (DOH) was created by Sections 9-1-7 through 9-7-15 NMSA 1978 to serve the citizens of New Mexico through programs designed to prevent disease and disability, promote health, and prevent or treat problems of mental health, substance abuse, developmental disabilities, and chronic disease. The agency licenses health and long-term care facilities and operates seven treatment centers, the state scientific laboratory, and public health offices in all counties. The department currently has eight programs: Public Health; Epidemiology and Response; Laboratory Services; Facilities Management; Developmental Disabilities Support; Health Certification, Licensing and Oversight; Administration; and Medical Cannabis.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Veterans' Home in Truth or Consequences, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY17 – 2016-2017</u>				
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	311,980.7	305,331.4	312,185.2	299,006.6	-2.1
Other Transfers	25,730.1	29,180.7	31,646.4	31,367.1	7.5
Federal Revenues	88,397.2	101,678.9	102,265.6	102,265.6	0.6
Other Revenues	113,522.7	115,896.6	122,236.0	123,422.4	6.5
Fund Balance	388.4	0.0	1,113.2	1,113.2	
SOURCES TOTAL	540,019.1	552,087.6	569,446.4	557,174.9	0.9
USES					
Personal Services and Employee Benefits	212,286.4	209,387.3	220,361.5	214,057.9	2.2
Contractual Services	80,359.6	86,603.1	93,571.3	89,486.4	3.3
Other	137,723.4	143,880.9	141,697.3	140,697.3	-2.2
Other Financing Uses	105,172.7	112,216.3	113,816.3	112,933.3	0.6
TOTAL USES	535,542.1	552,087.6	569,446.4	557,174.9	0.9
FTE					
Permanent	2,784.0	2,785.0	2,807.0	2,796.0	0.4
Term	977.5	975.5	983.5	983.5	0.8
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	3,776.5	3,775.5	3,805.5	3,794.5	0.5

AT A GLANCE:

Unsustainable staffing, litigation, unfunded mandates, poor health outcomes statewide, and long waiting lists for critical services all justify attention from the Department of Health (DOH), the Legislature, and the state. But, pragmatic appraisal of funding now and in the future requires consideration of the changing healthcare landscape due to the Affordable Care Act, Centennial Care, and Medicaid expansion. In the Public Health Program (PHP) and the Facilities Management Program (FMP), the department's request assumed increased patient revenue related to Medicaid expansion but was largely offset by increases to fully fund filled positions and for direct care staffing services. The department also requested increases for the trauma system fund, slots in the Medicaid waiver program for the developmentally disabled (DD waiver), and vital health records and statistics staff. Expansions were requested in the Medical Cannabis Program and to cover staffing for newly mandated surveys in the Health, Certification, Licensing, and Oversight Program.

The \$299 million LFC recommendation for general fund revenue, in accordance with LFC appropriation recommendation guidelines, prioritizes public health, maximizes the use of all funding sources, and aligns salaries for job classifications significantly below market averages. The LFC recommendation increases the use of patient revenue from Medicaid and other sources, adds about 80 DD waiver slots, and funds many of the department's filled positions. In general, the LFC recommendation funds the request for personal services and employee benefits but recommends General Services Department rate reductions, which are a pass-through. LFC also recommends funding for targeted compensation increases for nurses and other healthcare workers to reduce the department's reliance on costly contract staff.

BUDGET ISSUES:

For FY17, the total revenue request was \$569.4 million, a 3.1 percent increase over the FY16 operating budget, and increased revenue from the general fund to \$312.2 million, or 2.2 percent from FY16 levels. The department requested \$16.4 million in supplemental appropriations for FY16, \$5.7 million in special appropriations for FY16 and FY17, and \$10 million for eight IT projects. Additionally, the department requested language limiting reversions to the general fund – effectively reducing general fund revenues at a time when revenues to the general fund are expected to slow.

Direct Care Staff. During the 2015 special legislative session, the Department of Health received a \$4 million supplemental appropriation due to a shortfall in the Facilities Management Program. Although much of the supplemental appropriation was reverted, the shortfall was related to poor direct-care staff recruitment and retention and an increased reliance on contract staff. Contract staff spending more than doubled between FY12 and FY15 while personnel costs continued to climb by about \$8.3 million during the same period. Despite an inability to recruit and retain nurses, medical technicians, and other direct care staff, the department did not request salary increases. For FY16, the Legislature included appropriations to increase salaries for these specialties by 3 percent, but the governor vetoed the language. Due to heavy reliance on costly staffing contracts, many vacancies among direct care staff, uncompetitive salaries, 25 percent turnover rates, and 21 percent vacancy rates, the LFC recommendation includes funding for targeted salary increases for nurses, medical technicians, and other direct care staff. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies and is contingent on consensus revenue estimates achieving targeted levels and adequate reserve levels.

Public Health. The LFC's general fund recommendation for the Public Health Program is \$4 million, or 6.4 percent below the FY16 operating budget, with much of the general fund amounts replaced by improved patient revenue and improved clinic finances. The LFC recommendation also adds \$459.6 thousand for 3 percent direct care staff salary increases and applies General Services Department rate adjustments. With implementation of the Affordable Care Act, the urgent need to subsidize certain health initiatives may be decreasing.

In October 2015, LFC published the evaluation "Opportunities to Leverage Federal Medicaid Funds" and the Health Notes report on "Uncompensated Care in New Mexico After the Affordable Care Act." Staff noted there are many newly insured individuals in the state, reducing some of the demand on safety-net services and improving the financial picture of many health providers in the state.

Rural and Primary Health Care Act. The department's request to contract with federally qualified health centers (FQHC) in compliance with the Rural and Primary Health Care Act (RPHCA) increased to \$15.3 million, or 8.5 percent, over the FY16 operating budget. Under Section 24-1A-4 NMSA 1978 the department is required to take into account the relative needs of applicants for RPHCA assistance. Available evidence points to improved revenue for many RPHCA clinics, raising the question of whether increased and sustained investment in this initiative is needed. As pointed out in the October LFC Health Notes, the FQHC payer patient mix has changed dramatically, with Medicaid billed charges increasing from FY13 to FY14 by nearly 58 percent and uninsured and self pay charges decreasing by 17 percent.

Additionally, in FY14, the federal Health Resources and Services Administration awarded \$82.8 million in grants to New Mexico's 16 FQHCs and \$78.4 million in FY15 to fund the operation, expansion, and construction of these health centers. A review of FY14 audits for FQHCs determined net assets increased \$10.3 million between FY13 and FY14, after Medicaid expanded in the middle of FY14. According to the New Mexico Primary Care Association, FQHCs took in \$127.4 million in patient revenues and \$100.7 million in federal state and local grants.

Given the improved FQHC outlook, the FY17 LFC recommendation reduces appropriations for the Public Health Program by \$1.8 million in the contractual services category for RPHCA clinics.

Increased Patient Revenue. Like FQHCs, public health offices are experiencing reductions in uncompensated care as the patient and payer mix changes. Public Health Program Medicaid revenues doubled from \$1.4 million in FY14 to \$2.8 million in FY15. For visits for family planning, sexually transmitted disease, tuberculosis, refugee health, and cervical cancer, the estimated number of self-pay clients decreased by 17 percent and Medicaid clients increased by 30 percent between FY13 and FY15. It is likely many clients previously in the self-pay group are eligible for Medicaid in the wake of Medicaid expansion and the implementation of Centennial Care. About 36 percent of these clients could be attributed to Medicaid in FY15. This compares with statewide enrollment of 39 percent in July of 2015 and a projected enrollment rate of 42 percent by the end of FY16.

Additionally, the October 2015 LFC evaluation on leveraging Medicaid found improved billing for self-pay clients for certain services could further reduce the need for general fund revenue. Assuming 42 percent of New Mexicans, and by extension those currently classified as self-pay clients, enroll in Medicaid by FY17, as much as \$3.5 million could be saved. Additional savings from billing private health insurers could also be realized.

The department's FY17 budget request assumes \$1.8 million, or a 12.1 percent, increase in patient revenue over the FY16 operating budget, offsetting some general fund revenue. The department's estimate for additional patient revenue is modest. The LFC recommendation, if adopted by the Legislature, would require the department to improve third-party patient revenue collection through billing and other mechanisms and assumes \$2.5 million, or a 17 percent, increase in patient revenue.

Vaccine Purchasing Act. During the 2015 session, the Legislature passed the Vaccine Purchasing Act, requiring health insurers and group health plans to reimburse the state for the costs of vaccines purchased by the state for insured children. Under the act, DOH is required to bill each plan for the immunization costs of insured children. In the past, DOH provided no-cost vaccinations to most children in the state and most health insurers and plans participated in the program by automatically paying for their share of the cost of vaccines. Creating impetus for the act, some of the insurers and plans did not pay their share.

In the first quarter of FY16, the department billed insurers and plans about \$5 million and expects to bill for about \$20 million by the end of the fiscal year. Additionally, the department submitted a budget adjustment request to increase amounts in the vaccine purchasing fund by \$4 million. Implementation of the act has been prompt, but according to a letter sent from the Legislative Health and Human Services Committee to the department, insurers and plans are complaining that bills are arriving without explanation as to why the entity is being billed and that the bills often contain erroneous calculations of the amount for vaccines.

The department requested a \$3 million supplemental appropriation for a projected shortfall related to the Vaccine Purchasing Act. The department's need to purchase a large amount of vaccines at the beginning of the year, and a slow disbursement and reimbursement process throughout the remainder of the year, created cash-flow problems. The Department of Finance and Administration may be able to accelerate general fund disbursements for the remainder of the year, negating much of the need for the supplemental appropriation.

Tobacco. With a projected \$3.1 million decrease in statewide tobacco settlement revenue, the LFC recommendation reduces allocations to tobacco cessation and control and the diabetes prevention and control initiatives by a total of \$279.3 thousand. As the October 2015 LFC evaluation pointed out, the department may be able to leverage more Medicaid funding for these programs because some of the services are reimbursable under Medicaid.

Epidemiology and Laboratory Services. The Epidemiology and Response Program request would have increased revenue from the general fund by 10.3 percent to supply public health offices with vital health records staff and increased the trauma system fund by \$1 million with supplemental appropriation requests for the same purposes. LFC recommends \$250 thousand for vital health records staff in public health offices and recognizes the need to improve health data collection quality. The recommendation also leaves the trauma system fund flat due to improved revenue at healthcare facilities statewide related to the Affordable Care Act.

The Laboratory Services Program request would decrease revenue from the general fund by \$84.6 thousand and would move 1 IT FTE to Program Support. The LFC recommendation supports the request but applies a General Services Department (GSD) rate adjustment.

Healthcare Facilities. The Facilities Management Program request for general fund revenue was \$1.8 million, or about 3 percent, over the FY16 operating budget. The department's request included an increase of \$3.4 million to fund filled positions and \$2 million to add contract staff. The request would also have increased new patient revenue by \$3.3 million, offsetting general fund and would have transferred IT personnel to program support. The LFC recommendation applies a \$2.6 million GSD rate adjustment, increases patient revenue by \$3.3 million, and increases land income revenue by \$717 thousand. The LFC recommendation also provides a 3 percent salary adjustment for direct care staff at a cost of \$1.5 million.

The program requested \$2 million to increase contract staffing within the facilities. As noted above, contract staffing is more expensive than staffing the facilities with state employees and other alternatives are less expensive. One alternative approach would be to increase salaries to improve recruitment and retention within the facilities. Another alternative would be to end the department's direct contracts with staffing agencies and begin contracting through a staffing clearinghouse, allowing for a more competitive bidding process. LFC does not recommend increasing allocations for contract staff and recommends the department consider alternatives to current costly staff contracting.

There are opportunities to increase revenue in DOH-operated facilities. Social detoxification, provided in DOH chemical dependency units, is not covered by Medicaid or other insurers; however, insurers will cover short-term medical detoxification and intensive outpatient treatment – both effective alternatives to costly long-term inpatient chemical dependency services. The three existing DOH chemical dependency units actively recruit patients even though these services are the least likely to generate revenue. Focusing recruitment on funded services would better serve the department's financial needs. Additionally, as discussed in the January evaluation, the department should explore whether it would be possible to receive reimbursements from Medicaid for individual counseling services offered as a part of existing services.

Recently the New Mexico Rehabilitation Center (NMRC) opened a chemical dependency intensive outpatient program (IOP) and the department will open another at Turquoise Lodge Hospital (TLH). It also started the process to open an IOP at Fort Bayard Medical Center (FBMC). NMRC is planning to open a second IOP in the evening to accommodate working patients. The planned IOP at Turquoise Lodge will be housed in the Metropolitan Observation Treatment area and will require minor changes to the space to accommodate the new program. IOP treatment is Medicaid reimbursable and allows the department to increase revenue and service.

Additionally, at NMRC the chemical dependency unit historically could not bill Medicaid, but with structural changes allowing the chemical dependency unit to attain new licensure, the unit may soon be able to bill Medicaid. The facility's new IOPs may create an avenue by which the state can bill Medicaid for chemical dependency unit treatment if patients in IOP are not amenable to outpatient treatment.

These changes and others allowed the department to assume a \$3.3 million increase in patient revenue. As discussed earlier, the amount of uncompensated care should decrease in the facilities due to a changed patient payer mix.

Services for People with Developmental Disabilities. The Developmental Disabilities (DD) Support Program request would have increased revenue from the general fund by about \$1.6 million, or 1.1 percent, over the FY16 operating budget, adding about 80 slots to the DD Medicaid waiver program. With over 6,000 individuals on the DD waiver waiting list, the LFC recommendation supports the department's request for the additional DD waiver slots. Also, with the federal medical assistance percentage changing from 70.15 percent in FY16 to 70.4 percent in FY17, DOH will realize additional federal revenue and can save about \$883 thousand in general fund revenue.

The program also requested a combined \$17.2 million of special and supplemental appropriations for disengagement from the Jackson lawsuit regarding care for the developmentally disabled and to settle litigation related to the department's use of the supports intensity scale assessment tool also known as the Waldrop lawsuit. The LFC did not recommend appropriations for Jackson lawsuit disengagement due to the pending motion to dismiss the lawsuit and a lengthy appeals process. However, LFC did recommend \$12.9 million to settle the Waldrop lawsuit. The recommended amounts will fund 7.5 term FTE for financial operations; program management for outside review and outreach; regional liaison support to individuals and providers; training for regional staff, case managers, and providers; and conferences for the agency. Settlement mandates are expected to increase client service levels, improve program infrastructure, and provide technical assistance to service providers to improve service delivery systems to clients.

The department may owe \$2.2 million to the federal government because of questionable implementation of provider rates. The DD waiver program in FY15 received \$1 million to implement provider rate increases. The increases were not implemented at the beginning of the fiscal year but occurred in the October and November time period, when changes were approved on New Mexico's Medicaid waiver application. Compensating providers, the department made the rate increases retroactive to the beginning of the fiscal year. According to the department, federal Medicaid authorities disapproved the retroactive rate increases and will require the state to refund \$2.2 million. At the end of FY15 the developmental disabilities support program carried approximately \$3.7 million in balances and with non reverting language, the balances would have been carried over from FY15 into FY16. LFC staff encouraged the department to exhaust all options before sending the money back to the federal government.

Health Safety, Oversight, and Administration. Through several new laws, changed federal requirements, and an expansion of licensed healthcare facilities statewide, the Health, Certification, Licensure, and Oversight Program will be expanding the type and number of surveys it performs for provider licensure. The LFC recommendation for the program will fund filled positions, implement GSD rate adjustments, increase the usage of other revenue sources, and partially fund the program's expansion request for newly mandated surveys. The recommendation for the program would increase revenue from the general fund by \$456.2 thousand, or 9.8 percent.

DOH is statutorily mandated to administer a program for regulating and ensuring access to medical cannabis for persons suffering from certain health conditions. For FY17, the program requested and the LFC is recommending an expansion of \$311.6 thousand and 8 FTE from revenue generated from producer and client fees.

The department requested to move IT functions with \$1.7 million and 22 FTE from various programs to Program Support and also requested a \$596 thousand increase for personnel costs. The LFC recommendation supports efforts to reduce duplication by centralizing IT functions within the department but does not support increasing personnel costs. The department's FY14 audit had six prior-year audit findings dating back to FY10 and six current-year audit findings. Audit findings included untimely reversions to the general fund, network access not terminated timely, gas card control, and payroll approved pay-rate issues. The audit report also found the department has not consistently followed its established policies and procedures related to the write-off of accounts receivable.

The quarterly LFC million or greater report on capital outlay indicated that the department has \$54 million in current projects with about \$37.1 million in outstanding capital outlay balances. Of these projects, all were given a green rating with the exception of two that are behind schedule on the plan and design phases. Of the outstanding balances, \$17.9 million was allocated for phase three of the Meadows skilled nursing facility at the Behavioral Health Institute in Las Vegas. Of that amount, only \$177.1 thousand has been spent for site prep and the request for proposals has been issued for construction.

BASE EXPANSION:

The department requested a \$1.9 million base expansion and 22 FTE for the Health Certification Licensing and Oversight program due to an increase in the number of mandated surveys it carries out. Annually, newly created crisis triage and intervention centers will require about 65 surveys, freestanding birth centers will require 16 surveys, assisted living facilities will require 120 surveys, and home health and hospice providers will require 18 surveys. The LFC recommendation for the expansion will increase general fund revenue by about \$1.2 million.

The department also requested an expansion for the Medical Cannabis Program for 8 FTE and \$311.6 thousand from producer and client fees. Current patient enrollment is over 16 thousand with almost 4,000 new patients since January 2015. The LFC recommendation supports the expansion request.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million four hundred thirty-five thousand two hundred dollars (\$5,435,200) from tobacco settlement program fund for smoking cessation and prevention programs, seven hundred fifteen thousand five hundred dollars (\$715,500) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-eight thousand six hundred dollars (\$128,600) from the tobacco settlement program fund for breast and cervical cancer screening.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
2	Licensing and oversight staff - 22 FTE	(P008)	1,929.0	1,208.2
1	Medical cannabis staff - 8 FTE	(P787)	311.6	311.6
TOTAL			2,240.6	1,519.8

PUBLIC HEALTH

The purpose of the public health program is to provide a coordinated system of community-based public health services focusing on disease prevention and health promotion to improve health status, reduce disparities and ensure timely access to quality, culturally competent health care.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	65,307.6	63,889.6	62,613.1	59,347.3	-7.1
Other Transfers	11,944.2	13,148.5	16,869.6	16,590.3	26.2
Federal Revenues	63,330.0	72,826.1	72,586.9	72,586.9	-0.3
Other Revenues	30,323.5	31,377.5	33,411.1	34,079.2	8.6
Fund Balance	0.0	0.0	1,113.2	1,113.2	
SOURCES TOTAL	170,905.3	181,241.7	186,593.9	183,716.9	1.4
USES					
Personal Services and Employee Benefits	52,147.8	52,203.9	54,050.7	53,222.0	2.0
Contractual Services	43,465.7	48,709.7	54,438.6	52,390.3	7.6
Other	73,557.2	79,846.5	77,623.0	77,623.0	-2.8
Other Financing Uses	480.3	481.6	481.6	481.6	0.0
TOTAL USES	169,651.0	181,241.7	186,593.9	183,716.9	1.4
FTE					
Permanent	318.5	316.5	303.5	303.5	-4.1
Term	581.5	575.5	564.5	564.5	-1.9
TOTAL FTE POSITIONS	900.0	892.0	868.0	868.0	-2.7

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Quality	Percent of quit now enrollees who successfully quit using tobacco at seven-month follow-up	32%	31%	33%	33%	33%
Outcome	Percent of adolescents who smoke	New	New	New	13.5%	13.5%
Outcome	Percent of women infants children recipients who initiate breastfeeding	New	New	85%	83%	83%
Output	Number of teens ages fifteen to seventeen receiving family planning services in clinics funded by the department of health	New	New	2,900	3,616	3,616
Quality	Percent of female clients ages fifteen to seventeen years seen in department of health public health offices who are given effective contraceptives	New	New	66%	62%	62%
* Outcome	Percent of third grade children who are considered obese	New	New	New	17.1%	17.1%
Outcome	Percent of adults who are considered obese	New	New	New	25.4%	25.4%
Outcome	Percent of adults who smoke	New	New	New	18.5%	18.5%
* Outcome	Diabetes hospitalization rate per one hundred thousand population	New	New	New	177	177

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Births to teens ages fifteen to nineteen per one thousand females ages fifteen to nineteen	New	New	New	25.5	25.5
* Output	Percent of preschoolers, ages nineteen to thirty-five months, fully immunized	72%	76%	85%	80%	85%
Quality	Percent of students using school-based health centers who receive a comprehensive well exam	New	34%	38%	38%	38%
Outcome	Percent of teens who report not being pregnant, or being responsible for getting someone pregnant, after completing a pregnancy prevention program	New	100%	100%	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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	8,517.0	13,877.8	15,306.1	13,840.1	-0.3
Other Transfers	523.2	649.4	545.5	545.5	-16.0
Federal Revenues	10,690.5	13,322.5	14,132.7	14,132.7	6.1
Other Revenues	1,389.4	1,289.6	1,291.1	1,291.1	0.1
Fund Balance	250.0	0.0	0.0	0.0	
SOURCES TOTAL	21,370.1	29,139.3	31,275.4	29,809.4	2.3
USES					
Personal Services and Employee Benefits	11,751.7	12,810.7	13,974.9	13,508.9	5.5
Contractual Services	3,300.8	7,620.1	7,587.0	7,587.0	-0.4
Other	5,882.5	8,708.5	9,713.5	8,713.5	0.1
TOTAL USES	20,935.0	29,139.3	31,275.4	29,809.4	2.3
FTE					
Permanent	48.0	57.0	57.0	57.0	0.0
Term	129.0	126.0	123.0	123.0	-2.4
TOTAL FTE POSITIONS	177.0	183.0	180.0	180.0	-1.6

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of hospitals reporting bed availability in the healthcare emergency preparedness bed reporting system within four hours of request	New	82.0%	75.0%	75.0%	75.0%
* Outcome	Percent of vital records customers satisfied with the service they received	New	97.6%	85.0%	90.0%	99.0%
Outcome	Ratio of infant pertussis rate to total pertussis rate	New	1:12	1:15	4.4	4.4
Outcome	Number of naloxone kits provided in conjunction with prescription opioids	New	New	500	1,000	1,000
Quality	Percent of emergency departments reporting visits to New Mexico department of health through e-reporting	New	New	New	80%	80%
Output	Percent of New Mexico population served by methods other than open points of dispensing for antibiotics or vaccinations or both in the event of a public health emergency	New	New	New	10%	10%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Quality	Percent of New Mexico hospitals certified for stroke care	New	New	New	14.0%	14.0%
Quality	Percent of New Mexico hospitals certified for segment elevation myocardial infarction care	New	New	New	4.6%	4.6%
Outcome	Drug overdose death rate per one hundred thousand population	New	New	New	25.9	25.9
Outcome	Alcohol-related death rate per one hundred thousand population	New	New	New	58.5	58.5
Outcome	Fall-related death rate per one hundred thousand adults age sixty-five years or older	New	New	New	96.1	96.1
Outcome	Cardiovascular disease death rate per one hundred thousand population	New	New	New	108.1	108.1
Outcome	Sexual assault rate per one hundred thousand population	New	New	New	475	475
Outcome	Suicide rate per one hundred thousand population	New	New	New	20.7	20.7
Outcome	Invasive pneumococcal disease rate per one hundred thousand population	New	New	New	15	15
Outcome	Pneumonia and influenza death rate per one hundred thousand population	New	New	New	15	15

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	8,482.5	8,466.0	8,381.4	8,208.6	-3.0
Other Transfers	0.0	88.3	96.3	96.3	9.1
Federal Revenues	2,227.1	2,135.4	2,368.0	2,368.0	10.9
Other Revenues	2,367.4	2,439.2	2,440.3	2,440.3	0.0
SOURCES TOTAL	13,077.0	13,128.9	13,286.0	13,113.2	-0.1
USES					
Personal Services and Employee Benefits	8,297.1	8,152.1	8,146.7	7,973.9	-2.2
Contractual Services	229.0	212.9	244.1	244.1	14.7
Other	4,580.0	4,763.9	4,895.2	4,895.2	2.8
TOTAL USES	13,106.1	13,128.9	13,286.0	13,113.2	-0.1
FTE					
Permanent	87.0	87.0	86.0	86.0	-1.1
Term	49.0	48.0	48.0	48.0	0.0
TOTAL FTE POSITIONS	136.0	135.0	134.0	134.0	-0.7

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen calendar days	New	94%	90%	90%	90%
Efficiency	Percent of office of medical investigator cause-of-death toxicology cases completed and reported to the office of medical investigator within sixty calendar days	New	78%	90%	90%	90%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Percent of public health threat samples for communicable diseases and other threatening illnesses completed and reported to the submitting agency within published turnaround times	New	95%	95%	95%	95%
Efficiency	Percent of environmental samples for chemical contamination completed and reported to the submitting agency within sixty business days	New	93%	90%	90%	90%

FACILITIES MANAGEMENT

The purpose of the facilities management program is to provide oversight for department of health facilities that provide health and behavioral healthcare services, including mental health, substance abuse, nursing home and rehabilitation programs in both facility- and community-based settings, and serve as the safety net for the citizens of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	63,722.1	59,590.2	61,382.0	56,266.3	-5.6
Other Transfers	716.0	714.0	714.0	714.0	0.0
Other Revenues	75,274.9	76,394.4	80,042.8	80,561.1	5.5
SOURCES TOTAL	139,713.0	136,698.6	142,138.8	137,541.4	0.6
USES					
Personal Services and Employee Benefits	106,865.4	103,056.3	106,269.5	103,708.7	0.6
Contractual Services	13,450.0	10,679.0	12,715.6	10,679.0	0.0
Other	23,531.2	22,963.3	23,153.7	23,153.7	0.8
TOTAL USES	143,846.6	136,698.6	142,138.8	137,541.4	0.6
FTE					
Permanent	2,067.5	2,050.5	2,043.5	2,043.5	-0.3
Term	5.0	5.0	5.0	5.0	0.0
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	2,087.5	2,070.5	2,063.5	2,063.5	-0.3

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Efficiency	Percent of eligible third-party revenue collected at all agency facilities	91%	88%	91%	90%	92%
* Outcome	Number of falls resulting in major injury per one thousand long-term care patient days	New	0.2	3.3	8.0	0.5
Efficiency	Percent of available beds occupied	New	New	New	60%	60%
* Efficiency	Vacancy rate for direct care positions	New	New	New	10%	10%
Quality	Number of therapeutic hold restraint events in sequoyah adolescent treatment center	New	New	New	210	200
Quality	Average duration per therapeutic hold restraint in sequoyah adolescent treatment center, in minutes	New	New	New	10	10

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)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	148,908.0	149,203.6	150,793.3	149,630.2	0.3
Other Transfers	8,246.8	10,200.0	8,845.0	8,845.0	-13.3
Federal Revenues	2,751.0	2,819.2	2,819.2	2,819.2	0.0
Other Revenues	1,310.3	1,200.0	1,600.0	1,600.0	33.3
SOURCES TOTAL	161,216.1	163,422.8	164,057.5	162,894.4	-0.3
USES					
Personal Services and Employee Benefits	12,054.0	12,050.4	12,040.1	11,760.0	-2.4
Contractual Services	15,262.2	16,586.6	16,081.6	16,081.6	-3.0
Other	23,394.2	23,051.1	22,601.1	22,601.1	-2.0
Other Financing Uses	104,692.4	111,734.7	113,334.7	112,451.7	0.6
TOTAL USES	155,402.8	163,422.8	164,057.5	162,894.4	-0.3
FTE					
Permanent	84.0	86.0	90.0	90.0	4.7
Term	97.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	181.0	183.0	187.0	187.0	2.2

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Efficiency	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	75%	91%	93%	95%	93%
* Explanatory	Number of individuals receiving developmental disabilities waiver services	4,403	4,610	4,000	4,500	4,700
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	6,133	6,365	6,330	6,200	6,000
* Outcome	Percent of adults receiving community inclusion services through the developmental disabilities waiver who receive employment services	New	New	33%	33%	33%
Quality	Percent of children served through the family infant toddler program who receive all early intervention services on their Individualized family service plan with thirty days	New	New	97.0%	98.3%	98.3%

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)

	<u>FY17 - 2016-2017</u>				
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	4,676.5	4,668.0	6,411.5	5,226.7	12.0
Other Transfers	3,517.1	3,813.5	4,163.1	4,163.1	9.2
Federal Revenues	2,368.4	2,645.3	2,517.0	2,517.0	-4.9
Other Revenues	1,990.8	1,708.1	1,937.5	1,937.5	13.4
SOURCES TOTAL	12,552.8	12,834.9	15,029.1	13,844.3	7.9
USES					
Personal Services and Employee Benefits	9,642.2	9,756.7	11,756.2	10,571.4	8.4
Contractual Services	412.9	1,062.6	1,379.6	1,379.6	29.8
Other	1,506.9	2,015.6	1,893.3	1,893.3	-6.1
TOTAL USES	11,562.0	12,834.9	15,029.1	13,844.3	7.9
FTE					
Permanent	50.0	54.0	82.0	71.0	31.5
Term	104.0	108.0	111.0	111.0	2.8
TOTAL FTE POSITIONS	154.0	162.0	193.0	182.0	12.3

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
* Outcome	Abuse rate for developmental disability waiver and mi via waiver clients	New	New	New	11.7%	5.0%
* Outcome	Re-abuse rate for developmental disabilities waiver and mi via waiver clients	New	New	New	16.0%	5.0%
Quality	Percent provider implementation of services identified in the developmental disabilities waiver consumer's annual budget	New	New	New	75%	75%
Quality	Number of licensing and certification complaints	New	New	New	6,915	6,915
Efficiency	Percent of licensing and certification complaints resulting in investigations or surveys	New	New	New	1.5%	1.5%
Efficiency	Percent of substantial licensing and certification complaint investigations	New	New	New	70%	70%
Output	Percent of New Mexico nursing home population who have received or who have been screened for influenza immunizations	New	New	New	92%	92%
Output	Percent of New Mexico nursing home population who have received or who have been screened for pneumococcal immunizations	New	New	New	95%	95%
Quality	Percent of long-stay nursing home residents who are receiving psychoactive drugs but do not have evidence of psychotic or related conditions	New	New	New	15%	15%
Quality	Percent of community-based program staff who have completed mandatory core competency training	New	New	New	90%	90%
Quality	Percent of community-based program staff who have received criminal background checks	New	New	New	95%	95%
Quality	Percent of community-based program staff who have received consolidated online registry background checks	New	New	New	95%	95%
Quality	Percent of assisted living facilities who employ one or more direct care staff who have not received background checks	New	New	New	50%	50%

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 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	855.4	1,425.2	1,513.2	1,513.2	6.2
SOURCES TOTAL	855.4	1,425.2	1,513.2	1,513.2	6.2
USES					
Personal Services and Employee Benefits	598.6	606.1	1,114.7	1,114.7	83.9
Contractual Services	88.7	242.9	147.9	147.9	-39.1
Other	66.8	576.2	250.6	250.6	-56.5
TOTAL USES	754.1	1,425.2	1,513.2	1,513.2	6.2
FTE					
Term	7.0	7.0	15.0	15.0	114.3
TOTAL FTE POSITIONS	7.0	7.0	15.0	15.0	114.3

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Quality	Percent of complete medical cannabis client applications approved or denied within thirty calendar days of receipt	New	90%	95%	98%	98%
Efficiency	Percent of registry identification cards issued within five business days of application approval	New	New	New	85%	85%

ADMINISTRATION

The purpose of the administration program is to provide leadership, policy development, information technology, administrative and legal support to the department of health so it achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,367.0	5,636.2	7,297.8	6,487.4	15.1
Other Transfers	782.8	567.0	412.9	412.9	-27.2
Federal Revenues	7,030.2	7,930.4	7,841.8	7,841.8	-1.1
Other Revenues	11.0	62.6	0.0	0.0	-100.0
Fund Balance	138.4	0.0	0.0	0.0	
SOURCES TOTAL	20,329.4	14,196.2	15,552.5	14,742.1	3.8
USES					
Personal Services and Employee Benefits	10,929.6	10,751.1	13,008.7	12,198.3	13.5
Contractual Services	4,150.3	1,489.3	976.9	976.9	-34.4
Other	5,204.6	1,955.8	1,566.9	1,566.9	-19.9
TOTAL USES	20,284.5	14,196.2	15,552.5	14,742.1	3.8
FTE					
Permanent	129.0	134.0	145.0	145.0	8.2
Term	5.0	9.0	20.0	20.0	122.2
TOTAL FTE POSITIONS	134.0	143.0	165.0	165.0	15.4

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)

			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	12,757.8	13,235.3	14,443.3	13,635.3	3.0
Other Transfers	33,114.1	32,237.6	39,006.2	39,006.2	21.0
Federal Revenues	21,255.5	25,651.9	20,612.5	20,612.5	-19.6
Other Revenues	35,098.9	39,082.4	41,279.6	41,279.6	5.6
Fund Balance	6,482.0	11,901.4	13,035.4	13,035.4	9.5
SOURCES TOTAL	108,708.3	122,108.6	128,377.0	127,569.0	4.5
USES					
Personal Services and Employee Benefits	44,423.1	49,658.3	51,840.7	51,032.7	2.8
Contractual Services	8,026.1	17,301.7	17,226.6	17,226.6	-0.4
Other	19,874.2	23,365.7	25,041.4	25,041.4	7.2
Other Financing Uses	27,281.4	31,782.9	34,268.3	34,268.3	7.8
TOTAL USES	99,604.8	122,108.6	128,377.0	127,569.0	4.5
FTE					
Permanent	297.0	297.0	295.5	295.5	-0.5
Term	363.5	363.5	361.0	361.0	-0.7
TOTAL FTE POSITIONS	660.5	660.5	656.5	656.5	-0.6

AT A GLANCE:

NMED underwent an internal reorganization in FY16 which is reflected in both the agency's FY17 appropriation request and the FY16 operating budget but is not reflected in FY15 actual expenditures. The new Water Protection Program includes the Construction Programs Bureau, the Drinking Water Bureau, and the Groundwater and Surface Water Quality bureaus. The Resource Protection Program now oversees federal Department of Energy activities, hazardous waste, petroleum storage tanks, and solid waste. The Environmental Protection Program now includes bureaus focused on air quality, environmental health, radiation control, and occupational health and safety.

With the agency's request to significantly increase use of special revenue funds and a modest general fund increase, the committee's overall recommendation is nearly \$5.5 million, or 4.5 percent, greater than FY16 operating levels. This includes a recommended general fund increase of \$400 thousand, or 3 percent. The recommendation allows the agency to fill nearly all authorized FTE and fully funds NMED's request in the contractual services and other costs categories.

BUDGET ISSUES:

NMED's overall requested increase of nearly \$6.3 million represented a \$3.8 million, or 4.2 percent, increase in expenditure authority. This difference is because the agency's use of special revenue funds is budgeted twice, once as a transfer to a program operating budget and again as an expenditure item. The agency requested an increase of \$1.2 million, or 9.1 percent, in general fund revenue and an increase of \$3.5 million, or 7 percent, from special revenue funds.

Most of the agency's requested FY17 increases were to reduce vacancy rates, primarily in permitting and compliance programs. Specifically, the agency requested an increase of \$371.3 thousand for the Water Resources Program's Ground Water Quality Bureau to hire staff to perform compliance reviews, facility inspections, and compliance assistance -- activities that have declined due to vacancies and the bureau's decision to focus on processing groundwater permit applications. The recommendation increases the personal services and employee benefits category by nearly \$1.4 million, or 2.8 percent, over FY16 levels, allowing the agency to fill nearly all authorized positions. This includes an increase of \$596.8 thousand in the Water Resources Program and \$219.6 thousand in the Environmental Protection Program and \$478.4 thousand for General Services Department risk rate increases.

The agency relies heavily on special revenues from various types of application, certification, and permitting fees for its operations across all four programs, and the recommendation includes \$54 million from these sources. This includes \$24 million from the corrective action fund; \$3.4 million from air quality construction and emission permit fees charged to producers of air contaminants; \$3.8 million from hazardous waste permit fees charged to operators of facilities that treat, store or dispose of hazardous waste; \$3.4 million from water conservation fees charged to public water systems; and \$1.8 million from food service permit fees.

Water was the primary focus of the 2014 capital outlay bill, with \$86.2 million appropriated for 200 storage, delivery, and treatment projects, and New Mexico continues to face significant water infrastructure issues with an estimated \$1 billion in needs statewide. NMED was tasked with overseeing \$40 million of the 2014 appropriations for local projects, including the four largest completed projects to date. NMED is leading a Water Infrastructure Team to identify needs and connect local governments to funding programs, further the discussion of the value of water and the importance of water infrastructure in New Mexicans' daily lives, and to assist local governments with long-term asset management and planning. The agency is also working to develop legislation to allow formation of regional water utility authorities as political subdivisions. Such legislation could lead to increased regionalization of the state's many small public water systems.

An August 2015 breach at the Gold King Mine in Colorado, caused by federal contractors, contaminated the Animas and San Juan rivers with millions of gallons of wastewater carrying heavy metals. Emergency funds totaling \$1.25 million were allocated to NMED and the Department of Homeland Security and Emergency Management for response and monitoring efforts. NMED and other partners are developing a long-term monitoring plan to identify the impacts of the spill and to generate the data needed to assess potential risks. According to NMED, the federal Environmental Protection Agency has agreed to reimburse the state for response and monitoring costs. Additionally, the state and its citizens could receive compensation for natural resource and economic damages.

In February 2014, a 55 gallon drum of nuclear waste from the Los Alamos National Laboratory (LANL) shipped to the Waste Isolation Pilot Plant (WIPP) in Carlsbad cracked and leaked radiation, causing the facility to shut down. The federal Department of Energy's (DOE) activity at LANL is regulated under an NMED permit requiring agency inspectors to conduct annual audits of the lab. Federal officials estimate a yearslong recovery plan to reopen WIPP will cost hundreds of millions of dollars. NMED is finalizing settlement negotiations with DOE to provide funding to repair designated transportation routes near both WIPP and LANL, long-term monitoring and regular compliance reviews, and training for local emergency responders.

WATER PROTECTION

The purpose of the water protection program is to protect and preserve the ground, surface and drinking water resources of the state for present and future generations. The program also helps New Mexico communities develop sustainable and secure water, wastewater and solid waste infrastructure through funding, technical assistance, and project oversight.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017				
		FY15	FY16	Agency	LFC	Percent
		2014-2015	2015-2016	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	2,621.6	2,976.4	3,446.4	2,992.0	0.5
	Other Transfers	5,313.3	8,147.2	12,539.3	12,539.3	53.9
	Federal Revenues	9,602.6	14,582.9	11,123.3	11,123.3	-23.7
	Other Revenues	0.0	300.2	190.2	190.2	-36.6
	SOURCES TOTAL	17,537.5	26,006.7	27,299.2	26,844.8	3.2
USES						
	Personal Services and Employee Benefits	11,783.4	14,966.4	16,178.2	15,723.8	5.1
	Contractual Services	3,190.4	9,145.9	8,730.8	8,730.8	-4.5
	Other	1,577.4	1,894.4	2,390.2	2,390.2	26.2
	Other Financing Uses	63.1	0.0	0.0	0.0	
	TOTAL USES	16,614.3	26,006.7	27,299.2	26,844.8	3.2
FTE						
	Permanent	44.0	72.0	72.0	72.0	0.0
	Term	136.5	121.5	120.5	120.5	-0.8
	TOTAL FTE POSITIONS	180.5	193.5	192.5	192.5	-0.5

PERFORMANCE MEASURES

		FY14	FY15	FY16	FY17	FY17
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations	68%	53%	55%	55%	55%
* Outcome	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	70%	66%	72%	70%	70%
Outcome	Number of miles of active watershed restoration, including wetlands projects, state-funded projects and federal Clean Water Act Section 319 projects	New	New	100	100	100
Outcome	Number of boil-water advisories issued to consumers because a water system has violated the bacteria standard	12	5	≤10	≤10	≤10
Efficiency	Percent of the population served by community water systems that meet all applicable health-based drinking water standards	94.5%	99%	100%	98%	100%
Explanatory	Total dollar amount of new loans made from the clean water state revolving loan fund program, in thousands	New	New	≥20,000	≥20,000	≥20,000
Output	Percent of perennial stream miles monitored in established area to determine if surface water quality is impaired in surveyed watershed	New	New	90%	95%	95%
Output	Percent of lake acres monitored in established area to determine if surface water quality is impaired in surveyed watershed	New	New	90%	95%	95%
Explanatory	Total dollar amount of new loans made from the rural infrastructure revolving loan program, in thousands	New	New	≥20,000	≥20,000	≥20,000
Quality	Percent of customer satisfaction with the construction program bureau's 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	New	New	95%	100%	100%

RESOURCE PROTECTION

The purpose of the resource protection program is to monitor and provide regulatory oversight of the generation, storage, transportation and disposal of wastes in New Mexico. The program also oversees the investigation and cleanup of environmental contamination covered by the Resource Conservation and Recovery Act.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	5,499.4	1,375.4	1,504.7	1,354.7	-1.5
Other Transfers	13,873.1	8,592.3	8,862.2	8,862.2	3.1
Federal Revenues	4,801.9	4,557.3	4,308.4	4,308.4	-5.5
SOURCES TOTAL	24,174.4	14,525.0	14,675.3	14,525.3	0.0
USES					
Personal Services and Employee Benefits	15,433.8	10,800.7	11,040.7	10,890.7	0.8
Contractual Services	2,356.5	1,868.7	1,893.6	1,893.6	1.3
Other	2,297.1	1,855.6	1,741.0	1,741.0	-6.2
TOTAL USES	20,087.4	14,525.0	14,675.3	14,525.3	0.0
FTE					
Permanent	135.5	35.0	37.0	37.0	5.7
Term	106.0	103.0	102.0	102.0	-1.0
TOTAL FTE POSITIONS	241.5	138.0	139.0	139.0	0.7

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	83%	77%	75%	80%	80%
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%
Output	Percent of active hazardous waste generator facilities that have never been inspected	24.4%	8.5%	3.5%	5.0%	3.5%
Output	Percent of large quantity hazardous waste generators in compliance with applicable standards	27.7%	29%	25%	25%	30%
Outcome	Percent of swimming pool and spa inspections completed within timeframe due	New	New	100%	100%	100%
Outcome	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	59	64	60	60	64
Outcome	Percent of landfills compliant with groundwater sampling and reporting requirements	96%	95%	100%	95%	100%

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to ensure New Mexicans breathe healthy air; to protect public health and the environment through specific programs that provide regulatory oversight of food service and food processing facilities, on-site treatment and disposal of liquid wastes, public swimming pools and baths, and medical radiation and radiological technologist certification; and to ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
		<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>Percent</u>
		<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	2,044.9	6,016.7	6,197.4	3.0
	Other Transfers	11,130.7	12,653.7	13,982.7	10.5
	Federal Revenues	4,543.7	3,682.4	3,094.6	-16.0
	Other Revenues	0.0	69.9	73.7	5.4
	SOURCES TOTAL	17,719.3	22,422.7	23,348.4	4.1
USES					
	Personal Services and Employee Benefits	11,105.5	17,346.2	17,738.4	2.3
	Contractual Services	592.4	1,619.0	2,180.7	34.7
	Other	2,002.4	3,457.5	3,429.3	-0.8
	TOTAL USES	13,700.3	22,422.7	23,348.4	4.1
FTE					
	Permanent	71.5	143.0	139.5	-2.4
	Term	89.0	106.0	106.5	0.5
	TOTAL FTE POSITIONS	160.5	249.0	246.0	-1.2

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of annual permitted food establishments inspected within timeframe due	99.6%	100%	100%	100%	100%
Outcome	Percent of swimming pool and spa inspections completed within timeframe due	99.9%	100%	100%	100%	100%
Outcome	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	95.9%	98%	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	New	100%	100%	100%	100%
Outcome	Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	95.9%	98%	95%	95%	100%
Output	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (faxed letter or phone call to employer) within ten working days	95.8%	98%	95%	95%	98%
* Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected found to be in substantial compliance with the New Mexico solid waste rules	87%	98%	85%	85%	95%
* Explanatory	Occupational fatality rate per one hundred thousand workers	New	New	New	≤ 5.0	≤ 5.0
Outcome	Percent of days with good or moderate air quality index rating	New	New	New	92%	92%
Outcome	Percent of radiation-producing machines in compliance with applicable standards	New	New	New	100%	100%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to all programs within the department. This support allows the department to operate in the most responsible, efficient and effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,591.9	2,866.8	3,294.8	3,091.2	7.8
Other Transfers	2,797.0	2,844.4	3,622.0	3,622.0	27.3
Federal Revenues	2,307.3	2,829.3	2,086.2	2,086.2	-26.3
Other Revenues	12.9	96.9	0.0	0.0	-100.0
SOURCES TOTAL	7,709.1	8,637.4	9,003.0	8,799.4	1.9
USES					
Personal Services and Employee Benefits	6,100.4	6,545.0	6,883.4	6,679.8	2.1
Contractual Services	502.6	1,168.1	921.5	921.5	-21.1
Other	1,076.7	924.3	1,198.1	1,198.1	29.6
TOTAL USES	7,679.7	8,637.4	9,003.0	8,799.4	1.9
FTE					
Permanent	46.0	47.0	47.0	47.0	0.0
Term	32.0	33.0	32.0	32.0	-3.0
TOTAL FTE POSITIONS	78.0	80.0	79.0	79.0	-1.3

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Number of prior-year audit findings, identified as material weaknesses, resolved	100%	100%	100%	100%	100%
* Output	Percent of enforcement actions initiated within one year of inspection or documentation of violation	93%	94%	96%	96%	96%
Output	Average number of working days from the time federal funds are expended until the agency requests direct federal reimbursement	27	30	15	15	15

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	35,086.0	38,615.4	41,015.7	41,015.7	6.2
Fund Balance	6,482.0	11,901.4	13,035.4	13,035.4	9.5
SOURCES TOTAL	41,568.0	50,516.8	54,051.1	54,051.1	7.0
USES					
Contractual Services	1,384.2	3,500.0	3,500.0	3,500.0	0.0
Other	12,920.6	15,233.9	16,282.8	16,282.8	6.9
Other Financing Uses	27,218.3	31,782.9	34,268.3	34,268.3	7.8
TOTAL USES	41,523.1	50,516.8	54,051.1	54,051.1	7.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

The Office of the Natural Resources Trustee (ONRT) was created by Sections 75-7-1 through 75-7-5 NMSA 1978. To carry out the statutorily required responsibilities, ONRT is authorized to assess natural resource damages throughout the state, negotiate and settle damage claims without legal intervention, and manage natural resource restoration plans. Settlements paid by responsible parties into the natural resources trustee fund are used to fund the costs of natural resource damage assessments and the costs of natural resource restoration activities. The natural resources trustee fund is also used as the repository for settlement monies reimbursed to the agency for actual costs incurred by the agency in the investigation, recovery, and settlement process. ONRT is administratively attached to the Environment Department.

MISSION:

The Office of the Natural Resources Trustee is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or oil discharges into water. Natural resources include air, surface water, groundwater, and biological and geological resources.

BUDGET SUMMARY (dollars in thousands)					
			FY17 – 2016-2017		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	277.7	277.3	277.3	272.8	-1.6
Fund Balance	4,428.8	2,025.3	2,025.3	2,029.8	0.2
SOURCES TOTAL	4,706.5	2,302.6	2,302.6	2,302.6	0.0
USES					
Personal Services and Employee Benefits	260.4	269.4	280.2	280.2	4.0
Contractual Services	4,401.4	1,992.2	1,998.2	1,998.2	0.3
Other	21.1	41.0	24.2	24.2	-41.0
TOTAL USES	4,682.9	2,302.6	2,302.6	2,302.6	0.0
FTE					
Permanent	3.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	3.8	3.8	3.8	3.8	0.0

AT A GLANCE:

ONRT requested a flat budget for FY17 with some minor changes among the expenditure categories. The agency is implementing a host of restoration projects and is quickly spending down its fund balance. The committee recommendation supports the agency's request to maintain a flat budget in FY17 but with a slight adjustment in the requested revenue sources.

BUDGET ISSUES:

For FY17, ONRT requested a slight reduction in the other costs category due to lower office lease payments, which was offset by an increase in personnel costs due to one employee changing health insurance plans.

The committee recommendation fully funds this request but draws an additional \$4,500 from the agency's fund balance and reduces the general fund request by the same amount. ONRT's fund is limited by federal law and settlement agreements, but agency projections show sufficient funding is available for this revenue swap.

After large budget adjustments during FY15 and FY16, ONRT's fund balance is declining as restoration projects are implemented. An August 2015 budget adjustment transferred \$2.1 million from the natural resources trustee fund for restoration projects and damage assessments, reducing the FY17 year-end projected fund balance to \$2 million. Moreover, actual expenditures from the fund more than doubled the FY15 operating budget. If FY17 expenditures align with FY15 expenditures and FY16 projections, the fund will be nearly depleted by the end of FY17 without additional revenues.

However, the fund is not the only source available for ONRT's restoration work. When the agency is one of multiple beneficiaries to a settlement, the funds are held in accounts jointly overseen by the trustees. The available balance in these funds was approximately \$2.2 million as of October 2015.

The agency is working to finalize additional settlements to continue its natural resource restoration efforts. In September 2015, ONRT received final court approval of a \$4 million settlement with Chevron MolyCorp regarding the Questa mine. These funds will be held in a court registry account until restoration projects are approved, following a public meeting and planning process. Money for projects to be implemented by ONRT will then be transferred to ONRT's fund for expenditure. Additionally, ONRT continues to negotiate the terms of a consent decree with the U.S. Army, the Navajo Nation, and the Pueblo of Zuni for natural resource damages related to the Fort Wingate Army depot near Gallup. The agency is in the damage assessment phase for Los Alamos National Laboratory and is starting assessments for the Rio Algom Quivira Mill and Mines in McKinley County and NASA's White Sands Test Facility.

In FY15, using funds from the settlement reached with Freeport-McMoRan, ONRT acquired the Double E Ranch and the River Ranch, which together comprise over six thousand acres near Silver City. These purchases allow protection and improvement of ecologically valuable wildlife habitat and effective land management by the State Game Commission and the Department of Game and Fish. Other projects implemented by ONRT include improvements to Santa Clara's main sewer line to prevent reoccurrence of sewage spills into Cameron Creek and associated groundwater, a wastewater treatment facility in Bayard to enable groundwater conservation, and installation of municipal waste water lines for residences in Silver City previously on septic systems.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Number of acres of habitat benefiting from restoration	975	8,666	975	5,000	8,500
Outcome	Number of acre-feet of water conserved, restored or protected	1,072	1,050	1,072	1,050	1,050

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)					
	FY15	FY16	FY17 – 2016-2017		Percent
	2014-2015	2015-2016	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	3,360.0	3,424.8	3,897.3	3,305.0	-3.5
Federal Revenues	318.0	1,314.0	1,434.1	1,361.7	3.6
Fund Balance	0.0	99.9	100.0	39.7	-60.3
SOURCES TOTAL	3,678.0	4,838.7	5,431.4	4,706.4	-2.7
USES					
Personal Services and Employee Benefits	2,158.4	2,867.6	3,570.2	3,030.1	5.7
Contractual Services	497.7	1,131.6	967.0	964.0	-14.8
Other	715.0	839.5	894.2	712.3	-15.2
TOTAL USES	3,371.1	4,838.7	5,431.4	4,706.4	-2.7
FTE					
Permanent	36.0	36.0	45.0	36.0	0.0
Term	6.0	6.0	10.0	6.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	55.0	42.0	0.0

AT A GLANCE:

On the heels of three years of budget reversions and personnel funding transfers, the department requested an increase over FY16 primarily to cover additional employees. The committee recommends a smaller-than-requested increase for personnel but offsets that with substantial cuts in other areas, for a slight decrease overall compared with FY16 by a substantial increase over FY15.

BUDGET ISSUES:

The department's FY17 general fund base request included an additional \$472.5 thousand, or 14 percent, over the FY16 budget. The increase would allow the department to fund 8 additional FTE in financial services, women's issues, veteran's benefits, and cemetery areas. The FY17 budget request reflected a two year, \$2 million grant awarded in FY15 for the Rural Veterans Coordination Pilot (RVCP) to help post-September 11, 2001, veterans in rural and underserved areas of the state register for veterans' benefits and adjust to civilian life.

In FY15, the agency transferred \$80 thousand, or 3 percent, from the personal services and employee benefits appropriation to other categories following reverting a total of \$610 thousand between FY13 and FY14. The department has \$523.7 thousand in the FY16 budget to fund about 7 FTE.

The committee recommends reducing the overall agency budget 2.7 percent relative to FY16. Although the overall recommended funding level decreased from the FY16 level, it is \$1.3 million, or 40 percent, higher than the FY15 expenditure level. The recommendation reduces the vacancy savings rate to allow the department to fill 8 vacant FTE and pay increased General Services Department insurance rates.

The department continues to support approximately 180 thousand veterans throughout the state by improving access to services. Outreach is primarily provided by the department's 19 field offices statewide, although contractors provide outreach to many rural residents, and women veterans, as well as Native Americans. The agency administers the Military Honors Program ensuring deceased veterans are provided a military funeral complete with bugler and flag ceremony.

The department met two of its seven FY15 performance goals: percent of veterans impacted by programs and the number of homeless veterans provided overnight shelter. As of October 2015, the department has seven vacancies, a decrease from 10 vacancies a year earlier, which contributed to the poor performance on the other measures.

The department took steps to improve performance reporting for FY17, adding and clarifying several measures to demonstrate the efficacy of services provided. Performance reporting could be further improved by adding more outcome measures to focus on the number of referrals to evidence-based services that prevent homelessness or provide improved healthcare services.

BASE EXPANSION:

The department's \$605.2 thousand expansion request would add 8 FTE: 4 FTE for the veterans cemetery project, 2 FTE in financial services, 1 FTE in the State Veterans Benefits division, and 1 FTE for women veteran issues. The FTE for the veterans' cemetery project would be in Fort Stanton and Gallup; however, Fort Stanton will not open until the final months of FY17 and Gallup will not open until FY18. The committee does not recommend expansion funding at this time as the agency has significant vacancy savings that could be used to fund additional FTE.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Cemetery project - 4 FTE	(P726)	394.8	0.0
2	Financial services and benefits - 3 FTE	(P726)	117.3	0.0
3	Women veteran coordinator - 1 FTE	(P726)	93.1	0.0
TOTAL			605.2	0.0

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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Number of referrals from department of veterans' services to national service officers who are on contract to other organizations that assist veterans	12,901	3,387	18,000	3,000	4,000
Output	Compensation received by New Mexico veterans as a result of the department's contracts with veterans' organizations, in millions	\$117	\$34	\$130	\$134	\$134
Output	Number of property tax waiver and exemption certificates issued to New Mexico veterans	4,717	4,754	5,000	5,000	5,000
Outcome	Percent of veterans transitioned to permanent housing	New	New	New	10%	10%
Outcome	Percent of higher education facilities in compliance with state and federal rules and regulations governing services to veterans	New	New	New	100%	100%
Quality	Percent of veterans surveyed who rate the services provided by the agency as satisfactory or above	New	New	New	90%	90%
Outcome	Percent of veterans eligible for a veterans administration cemetery funeral who reside more than seventy-five miles from a military cemetery	New	New	New	50%	50%
Output	Number of veterans and families of veterans served by agency programs	New	New	New	30,000	30,000

STATUTORY AUTHORITY:

The Children, Youth and Families Department (CYFD) was created in 1992 pursuant to Sections 9-2A-1 through 9-2A-18 NMSA 1978. The department is responsible for state policies and programs to support children, youth, and families in need in such a manner as to promote self-sufficiency and to coordinate an integrated system of care and services for children, youth, and families among the various state agencies.

MISSION:

The mission of the Children, Youth and Families Department is to serve and support children and families and supervise youth in a responsive community-based system of care that is client-centered, family-focused, and culturally competent.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	232,393.6	240,357.5	252,307.2	248,071.4	3.2
Other Transfers	47,626.9	66,233.7	58,215.8	58,215.8	-12.1
Federal Revenues	137,950.7	158,733.9	160,024.7	159,852.9	0.7
Other Revenues	5,077.0	4,288.9	4,384.1	4,384.1	2.2
Fund Balance	2,139.0	742.0	500.0	500.0	-32.6
SOURCES TOTAL	425,187.2	470,356.0	475,431.8	471,024.2	0.1
USES					
Personal Services and Employee Benefits	133,833.2	135,201.9	138,903.0	137,476.2	1.7
Contractual Services	88,548.4	119,587.2	112,542.3	112,654.6	-5.8
Other	197,733.4	215,566.9	223,986.5	220,893.4	2.5
Other Financing Uses	2,329.8	0.0	0.0	0.0	
TOTAL USES	422,444.8	470,356.0	475,431.8	471,024.2	0.1
FTE					
Permanent	2,107.6	2,186.6	2,226.6	2,198.6	0.5
Term	62.0	56.0	65.0	65.0	16.1
TOTAL FTE POSITIONS	2,169.6	2,242.6	2,291.6	2,263.6	0.9

AT A GLANCE:

The general fund request for FY17 from the Children, Youth and Families Department (CYFD) was a significant increase. In total, the agency requested \$475.4 million, of which \$252.3 million is from the general fund, an increase of \$11.9 million, or 5 percent from the FY16 appropriation level. A majority of the increase supports growth in the Protective Services and Early Childhood Services programs. The agency struggled with high turnover rates at the close of FY15 including 22 percent for youth care specialist in the Juvenile Justice Facilities Program and 29 percent for protective service workers. These direct service workers provide crucial intervention support to the most vulnerable children in New Mexico. Exacerbating the turnover problem are high and complex caseloads leading to increased staff burnout. To address rising staff burnout and better serve vulnerable children and families, the FY17 request primarily focuses on reducing caseloads and increasing the availability of preventive services in the Protective Services Program. The committee recommends a general fund increase of \$7.7 million, or 3.2 percent, above FY16 levels.

BUDGET ISSUES:

CYFD is struggling with increased need for prevention and intervention services for children and families statewide. The Protective Services Program, responsible for intervening when a child has been mistreated, is struggling with oversized caseloads and requested a significant increase from the general fund for additional FTE, foster care and support, and to expand the family support services. A majority of the department's overall requested increase was for Protective Services.

Despite ranking near the bottom of national child well-being indicators in 2015, the state has continued to increase investment in early child well-being services to improve outcomes. The Early Childhood Services Program (ECS) has traditionally been the chief vehicle for providing early prevention services to New Mexico families with young children. Services like home visits from paraprofessionals and childcare assistance promote family stability and early learning, development, and safety for children. Through prevention services, taxpayers can save significant resources by decreasing the need for more costly remediation later. The Legislature has demonstrated continued support for responsible and systematic growth for the early childhood system to serve at-risk families and young children and improve lifelong outcomes. In FY17, CYFD requested an additional \$2 million for direct services in ECS. The committee recommends a general fund increase of \$3 million, or 5.2 percent from the FY16 appropriation level.

In FY15, CYFD submitted more than \$3 million in budget adjustment requests (BARs), transferring available funding to the personal services and employee benefits category (PS&EB) to assist in rising costs for overtime as a result of high turnover. The agency's overall request incorporates a vacancy rate of 11 percent.

Juvenile Justice Facilities. In 2014, 224,144 youth were involved in the juvenile justice system, a 3 percent decrease from the previous year, and a 6 percent decrease from 2002. New Mexico is following the national trend of declining juvenile justice populations. Very small portions, about 1 percent, of youth referred to the Juvenile Justice Facilities Program (JJF) are committed to a juvenile facility. As of October 2015, only 197 of the 286 available beds in secure facilities were used by committed youths (see Volume III).

The cost of secure juvenile commitment vastly exceeds other approaches to delinquency treatment. LFC estimates the average cost per day for a juvenile in a secure facility is close to \$400, while the daily cost for community supervision programs is just over \$7. Regardless if a facility is near capacity or well below, the cost to staff and administer secure facilities is nearly the same. With this in mind and with concerns regarding safety, the Lincoln Pines juvenile commitment center was closed in FY15. LFC estimates some saving from the closure of the center can be realigned to replace declining fund balances.

In addition to the significant cost of juvenile commitment centers, performance outcomes were a concern in FY15. Juveniles committed to a secure facility experienced increased incidents of both use of force by staff and youth-on-youth violence. Additionally, the percentage of youth entering adult correctional facilities within two years of being discharged from a juvenile facility increased significantly. In FY14, 6 percent of youth transitioned into an adult correctional facility; however, for FY15, the percentage increased to 12. The agency reported system changes, including an increase in the average age of committed youth and the discontinuation of use of isolation after an incident contributed to the performance decline. However, these performance measures are considered key indicators to the health and effectiveness of the secure juvenile service system and warrant continued monitoring.

JJF requested \$742 thousand from the general fund to replace decreased permanent land fund revenues, but otherwise remained relatively flat to FY16. However, due to decreasing juvenile populations and the closure of the Lincoln Pines juvenile commitment center, LFC recommends less than the requested amount. The recommendation includes an additional \$700 thousand from the general fund to replace fund balances.

Child Protective Services. The FY17 budget request for Protective Services included a base general fund increase of \$2.2 million for the care and support of children in custody and \$1 million to reduce the vacancy rate. Expansions in the FY17 request included almost \$3 million to support 50 new FTE, \$1 million to expand the pilot family support services, and \$1 million for foster parent and caseworker recruitment, community engagement, and outreach program.

The agency reported the increased cost for care and support of children on the state's custody is a result of continued increases in the caseload and cost of serving younger children and more complex cases. Children taken into custody increasingly require 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.

In FY16, CYFD received an additional \$2.2 million and 45 FTE, mostly for permanency planner staff, who focus on the placement of children in custody of the agency. As of September, a majority of the expansion FTE were filled. Additionally, CYFD in collaboration with the State Personnel Office (SPO) held four rapid hiring events to recruit Protective Service and Juvenile Justice direct service staff. During these rapid hiring events, nearly 50 direct service staff were hired. However, as a result of high turnover, the net vacancy rate has remained relatively unchanged; therefore, caseloads remain high.

Currently in New Mexico, the average monthly caseload is 20.1 for permanency planners; however, the Child Welfare League of America recommends an average of 12 to 15 cases. The FTE expansion request for 50 new FTE would decrease the average monthly caseload to 15 for permanency planners. While the expansion request aligns caseloads with best practices, the program continues to have difficulty with recruitment and retention of new FTE, resulting in a high number of vacant positions.

In FY16, CYFD received \$1 million from the general fund to open six family support services (FSS) centers to serve a projected average of 450 families per site. FSS centers help families who have come to the attention of the agency get the services they need. The center target families with three or more referrals and is a short-term intervention program that engages families for 90 days or less. Prevention services, such as FSS, that reduce maltreatment could improve outcomes for children, and reduce foster care placement. Research indicates a 10 percent reduction in child maltreatment and foster placement care could save the state tens of millions of dollars. The agency requested an additional \$1 million from the general fund to pilot six additional FSS sites statewide. The LFC recommendation includes \$300 thousand to pilot two additional FSS sites.

The LFC general fund recommendation includes an additional \$1.3 million and 22 new caseworker FTE, \$750 thousand to reduce the vacancy rate, \$1.7 million for care and support costs of children in custody, and \$300 thousand for additional FSS sites.

Early Childhood Services. New Mexico continues to show leadership in early childhood care and education funding. Since FY12, early childhood program appropriations have increased almost \$100 million (See Volume III). ECS provides services to children up to 13 years of age, including quality child care and nutrition, prekindergarten, early childhood development, and home-visiting services. In FY16, the Legislature increased targeted appropriations to ECS for paraprofessional home visits to families with young children, prekindergarten for three and four-year-olds and training and income assistance for childcare workers.

Childcare Assistance. Childcare assistance is not only so that low-income families can work or go to school, it is also an opportunity to enhance children's healthy cognitive, emotional, social, and physical development. Studies show quality early care and education programs increase school readiness. Administered by CYFD, childcare assistance in New Mexico serves about 18 thousand children up to age 13 at a cost of \$97 million annually. The program subsidizes the cost of child care for families with incomes up to 200 percent of the federal poverty level (FPL), or about \$48.5 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance. As of November 2015, enrollment was up 5 percent over the previous year.

Child Care and Development Block Grant (CCDBG) Reauthorization. In 2014, the federal Child Care and Development Block Grant (CCDBG) Act was reauthorized. CCDBG is the federal authority and funding source for childcare assistance. The reauthorization made significant changes by defining health and safety requirements for childcare providers, outlining family-friendly eligibility policies, and requiring parents and the general public to have transparent information about available childcare services. New Mexico receives close to \$36.1 million from CCDBG annually.

Highlights of CCDBG reauthorization requirements include criminal background checks for all childcare staff, certification that providers are complying with child abuse reporting requirements, pre-licensure and annual unannounced inspections of licensed providers, qualifications and training for licensing inspectors, and standard child-to-provider ratios.

The most costly requirement of the reauthorization is a new 12-month eligibility period versus the current six months. Extending the recertification process may result in increased enrollment and expenditures. CYFD requested \$1 million from the general fund for this purpose but this may not be sufficient. The LFC recommendation includes \$1 million from the general fund as requested.

Childcare Quality. Focus is New Mexico's third-generation tiered quality rating improvement system (TORIS). The purpose of improving quality in child care is to improve the health and well-being of children and promote school success. Currently, 2150 childcare providers have volunteered to participate in the Focus pilot. The essential elements of Focus include observational child assessment, curriculum planning and support, family engagement strategies, health and safety practices, comprehensive program assessment and continuous improvement, and early childhood educator workforce qualifications support. These essential elements are predictive indicators of high-quality early childhood programs and practices. Elements of Focus include reduced teacher-to-child ratios, increased director and teacher qualifications, and child health and developmental screenings. Focus is expected to be implemented statewide in 2017 and additional performance measures were added to measure the progress of the percent of children and providers transiting and at what quality level.

Provider Professional Development. 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. LFC recommends an increase of \$150 thousand to support provider training and education advancement.

Prekindergarten. A recent LFC evaluation indicates prekindergarten positively impacts student achievement. Prior to FY15, state-funded prekindergarten was only two and a half hours a day. To further increase student achievement, prekindergarten was extended to allow for longer hours and program expansion. The agency reported provider and community interest was so great the agency reallocated \$8.4 million for extended day prekindergarten in FY15. In FY16, extended day prekindergarten was increased an additional \$5.5 million for a total operating budget of \$13.9 million.

Early Prekindergarten. LFC analysis indicates the capacity to serve the majority of low-income 4-year-olds statewide is near saturation when considering childcare assistance, Head Start, and prekindergarten. However, service capacity for 3-year-olds is low. Considering this and the positive outcome impacts provided by prekindergarten, in FY16 the agency was appropriated \$3.3 million to pilot prekindergarten for 3-year-olds. Early prekindergarten also proved exceedingly popular statewide and the agency requested an additional \$1 million from the general fund in FY17 to expand services, which LFC supports.

Home Visiting. Home visiting programs are available to pregnant women and families with new babies and young children. The program assists in addressing maternal and child health issues, supports positive parenting practices, and provides access to support services. Home visiting is an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home-visiting provides the first opportunity to address risk factors that may limit a child's development. On average, the annual cost for home visiting is \$3.8 thousand per family. This average cost per family increased 5 percent in FY16 as a result of a recent study by the University of New Mexico, Center for Education Policy Research regarding costs to provide services. The LFC estimates an additional 7,000 families are eligible for home visiting; however, the agency did not request any additional funding in FY17. The LFC recommendation includes an additional \$1 million from the general fund to expand home visiting programs statewide and serve an estimated 260 additional families.

Behavioral Health Services. Behavioral Health Services focuses on access for youth to mental health and substance abuse services. The program includes licensing and certification authority, substance abuse services, mental health services, and quality management services. Access to behavioral health services is essential in assisting youth with substance abuse issues or behavioral problems. The FY17 request is flat with the FY16 appropriation, but transfers \$270.5 thousand from the Early Childhood Services Program for infant mental health contracts.

Program Support. Program Support consists of the office of the secretary, administrative services, and information technology. The FY17 general fund request transfers funding and 3 FTE from other programs in the agency, which LFC supports.

Compensation. The agency struggled with high turnover rates at the close of FY15 including 22 percent for youth care specialist in the Juvenile Justice Facilities Program and 29 percent for protective service workers. In an attempt to stabilize increasingly high turnover rates, the LFC compensation recommendation includes targeted increases for juvenile justice youth care specialists and allied occupations, social workers and allied occupations, and nurses at the Children, Youth and Families Department. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies and is contingent on consensus revenue estimates achieving targeted levels and adequate reserve levels.

BASE EXPANSION:

The request included six general funded expansion items: \$2.9 million and 50 FTE for additional Protective Services front-line staff, \$1 million to expand the family support service centers pilot, \$1 million for an early childhood services outreach program, \$1 million to expand the early prekindergarten pilot, \$1 million for childcare assistance, and \$1 million for foster parent and caseworker recruitment, community engagement, and outreach.

LFC recommends \$1.3 million and 22 FTE for Protective Services, \$1 million to expand the early prekindergarten pilot, \$1 million for childcare assistance, and \$300 thousand to pilot additional FSS sites. In addition, the recommendation also included nonreverting general fund language in FY17 in support of the outreach programs.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include forty-eight million six hundred twenty-seven thousand five hundred dollars (\$48,627,500) from the federal temporary assistance for needy families block grant, including thirty million five hundred twenty-seven thousand five hundred dollars (\$30,527,500) for childcare, thirteen million six hundred thousand dollars (\$13,600,000) for prekindergarten and four million five hundred thousand dollars (\$4,500,000) for home visiting.

The internal service funds/interagency transfers appropriations to the protective services program of the children, youth and families department include nine hundred thousand dollars (\$900,000) for supportive housing from the temporary assistance for needy families block grant to New Mexico.

The general fund appropriations to the early childhood services program of the children, youth and families department in the contractual services category include an additional one hundred fifty thousand dollars (\$150,000) for provider education programs, one million dollars (\$1,000,000) for early prekindergarten programs, and one million dollars (\$1,000,000) for home-visiting programs.

The general fund appropriation to the early childhood services program of the children, youth and families department in the other category includes an additional one million dollars (\$1,000,000) for childcare assistance programs.

Any unexpended balances in the protective services program, early childhood services program and the juvenile justice services program of the children, youth and families department remaining at the end of fiscal year 2017 from appropriations made from the general fund shall not revert.

BASE EXPANSION LISTING
FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Caseworker and allied staff-50 FTE	(P578)	2,991.4	1,314.0
3	Foster parent and worker recruitment outreach	(P578)	1,000.0	0.0
5	Family support services	(P578)	1,000.0	300.0
2	Early education and development outreach	(P782)	1,000.0	0.0
4	Early pre-kindergarten	(P782)	1,000.0	1,000.0
6	Childcare assistance	(P782)	1,000.0	1,000.0
7	<u>Convert to authorized term-11 FTE</u>	<u>(P782)</u>	<u>0.0</u>	<u>0.0</u>
TOTAL			7,991.4	3,614.0

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)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	68,317.2	70,067.0	70,709.4	70,521.9	0.6
Other Transfers	391.1	673.7	423.9	423.9	-37.1
Federal Revenues	965.4	677.4	400.0	400.0	-41.0
Other Revenues	1,355.4	1,516.5	1,516.5	1,516.5	0.0
Fund Balance	2,139.0	742.0	0.0	0.0	-100.0
SOURCES TOTAL	73,168.1	73,676.6	73,049.8	72,862.3	-1.1
USES					
Personal Services and Employee Benefits	55,983.8	56,404.8	55,963.5	56,018.0	-0.7
Contractual Services	9,758.7	10,980.6	10,721.8	10,543.8	-4.0
Other	6,538.0	6,291.2	6,364.5	6,300.5	0.1
TOTAL USES	72,280.5	73,676.6	73,049.8	72,862.3	-1.1
FTE					
Permanent	938.3	953.3	943.3	943.3	-1.0
Term	3.0	3.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	941.3	956.3	943.3	943.3	-1.4

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Turnover rate for youth care specialists	14%	22%	14%	15%	14%
Outcome	Percent of clients readjudicated within two years of previous adjudication	6.0%	6.4%	5.8%	5.8%	5.8%
* Outcome	Percent of clients who successfully complete formal probation	New	83%	70%	70%	80%
Output	Number of client-on-staff battery incidents	New	108	<600	<125	<108
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	New	10.7%	32.7%	32.7%	11.0%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	2.2%	1.6%	1.5%	1.5%	1.5%
* Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	9.7%	7.6%	9.0%	9.0%	8.0%
* 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	7%	12%	6%	12%	10%
Outcome	Percent of clients with improvement in reading on standardized pre and post testing	TBD	59.3%	54.5%	54.5%	59.0%
Outcome	Percent of clients with improvement in math on standardized pre and post testing	TBD	61%	70%	62%	62%
* Output	Number of physical assaults in juvenile justice facilities	270	286	<250	<275	<250
Outcome	Percent of clients successfully completing term of supervised release	93%	58%	93%	54%	75%

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

			FY17 - 2016-2017		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	77,332.8	83,864.6	91,990.7	87,847.0	4.7
Other Transfers	1,201.8	2,175.9	2,175.9	2,175.9	0.0
Federal Revenues	53,892.2	53,494.3	55,010.2	54,838.4	2.5
Other Revenues	2,626.5	2,772.4	2,867.6	2,867.6	3.4
SOURCES TOTAL	135,053.3	142,307.2	152,044.4	147,728.9	3.8
USES					
Personal Services and Employee Benefits	53,993.3	54,977.3	58,334.7	56,905.9	3.5
Contractual Services	20,335.3	25,025.4	26,183.0	25,325.4	1.2
Other	59,668.3	62,304.5	67,526.7	65,497.6	5.1
Other Financing Uses	2,329.8	0.0	0.0	0.0	
TOTAL USES	136,326.7	142,307.2	152,044.4	147,728.9	3.8
FTE					
Permanent	855.8	906.8	949.8	921.8	1.7
Term	6.0	0.0	6.0	6.0	
TOTAL FTE POSITIONS	861.8	906.8	955.8	927.8	2.3

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of children in foster care for twelve months with no more than two placements	77%	74%	79%	76%	78%
Outcome	Percent of children adopted within twenty-four months from entry into foster care	32%	32%	33%	33%	33%
Outcome	Percent of children in foster care who have at least one monthly visit with their caseworker	97%	97%	97%	97%	97%
* Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	92%	95%	94%	94%	95%
Outcome	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services	87%	91%	90%	90%	90%
* Output	Turnover rate for protective service workers	26%	29%	20%	25%	15%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	89%	89%	93%	91%	93%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	59%	64%	65%	65%	65%
Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.9%	99.8%	99.7%	99.7%	99.8%
Output	Percent of children reentering foster care in less than twelve months	11.7%	9.8%	9.0%	9.0%	9.0%

EARLY CHILDHOOD SERVICES

The purpose of the early childhood services program is to provide quality childcare, nutrition services, early childhood education and training to enhance the physical, social and emotional growth and development of children.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 Actuals	FY16 2015-2016 Budgeted	FY17 - 2016-2017		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	60,591.2	58,290.3	60,914.6	61,321.8	5.2
Other Transfers	45,079.1	62,601.0	54,832.9	54,832.9	-12.4
Federal Revenues	75,739.9	96,476.7	96,476.7	96,476.7	0.0
Other Revenues	1,095.1	0.0	0.0	0.0	
Fund Balance	0.0	0.0	500.0	500.0	
SOURCES TOTAL	182,505.3	217,368.0	212,724.2	213,131.4	-1.9
USES					
Personal Services and Employee Benefits	9,138.6	8,611.0	8,844.8	9,102.1	5.7
Contractual Services	45,088.7	67,519.6	59,509.1	60,659.0	-10.2
Other	125,428.8	141,237.4	144,370.3	143,370.3	1.5
TOTAL USES	179,656.1	217,368.0	212,724.2	213,131.4	-1.9
FTE					
Permanent	121.5	127.5	126.5	126.5	-0.8
Term	44.0	44.0	55.0	55.0	25.0
TOTAL FTE POSITIONS	165.5	171.5	181.5	181.5	5.8

PERFORMANCE MEASURES

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
Outcome	Percent of children receiving state subsidy in stars/aim high programs level three through five or with national accreditation	41.0%	48.0%	40.0%	22.5%	23.0%
Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditations	32%	33%	32%	11%	11%
* Outcome	Percent of children in state-funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	90%	94%	92%	92%	93%
Outcome	Percent of infants on schedule to be fully immunized by age two	New	New	85%	85%	85%
* Outcome	Percent of parents who demonstrate progress in practicing positive parent-child interactions	New	New	30%	30%	30%
Outcome	Percent of families at risk for domestic violence who have a safety plan in place	New	New	40%	40%	40%
Outcome	Percent of mothers who initiate breastfeeding	New	New	75%	75%	75%
Outcome	Percent of licensed childcare providers participating in focus, level three	New	New	New	9%	15%
Outcome	Percent of licensed childcare providers participating in focus, level four	New	New	New	2.5%	5%
Outcome	Percent of licensed childcare providers participating in focus, level five	New	New	New	15%	15%
Outcome	Percent of children receiving state subsidy in focus, level three	New	New	New	19%	19%
* Outcome	Percent of children receiving state subsidy in focus, level four	New	New	New	6%	6%
* Outcome	Percent of children receiving state subsidy in focus, level five	New	New	New	14.5%	14.5%
Output	Number of meals served through department administered food programs	New	New	New	21,000,000	21,000,000
Outcome	Percent of children receiving state subsidy, excluding child protective services child care, who have one or more protective-services-substantiated abuse or neglect referrals	New	New	New	1.3%	1.3%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of infants served by infant mental health programs who have re-referrals to protective services division	New	New	New	80%	50%

BEHAVIORAL HEALTH SERVICESBUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017				
		FY15	FY16	Agency	LFC	Percent
		2014-2015	2015-2016	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	12,888.9	14,164.8	14,435.3	14,435.3	1.9
	Other Transfers	893.3	711.6	711.6	711.6	0.0
	Federal Revenues	1,196.4	2,347.5	2,140.7	2,140.7	-8.8
	SOURCES TOTAL	14,978.6	17,223.9	17,287.6	17,287.6	0.4
USES						
	Personal Services and Employee Benefits	2,441.8	2,356.3	2,352.7	2,354.7	-0.1
	Contractual Services	11,706.8	14,190.7	14,242.7	14,240.7	0.4
	Other	663.4	676.9	692.2	692.2	2.3
	TOTAL USES	14,812.0	17,223.9	17,287.6	17,287.6	0.4
FTE						
	Permanent	31.0	28.0	33.0	33.0	17.9
	Term	5.0	5.0	0.0	0.0	-100.0
	TOTAL FTE POSITIONS	36.0	33.0	33.0	33.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
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	31%	50%	32%	35%
Outcome	Percent of youth who show improvement in the substance disorder domain of the global assessment of individual need short screen	New	TBD	50%	50%	50%
* Quality	Percent of youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of the behavioral health services they have received	New	New	75%	75%	75%

PROGRAM SUPPORT

The purpose of program support is to provide the direct services divisions with functional and administrative support so they may provide client services consistent with the department's mission and also support the development and professionalism of employees.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017			
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	13,263.5	13,970.8	14,257.2	13,945.4	-0.2
Other Transfers	61.6	71.5	71.5	71.5	0.0
Federal Revenues	6,156.8	5,738.0	5,997.1	5,997.1	4.5
SOURCES TOTAL	19,481.9	19,780.3	20,325.8	20,014.0	1.2
USES					
Personal Services and Employee Benefits	12,275.7	12,852.5	13,407.3	13,095.5	1.9
Contractual Services	1,658.9	1,870.9	1,885.7	1,885.7	0.8
Other	5,434.9	5,056.9	5,032.8	5,032.8	-0.5
TOTAL USES	19,369.5	19,780.3	20,325.8	20,014.0	1.2
FTE					
Permanent	161.0	171.0	174.0	174.0	1.8
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	165.0	175.0	178.0	178.0	1.7

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of contractors that receive an onsite financial visit	New	5%	10%	10%	10%
Outcome	Percent of contracts that receive a desktop audit	New	23%	20%	20%	23%
Efficiency	Average number of days to fill positions from the advertisement close date to candidate's offer date	New	New	New	65	65

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the Constitution and Article XVIII, Sections 1 and 2, of the New Mexico Constitution. The department is established and governed by the New Mexico Military Code (Sections 20-1-1 through 20-12-73 NMSA 1978). The governor is the commander in chief of the state military forces. An adjutant general, appointed by the governor for a five-year term, directs the department.

MISSION:

The department's primary mission is to provide the necessary infrastructure to support the Army and Air national guards, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	7,073.7	7,306.2	7,911.0	7,398.2	1.3
Other Transfers	147.0	147.4	147.4	147.4	0.0
Federal Revenues	12,079.6	15,000.9	16,389.2	15,189.2	1.3
Other Revenues	55.8	101.6	44.8	44.8	-55.9
SOURCES TOTAL	19,356.1	22,556.1	24,492.4	22,779.6	1.0
USES					
Personal Services and Employee Benefits	7,276.4	8,982.2	10,563.9	9,343.5	4.0
Contractual Services	3,073.9	3,624.8	4,069.7	3,711.2	2.4
Other	8,921.1	9,949.1	9,858.8	9,724.9	-2.3
TOTAL USES	19,271.4	22,556.1	24,492.4	22,779.6	1.0
FTE					
Permanent	29.0	29.0	29.0	29.0	0.0
Term	111.0	111.0	134.0	111.0	0.0
TOTAL FTE POSITIONS	140.0	140.0	163.0	140.0	0.0

AT A GLANCE:

The department's request included an expansion for a second New Mexico Youth Challenge Academy (NMYCA) as well as funding for increased premiums for servicemembers group life insurance. The request for personal services and employee benefits (PS&EB) was 27 percent above FY15 actual expenditures. The committee recommendation supports a modest increase for personnel and keeps the budget nearly flat with FY16.

BUDGET ISSUES:

The department requested a base budget increase of \$1.9 million, or 9 percent, including \$175 thousand for servicemembers group life insurance due to premium rate increases. Laws 2015, Chapter 149, allows the premiums to be reimbursed from the general fund. The department also requested an expansion of \$1.6 million to create a second NMYCA location in northern New Mexico.

The recommendation is 1 percent higher than the FY16 budget appropriation and does not support the general fund expansion of \$400 thousand. However, the recommendation is a 4 percent increase in the PS&EB category over FY16 for General Services Department insurance rate adjustments and \$330.5 thousand to fully fund the positions currently filled and 1 additional vacant FTE. The recommendation supports funding the deputy adjutant salary from the general fund. The recommendation supports the base request for contractual services and other costs.

Performance data indicates NMYCA reduces juvenile recidivism. 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 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) is almost \$70 thousand. Diverting teens before they get to a juvenile justice facility could slow population growth in the juvenile system. Additionally, 82 percent of cadets graduated from the academy and 30 percent passed the GED tests in FY15.

The National Guard is at 93 percent manpower strength despite the expectation of deployment among guardsmen. The rate of attrition from the National Guard is 14 percent, below the national standard of 18 percent. Between FY15 and FY16, almost 300 guardsmen were deployed or scheduled to be deployed. Since 2001, 6,400 New Mexican National Guardsmen have been deployed to Iraq, Afghanistan, Kosovo, Kuwait, Egypt, and stateside.

BASE EXPANSION:

The department requested an expansion of \$400 thousand from the general fund to match with \$1.2 million of federal funding to open a second NMYCA location in northern New Mexico. The second academy, a residential education program for at-risk youth, would serve an additional 100 cadets per year, half the operating capacity of the original school in Roswell. The committee recommendation does not support this expansion but encourages the agency to provide more program detail and identify other revenue sources for this initiative.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Second New Mexico youth challenge academy	1,600.0	0.0
TOTAL		1,600.0	0.0

NATIONAL GUARD SUPPORT

The purpose of the national guard support program is to provide administrative, fiscal, personnel, facility construction and maintenance support to the New Mexico national guard in maintaining a high degree of readiness to respond to state and federal missions and to supply an experienced force to protect the public, provide direction for youth and improve the quality of life for New Mexicans.

PERFORMANCE MEASURES

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
* Outcome	Percent of strength of the New Mexico national guard	93%	93%	97%	95%	97%
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	73	61	105	98	98
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	142,129	91,000	103,000	103,000
Outcome	Percent increase of students enrolled in middle school civil air patrol programs	New	New	New	6%	5%
Outcome	Percent of cadets successfully graduating from the youth challenge academy	79%	82%	94%	93%	95%
Outcome	State employee vacancy rate percentage	New	New	New	7%	7%
Output	Number of New Mexico employers contacted by employer support of guard and reserve through formal outreach events across the state	New	New	New	1,900	1,900

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)					
FY17 – 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	493.5	489.7	524.9	524.9	7.2
SOURCES TOTAL	493.5	489.7	524.9	524.9	7.2
USES					
Personal Services and Employee Benefits	326.6	340.0	345.2	345.2	1.5
Contractual Services	7.7	7.8	7.8	7.8	0.0
Other	119.0	141.9	171.9	171.9	21.1
TOTAL USES	453.3	489.7	524.9	524.9	7.2
FTE					
Permanent	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

AT A GLANCE:

The Adult Parole Board consists of 15 members who work on a voluntary basis and travel to prison facilities statewide to conduct parole hearings. The board is staffed by 6 FTE, including an appointed director, charged with ensuring parole hearings run smoothly. In FY15, the board conducted 3,731 parole hearings and coordinated with the Corrections Department to reduce parole hearing cancellations by 8 percent.

The board requested a slight increase in the personal and employee benefits category due to General Services Department rate increases and does not have any vacancies. The other costs category, specifically per diem and mileage, has risen 45 percent in the last two years in response to increased hearing caseloads at the women's prison and sex offender review hearings. The committee recommendation fully funds the board's request.

PAROLE BOARD

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						
		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	94%	94%	95%	95%	95%
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	41	34	34	34	34
Outcome	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1	1	1	1	1
Outcome	Percent of parole certificates issued within 10 days of hearing or 10 days of receiving all relevant information needed	99%	99%	95%	95%	98%

STATUTORY AUTHORITY:

Sections 32A-7A-1 through 32A-7A-8 NMSA 1978 created the Juvenile Public Safety Advisory Board (JPSAB). The board is administratively attached to the Children, Youth, and Families Department (CYFD).

MISSION:

The mission of JPSAB is to provide citizen oversight, review programs and initiatives, and make recommendations to CYFD on all matters relating to adjudicated youth program operations; conduct onsite facility inspections and visits; and ensure the appropriate care and treatment services are being provided to youth.

BUDGET SUMMARY (dollars in thousands)						
FY17 – 2016-2017						
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	15.0	15.0	15.0	15.0	0.0	
SOURCES TOTAL	15.0	15.0	15.0	15.0	0.0	
USES						
Contractual Services	4.7	4.9	4.9	4.9	0.0	
Other	8.7	10.1	10.1	10.1	0.0	
TOTAL USES	13.4	15.0	15.0	15.0	0.0	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0		

AT A GLANCE:

The Juvenile Public Safety Advisory Board budget request was flat compared with FY16 appropriations. The board asked to move \$100 from the contractual services category to the other category to better align with FY15 actuals. The board may have up to seven members at any time but currently only has three and has never had more than four.

In FY15 the Juvenile Public Safety Advisory Board reported only 54 percent of juveniles clients successfully completed their term of supervised release. Of the 74 clients sent to CYFD reintegration centers, 29, or 40 percent, absconded. The board reports that legislation is necessary to provide that, if a warrant is issued for absconders from supervised release, the release period will be put on hold. Additionally, the board recommends co-location of juvenile parole officers in reintegration centers to provide additional support to youth and increase the number of juveniles completing their supervised release terms.

The committee recommendation supports the budget as requested. The committee recommendation supports 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 revictimizing the community.

PERFORMANCE MEASURES						
		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Percent of clients reviewed at forty days	81%	89%	98%	98%	98%
Outcome	Percent of clients successfully completing term of supervised release	93%	58%	93%	54%	75%

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)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	279,465.1	289,621.5	302,562.5	300,386.4	3.7
Other Transfers	574.2	488.8	515.3	515.3	5.4
Federal Revenues	398.0	0.0	0.0	0.0	
Other Revenues	26,237.3	27,718.7	27,735.2	27,735.2	0.1
Fund Balance	1,602.7	612.7	612.7	612.7	0.0
SOURCES TOTAL	308,277.3	318,441.7	331,425.7	329,249.6	3.4
USES					
Personal Services and Employee Benefits	137,586.2	137,743.9	139,900.6	139,014.8	0.9
Contractual Services	45,468.4	47,678.9	56,558.0	56,558.0	18.6
Other	127,779.3	133,018.9	134,967.1	133,676.8	0.5
TOTAL USES	310,833.9	318,441.7	331,425.7	329,249.6	3.4
FTE					
Permanent	2,412.0	2,412.0	2,421.0	2,368.0	-1.8
Term	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	2,447.0	2,447.0	2,456.0	2,403.0	-1.8

AT A GLANCE:

The New Mexico Corrections Department (NMCD) FY17 budget request included a general fund increase of 4.5 percent and an expansion request for the office of security threat management. The majority of the request was for inmate population growth and increased private prison costs as well as hepatitis C drug therapy.

The LFC recommendation funds population growth, private prison costs, and healthcare cost increases with the expectation that the healthcare costs will be supplemented with Medicaid dollars when applicable. The recommendation increases the department's general fund appropriation 3.7 percent.

BUDGET ISSUES:

The majority of NMCD's requested \$13 million increase stemmed from inmate population growth. The FY17 budget request for the Inmate Management and Control Program is \$271 million, a 4.8 percent increase over FY16.

Over the past 10 years, in tandem with high vacancy rates, the NMCD prison population has risen by 595 inmates, or 8 percent, increasing costs for overtime and medical services. The Inmate Management and Control Program increased by \$50 million, or 20 percent, during this time period, with an additional \$7 million appropriated for projected shortfalls in FY15 and FY16.

Population Trends. The New Mexico Sentencing Commission (NMSC) projects the New Mexico prison population will continue to grow over the next 10 years. The NMSC study anticipates the male inmate population will level off by 2025 while the female inmate population will continue growing at 5 percent annually over the next 10 years. In 2015, the female inmate population grew 11 percent.

Prison populations increase for a number of reasons, with recidivism and longer sentences playing a significant role. Of the 4,000 prisoners entering the system in FY14, 840, or 21 percent, were parole violations. Additionally, NMSC studies show the women's population spiked as a result of females committing more violent and drug crimes that garner longer sentences.

Annual prison cost projections are based on the NMSC's annual prison population forecast report and average costs per prisoner. The NMSC underprojected growth for FY15, resulting in unanticipated costs and need for a \$7 million special appropriation in FY15 and \$5 million in FY16. However, the agency only used \$4.3 million of the special appropriation after transferring funds from other programs.

In response to population growth, the department plans to relocate all inmates from the Women's Correctional Facility to the Western New Mexico Correctional Facility and the Springer Correctional Facility. NMCD reports the population shift will benefit inmates because the prisons can better accommodate special services needed by women, such as maternity services and nurseries. The agency also plans to relocate sex offenders to the vacated women's facility in Grants, citing more capacity, the ability to better protect inmates, and better programming. The disposition of the sex offender prison in Otero County is unknown at this time as is whether the state or contractors will provide services to the shifting populations. The department estimates the inmate relocations will cost \$95 million in FY16.

For FY17, the committee recommends an additional \$5 million from the general fund for prison population cost increases and \$870 thousand for increased private prison costs. The department should consider managing inmate populations and controlling costs by using the excess capacity in state facilities to reduce private prison use, revisiting controlled release policies, studying whether changing the custody level regime would result in more efficient prison space use, reducing the number of release-eligible-inmates (inmates serving parole in prison), and reducing recidivism by increasing community-based resources for parolees.

Recidivism. NMCD does not report how it calculates the recidivism rate. However, at 47 percent, New Mexico has the highest recidivism rate in the region. It is important to remember published rates vary due to timing and differing estimation assumptions. New Mexico's recidivism rates have been reported as 47 percent for the last four years. Some fluctuation in the rate is expected due to natural fluctuations in the general non-incarcerated population, changes in policy, and changes to programming over time.

Recidivism has been estimated to cost the state over \$350 million per year. To improve public safety and contain costs, focus should shift to recovery and reform with solid post-release plans for prisoners. NMCD plans to build 43 transitional beds for females and 41 transitional beds for males using \$7 million in savings realized from moving behavioral health costs in-house.

New Mexico has identified numerous high-performing recidivism reduction programs, all of which need to be funded consistently and reassessed periodically to perform at high levels. For example, drug courts keep offenders out of prison and with their families and connect them to available services. Residential drug abuse treatment programs (RDAP) have been implemented, but their cost-effectiveness is still unknown.

LFC studies indicate education in prison is a highly cost-effective way to reduce recidivism. For every \$600 spent per inmate, the state sees a 12 percent reduction in recidivism over the first six years from release. Providing health resources for released inmates also slows recidivism. NMCD allocated \$7.3 million in FY16 to provide behavioral health services to probationers and parolees and has assisted over 60 percent of current release-eligible-inmates (REI) submit a Yes-NM application for Medicaid assistance to be effective immediately upon release.

Previously, LFC estimated from 200 to 300 inmates are eligible for release but spend their parole sentences in prison; studies show that longer prison stays increase the potential for recidivism. However, the number of female REIs fell between 2013 and 2015 from 56 to 23. REIs cost the state an estimated \$10.3 million in FY14. The leading causes for REIs include a lack of community resources for parolees, administrative issues causing parole hearings to be canceled, and inmates not participating in the parole process. Additionally, some REIs, once their sentences have run out, are released without community supervision – posing a public safety risk. In 2012, New Mexico was 14th in the nation for “maxing out” inmate sentences or releasing inmates straight into the community without supervision, according to a report from the Pew Charitable Trusts. The LFC recommendation adds \$500 thousand from the general fund to match with Medicaid for transitional living programs to further reduce the number of REIs in the system.

Health Care. In FY16, medical service contracts represented 14 percent of the total budget. NMCD entered into a contract with Corizon Health Incorporated in FY11 and decreased spending by \$4 million in FY13, after which costs have climbed every year. This contract expires in May 2016. Negotiating performance benchmarks that penalize the provider for failing to reach performance targets could help to contain costs. Performance measures containing bonuses could help address hard-to-complete prison needs, such as comprehensive nurse staffing at the prisons.

To alleviate climbing costs, a 2015 LFC study estimates most probationers and parolees would be eligible for Medicaid coverage with an average 90 percent federal financial participation rate match. If 80 percent of the parolees were enrolled, based on the FY16 budget of \$7.3 million for behavioral health contracts, state savings for outpatient services could be approximately \$5.3 million.

The study also showed general fund expenditures on probation and parole outpatient services decreased by 13.5 percent from FY14 despite research showing that physical and mental health services decrease recidivism. NMCD attributes part of the decreased expenditure level to payment delays from a third-party administrator, expressing concern the administrator was not effectively monitoring and paying providers.

The department requested, and the committee recommends, an additional \$2.4 million over FY16 for medical care, including increases for medical cost inflation and to provide newer, more expensive, hepatitis C treatment options. The department also requested a \$10 million FY16 supplemental appropriation to cover increased hepatitis C costs to comply with indigent standards of care.

Operations. The inmate population growth rate has strained a department maintaining an average 20 percent vacancy rate in custody positions. To improve recruitment and retention, LFC recommends \$900 thousand to reduce the number of vacancies and addresses high vacancy and turnover rates for correctional, probation, and parole officers. The recommendation also funds the agency's request for \$745 thousand to make permanent salary increases given with nonrecurring revenue in FY15.

In an attempt to stabilize high vacancy rates and turnover, the committee recommends targeted salary increases for correctional, probation, and parole officers. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies and is contingent on consensus revenue estimates achieving targeted levels and adequate general fund reserves.

To prevent future litigation and align with national best practices, the department will transfer six positions from the Inmate Management and Control Program to Program Support to staff each public prison with an attorney to enforce equal employment opportunity laws. The LFC recommendation supports this effort.

The agency requested a \$12.5 million IT appropriation to implement a new offender management system. Implementation of the system will allow NMCD to better track inmate movement and needs, enabling the department to provide inmates with better evidence-based programming, on-time parole plans, and efficient medical care. As an example of potential cost savings, the ability to document inmate medical care could allow the agency to begin saving or reprioritizing up to \$10 million of general fund appropriations by leveraging Medicaid for behavioral health and inmate hospitalization costs. The agency will also be able to provide more accurate and timely reporting to the legislature and public, a service difficult for the agency to achieve with the current system.

BASE EXPANSION:

The department requested \$1.9 million to expand the Office of Security Threat Management (OSTM), created in FY15, to reduce the number of statewide absconders, increase intelligence inside prisons, and reduce contraband smuggling. The request would fund 9 vacant, unfunded FTE and increase funding for educational supplies, exempt inventory, and miscellaneous other expenses from the current \$3.6 million to \$5.5 million. The committee recommends \$1.3 million to fund 6 FTE.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Security threat intelligence unit - 9 FTE	(P531)	1,900.0	1,266.7
TOTAL			1,900.0	1,266.7

INMATE MANAGEMENT AND CONTROL

The purpose of the inmate management and control program is to incarcerate in a humane, professionally sound manner offenders sentenced to prison and to provide safe and secure prison operations. This includes quality hiring and in-service training of correctional officers, protecting the public from escape risks and protecting prison staff, contractors and inmates from violence exposure to the extent possible within budgetary resources.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
		FY15	FY16	Agency	Percent
		2014-2015	2015-2016	Request	Incr
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	235,693.7	245,248.9	257,590.9	4.0
	Other Transfers	324.4	232.7	259.2	11.4
	Federal Revenues	398.0	0.0	0.0	
	Other Revenues	14,511.3	13,360.0	13,376.5	0.1
	SOURCES TOTAL	250,927.4	258,841.6	271,226.6	3.9
USES					
	Personal Services and Employee Benefits	106,359.0	105,947.5	107,334.7	0.9
	Contractual Services	44,242.9	45,864.8	48,285.7	5.3
	Other	106,065.8	107,029.3	115,606.2	6.2
	TOTAL USES	256,667.7	258,841.6	271,226.6	3.9
FTE					
	Permanent	1,852.0	1,854.0	1,856.0	-2.7
	Term	33.0	33.0	33.0	0.0
	TOTAL FTE POSITIONS	1,885.0	1,887.0	1,889.0	-2.6

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	22%	17%	20%	20%	20%
* Output	Percent of eligible inmates who earn a general educational development certificate	54%	64%	75%	75%	75%
Output	Percent of participating inmates who have completed adult basic education	33%	34%	50%	50%	40%
* Outcome	Percent of prisoners reincarcerated back into the corrections department system within thirty-six months due to new charges or pending charges	25%	23%	20%	20%	20%
* Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	9%	2%	15%	15%	5%
* Output	Number of inmate-on-inmate assaults with serious injury	9	13	10	10	10
* Output	Number of inmate-on-staff assaults with serious injury	5	2	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	87%	91%	100%	100%	100%
Output	Percent of inmate grievances resolved informally	58%	47%	85%	85%	60%
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release on the previous sex offense conviction	New	New	15%	15%	15%
* Outcome	Percent of release-eligible female inmates still incarcerated past their scheduled release date	New	New	10%	10%	10%
Output	Percent of random monthly drug tests administered to at least ten percent of the inmate population that test positive for drug use	New	New	<1.5%	<1.5%	<1.5%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of release-eligible male inmates still incarcerated past their scheduled release date	New	New	10%	10%	10%
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	New	New	75%	75%	75%
Outcome	Percent of inmates who have filled out a yes-New Mexico application at time of release	New	New	New	65%	70%
* Outcome	Thirty-six month recidivism rate	New	New	New	New	45%

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)

		<u>FY17 - 2016-2017</u>				Percent Incr (Decr)
		<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	Other Revenues	8,005.1	11,862.5	11,862.5	11,862.5	0.0
	SOURCES TOTAL	8,005.1	11,862.5	11,862.5	11,862.5	0.0
USES						
	Personal Services and Employee Benefits	1,309.5	1,570.2	1,569.0	1,569.0	-0.1
	Contractual Services	450.0	735.9	735.9	735.9	0.0
	Other	6,212.0	9,556.4	9,557.6	9,557.6	0.0
	TOTAL USES	7,971.5	11,862.5	11,862.5	11,862.5	0.0
FTE						
	Permanent	27.0	30.0	30.0	30.0	0.0
	Term	2.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	29.0	32.0	32.0	32.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of inmates receiving vocational or educational training assigned to corrections industries	6%	22%	>20%	>20%	>20%

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	30,556.8	31,393.8	31,542.8	31,591.9	0.6	
Other Revenues	3,265.8	2,034.6	2,034.6	2,034.6	0.0	
Fund Balance	1,602.7	612.7	612.7	612.7	0.0	
SOURCES TOTAL	35,425.3	34,041.1	34,190.1	34,239.2	0.6	
USES						
Personal Services and Employee Benefits	19,519.9	19,829.9	19,964.5	19,528.0	-1.5	
Contractual Services	161.2	146.1	6,677.4	6,677.4	4,470.4	
Other	13,451.0	14,065.1	7,548.2	8,033.8	-42.9	
TOTAL USES	33,132.1	34,041.1	34,190.1	34,239.2	0.6	
FTE						
Permanent	376.0	376.0	377.0	376.0	0.0	
TOTAL FTE POSITIONS	376.0	376.0	377.0	376.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	83%	93%	92%	92%	95%
* Quality	Average standard caseload per probation and parole officer	105	99	95	95	95
Output	Average community corrections program caseload per probation and parole officer	35	22	32	32	30
Output	Percent of absconders apprehended	12%	28%	26%	26%	30%
Output	Number of offenders on the waiting list for intensive or high-risk supervision	65	33	<50	<50	<40
* Output	Percent of male offenders who graduate from the men's recovery center and are reincarcerated within thirty-six months	New	New	25%	25%	25%
Output	Percent of female offenders who graduate from the women's recovery center and are reincarcerated within thirty-six months	New	New	25%	25%	25%

PROGRAM SUPPORT

The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, quality personnel management and cost-effective management information system services.

BUDGET SUMMARY
(dollars in thousands)

		FY17 - 2016-2017			
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	13,214.6	12,978.8	13,428.8	13,621.7	5.0
Other Transfers	249.8	256.1	256.1	256.1	0.0
Other Revenues	455.1	461.6	461.6	461.6	0.0
SOURCES TOTAL	13,919.5	13,696.5	14,146.5	14,339.4	4.7
USES					
Personal Services and Employee Benefits	10,397.8	10,396.3	11,032.4	11,039.2	6.2
Contractual Services	614.3	932.1	859.0	859.0	-7.8
Other	2,050.5	2,368.1	2,255.1	2,441.2	3.1
TOTAL USES	13,062.6	13,696.5	14,146.5	14,339.4	4.7
FTE					
Permanent	157.0	152.0	158.0	158.0	3.9
TOTAL FTE POSITIONS	157.0	152.0	158.0	158.0	3.9

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent turnover of probation and parole officers	14%	13%	10%	10%	10%
* Outcome	Percent turnover of correctional officers in public facilities	11%	14%	10%	10%	10%
Output	Graduation rate of correctional officer cadets from the corrections department training academy	87%	82%	90%	83%	85%
Outcome	Percent of employee union grievances resolved prior to arbitration	100%	100%	98%	98%	98%
Quality	Percent of audit findings resolved from prior year	New	40%	75%	75%	50%

STATUTORY AUTHORITY:

The Crime Victims Reparation Commission was created by Section 31-22-4 NMSA 1978 to protect the citizens of New Mexico from the impact of crime and to promote a stronger criminal justice system through the encouragement of all citizens to cooperate with law enforcement efforts. Eligibility for reparation awards, limits on the award per victim, and required deductions for payments received from collateral sources are specified in the law. The commission board is made up of five gubernatorial appointees.

MISSION:

The mission of the Crime Victims Reparation Commission is to assist victims of violent crime by providing reimbursement for certain eligible expenses related to the crime and by making distributions of federal grants for victims' assistance in accordance with federal guidelines.

BUDGET SUMMARY (dollars in thousands)					
	<u>FY17 – 2016-2017</u>				
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <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	1,879.9	2,520.0	2,547.4	2,478.3	-1.7
Federal Revenues	4,988.7	5,296.3	10,171.9	10,171.9	92.1
Other Revenues	556.8	490.0	890.0	890.0	81.6
Fund Balance	80.0	97.2	97.2	97.2	0.0
SOURCES TOTAL	7,505.4	8,403.5	13,706.5	13,637.4	62.3
USES					
Personal Services and Employee Benefits	1,185.0	1,283.1	1,385.0	1,326.0	3.3
Contractual Services	234.5	239.8	312.6	310.2	29.4
Other	5,829.4	6,880.6	12,008.9	12,001.2	74.4
TOTAL USES	7,248.9	8,403.5	13,706.5	13,637.4	62.3
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	4.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	20.0	20.0	21.0	21.0	5.0

AT A GLANCE:

Among neighboring states in 2013, the most recent year of crime statistics available, New Mexico had the highest rate of violent crime, 162 percent of the national average, and led the nation in rates of aggravated assault. The rise in violent crime will necessitate additional victim compensation payments in future years. For FY16, the commission received a \$640 thousand general fund increase for victim compensation. In FY15, the commission approved \$1.6 million in payments to victims of crime for costs including hospital stays, funerals, and lost wages.

Federal revenues increased \$5 million from the Office for the Victims of Crime for the Victim of Crime Act grant program. The commission staff is unsure whether the increase in funds will be a one-time influx of funds or sustained for direct services to victims of violent crime. The increased Victim of Crime Act funds allow for the creation of a temporary grant administrator position.

Laws 2015, Chapter 10, created a mandatory crime victims reparation fee schedule of \$75 per felony conviction and \$50 per misdemeanor. As a result of this fee schedule, the agency projects an increase in other state funds of \$400 thousand. The commission must educate courts throughout the state on the new rates and how rates are assessed. As of October 2015, no fees have been collected though the Administrative Office of the Courts, making projecting future revenue collection difficult.

The committee recommends a slight decrease of general fund revenue mostly due to General Services Department insurance rate reductions and an increase in federal funds from the FY16 operating level. The committee also recommends the addition of 1 temporary FTE to administer the increased Victim of Crime Act funds.

VICTIM COMPENSATION

The purpose of the victim compensation program is to provide financial assistance and information to victims of violent crime in New Mexico so they can receive services to restore their lives.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,879.9	2,520.0	2,547.4	2,478.3	-1.7
Other Revenues	556.8	490.0	890.0	890.0	81.6
Fund Balance	80.0	97.2	97.2	97.2	0.0
SOURCES TOTAL	2,516.7	3,107.2	3,534.6	3,465.5	11.5
USES					
Personal Services and Employee Benefits	931.9	1,025.1	1,052.5	993.5	-3.1
Contractual Services	211.3	214.8	214.8	212.4	-1.1
Other	1,117.0	1,867.3	2,267.3	2,259.6	21.0
TOTAL USES	2,260.2	3,107.2	3,534.6	3,465.5	11.5
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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Output	Number of formal trainings conducted annually	9	10	9	10	10
Output	Number of formal internal staff trainings conducted annually	6	8	6	8	8
* Efficiency	Average number of days to process applications	99	90	<100	<90	<90
Efficiency	Percent of payment vouchers for care and support sent to the department of finance and administration within two business days of the receipt of payment list	90%	90%	90%	95%	95%
* Outcome	Percent of victims receiving direct advocacy	85%	85%	90%	90%	90%
Output	Number of victims receiving direct advocacy	252	550	350	1,172	500
Outcome	Percent of payment for care and support paid to providers	New	New	65%	65%	65%
Outcome	Percent of payment for care and support paid to individual victims	New	New	100%	100%	100%

FEDERAL GRANT ADMINISTRATION

The purpose of the federal grant administration program is to provide funding and training to nonprofit providers and public agencies so they can provide services to victims of crime.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	4,988.7	5,296.3	10,171.9	10,171.9	92.1
SOURCES TOTAL	4,988.7	5,296.3	10,171.9	10,171.9	92.1
USES					
Personal Services and Employee Benefits	253.1	258.0	332.5	332.5	28.9
Contractual Services	23.2	25.0	97.8	97.8	291.2
Other	4,712.4	5,013.3	9,741.6	9,741.6	94.3
TOTAL USES	4,988.7	5,296.3	10,171.9	10,171.9	92.1
FTE					
Term	4.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	4.0	4.0	5.0	5.0	25.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Efficiency	Percent of subgrantees who receive compliance monitoring via desk audits	85%	85%	85%	85%	90%
Output	Number of training workshops conducted for subgrantees	15	12	12	12	12
* Efficiency	Percent of site visits conducted	30%	30%	50%	30%	40%
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
Efficiency	Percent of payment vouchers for subgrantees sent to department of finance and administration with two business days of the receipt of payment list	New	90%	90%	<95%	95%
Outcome	Percent of monitored subgrantees in compliance with grants rules to provide effective services to victims of crime	New	New	95%	95%	95%

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the New Mexico State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to DPS. Laws 2007, Chapter 291, removed the Emergency Management and Homeland Security Support Program and created the Homeland Security and Emergency Management Department.

MISSION:

The mission of the Department of Public Safety is to provide the best and most efficient law enforcement, support, and emergency services available to protect and secure the people of New Mexico in their lives, homes, and communities. DPS's areas of focus are drunken driving, drug crime, violent crime, and traffic safety.

BUDGET SUMMARY
(dollars in thousands)

	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	109,113.8	115,688.3	125,688.3	119,554.6	3.3
Other Transfers	8,491.7	12,071.1	11,967.1	11,967.1	-0.9
Federal Revenues	8,543.2	12,496.3	13,300.0	13,300.0	6.4
Other Revenues	4,432.9	8,932.8	7,221.9	7,221.9	-19.2
Fund Balance	2,453.1	2,280.0	1,935.0	1,935.0	-15.1
SOURCES TOTAL	133,034.7	151,468.5	160,112.3	153,978.6	1.7
USES					
Personal Services and Employee Benefits	89,906.4	100,811.9	111,403.1	105,277.1	4.4
Contractual Services	5,554.0	6,374.1	6,358.6	6,358.6	-0.2
Other	31,942.8	37,022.5	37,430.6	37,422.9	1.1
Other Financing Uses	0.0	7,260.0	4,920.0	4,920.0	-32.2
TOTAL USES	127,403.2	151,468.5	160,112.3	153,978.6	1.7
FTE					
Permanent	1,126.5	1,141.5	1,146.5	1,146.5	0.4
Term	107.0	107.0	105.0	103.0	-3.7
Temporary	24.2	24.2	56.3	26.2	8.3
TOTAL FTE POSITIONS	1,257.7	1,272.7	1,307.8	1,275.7	0.2

AT A GLANCE:

Historically, DPS has struggled to recruit and retain law enforcement officers due to an uncompetitive salary structure. For FY17, the department requested \$4 million to implement the final phase of a plan to overhaul the officer pay plan and fix salary inequities within the department.

In addition to officer pay, the department requested an additional \$6 million for additional officer and staff positions, replacement of discontinued federal asset forfeiture revenues, increased laboratory costs, and information technology needs. The committee recommendation addresses hard to fill and retain positions including police officers, dispatchers, and forensic scientists. The LFC projects slower officer manpower growth than the agency projects. The department's \$126 million request for revenue from the general fund would be a 9 percent increase above FY16 operating levels and 17 percent above FY15 actual expenditures; the committee recommends 3.3 percent growth.

BUDGET ISSUES:

The Department of Public Safety merged the Motor Transportation Division, Special Investigations Division, and the New Mexico State Police Division into one program effective July 1, 2015. The consolidation was intended to address fragmented operations, difficulties in sharing information and communications, function redundancy, limited career growth opportunities, and lack of equitable pay.

As part of the consolidation, the department received \$2.3 million to move the Law Enforcement Academy under the Law Enforcement Program to continue its statutory mission of providing basic and advanced training to officers and telecommunicators in state, county, and local law enforcement agencies. In FY16, DPS also received \$1.9 million for an additional basic training class and dispatcher recruit school. All DPS commissioned officers hired after July 1, 2015, will attend the New Mexico State Police recruit school, where they will receive identical training. In addition, DPS is developing cross training, allowing for officers to apply to move laterally between functions.

In the 2013 interim, the department presented a three-phase \$10.8 million proposal to overhaul the state police pay plan. Over the last two years, the department has implemented phases one and two of the pay plan at a cost of \$6.2 million. The first two phases addressed low officer pay and internal pay equity and moved the agency from the 12th to the sixth highest payer in the market out of 14 departments surveyed in the state.

To date, ascertaining the success of the pay plan overhaul is difficult. Since December 2014, vacancy rates have fallen from 15 percent to 10 percent; the department projects a 7 percent vacancy rate in the last half of FY17. The agency would have to hire 75 officers to be fully staffed and 31 officers to meet the 7 percent projection for FY17; however, since FY12, DPS has only netted 38 new officers.

In FY15, the department transferred \$558 thousand from the personal services and employee benefits category to other categories for repairs, equipment, and operating shortfalls, notably less than the average \$2.7 million transferred in FY13 and FY14. DPS will conduct an additional recruit school and a lateral school in FY17. The agency hopes to hire 40 officers in FY16 and 15 officers in FY17, but due to attrition, the agency projects a net increase of 31 officers. In FY16, the agency received a \$1.9 million base increase for recruit schools and the recommendation for FY17 funds \$1.2 million of the \$2.4 million request for additional officers due to differing retention assumptions.

In addition to officer shortages, the department also faces a critical backlog in forensic science cases as a result of vacancies. Since FY10, the caseload has grown 70 percent while case backlogs continue to grow. DPS completed an average 20 percent of all cases received within 30 days in FY15. For FY16, the department received \$170 thousand in the base and \$205 thousand through a special appropriation to clear the backlog of cases. DPS requested \$615.5 thousand in general fund for two additional scientists and their associated overhead costs. Forensic scientists and dispatchers have vacancy rates of 30 percent and 22 percent, respectively, and sustain turnover rates of 20 percent and 26 percent, respectively. DPS also requested the State Personnel Office to include forensic scientists in the FY17 compensation request.

The committee's recommendation includes funding to implement the final phase of the officer pay plan overhaul and targeted salary increases for dispatchers and forensic scientists. The funding is appropriated to the Department of Finance and Administration for distribution to agencies and is contingent on consensus revenue projections reaching targeted levels.

The department requested \$986.5 thousand and the committee recommends \$868.6 thousand to partially replace \$1.7 million in federal forfeiture sharing revenue that will no longer be received annually. Amendments to the State Forfeiture Act now direct all proceeds to the general fund, contradicting federal policy that prohibits the use or transfer of equitable sharing funds for non-law enforcement purposes. DPS will receive no federal sharing funds as a result of the amendments. In FY15, DPS submitted eight budget adjustment requests from forfeiture revenues totaling \$3.8 million to purchase two mobile command vehicles, a crime scene scanner, tactical and protective equipment, a BearCat armored vehicle and to update rifle inventory.

A 2013 LFC evaluation and a New Mexico Sentencing Commission report noted a significant compliance problem and large amounts of foregone revenue from the weight-distance tax and oversize overweight permits on commercial trucking. The causes of inefficient tax collection include relatively highly paid transportation inspectors collecting revenue when these duties could be left to less expensive revenue collection agents; commercial motor vehicles regularly evading the weight-distance tax due to low compliance penalties; and truck operators risking compliance penalties rather than waiting in line to buy permits at a port of entry. LFC, DPS, the Taxation and Revenue Department, and the Department of Transportation (DOT) have been working together to find solutions. DOT secured a \$1 million federal grant to fund 20 fee collectors at Motor Transportation Division ports of entry. LFC also recommends the department consider increasing the compliance penalty to deter evasion of permit fees. The weight-distance permit fee is currently \$5.50 but could be as high as \$10 by statute. The rise in fees could permanently support the number of fee collectors at the ports.

In FY15, DPS initiated the Promiles IT system to sell single trip permits, required for carriers that do not have a weight-distance tax permit, and decrease ports of entry wait times. As of May 2015, over 14 thousand carriers had used the system and \$2.2 million in revenue had been collected. Weight-distance tax generates \$76 million in revenue per year, the third largest share of the state road fund.

DPS led the nation as the first state to deploy the Smart Roadside Inspection System that uses remote sensing technologies and multiple databases to flag noncompliant vehicles, help prevent fee evasion, and increase commercial vehicle safety compliance. DPS also uses the smart roadside system to track commercial vehicles within the state and ensure their safe operation. Nationally, for every four vehicles inspected, one vehicle is placed out of service. For FY17, DPS is seeking to measure their rates against the national rate to better gauge enforcement effectiveness and more effectively patrol hotspots.

The committee recommends the department continue data sharing initiatives throughout the state. DPS provides multiple systems free of charge to local law enforcement agencies, including the automated fingerprints identification system (AFIS), the New Mexico criminal justice information system (NMCJIS), New Mexico law enforcement telecommunications system (NMLETS), computer-aided dispatch (CAD), law enforcement automated data services (LEADS), and IT technical and network services support.

The department requested \$2.5 million in its information technology request for funding to replace their records management system (RMS) with a new system compatible with its CAD system, allowing for information mapping and data-sharing statewide and more efficient allocation of resources.

DPS requested \$5.9 million in special appropriations and \$306 thousand in supplemental appropriations. Special appropriation requests include \$4.2 million for law enforcement vehicle replacement, \$556 thousand for additional lateral officer training costs, and \$433 thousand for a records management system for the law enforcement academy. The recommendation does not support the records management system and recommends the system be an information technology request. The department requested \$4.3 million in the base budget and \$4 million in a special appropriation request to replace nearly 99 vehicles. The LFC recommendation provides base funding and a special appropriation for vehicle replacement.

Supplemental requests include \$100 thousand for 11 percent increases for forensic scientists through the remainder of FY16, \$111 thousand for forensic laboratory costs, and \$95 thousand for district office relocation costs.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the law enforcement program of the department of public safety include one million two hundred sixty-five thousand six hundred dollars (\$1,265,600) from the weight distance tax identification permit fund.

Any unexpended balances in the motor transportation bureau of the law enforcement program of the department of public safety remaining at the end of fiscal year 2017 from appropriations made from the weight distance tax identification permit fund shall revert to the weight distance tax identification permit fund.

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)					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 - 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	95,573.8	99,030.3	107,848.0	102,402.4	3.4
Other Transfers	7,233.4	7,681.9	6,982.9	6,982.9	-9.1
Federal Revenues	6,054.5	7,789.8	9,024.0	9,024.0	15.8
Other Revenues	1,480.3	4,241.8	1,792.5	1,792.5	-57.7
Fund Balance	2,369.3	1,250.0	5.0	5.0	-99.6
SOURCES TOTAL	112,711.3	119,993.8	125,652.4	120,206.8	0.2
USES					
Personal Services and Employee Benefits	77,311.8	85,940.5	95,536.7	90,091.1	4.8
Contractual Services	3,974.5	3,395.7	3,777.8	3,777.8	11.3
Other	25,070.8	27,372.6	26,337.9	26,337.9	-3.8
Other Financing Uses	0.0	3,285.0	0.0	0.0	-100.0
TOTAL USES	106,357.1	119,993.8	125,652.4	120,206.8	0.2
FTE					
Permanent	990.5	985.5	987.5	987.5	0.2
Term	59.0	58.0	55.0	55.0	-5.2
Temporary	24.2	24.2	55.3	25.2	4.1
TOTAL FTE POSITIONS	1,073.7	1,067.7	1,097.8	1,067.7	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties	360	269	350	350	350
Output	Number of driving-while-intoxicated checkpoints and saturation patrols conducted	915	1,051	1,175	1,175	1,175
Output	Number of driving-while-intoxicated arrests per patrol officer	8.2	9.1	9.0	9.0	10.0
Output	Number of minor compliance and underage enforcement operations conducted annually per agent assigned to alcohol enforcement duties	New	New	24	24	24
* Output	Number of criminal investigations conducted by agents assigned to criminal investigative and impact positions in the investigations bureau	New	New	15	15	16
* Output	Number of drug-related investigations conducted per agent assigned to narcotics investigative positions in the investigations bureau	New	New	12.0	12.0	12.0
Output	Number of enforcement operations for sales to intoxicated persons	New	589	50	350	600
Output	Number of tobacco outlets visited during tobacco sales enforcement operations	New	New	500	1,300	1,300
Output	Number of alcohol source investigations conducted statewide	New	New	12	20	20
Output	Number of technical support requests provided by commissioned and civilian personnel assigned to computer forensic and investigative positions in the investigations bureau	New	90	24	24	95
Output	Number of crime scenes investigated or processed statewide	New	New	150	150	150
Output	Number of data-driven crime and traffic-related enforcement projects held	New	1,499	750	750	1,000
Output	Number of motor carrier safety trainings completed	43	51	48	48	50
* Output	Number of commercial motor vehicle citations issued per filled full-time-equivalent position assigned to enforcement duties	New	New	522	522	522
* Output	Number of commercial motor vehicle safety inspections conducted per filled full-time-equivalent position assigned to inspection duties	New	New	397	397	397
Outcome	Commercial motor vehicle out-of-service rate compared with the current national level	New	New	New	+/-2%	+/-2%
Output	Number of noncommercial motor vehicle citations with a nexus to a commercial motor vehicle issued per filled full-time-equivalent position	New	New	New	175	175

STATEWIDE LAW ENFORCEMENT SUPPORT

The purpose of the statewide law enforcement support program is to promote a safe and secure environment for the state of New Mexico through intelligently led policing practices, vital scientific and technical support, current and relevant training and innovative leadership for the law enforcement community.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>			
	<u>FY15</u>	<u>FY16</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	8,776.5	11,657.5	12,522.6	11,959.7	2.6
Other Transfers	758.9	3,625.0	4,220.0	4,220.0	16.4
Federal Revenues	598.7	1,316.8	782.2	782.2	-40.6
Other Revenues	2,952.4	4,691.0	5,033.5	5,033.5	7.3
Fund Balance	83.8	1,030.0	1,580.0	1,580.0	53.4
SOURCES TOTAL	13,170.3	22,320.3	24,138.3	23,575.4	5.6
USES					
Personal Services and Employee Benefits	8,983.8	10,435.4	11,179.4	10,616.5	1.7
Contractual Services	1,447.2	2,848.1	2,450.5	2,450.5	-14.0
Other	4,101.0	5,411.8	6,288.4	6,288.4	16.2
Other Financing Uses	0.0	3,625.0	4,220.0	4,220.0	16.4
TOTAL USES	14,532.0	22,320.3	24,138.3	23,575.4	5.6
FTE					
Permanent	84.0	103.0	105.0	105.0	1.9
Term	40.0	41.0	43.0	41.0	0.0
Temporary	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	124.0	144.0	149.0	147.0	2.1

PERFORMANCE MEASURES

		<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY17</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of service requests received from statewide criminal justice entities resolved within forty-eight hours of receipt	74%	88%	90%	90%	90%
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	27	11	21	15	15
Output	Average turnaround time of civil applicant results posted to the New Mexico applicant processing service from the date the fingerprints are taken to the date of posting, in working days	New	New	4	2	2
Explanatory	Number of civil fingerprint submissions processed through the automated fingerprint identification system	New	New	15,000	80,000	80,000
Outcome	Percent of desktop or mobile service requests received from statewide criminal justice entities resolved within five business days	New	New	80%	90%	95%
Outcome	Percent of complaint cases reviewed and adjudicated annually	28%	49%	70%	80%	55%
Outcome	Percent decrease in number of backlog DNA forensic science cases	New	New	New	10%	10%
Outcome	Percent decrease in number of backlog chemistry forensic science cases	New	New	New	10%	10%
Outcome	Percent decrease in number of backlog latent print forensic science cases	New	New	New	10%	10%
Outcome	Percent decrease in number of backlog firearm/toolmark forensic science cases	New	New	New	10%	10%
Outcome	Percent of certifications for basic police officer and public safety telecommunicator graduates sent out within thirty business days from date of graduation	New	New	90%	90%	90%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of forensic biology and DNA cases completed per filled full-time-equivalent position within sixty working days	New	New	New	40%	40%
* Outcome	Percent of forensic latent fingerprint cases completed per filled full-time-equivalent position within sixty working days	New	New	New	30%	30%
* Outcome	Percent of forensic firearm or toolmark cases completed per filled full-time-equivalent position within sixty working days	New	New	New	50%	50%
* Outcome	Percent of forensic chemistry cases completed per filled full-time-equivalent position within sixty working days	New	New	New	40%	40%
Output	Number of criminal finger and palm prints entered into the automated fingerprint identification system	New	New	New	2,400	2,400
Outcome	Number of livescan end-users trained in law enforcement and correctional facilities throughout the state	New	New	New	75	75

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)

	<u>FY15 2014-2015 Actuals</u>	<u>FY16 2015-2016 Budgeted</u>	<u>FY17 - 2016-2017</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,763.5	5,000.5	5,317.7	5,192.5	3.8
Other Transfers	499.4	764.2	764.2	764.2	0.0
Federal Revenues	1,890.0	3,389.7	3,493.8	3,493.8	3.1
Other Revenues	0.2	0.0	395.9	395.9	
Fund Balance	0.0	0.0	350.0	350.0	
SOURCES TOTAL	7,153.1	9,154.4	10,321.6	10,196.4	11.4
USES					
Personal Services and Employee Benefits	3,610.8	4,436.0	4,687.0	4,569.5	3.0
Contractual Services	132.3	130.3	130.3	130.3	0.0
Other	2,771.0	4,238.1	4,804.3	4,796.6	13.2
Other Financing Uses	0.0	350.0	700.0	700.0	100.0
TOTAL USES	6,514.1	9,154.4	10,321.6	10,196.4	11.4
FTE					
Permanent	52.0	53.0	54.0	54.0	1.9
Term	8.0	8.0	7.0	7.0	-12.5
TOTAL FTE POSITIONS	60.0	61.0	61.0	61.0	0.0

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	65	65	60	65	60
Outcome	Percent of audit findings resolved from the prior fiscal years' annual external audit	New	New	90%	90%	90%
Output	Number of site visits made to subgrantees per filled full-time-equivalent position assigned to conduct site visits	New	New	6	6	6

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA (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 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,523.0	2,519.7	3,264.6	2,270.0	-9.9
Other Transfers	97.7	150.8	150.8	150.8	0.0
Federal Revenues	18,734.6	39,624.5	14,840.0	14,840.0	-62.5
Other Revenues	63.0	110.0	110.0	110.0	0.0
SOURCES TOTAL	21,418.3	42,405.0	18,365.4	17,370.8	-59.0
USES					
Personal Services and Employee Benefits	3,752.0	4,901.0	6,033.7	5,129.4	4.7
Contractual Services	1,411.6	1,311.0	1,807.4	1,807.4	37.9
Other	12,249.8	36,193.0	10,524.3	10,434.0	-71.2
TOTAL USES	17,413.4	42,405.0	18,365.4	17,370.8	-59.0
FTE					
Permanent	15.0	15.0	16.0	15.0	0.0
Term	45.0	45.0	50.0	45.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	66.0	60.0	0.0

AT A GLANCE:

The department's FY17 request included a 30 percent general fund increase compared with the FY16 operating budget, including an expansion of \$150 thousand for a statewide mass notification system.

The total request was sharply below the FY16 operating budget, a result of the absent \$25 million in federal pass-through money for disaster and fire management funds no longer included in the operating budget due to slower fire seasons in the past two years. The general fund recommendation is 10 percent below the FY16 operating level.

BUDGET ISSUES:

The department spent almost \$1 million less than their operating budget for personal services and employee benefits (PS&EB) in FY15. New leadership is initiating an extensive reorganization and financial management overhaul. The department is addressing a 30 percent vacancy rate over the last two years by updating job descriptions and managing workloads to improve recruitment and retention of employees. To support the department's efforts, the recommendation increases PS&EB by 4.5 percent above the FY16 operating budget and supports the requested increase for contractual services and other costs.

The department houses a highly specialized Urban Search and Rescue (US&R) team funded with federal revenues. Recently, the team was deactivated by the Federal Emergency Management Agency (FEMA) for failure to meet operational and financial standards. US&R has been listed as at-risk since 2007 and was downgraded to nonoperational status in 2014. The department stated most US&R teams nationally are operated by municipal fire departments. In the past, US&R was comaintained by the Albuquerque Fire Department and the University of New Mexico; however, those two entities struggled to maintain standards of the federal grant, resulting in the transition to the department. The department is appealing the deactivation but could lose \$3.1 million in federal funding.

The department request included \$594.9 thousand for maintenance of 42 radio towers by the Department of Information Technology. The costs were previously covered by the Department of Commerce through a communications grant. The towers enable critical interoperable radio communications statewide, particularly for law enforcement. The recommendation supports this request.

The department struggled to meet performance targets, including measures for compliance with federal regulations. The 2014 annual audit included two findings of note: a lack of controls over cash receipts and prepayment of services, a violation of the State Procurement Code.

In 2014 and 2015, the Legislature appropriated \$1 million to be used as a federal match for community mitigation projects. To date, \$167 thousand has been obligated. In 2013, \$4.5 million from the general fund was appropriated for flood damage projects in Lincoln and Otero counties; \$1.2 million has been expended. The balance has been reauthorized twice.

Cash balances related to disaster declarations by the governor are high as a result of long lag times between expenditure and reimbursement from the federal government. The fund is used to distribute resources to communities devastated by natural disasters and is reimbursed by the federal government.

BASE EXPANSION:

The committee does not recommend the agency's requested expansion. The department failed to demonstrate the necessity of the creating a statewide mass notification and warning system when local entities already have these systems in place. Further, the department did not provide cost estimates for the system or include the request in the information technology review process.

BASE EXPANSION LISTING FY17 - 2016-2017

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Emergency notification system</u>	<u>(P759)</u>	150.0	0.0
TOTAL			150.0	0.0

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

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Number of exercises conducted annually in compliance with federal guidelines	57	48	65	65	60
Output	Number of training courses instructed annually	New	New	100	100	100
Output	Number of students trained annually	New	New	2,170	2,170	2,170
Outcome	Number of local emergency operation plans current within three years	19	30	35	35	30
Outcome	Number of program and administrative team compliance visits conducted each year on all grants	30	1	45	45	30
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	15	22	15	15	15
Output	Number of facilitated training courses conducted annually	93	94	72	95	95
Output	Number of training courses facilitated annually	New	New	72	72	72
* Output	Percent completion of semi-annual monitoring of disaster grant applications	New	New	75%	75%	75%

STATUTORY AUTHORITY:

Sections 67-1-1 through 67-16-14 NMSA 1978 codify laws pertaining to the New Mexico Department of Transportation (NMDOT), the State Transportation Commission, and highways and transportation in general. Article V, Section 14, of the Constitution of New Mexico establishes the State Transportation Commission. Each of the six governor-appointed commissioners represents a highway district. The department is administered in accordance with the policies established by the commission and all applicable federal and state laws and regulations.

MISSION:

The department and the commission maintain responsibility for creating a comprehensive program of design, construction, and maintenance of the state's highway system. The department's mission is to use its personnel and technical and financial resources to facilitate a high-quality, multi-modal state transportation network.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Federal Revenues	450,104.1	408,591.7	408,919.8	408,919.8	0.1
Other Revenues	435,933.8	429,843.1	438,075.0	438,075.0	1.9
Fund Balance	3,550.2	26,229.5	2,800.2	18,800.2	-28.3
SOURCES TOTAL	889,588.1	864,664.3	849,795.0	865,795.0	0.1
USES					
Personal Services and Employee Benefits	152,603.7	157,071.4	158,654.5	158,654.5	1.0
Contractual Services	208,883.6	405,343.3	379,925.6	389,925.6	-3.8
Other	271,719.7	302,249.6	311,214.9	317,214.9	5.0
TOTAL USES	633,207.0	864,664.3	849,795.0	865,795.0	0.1
FTE					
Permanent	2,431.0	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	2,487.5	2,487.5	2,487.5	2,487.5	0.0

AT A GLANCE:

The budget for the New Mexico Department of Transportation (NMDOT) consists primarily of two funding sources: state road fund primarily used for highway maintenance and federal funding awards primarily used for construction and debt service payments. The NMDOT request for FY17 includes a reorganization of program activities and creates a new Modal Program. The new program will remove the traffic safety, aviation, and transit and rail program from the Project Design and Construction (PDC), formerly Programs and Infrastructure Program, to better align federal grants management and oversight of dedicated funding programs.

Despite projected state road fund (SRF) growth of 2.1 percent and flat federal appropriations, NMDOT's FY17 appropriation request represented a 1.7 percent decrease from the FY16 operating budget, because the department requested less from fund balances than was included in the FY16 operating budget.

The LFC recommendation fully funds the NMDOT request and increases the transfer from SRF balances. Most of the increase is applied to the PDC program to increase the contractual services program budget, from which construction projects are funded. A smaller increase is directed to the Transportation and Highway Operations Program (THOP) to maintain current service levels. Over the past several years, NMDOT has requested, and LFC has supported, additional funding in the personal services and employee benefits category to reduce the department's vacancy rate. The LFC recommendation fully funds NMDOT's requested increase for personnel.

BUDGET ISSUES:

NMDOT reports 68 percent of non-interstate highway miles were in good condition in FY14, a decrease of 2 percent from FY13. New road condition data show the condition of New Mexico's transportation infrastructure continues to deteriorate, making repairs more costly as revenues stagnate; both state road fund (SRF) and federal highway administration (FHWA) funds have experienced little or no growth since the recession.

State Revenues. NMDOT projects SRF revenue from all sources, with the exception of gasoline tax revenue, will increase from FY16 to FY17. The FY17 SRF forecast shows an \$8.25 million increase driven primarily by a \$4 million increase in special fuels (diesel) tax, a \$2.1 million increase in the weight-distance tax on commercial trucking, and \$1.5 million from vehicle registration fees. NMDOT notes special fuels and weight-distance tax revenue is closely related to the state of the national economy, while gasoline tax revenue and vehicle registrations relate to the New Mexico economy. The decrease in gasoline tax revenue is projected at \$1.6 million, or 1.4 percent. Gasoline tax revenue has been virtually stagnant since FY13 because population growth has not kept pace with fuel efficiency increases in passenger vehicles. While SRF growth is forecast to be modest, the SRF forecasts have been revised upward over each of the past two years.

A 2013 LFC evaluation and a 2014 study by the New Mexico Sentencing Commission revealed noncompliance and foregone revenue from weight-distance tax and oversize overweight permit collection on commercial truckers. In response, NMDOT began working in collaboration with the Department of Public Safety and the Taxation and Revenue Department to increase compliance. In FY15, NMDOT secured a \$1 million federal grant to hire additional staff at ports of entry. NMDOT should continue working to increase weight-distance tax compliance through maintaining adequate staff at ports of entry and working with the Taxation and Revenue and Public Safety departments to coordinate compliance initiatives.

Federal Revenues. Federal revenue remained relatively stable over the past five fiscal years. From FY12 to FY16, federal revenues increased by \$5 million, or 1.2 percent. In FY17, NMDOT requested an increase of \$328 thousand, or 0.1 percent. NMDOT's request for federal funding does not reflect Congress's recent passage of the Fixing America's Surface Transportation Act (FAST), a five-year funding bill that will increase spending on surface transportation. The full Legislature should consider appropriation adjustments resulting from the federal legislation.

Debt Service. LFC remains concerned with the impact of debt service payments on the ability of NMDOT to provide adequate road construction and maintenance. NMDOT has \$1.6 billion in total debt outstanding to be paid through FY27. In FY17, NMDOT's debt service will amount to \$161.7 million made up of \$120 million from federal disbursements and \$41.7 million from the SRF. The increased reliance on debt-financing of infrastructure projects, beginning with Governor Johnson's CHAT program and continuing with Governor Richardson's Investment Partnership (GRIP) initiative, has resulted in a significant draw on federal and state road funds.

NMDOT will have two balloon payments coming due in FY25 and FY26 that must be paid from SRF at an annual cost of \$113 million. Current SRF debt service payments averaged \$29 million for the past several fiscal years. The balloon payments will result in a dramatically decreased maintenance budget for FY25 and FY26. To date, no measures have been taken to address the increased debt service payments, increasing the likelihood of significant service interruptions during these years.

Maintenance and Construction Needs. NMDOT completed the first automated, systemwide condition assessment of all 30 thousand lane miles of the New Mexico transportation system. The assessment showed 70 percent of non-interstate lane miles were rated good, a significant decrease from the department's previous estimate of 84 percent in FY12. The FY14 road assessment showed further deterioration of non-interstate lane miles to 68 percent in good condition from 70 percent in FY13. The continued deterioration of New Mexico's roads is troubling because maintenance and repair costs increase dramatically as conditions deteriorate. The per-lane-mile cost to maintain a road in good condition is estimated to be \$15 thousand; a road in fair condition costs an average \$180 thousand; and, a road in poor condition requiring major rehabilitation or reconstruction costs between \$500 thousand and \$1.5 million. Because the cost of postponing maintenance increases as the pavement quality decreases, increasing expenditures for road maintenance now will likely lead to significant out-year savings.

NMDOT estimates the annual cost to maintain all state roadways to be an additional \$105 million, of which \$80 million is needed for bridge and pavement preservation and maintenance with the remaining amount needed for signage, equipment, and emergency response. NMDOT states that with this additional funding, the department would be able to move all roadways onto a 30-year maintenance schedule and keep all existing roads in good condition. Without additional funding for maintenance activities, the condition of New Mexico roads will continue to deteriorate and the total system cost will increase.

NMDOT estimates total construction needs to be \$591.3 million annually; the FY16 operating budget contains \$229 million, leaving a \$362.3 million funding gap. NMDOT estimated the additional funding needed annually to perform 75 percent of the estimated needed roadway rehabilitation and construction to be \$254.6 million. The need for bridge replacement and repair is an additional \$107 million. While additional funding is needed for bridges, NMDOT conducted an analysis of bridges and pavements in the state system and found that, at the current funding levels, in 10 years, the average road condition in the state will be poor while only 1.7 percent of bridges will be rated structurally deficient.

The current budget for construction will reduce the number of structurally deficient bridges by more than half over the next decade while road conditions will decline from fair to poor. Based on the NMDOT analysis, \$20 million in funding for bridge construction could be removed without adversely impacting bridge condition. Given this information, NMDOT should consider realigning program funding to ensure pavement condition is preserved to the maximum extent possible without adversely impacting bridge condition.

Operations and Personnel. Following years of persistently high vacancy rates, NMDOT achieved the LFC target vacancy rate of 11 percent, reducing its vacancy rate from a peak of 18 percent in FY12. Over the past year, NMDOT increased employment by 3.4 percent while employment in the rest of state government grew by 0.6 percent. NMDOT's success in hiring is centered mostly in THOP and should help NMDOT become more responsive in emergency operations, such as major storm events, as well as in summer operations such as mowing, chip sealing, and crack sealing.

For FY17, NMDOT requested an average vacancy rate of 10 percent across all programs. The request includes a \$1.6 million, or 1 percent, increase for personnel costs and maintains the number of FTE at FY16 levels.

NMDOT's increase in personnel is critical to the department's management strategy, which emphasizes roadway preservation rather than prioritizing the roads in worst condition at the expense of foregoing maintenance on roads in better condition. The decrease in fuel costs, particularly diesel, reduced NMDOT's operational costs, but the department notes, despite the drop in oil prices, the cost of asphalt and emulsion has not decreased.

NMDOT received a \$45 million capital outlay appropriation during the 2015 special legislative session for road construction projects statewide. The department identified five projects to be completed with the additional funding: widening of U.S. Highway 82 from Artesia to New Mexico 529; widening of U.S. Highway 64 from Farmington to Bloomfield; improvements on U.S. Highway 68 in Taos; improvements to the New Mexico 6/I-40 Los Lunas bypass; and reconstruction at the I-25/Rio Bravo interchange. All projects are scheduled to be put out for bidding between May 2016 and June 2017.

LFC Recommendation. The LFC recommendation supports NMDOT's request and includes \$16 million from fund balance over the NMDOT request resulting in a total increase of \$1.1 million, or 0.1 percent, over FY16. Ten million dollars of the \$16 million fund balance is recommended for the contractual services category of the Project Design and Construction Program for roadway rehabilitation and reconstruction. The remaining \$6 million is directed to the other category of the Transportation and Highway Operations Program for the purchase of field supplies.

In FY16, NMDOT budgeted \$26.2 million from state road fund balances. NMDOT projected a \$107 million SRF balance at the close of FY16. Since that projection, NMDOT reduced the fund balance by \$10 million for equipment purchases. The LFC recommendation budgets \$16 million, leaving the NMDOT with a balance of approximately \$81 million. Historically, NMDOT requires up to \$60 million in fund balance to ensure adequate funding for ongoing projects. The LFC use of fund balance will allow NMDOT to maintain adequate cash reserves required for operations as well as additional funding to cover any increased operational costs related to emergencies through the close of FY16.

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 2017 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.

PROJECT DESIGN AND CONSTRUCTION

The purpose of the project design and construction program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	447,104.1	405,602.8	374,029.8	374,029.8	-7.8
Other Revenues	169,687.6	162,656.9	143,238.0	143,238.0	-11.9
Fund Balance	0.0	19,729.5	2,800.2	12,800.2	-35.1
SOURCES TOTAL	616,791.7	587,989.2	520,068.0	530,068.0	-9.9
USES					
Personal Services and Employee Benefits	25,429.3	27,353.0	25,729.3	25,729.3	-5.9
Contractual Services	159,817.8	350,306.5	306,915.3	316,915.3	-9.5
Other	177,667.8	210,329.7	187,423.4	187,423.4	-10.9
TOTAL USES	362,914.9	587,989.2	520,068.0	530,068.0	-9.9
FTE					
Permanent	369.0	367.0	352.0	352.0	-4.1
Term	38.0	36.0	20.0	20.0	-44.4
TOTAL FTE POSITIONS	407.0	403.0	372.0	372.0	-7.7

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Outcome	Number of traffic fatalities	343	331	<345	<345	<330
* Outcome	Number of alcohol-related traffic fatalities	137	133	<130	<130	<130
Outcome	Number of non-alcohol-related traffic fatalities	206	198	<215	<215	<200
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	140	131	<150	<150	<140
* Outcome	Percent of projects in production let as scheduled	70%	50%	>75%	>60%	>70%
Quality	Ride quality index for new construction	TBD	4.3	>4.0	>4.0	>4.0
Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	1.0%	2.0%	<2.5%	<3.0%	<3.0
Outcome	Number of pedestrian fatalities	58	60	<45	<55	<55
Outcome	Number of rural traffic fatalities	245	201	<235	<230	<230
Outcome	Number of urban traffic fatalities	99	130	<105	<115	<115
Outcome	Number of rural alcohol-related traffic fatalities	96	60	<85	<80	<80
Outcome	Number of urban alcohol-related traffic fatalities	41	73	<45	<50	<50
Outcome	Number of serious injuries (rural)	283				
Outcome	Number of serious injuries (urban)	682				
* Outcome	Percent of bridges in fair condition or better, based on deck area	94%	95%	>85%	>90%	>90%
* Outcome	Percent of projects completed according to schedule	91%	84%	>80%	>85%	>85%

HIGHWAY OPERATIONS

The purpose of the highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY17 - 2016-2017</u>				
		FY15	FY16	Agency	LFC	Percent
		2014-2015	2015-2016	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Federal Revenues	3,000.0	2,988.9	3,000.0	3,000.0	0.4
	Other Revenues	224,123.7	224,263.9	224,794.9	224,794.9	0.2
	Fund Balance	3,550.2	6,500.0	0.0	6,000.0	-7.7
	SOURCES TOTAL	230,673.9	233,752.8	227,794.9	233,794.9	0.0
USES						
	Personal Services and Employee Benefits	101,075.7	103,897.5	104,510.1	104,510.1	0.6
	Contractual Services	46,436.7	50,544.6	45,522.6	45,522.6	-9.9
	Other	83,161.5	79,310.7	77,762.2	83,762.2	5.6
	TOTAL USES	230,673.9	233,752.8	227,794.9	233,794.9	0.0
FTE						
	Permanent	1,820.0	1,834.0	1,811.0	1,811.0	-1.3
	Term	16.7	16.7	16.7	16.7	0.0
	TOTAL FTE POSITIONS	1,836.7	1,850.7	1,827.7	1,827.7	-1.2

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of statewide pavement preservation lane miles	2,889	2,611	>2,750	>2,600	>2,750
* Outcome	Percent of non-interstate lane miles rated good	70%	68%	>70%	>70%	>68%
Output	Amount of litter collected from department roads, in tons	6,201	6,484	>8,000	>7,000	>7,000
Outcome	Percent of interstate lane miles rated good	94%	93%	>92%	>92%	>93%
Quality	Customer satisfaction levels at rest areas	99%	99%	>99%	>98%	>99%
* Outcome	Number of combined systemwide miles in deficient condition	8,128	6,652	<8,000	<6,000	<6,000
Output	Number of damage claims submitted each year	378	401	<380	Not Req'd	<380
Output	Number of damage claims paid each year	TBD	140	200	Not Req'd	200
Outcome	Percent of national highway system lane miles rated good	90%	86%	>85%	>85%	>86%
Outcome	Percent of non-national highway system lane miles rated good	63%	61%	>75%	>65%	>65%
Outcome	Number of interstate miles in deficient condition	241	246	<400	<350	<250
Outcome	Number of non-interstate miles in deficient condition	7,887	6,406	<7,500	<7,000	<7,000

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>FY17 - 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
Other Revenues	42,122.5	42,922.3	42,171.9	42,171.9	-1.7
SOURCES TOTAL	42,122.5	42,922.3	42,171.9	42,171.9	-1.7
USES					
Personal Services and Employee Benefits	26,098.7	25,820.9	24,757.5	24,757.5	-4.1
Contractual Services	2,629.1	4,492.2	4,472.8	4,472.8	-0.4
Other	10,890.4	12,609.2	12,941.6	12,941.6	2.6
TOTAL USES	39,618.2	42,922.3	42,171.9	42,171.9	-1.7
FTE					
Permanent	242.0	230.0	234.0	234.0	1.7
Term	1.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	243.8	233.8	237.8	237.8	1.7

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
* Quality	Number of external audit findings	0	2	<5	<5	<5
Quality	Percent of prior-year audit findings resolved	100%	100%	>90%	>90%	100%
Efficiency	Percent of invoices paid within thirty days	89%	90%	>90%	>90%	>90%
* Outcome	Vacancy rate in all programs	13.6%	12%	<11%	<12%	11%
* Output	Number of employee injuries	106	95	<90	<90	<90
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	7	7	10	10	7
Output	Number of employee injuries occurring in workzones	28	27	<45	<45	<30

MODAL

The purpose of the modal program is to provide federal grants management and oversight of programs with dedicated revenues including transit and rail, traffic safety and aviation.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	0.0	0.0	31,890.0	31,890.0	
Other Revenues	0.0	0.0	27,870.2	27,870.2	
SOURCES TOTAL	0.0	0.0	59,760.2	59,760.2	
USES					
Personal Services and Employee Benefits	0.0	0.0	3,657.6	3,657.6	
Contractual Services	0.0	0.0	23,014.9	23,014.9	
Other	0.0	0.0	33,087.7	33,087.7	
TOTAL USES	0.0	0.0	59,760.2	59,760.2	
FTE					
Permanent	0.0	0.0	34.0	34.0	
Term	0.0	0.0	16.0	16.0	
TOTAL FTE POSITIONS	0.0	0.0	50.0	50.0	

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
* Explanatory	Annual number of riders on park and ride	315,738	291,892	>325,000	>290,000	>310,000
* Outcome	Percent of airport runways in satisfactory or better condition	50%	53%	60%	>50%	>53%
* Explanatory	Annual number of riders on the rail runner, in millions	1.1	1.0	>1.2	1.0	1.1

STATUTORY AUTHORITY:

Article XII, Section 6, of the New Mexico Constitution created a cabinet department headed by a secretary of public education and created an elected, advisory Public Education Commission. The secretary of public education is appointed by the governor and confirmed by the Senate. The secretary of public education has administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for public schools.

MISSION:

The purpose of the department is to create and maintain a customer-focused organization that provides leadership, technical assistance, and quality assurance to improve performance for all students and close the achievement gap.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	11,969.2	11,951.3	12,551.3	12,101.3	1.3
Other Transfers	36.0	35.9	36.0	36.0	0.3
Federal Revenues	27,358.2	27,981.7	28,075.1	28,075.1	0.3
Other Revenues	3,867.6	4,181.5	3,823.5	4,100.1	-1.9
Fund Balance	0.0	0.0	5.0	0.0	
SOURCES TOTAL	43,231.0	44,150.4	44,490.9	44,312.5	0.4
USES					
Personal Services and Employee Benefits	18,079.9	19,464.0	20,022.0	19,843.6	2.0
Contractual Services	20,079.4	20,458.4	20,335.1	20,335.1	-0.6
Other	4,870.0	4,228.0	4,133.8	4,133.8	-2.2
TOTAL USES	43,029.3	44,150.4	44,490.9	44,312.5	0.4
FTE					
Permanent	145.9	145.9	159.2	145.9	0.0
Term	93.9	93.9	128.5	93.9	0.0
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	240.8	240.8	288.7	240.8	0.0

AT A GLANCE:

The Public Education Department (PED) requested an increase of 0.8 percent over the FY16 operating budget, largely the result of a 5 percent increase in general fund revenues. The LFC recommends an overall increase of 0.4 percent and assumes more revenues in the other category than requested by the department. Fiscal year 2016 marks the first year PED is using revenue appropriated for related recurring "below-the-line" initiatives to fund department personnel costs. The department continues to focus on significant education reforms but is providing limited data to legislative agencies to evaluate the effectiveness of these efforts. Also, PED data quality continues to be a concern. Two legal matters – education funding sufficiency and special education maintenance of effort – continue to result in significant legal expenses for the department.

BUDGET ISSUES:

PED's budget request for FY17 totaled almost \$44.5 million, an increase of 0.8 percent over the FY16 operating budget and 3.4 percent over FY15 expenditures. The request included an increase in general fund revenues of approximately 5 percent over FY15 and FY16 appropriations. PED reverted \$12.3 thousand in general fund revenues and \$10.6 thousand in 2 percent charter withholding revenues in FY15, or less than 1 percent of each appropriation.

The LFC recommendation for FY17 totals \$44.3 million, an increase of \$162.1 thousand, or 0.4 percent over the FY16 operating budget, and almost \$1.3 million, or 3 percent, over FY15 expenditures. The committee recommends an increase of \$150 thousand in general fund revenues over the FY16 appropriation. The recommendation for other revenues is higher than the amount requested to more accurately reflect the 2 percent of charter set-aside funding allocated to PED. Set-aside funds increase as public education formula funding increases and new state-chartered charter schools are authorized.

PED's request for personal services and employee benefits funding totaled \$20 million, an overall increase of 2.9 percent from the department's FY16 operating budget and a 10.7 percent increase over FY15 expenditures. Fiscal year 2016 marks the first year PED used portions of related recurring "below-the-line" appropriations intended to directly support school districts and charter schools, for department personnel. These amounts do not appear in the department's budget request. The requested number of FTE, 288.7, is significantly higher than assumed by the Legislature in 2015, resulting in an inflated unfunded vacancy rate. Funding levels appropriated by the Legislature in 2015 assumed 240.8 FTE. Despite commitment from the department to work with the State Personnel Office to eliminate long vacant positions and clean up the department's organizational listing, this has yet to happen. Based on 288.7 FTE, PED's request imposed a 15.9 percent vacancy savings rate. PED's vacancy rate decreased from an annual average of 18 percent in FY14 to 8 percent in FY15 based on 240.8 FTE. The department ended FY15 with a vacancy rate of 5 percent, or approximately 12 vacant positions, the lowest rate in recent years. The June 2015 organizational listing report showed PED had 228 filled FTE, up 11 FTE from June 2014. For the first time in a number of years, reversions from the personal services and employee benefits category in FY15 were minimal. Most key leadership positions were filled in FY15, including the director of the Charter School Division, which experienced significant turnover over the last four years.

The LFC recommendation for personal services and employee benefits totals \$19.8 million, an increase of \$379.6 thousand, or 2 percent, from the FY16 operating budget, and \$1.8 million, or 9.8 percent, over FY15 expenditures. The recommendation modestly decreases the agency's self-imposed vacancy savings rate and authorizes 240.8 FTE.

Operations. PED continues to focus on financial operations within the department, including the time it takes to process budget adjustment requests and to provide school districts and charter schools more timely access to state and federal grant funding. PED has improved the budget review process to ensure school districts and charter schools are spending limited education dollars prudently; however, the department should continue to work with school districts and charter schools through the budget review process to ensure resources are allocated to programs with proven results. Oversight of state-chartered charter schools continues to be a concern, though the appointment of a new director of the Charter Schools Division offers promise. Since FY10, annual audits noted inadequate communication between PED and state-chartered charter schools in regard to fiscal management, financial internal controls, and financial structure. Additionally, annual audits noted PED failed to establish a monitoring plan for state-chartered charter schools, and charter schools continue to be authorized despite the lack of fiscal responsibility and oversight.

Of additional concern is the limited progress the department has made on funding formula and program compliance audits – PED reports only completing four audits of local education agencies in FY14 and FY15, despite filling a number of vacant audit staff positions during this time and establishing a full audit schedule for FY15. Accurate data collection and reporting should be a focus of the department to ensure equitable distribution of the state equalization guarantee, other categorical grant funding, and performance measurement data.

The FY14 audit for PED, state-chartered charter schools, and the Division of Vocational Rehabilitation has been completed but not yet released by the State Auditor's Office. The initial audit firm selected by PED, Moss Adams, completed the audits for the Southwest Learning Center (SLC) charter schools for a number of years. The previous head administrator of SLC is currently under FBI investigation for the mismanagement of public funds, raising issues of independence for Moss Adams. The audit, substantially completed by Moss Adams before being disqualified, was completed by a second audit firm.

To date, PED has not addressed department-related findings of a 2011 joint evaluation of the funding formula by LFC and the Legislative Education Study Committee (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. Many of these findings lead to inequitable distribution of formula funding to school districts and charter schools and could easily be addressed by the department.

Education Reform. The department's focus has been on significant education reforms aimed at improving student achievement, including a new teacher and school leader evaluation system, new content standards, new computer-based assessments, an early literacy initiative, and new initiatives in FY16 aimed at improving teacher and school leader preparation programs and rewarding effective teachers. Funding for these initiatives is not always targeted to improve student achievement and limited accountability data is available for many of these initiatives. For example, funding appropriated for the department's keystone early literacy initiative, Reads to Lead, is not targeted to the state's least proficient students, per-student allocations are not equitable across the state, and student performance data is erroneously reported. PED's budget request indicates FY13 reading proficiency gains for Reads to Lead participants of more than twice the statewide proficiency gain of 2.8 percentage points; however, proficiency gains for students at participant school districts and charter schools were only 0.2 percentage points over the statewide gain. Additionally, very little of some appropriations are directed to classroom programs, including the parent portal, incentive pay, teacher and school leader preparation programs, and the educator evaluation system.

Despite some of these issues, PED has improved timeliness of funding allocations to school districts and charter schools, issuing grant information and award notifications several months earlier than previous years. The department is providing targeted professional development to educators statewide and is coordinating efforts across grant programs. While many of PED's initiatives have merit, limited data is shared or available to evaluate their effectiveness. More targeted use of education funding by school districts and charter schools would likely reduce the need for increased reliance on initiative funding. PED should consider strengthening department oversight of formula funding through the budget approval process to ensure efficient, effective expenditure of formula funding aligned with improving student performance.

Educator Evaluation System and Licensure Advancement. Fiscal year 2015 marked the second year of implementation of the educator evaluation system. Annual evaluations are based on observations and other measures from the current fiscal year and student achievement data from the previous three fiscal years. PED granted level one educators receiving evaluation ratings of ineffective and minimally effective for the 2014-2015 school year a one-year grace period to improve their rating in order to be able to advance to a level two license. Additionally, the department allowed effective level one and level two teachers automatic license advancement, bypassing the required professional development dossier. This had an unanticipated impact on many school district and charter school budgets in FY16 and did not comply with department-promulgated regulations that prohibit the cabinet secretary from waiving the professional development dossier. Legislative agencies have not been provided access to evaluation data, despite requests, making it impossible to validate the system, evaluation results, or other decisions reliant on teacher effectiveness ratings. PED is encouraged to continue working with school districts and charter schools to understand the system and to consider granting legislative agencies access to evaluation data.

Legal and Administrative Challenges. Two current legal matters involving PED continue to be costly. First, two consolidated lawsuits filed in 2014 allege the current level of public education funding in New Mexico violates the funding sufficiency clause of the New Mexico Constitution, which states "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." The Constitution creates both the requirement to sufficiently fund public education and to do so in a uniform manner. The two lawsuits allege overall public education funding levels are insufficient, funding directed to meet the educational needs of low-income children and English language learners is insufficient, and recent expansion of funding for department-controlled education initiatives violates the uniformity provision. Lawsuits similar to these have been filed nationally and have had mixed results in other states, often dependent on whether the lawsuits were filed pre- or post-recession. Sufficiency lawsuits have stretched on for more than 20 years, draining significant financial and personnel resources. Additionally, it is unclear whether the judiciary has the constitutional authority to force the Legislature to appropriate more money or change statute to direct funds differently. The consolidated cases have been scheduled for trial in 2017 if the parties cannot come to an agreement.

Second, PED is still engaged in administrative proceedings with the U.S. Department of Education (USDOE) on its request for a waiver of federal special education maintenance of effort requirements for FY11. Federal law requires the state to make at least as much available for special education students as was made available the previous year or risk future reductions to federal special education funding if the state does not qualify for a waiver. PED made its initial request for a waiver in August 2012 and limited progress has been made to date. A hearing on the merits of the state's argument to allow a waiver has not yet been scheduled, though several unfavorable initial decisions on preliminary matters have been made by USDOE in 2014 and 2015. While it is unclear what the outcome of the cases will be, significant resources are being spent to defend the state's position, including outside contract legal counsel.

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Request	FY17 Recomm
Outcome	Percent of teachers passing all strands of professional dossiers on the first submittal	79.5%	76.0%	80.0%	80.0%	80.0%
Outcome	Average processing time for school district federal budget adjustment requests processed, in days	9.8	11.3	10.0	14.0	10.0
Outcome	Percent change from the preliminary unit value to the final unit value	0.0%	0.1%	2.0%	2.0%	<1.0%
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices	21.8	26.0	24.0	24.0	24.0
Outcome	Average processing time for school district budget adjustment requests for direct grants, in days	2.8	3.8	3.0	4.0	3.0
Outcome	Percent of federal funds received by the state for public education reverting annually	0%	0%	<1%	<1%	<1%
Explanatory	Percent of eligible children served in state-funded prekindergarten	23.4%	29.7%	TBD	TBD	TBD
* Explanatory	Number of eligible children served in state-funded prekindergarten	6,808	8,604	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	2	58	TBD	TBD	TBD
Explanatory	Number of new audit findings from most recent audit	NR	NR	TBD	TBD	TBD
Explanatory	Change in the number of school district and charter school required reports for state and federal reporting	-71	0	TBD	TBD	TBD
Outcome	Percent of prior-year audit findings resolved	NR	NR	80%	80%	80%
Explanatory	Percent of elementary schools participating in the state-funded elementary school breakfast after the bell	43.3%	54.0%	TBD	TBD	TBD
Explanatory	Number of elementary schools participating in the state-funded elementary school breakfast after the bell	181	226	TBD	TBD	TBD
Outcome	Average number of days to process a request for information, from date of receipt	13.8	4.0	21.0	21.0	14.0
Explanatory	Number of elementary students participating in the state-funded elementary school breakfast after the bell	70,574	72,500	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%	0%	100%	100%	100%
* Outcome	Average number of days to process a request for proposals, from date of receipt	75	123	60	60	60
Explanatory	Percent of elementary students participating in the state-funded elementary school breakfast after the bell	42.8%	51.9%	TBD	TBD	TBD
Explanatory	Number of charter school renewals denied in the current fiscal year	2	1	TBD	TBD	TBD
Explanatory	Percent change in the data elements required for state and federal reporting	0.0%	17.6%	TBD	TBD	TBD
Outcome	Percent of state-appropriated funds for public education reverting annually	NR	NR	<1%	<1%	<1%
Explanatory	Total amount of private funding received for public education, in millions	\$1	\$0	TBD	TBD	TBD

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Output	Number of local education agencies audited for funding formula components and program compliance annually	1	3	35	17	20
Output	Percent of school district and charter school budget adjustment requests processed in fewer than fifteen days	100%	96%	100%	100%	100%
Outcome	Annual change in charter school student enrollment caps through amendments authorized by charter school authorizers	New	New	New	TBD	TBD
Outcome	Percent of related recurring appropriations made to the public education department for the current fiscal year awarded by September 30 annually	New	New	New	TBD	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	13.3%	12.0%	20.0%	15.0%	20.0%
Explanatory	Number of charter schools authorized in the current fiscal year	4	3	TBD	TBD	TBD
Outcome	Percent of public education department contracts issued retroactively	0.0%	0.8%	0.0%	0.0%	0.0%

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 the PED and exempt from the provisions of the State Personnel Act. An REC is governed by a regional education coordinating council (RECC) composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

AT A GLANCE:

RECs provide financial, programmatic, and direct services to member school districts and state-operated schools. RECs receive most of their revenue from special education services, including federal grants, federal Title I funds, and state-directed activities, though they have received general fund support since FY09 generally through a flow-through appropriation to PED to alleviate cash flow issues. RECs continue to expand their reach and involvement with local school districts, including working with PED, to help administer many of the department's initiatives. LFC recommends continuing flat funding for FY17.

BUDGET ISSUES:

Each REC tailors the services it provides to the direct needs of member school districts and state-supported schools. Because of this, the day-to-day operations, staffing, and budget needs vary across RECs. RECs note access to equitable resources should be considered in the near term to ensure school districts and charter schools have access to comparable supports in every region served by an REC. Regionally, all school districts except those in the northwest corner of the state are served by an REC; however, a northwest REC has been contemplated by the REC directors since 2014.

RECs are increasingly working with PED to help administer and provide support for many of the department's initiatives. For example, each REC receives an allocation from the early literacy appropriation made to PED to support a number of small school districts with instructional reading coaches. Additionally, RECs are providing more professional development to educators statewide, including opportunities related to the new teacher and school administrator evaluation system, the new kindergarten observation tool, and leadership development. RECs continue to assert that, as regional distribution centers, they are able to assist PED with effective transmission of information, keeping contact lists current, and providing training and consistent follow-up at the local level that has historically been difficult for PED to manage.

For FY16, PED received a flow-through appropriation of \$935.6 thousand to distribute to RECs. PED divided the appropriation equally among the nine RECs, with what appears to be little analysis of need or performance. Unrestricted fund balances maintained by RECs totaled approximately \$11 million at the end of FY15, growth of almost \$2 million compared with FY14. Six of nine RECs were able to grow fund balances in FY15, while three RECs dipped into fund balances for operational purposes.

The LFC recommends a general fund appropriation of \$935.6 thousand to PED for transfer to RECs in FY17 and encourages PED to engage in more robust oversight of RECs and allocate funding based on need and performance.

REGIONAL EDUCATION COOPERATIVES															
Cooperative	FY15 Actuals					FY16 Appropriation					FY17 LFC Recommendation				
	General Fund ¹	Other State Funds ²	Inter-Agency Transfer	Federal Funds	Total	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$1,981.5	\$0.0	\$0.0	\$1,981.5	\$0.0	\$768.4	\$0.0	\$0.0	\$768.4	\$0.0	\$3,911.4	\$0.0	\$0.0	\$3,911.4
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$5,855.4	\$0.0	\$199.6	\$6,055.0	\$0.0	\$2,431.0	\$0.0	\$300.0	\$2,731.0	\$0.0	\$3,182.0	\$0.0	\$300.0	\$3,482.0
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$1,725.3	\$0.0	\$253.6	\$1,978.9	\$0.0	\$422.0	\$0.0	\$1,304.0	\$1,726.0	\$0.0	\$1,997.0	\$0.0	\$58.4	\$2,055.4
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$4,326.4	\$0.0	\$645.0	\$4,971.4	\$0.0	\$3,992.0	\$0.0	\$1,082.0	\$5,074.0	\$0.0	\$4,147.0	\$0.0	\$1,082.0	\$5,229.0
Regional Education Cooperative #6 (Clovis)	\$0.0	\$1,765.8	\$0.0	\$467.5	\$2,233.3	\$0.0	\$308.6	\$0.0	\$520.1	\$828.7	\$0.0	\$308.6	\$0.0	\$520.1	\$828.7
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$3,926.4	\$0.0	\$1,307.6	\$5,234.0	\$0.0	\$550.0	\$0.0	\$523.4	\$1,073.4	\$0.0	\$686.1	\$0.0	\$533.2	\$1,219.3
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,656.8	\$0.0	\$219.1	\$1,875.9	\$0.0	\$1,050.0	\$0.0	\$200.0	\$1,250.0	\$0.0	\$500.0	\$0.0	\$275.0	\$775.0
Cooperative #9 (Ruidoso)	\$0.0	\$12,461.7	\$0.0	\$2,576.8	\$15,038.5	\$0.0	\$3,820.0	\$0.0	\$1,150.0	\$4,970.0	\$0.0	\$1,789.9	\$0.0	\$129.6	\$1,919.5
Cooperative #10 (T or C)	\$0.0	\$2,882.9	\$0.0	\$0.0	\$2,882.9	\$0.0	\$51.1	\$0.0	\$0.0	\$51.1	\$0.0	\$483.0	\$0.0	\$600.0	\$1,083.0
TOTAL	\$0.0	\$36,582.2	\$0.0	\$5,669.2	\$42,251.4	\$0.0	\$13,393.1	\$0.0	\$5,079.5	\$18,472.6	\$0.0	\$17,005.1	\$0.0	\$3,498.3	\$20,503.4

¹No general fund revenues were directly appropriated to RECs in FY15 or FY16. A flow through appropriation of \$935.6 thousand was made to PED in FY15 and FY16 and divided equally among the nine RECs each fiscal year.

²For each REC, the other state funds column includes almost \$104 thousand in flow-through appropriation allocated to each REC.

³For FY17, LFC recommends continuation of a flow-through appropriation of \$935.6 thousand.

STATUTORY AUTHORITY:

The Public School Facilities Authority (PSFA) was created in 2003 to staff the Public School Capital Outlay Council (PSCOC) pursuant to the Public School Capital Outlay Act, Section 22-24-9 NMSA 1978. Under the direction of PSCOC, PSFA is responsible for providing support and oversight in administering construction grants, deficiencies correction, and statewide, standards-based programs; assisting school districts with the development and implementation of five-year master plans and preventive maintenance plans; and overseeing all state-funded public school construction. The director, versed in construction, architecture, or project management, is selected by the council.

The membership of the council consists of a representative from the Governor's Office, the secretary of the Department of Finance and Administration, the secretary of the Public Education Department, the president of the New Mexico School Boards Association, the director of the Construction Industries Division of the Regulation and Licensing Department, the president of the State Board of Education, the director of the Legislative Finance Committee, the director of the Legislative Council Service, and the director of the Legislative Education Study Committee.

MISSION:

The mission of PSFA is to support quality public education by encouraging and assisting districts with prudent planning, construction, and maintenance of appropriate physical environments to foster successful student learning, to involve active community participation in the education process, and to assist policymakers and New Mexico taxpayers with current and accurate financial and technical information and recommendations.

BUDGET SUMMARY (dollars in thousands)					
	FY15 2014-2015	FY16 2015-2016	FY17 – 2016-2017		Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
Other Revenues	5,805.4	6,132.5	6,132.5	6,101.8	-0.5
SOURCES TOTAL	5,805.4	6,132.5	6,132.5	6,101.8	-0.5
USES					
Personal Services and Employee Benefits	4,096.9	4,748.9	4,748.9	4,718.2	-0.6
Contractual Services	141.0	171.2	171.2	171.2	0.0
Other	1,222.6	1,212.4	1,212.4	1,212.4	0.0
TOTAL USES	5,460.5	6,132.5	6,132.5	6,101.8	-0.5
FTE					
Permanent	53.0	53.0	53.0	53.0	0.0
Term	0.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	53.0	56.0	56.0	56.0	0.0

AT A GLANCE:

PSFA requested a flat budget compared with FY16. Given the agencies large reversion of \$452.3 thousand in FY15, the LFC recommendation is a slight decrease from the FY16 operating budget.

BUDGET ISSUES:

PSFA funds its operations 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 5 percent of the three-year average annual grant assistance. Historically, the agency maintained operational expenses around 3 percent of annual awards. However, PSCOC project awards are projected to decrease from \$198.2 million in FY15 to \$102.7 million in FY19. Also, lease assistance is projected to remain flat at around \$15 million per year, meaning PSFA's operating expenses may need to decrease in future fiscal years.

The committee recommendation of \$6.1 million is a slight decrease of 0.5 percent from the FY16 operating budget but is an 11.7 percent increase over the FY15 expenditure level. In FY15, PSFA reverted \$452.3 thousand, including \$297.6 thousand from the personal services and employee benefits category.

Between FY05 and FY15, PSCOC awarded approximately \$2.3 billion to fund 1,314 lease assistance, deficiency-correction, and standards-based projects in school districts, charter schools, the New Mexico School for the Blind and Visually Impaired, and the New Mexico School for the Deaf. As a result, the state made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings.

PSFA reported balances in PSCOF to be more than \$600 million prior to FY12; balances have decreased to around \$446 million in FY16. Generally, the council is using funding more efficiently, avoiding high balances as much as possible; however, provisions of the procurement code that require bonds to be certified prior to executing construction contracts result in significant balances in the fund.

School Condition. Since FY05, the statewide average facility condition index (FCI) has improved from 66.7 percent to 36.2 percent in FY15. However, the FCI increased from 35.5 percent in FY14 to 36.2 percent in FY15. 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. PSFA estimates approximately \$159 million in state spending is required annually in FY17 through FY20 to maintain the current FCI.

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 adequacy standards. The average wNMCI has improved from 40.5 percent in FY05 to 19 percent in FY15. These scores indicate the need for school facility construction and repair has dropped dramatically. The number of critical standards-based projects funded each year is decreasing, 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. For FY15, only 26 schools had a wNMCI greater than 50 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. Laws 2015, Chapter 93, (Senate Bill 128) allows PSCOC to provide for annual allocations up to \$15 million from the fund to address building systems needs in existing public school facilities. The new building systems program will allow the council to make awards for systems that include, roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation and air conditioning systems. The council is currently drafting rules and a ranking methodology and an application for the systems initiative.

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 wNMCI prematurely. The facility maintenance assessment report (FMAR), a tool introduced in FY13 to measure maintenance effectiveness, indicates a current statewide average maintenance score of 60 percent, considered poor. PSFA estimates approximately 77 percent of schools in New Mexico are getting less than the standard life expectancy out of existing building systems.

The Zuni lawsuit concerning the allocation of public school capital outlay is still active and was reopened in 2014. Gallup McKinley County Schools (GMCS) filed an amended complaint in 2015 including PSCOC as a defendant. GMCS is primarily concerned that, because of the district's low bonding capacity and high capital needs, the district cannot afford school construction above the technical definition of adequacy for facilities such as teacherages, auxiliary gyms, and additional playing fields. Expansion of the definition of adequacy may have a significant financial impact on the program and should be carefully reviewed before statutory or regulatory changes are made.

Broadband. In addition to school construction, the Legislature established the broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs over the next five years. PSCOC approved \$2.5 million for FY14 and \$7.5 million in FY15 for the BDCP. To date, PSFA has expended \$3.7 million studying the current broadband and network equipment deficiencies of schools. Preliminary data indicates 41 schools lack access to any fiber optics infrastructure and 92 percent of schools need wireless network upgrades. The Federal Communications Commission's (FCC) schools and libraries universal service support program, commonly known as the E-rate program, helps schools and libraries obtain affordable broadband. The E-rate program will cover up to 90 percent of the cost of installing fiber optics to schools lacking access if the state matches the remaining 10 percent. Also, E-rate will match up to 85 percent, depending on poverty levels and location, for internal equipment, such as wired and wireless network equipment. Internal equipment funding for schools is limited to \$150 per student, pre-discount, over five year. However, implementation issues include how future requests from school districts for E-rate funding will align and be coordinated, the timeline for implementation, prioritization of projects, budget constraints, and the role of public and private entities. Going forward, PSFA will work with the Public Education Department, the Department of Information Technology, and Education SuperHighway, a nonprofit focused on upgrading internet infrastructure in public schools, to develop cost-effective broadband solutions for schools.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities oversight program is to oversee public school facilities in all eighty-nine school districts ensuring correct and prudent planning, building and maintenance using state funds and ensuring adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Budget</u>	<u>FY17</u> <u>Request</u>	<u>FY17</u> <u>Recomm</u>
Outcome	Percent of total submitted school construction plans reviewed and acted on	100%	100%	100%	100%	100%
Outcome	Percent compliance with prompt payment provision of Prompt Payment Act for all direct payments to vendors	98%	98%	100%	100%	100%
* Outcome	Percent of projects meeting all contingencies completed within the specified period of awards	79%	84%	95%	95%	95%
Outcome	Number of days to disseminate all pertinent documents to school districts for all awards made by the public school capital outlay council	6	3	5	5	4
Outcome	Average processing time of final action on plans submitted, in days	14	12	14	21	14
Outcome	Average cost per square foot of leases funded with lease assistance	New	New	<\$15	<\$15	<\$15
Outcome	Number of months from substantial completion to financial close out	New	New	18	18	18
Explanatory	Number of change orders in current fiscal year	New	New	150	150	150
Explanatory	Number of months between initial award to occupancy	New	New	42	42	42
Explanatory	Number of months from initial award to commencement of construction	New	New	18	18	18
* Explanatory	Average cost per square foot of new construction	New	New	New	\$288	\$288
* Explanatory	Statewide public school facility maintenance assessment report score measured at December 31 of prior calendar year	61.2%	59.0%	70.1%	70.1%	70.1%
Efficiency	Percent of total submitted school construction plans reviewed and acted on within the specified periods.	New	67%	90%	100%	100%
Efficiency	Percent of special charter school facility assessments completed within the statutory deadline of forty-five days	New	100%	100%	100%	100%
Efficiency	Percent of memorandums of understanding for awarded projects executed within the specified time	New	92%	100%	100%	100%
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	35.3%	36.2%	35.0%	35.0%	35.0%

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Sections 21-21K-1 through 21-21K-7 NMSA 1978. As required by Internal Revenue Code 529, ETB is administered by the state of New Mexico. ETB is administratively attached to the Higher Education Department and administers the education trust fund, which includes all funds received pursuant to college investment agreements as part of the state's qualified tuition program.

ETB is governed by a five-person board that includes the secretary of the Higher Education Department and appointees of the governor, the Speaker of the House, and the president pro tem of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

ETB administers the state's federally authorized college savings plan, a flexible, convenient, and tax-efficient means for families to save for college costs, including tuition, fees, room, books, and supplies.

BUDGET SUMMARY
(dollars in thousands)

	FY15 <u>Actuals</u>	FY16 Operating <u>Budget</u>	FY17 <u>Request</u>
Sources			
Fund Balance	2,293.3	2,581.0	1,399.6
TOTAL REVENUES	2,293.3	2,581.0	1,399.6
Uses			
Personal Services and Employee Benefits	146.6	222.1	222.0
Contractual Services	502.1	1,125.0	1,118.5
Other	644.6	533.9	59.1
Other Financing Uses	1,000.0	700.0	0.0
TOTAL USES	2,293.3	2,581.0	1,399.6
TOTAL FTE POSITIONS	1.5	1.5	2.0

AT A GLANCE:

In FY17, ETB anticipated a drop in its budget primarily a result of plans to develop several pilot programs to provide grants for college savings plans to middle school and elementary school students to encourage families to begin saving early for college. ETB receives no support from the general fund and its budget is not subject to legislative approval.

BUDGET ISSUES:

ETB manages approximately \$2.4 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 \$485.7 million (June 2015) in age-based and static portfolio assets, including active-managed funds and index funds. During FY15, TEP assets grew by 4.3 percent and the number of unique accounts (20,680) increased 1.4 percent. The Scholar's Edge, a financial advisor-sold plan, consists of \$1.88 billion (June 2015) in age-based, custom choice, and static portfolios. During FY15, Scholar's Edge assets decreased by 1 percent while the number of active unique accounts (120,665) decreased by 3.5 percent. Both investment programs include significantly more out-of-state investors than in-state investors.

ETB's FY17 proposed budget of \$1.4 million is a \$1.1 million decrease from the board's FY16 operating budget. The board's operations are funded through fees and dividend revenue; no general fund support is required. Also, the board's budget authority is not appropriated by the Legislature. The decrease in the FY17 proposed budget is largely caused by the decrease in the other financing category and is attributable to the board's plan to begin shifting focus away from providing scholarships to college students to providing grants for college savings plans to younger students. ETB's FY17 budget proposal fully funds the board's personnel costs and continues a professional services contract for investment consulting services with Oppenheimer Funds, awarded a five-year contract in FY15.

Currently, the board's budget is established through an annual budget adjustment request and is based on HED's budget authority. Similar to other instrumentalities of the state not included in the General Appropriations Act (GAA) (for example, New Mexico Finance Authority), ETB does not receive state general fund revenues. Given the board's size, functions, revenue sources and restricted uses, and lack of policies and practices consistent with state agencies included in the GAA, LFC recommends the board's budget authority remain outside of the GAA.

The secretary of the Higher Education Department (HED) serves as the board chair. Savingsforcollege.org rated Scholar's Edge as the eleventh-best performing advisor-sold plan in the nation and TEP as the eleventh-best performing direct-sold plan over the past year for the quarter ending June 30, 2015. As part of the board's five-year contract with Oppenheimer, Oppenheimer will provide ETB with \$500 thousand for a television, radio, and print marketing campaign. Also, Oppenheimer will provide \$150 thousand for ETB use on grassroots marketing initiatives.

To increase savings efforts by New Mexican investors, the board approved a refund of administrative fees to New Mexico residents in the college savings programs in FY14. ETB will continue to waive administrative fees for in-state investors.

For the 2014 fall semester, the board allocated \$750 thousand to universities and colleges based on the percentage of students with an estimated family contribution to the cost of a student's education of less than \$1,000 and a grade point average (GPA) above 3.0. The ETB scholarship program enabled HED to receive a \$1.5 million College Access Challenge Grant (CACG) from the U.S. Department of Education.

STATUTORY AUTHORITY:

Pursuant to Section 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 and administers state-funded financial aid programs. The department administers the adult basic education program. The department also provides financial oversight of the constitutionally created special schools: the New Mexico Military Institute, New Mexico School for the Deaf, and New Mexico School for the Blind and Visually Impaired. Lastly, the department is charged with cooperating with colleges and universities to create a statewide public agenda for higher education needs and goals, study enrollment capacity needs, develop a statement of statewide educational needs, and analyze the financial impacts of proposed new and expanded degree programs.

MISSION:

The mission of HED is to administer a coordinated statewide system of public, postsecondary education with governance shared between the department and the governing boards of the colleges and universities.

BUDGET SUMMARY (dollars in thousands)					
			<u>FY17 – 2016-2017</u>		Percent Incr (Decr)
	<u>FY15</u> 2014-2015 <u>Actuals</u>	<u>FY16</u> 2015-2016 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	35,283.3	36,332.9	42,489.1	37,649.6	3.6
Other Transfers	39,953.3	42,427.3	46,320.6	44,320.6	4.5
Federal Revenues	8,955.4	9,712.2	10,554.6	10,607.2	9.2
Other Revenues	747.9	18,403.3	18,548.8	18,548.8	0.8
Fund Balance	2,000.0	6,193.6	0.0	449.4	-92.7
SOURCES TOTAL	86,939.9	113,069.3	117,913.1	111,575.6	-1.3
USES					
Personal Services and Employee Benefits	3,632.2	4,010.7	4,846.1	4,229.5	5.5
Contractual Services	1,044.8	811.6	3,021.4	2,830.1	248.7
Other	79,538.5	106,247.0	110,045.6	104,516.0	-1.6
Other Financing Uses	2,000.0	2,000.0	0.0	0.0	-100.0
TOTAL USES	86,215.5	113,069.3	117,913.1	111,575.6	-1.3
FTE					
Permanent	29.5	29.5	35.0	31.5	6.8
Term	21.5	20.0	18.0	18.0	-10.0
Temporary	0.0	0.0	3.0	0.0	
TOTAL FTE POSITIONS	51.0	49.5	56.0	49.5	0.0

AT A GLANCE:

During the past year, HED has made gains in reducing vacancy levels and focusing on statutorily required duties, although challenges continue in the Adult Basic Education (ABE) program.

The department's \$117.9 million request included general fund support of \$42.5 million for its two programs, a \$6.2 million, or 16.9 percent, increase over FY16 operating levels. The increase would fund an additional 6.5 FTE and expand some student financial aid programs.

The LFC recommendation of \$111.6 million includes a general fund appropriation of \$37.6 million, which is \$1.3 million, or 3.6 percent, higher than the FY16 funding level. The committee's general fund recommendation includes an additional \$161 thousand for workforce training programs, \$400 thousand for the nurse educator loan for service program, and \$755 thousand for an adult literacy initiative that was previously administered by the Cultural Affairs Department.

BUDGET ISSUES:

HED's request included and LFC's recommendation includes general fund support above FY16 budgeted levels, with HED asking for 16.9 percent and LFC recommending 3.6 percent. The LFC recommendation provides an additional \$1.3 million in general fund support over the FY16 level for workforce training and a nurse educator loan for service initiative. Importantly, the LFC recommendation does not include fund balances previously appropriated -- \$2 million from the college affordability endowment fund, already accounted for in "other transfers," and about \$1.5 million from the lottery tuition fund, which by statute must maintain an annual average balance of \$2 million. The LFC recommendation for the Legislative Lottery Tuition Scholarship program is \$2 million lower than the HED request to stay in line with the five-year average of lottery revenues.

Personnel. HED improved efforts to recruit and retain staff in late FY15 and early FY16, something the department struggled with in prior years. Due to historic recruitment and retention challenges, the department's personal services and employee benefits appropriation was reduced in FY16 by about \$340 thousand. HED reduced its historic vacancy rate from over 30 percent to closer to 20 percent in FY15 and early FY16; however, several key positions remain unfilled.

The department requested \$4.8 million for personal services and employee benefits in FY17, an increase of \$835 thousand, or 21 percent, over FY16 operating levels and an increase of \$1.2 million, or 33 percent, over FY15 actual expenditures. This request included 6.5 additional FTE.

Recognizing the department's need to fill a number of vacant positions, LFC recommends \$4.2 million for personnel costs in FY17. This is significantly higher than actual expenditures in recent years and \$200 thousand higher than the FY16 operating level. The recommended level provides the department with flexibility to fill three vacant positions above the currently filled level.

Policy Development and Institutional Financial Oversight Program. The Policy Development and Institutional Financial Oversight Program administers a number of statewide programs, including Proprietary and Private Schools and ABE. The program is also responsible for administration of several grant programs, such as the federal Gear Up grant that pays for high school outreach, as well as development of funding and capital project recommendations. HED demonstrated increased commitment in late FY15 and early FY16 to use the resources of this program to carry out prescribed duties in statute, such as the review of new degree programs.

With regard to ABE, the state has consistently appropriated an average of \$5.5 million annually in general fund revenues to the program. Although need for ABE services is well-documented, ABE enrollment has declined significantly in the last four years – participation has dropped from about 22 thousand students in FY11 to just over 15 thousand students in FY15, a decrease of 31 percent. Similarly, the number of students who earn the high school equivalency credential has also experienced sharp declines – from 1,854 in FY13 to 594 in FY15. As a result, the LFC recommendation holds the ABE funding level flat with the FY16 operating level. The LFC recommendation restores funding to the high skills initiative to the FY15 level, adding \$162 thousand for this workforce training program.

The HED request included and the LFC recommendation includes significant increases in federal revenues, expended through the department's contractual services category.

Student Financial Aid. More than 75 percent of HED's budget is dedicated to student financial aid. For FY17, the department requested \$92.5 million for student financial aid, including \$28.5 million in general fund support, \$4.2 million above the FY16 level. LFC recommends \$87.2 million in recurring funding, including \$24.7 million in general fund support, for FY17. Excluding FY15 special and deficiency appropriations for the Legislative Lottery Tuition Scholarship program and student financial aid shortfalls, the FY17 LFC recommendation exceeds the FY15 funding level by \$1.4 million. Although the department's request includes \$44 million from New Mexico Lottery Authority revenues, the LFC recommendation is \$2 million lower at \$42 million, consistent with the five-year average.

College Affordability Endowment Fund. In prior years, the HED appropriation for student financial aid accounted for a statutorily required transfer from the college affordability endowment fund. This transfer was shown in both the "other transfers" and the "fund balance" revenue categories. For FY17, HED requested this transfer only be budgeted in the other transfers category to prevent double accounting of these funds. As a result, the FY17 recommended appropriation level appears lower than prior years due to correction of this technical issue.

Legislative Lottery Scholarship Program. LFC estimates about \$60.5 million will be available for tuition scholarships in FY17. Although enrollment has declined at certain higher education institutions, persistence rates among lottery scholarship recipients tend to be higher than other students. With consistent participation in the scholarship program, and increasing tuition rates, the lottery scholarship is likely to pay an equal or slightly lower percentage of tuition costs for students at colleges and universities throughout the state. Award levels for FY16 pay 90 percent of sector average tuition for eligible students.

Although the HED request does not include the use of fund balance for the Legislative Lottery Tuition Scholarship, the LFC recommendation uses about \$449 thousand from fund balance for the program, calculated based on estimated carryover above statutorily required fund balance from FY16.

Priority Workforce Scholarship and Loan Repayment Programs. For FY17, the department requested an additional \$4.2 million for workforce scholarship and loan repayment programs, including \$1.3 million for health professional loan repayment, \$405 thousand for nurse educator loan for service, \$1 million for dental residency, \$660 thousand for teacher loan repayment, and \$450 thousand for social worker loan for service.

The LFC recommendation targets workforce needs in the state by allocating an additional \$400 thousand for the nurse educator loan-for-service program, revamped during the 2015 regular legislative session. This additional support for financial aid builds on prior year increases for healthcare-related aid programs, including a \$1.4 million increase in FY15.

BASE EXPANSION:

For FY17, the department requested 6.5 FTE in the Policy Development and Institutional Financial Oversight program. Among other operations, data, and policy positions, the additional FTE include a research analyst and an education administrator. Instead of additional FTE, the LFC recommendation reduces the vacancy rate to allow the agency to fill or reclassify three vacant positions.

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 2017 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 2017 from appropriations made from the general fund shall revert to the general fund.

The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the other category includes five million six hundred seventy-eight thousand seven hundred dollars (\$5,678,700) to provide adults with education services and materials and access to high school equivalency tests; one hundred fifty thousand dollars (\$150,000) for workforce development programs at community colleges that primarily educate and retrain recently displaced workers; five hundred thousand dollars (\$500,000) for the high skills program and one hundred ninety-nine thousand four hundred dollars (\$199,400) to the tribal college dual credit program fund.

The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the contractual services category includes seven hundred fifty-five thousand dollars (\$755,000) for an adult literacy program.

POLICY DEVELOPMENT AND INSTITUTIONAL FINANCIAL OVERSIGHT

The purpose of the policy development and institutional financial oversight program is to provide a continuous process of statewide planning and oversight within the department's statutory authority for the state higher education system and to ensure both the efficient use of state resources and progress in implementing a statewide agenda.

BUDGET SUMMARY (dollars in thousands)					
FY17 - 2016-2017					
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	11,925.9	11,998.5	13,953.7	12,915.2	7.6
Other Transfers	277.3	427.3	320.6	320.6	-25.0
Federal Revenues	8,955.4	9,462.2	10,504.6	10,557.2	11.6
Other Revenues	626.6	314.9	548.8	548.8	74.3
Fund Balance	0.0	193.6	0.0	0.0	-100.0
SOURCES TOTAL	21,785.2	22,396.5	25,327.7	24,341.8	8.7
USES					
Personal Services and Employee Benefits	3,632.2	4,010.7	4,846.1	4,229.5	5.5
Contractual Services	1,044.8	758.2	2,968.0	2,830.1	273.3
Other	15,594.0	17,627.6	17,513.6	17,282.2	-2.0
TOTAL USES	20,271.0	22,396.5	25,327.7	24,341.8	8.7
FTE					
Permanent	29.5	29.5	35.0	31.5	6.8
Term	21.5	20.0	18.0	18.0	-10.0
Temporary	0.0	0.0	3.0	0.0	
TOTAL FTE POSITIONS	51.0	49.5	56.0	49.5	0.0

PERFORMANCE MEASURES

		FY14 <u>Actual</u>	FY15 <u>Actual</u>	FY16 <u>Budget</u>	FY17 <u>Request</u>	FY17 <u>Recomm</u>
Outcome	Percent of first-time, degree-seeking community college students who have graduated from the same institution or another public institution within two years	New	New	New	24%	24%
Outcome	Percent of adult education students who enter into postsecondary education and training	New	New	New	38%	38%
Outcome	Percent of unemployed adult education students obtaining employment	New	New	New	42%	42%
Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution within four years	New	New	New	45%	45%
Outcome	Number of awards produced in postsecondary programs geared toward New Mexico workforce needs	17,262	18,621	17,000	17,000	17,500
Explanatory	Number of enrolled students in adult education programs	16,796	15,353	17,000	17,000	17,500
Outcome	Number of students receiving an associate's degree from a New Mexico public postsecondary institution	New	New	New	8,500	8,500
* Outcome	Number of students receiving a baccalaureate degree from a New Mexico public postsecondary institution	7,482	7,905	8,000	8,000	8,000
Outcome	Number of students receiving a certificate from a New Mexico public postsecondary institution	New	New	New	7,500	7,500
Outcome	Percent of eligible adult education students who earn the high school equivalency credential	New	New	New	76%	78%
Outcome	Number of high school students earning dual credits from New Mexico public postsecondary institutions	17,427	18,723	16,000	16,000	16,000

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	For recent New Mexico high school graduates, percent of students who require remediation in math or english, or both, who pass the remedial course and pass the ensuing college credit course within the same discipline within one year	38.5%	39.0%	70.0%	70.0%	70.0%
Output	Number of days for the private and proprietary schools division to approve or reject a license or registration applicant	New	New	New	2,000	30
Outcome	Percent of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	22.6%	16.7%	20.0%	20.0%	20.0%
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	120:153	146:131	130:120	130:120	130:120
Efficiency	Percent of properly completed capital infrastructure draws released to the state board of finance within thirty days of receipt from the institutions	100.0%	99.1%	100.0%	100.0%	100.0%
Output	Percent of institutional operating budgets approved by the New Mexico higher education department deadline of June 1	100%	100%	100%	100%	100%
Explanatory	Percent of institutional fiscal watch program quarterly reports submitted to the higher education department, the department of finance and administration and the legislative finance committee	100%	100%	100%	100%	100%
Output	Number of days for the private and proprietary schools division to address and close a student complaint	New	New	30	30	30
Output	Number of days for the private and proprietary schools division to complete a request for student transcripts	New	New	2	2	2
Output	Percent of capital projects evaluations and audits performed to ensure institutional accountability and responsibility	N/A	96%	100%	100%	100%
Outcome	Percent of audit oversight reviews completed by HED to ensure institutions are implementing corrective measures to reduce and eliminate new and recurring findings	New	New	100%	100%	100%
Output	Number of returning undergraduate students taking remedial education courses	5,985	5,985	Delete	Delete	Delete
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	19.6%	19.8%	24.0%	Delete	Delete
Output	Number of adult education students who enter into postsecondary education and training	1,299	1,200	1,200	Delete	Delete
Output	Number of adult education students obtaining employment	2,021	2,100	1,800	Delete	Delete
Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution within six years	43.2%	43.2%	45.0%	Delete	Delete
Outcome	Number of students receiving an associate's degree or certificate from a New Mexico public postsecondary institution	9,724	12,513	13,450	Delete	Delete
Output	Number of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	10,290	10,915	13,400	Delete	Delete
Outcome	Number of adult education students who earn the high school equivalency credential	1,733	1,769	1,900	Delete	Delete

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)

			<u>FY17 - 2016-2017</u>		
	FY15 2014-2015 <u>Actuals</u>	FY16 2015-2016 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	23,357.4	24,334.4	28,535.4	24,734.4	1.6
Other Transfers	39,676.0	42,000.0	46,000.0	44,000.0	4.8
Federal Revenues	0.0	250.0	50.0	50.0	-80.0
Other Revenues	121.3	18,088.4	18,000.0	18,000.0	-0.5
Fund Balance	2,000.0	6,000.0	0.0	449.4	-92.5
SOURCES TOTAL	65,154.7	90,672.8	92,585.4	87,233.8	-3.8
USES					
Contractual Services	0.0	53.4	53.4	0.0	-100.0
Other	63,944.5	88,619.4	92,532.0	87,233.8	-1.6
Other Financing Uses	2,000.0	2,000.0	0.0	0.0	-100.0
TOTAL USES	65,944.5	90,672.8	92,585.4	87,233.8	-3.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of first-time freshman lottery recipients graduated from college after the ninth semester	73.2%	71.8%	75.0%	75.0%	75.0%
Outcome	Percent of students who received state loan-for-service funding who provided service after graduation	92.2%	98.0%	92.0%	92.0%	92.0%
Outcome	Percent of state financial aid funds used for need-based aid	25.4%	25.0%	30.0%	30.0%	30.0%
Output	Annual average federal student loan debt for all students enrolled at four-year public schools	\$8,884	\$8,851	\$5,500	\$5,500	\$5,500
Output	Annual average federal student loan debt for all students enrolled at two-year public schools	\$5,162	\$4,364	\$3,300	\$3,300	\$3,300
Output	Number of lottery success recipients enrolled in or graduated from college after the ninth semester	3,102	3,221	4,000	4,000	4,000
Outcome	Number of need-based scholarships awarded to students with an estimated family contribution of zero	49,162	42,792	37,200	37,200	37,200
Output	Number of students receiving college affordability awards	3,486	3,227	3,000	2,500	3,200
Outcome	Percent of eligible loan-for-service or loan repayment applicants who received an award	New	New	52%	52%	52%

Student Financial Aid Program Detail (Dollars in Thousands)	FY15 Actual	FY16 OpBud	FY17 HED Request	FY17 LFC Recommendation
Student Access and Achievement				
Lottery Scholarship				
General Fund	\$11,500.0	\$0.0	\$0.0	\$0.0
Other Transfer	\$41,121.2	\$40,000.0	\$44,000.0	\$42,000.0
Other Revenues		\$17,979.0	\$18,000.0	\$18,000.0
Fund Balance	\$2,000.0	\$4,000.0	\$0.0	\$449.4
Total	\$54,621.2	\$61,979.0	\$62,000.0	\$60,449.4
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	\$0.0	\$0.0	\$0.0	\$0.0
Other Transfer	\$2,000.0	\$2,000.0	\$2,000.0	\$2,000.0
Fund Balance	\$0.0	\$2,000.0	\$0.0	\$0.0
Total	\$2,000.0	\$4,000.0	\$2,000.0	\$2,000.0
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
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
Legislative Endowment Fund				
Other Revenues	\$16.1	\$109.4	\$0.0	\$0.0
Total	\$16.1	\$109.4	\$0.0	\$0.0
Peace Officer and Fire Fighter Fund				
General Fund	\$25.0	\$25.0	\$25.0	\$25.0
Total	\$25.0	\$25.0	\$25.0	\$25.0
Merit-based Scholarships				
General Fund	\$53.4	\$53.4	\$53.4	\$53.4
Total	\$53.4	\$53.4	\$53.4	\$53.4
Ed Trust Board (Pathways Scholarship)				
Other Revenues	\$0.8	\$0.0	\$0.0	\$0.0
Total	\$0.8	\$0.0	\$0.0	\$0.0
Veterans Scholarship				
General Fund	\$0.0	\$30.0	\$0.0	\$0.0
Total	\$0.0	\$30.0	\$0.0	\$0.0
Wartime Veterans Scholarship				
General Fund	\$0.0	\$0.0	\$64.4	\$30.0
Total	\$0.0	\$0.0	\$64.4	\$30.0
Total Student Access and Achievement	\$74,107.7	\$83,588.0	\$81,534.0	\$79,949.0
Healthcare Workforce Development				
Nursing Student Loan for Service				
General Fund	\$867.3	\$867.3	\$867.3	\$867.3
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$867.3	\$867.3	\$867.3	\$867.3
Nurse Educator Loan For Service				
General Fund	\$0.0	\$0.0	\$405.5	\$400.0
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$0.0	\$0.0	\$405.5	\$400.0
Medical Student Loan Prog.				
General Fund	\$423.0	\$450.0	\$550.0	\$450.0
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Fund Balance	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$423.0	\$450.0	\$550.0	\$450.0
Primary Care Physician Tuition Waiver				
General Fund	\$150.0	\$150.0	\$150.0	\$150.0
Total	\$150.0	\$150.0	\$150.0	\$150.0
Allied Health				
General Fund	\$0.0	\$420.0	\$420.0	\$420.0
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$0.0	\$420.0	\$420.0	\$420.0

Student Financial Aid Program Detail (Dollars in Thousands)	FY15 Actual	FY16 OpBud	FY17 HED Request	FY17 LFC Recommendation
Health Professional Loan Repayment				
General Fund	\$1,011.9	\$1,061.9	\$2,345.0	\$1,061.9
Federal Funds	\$0.0	\$200.0	\$0.0	\$0.0
Total	\$1,011.9	\$1,261.9	\$2,345.0	\$1,061.9
Dentistry Loan for Service				
General Fund	\$51.3	\$51.3	\$51.3	\$51.3
Total	\$51.3	\$51.3	\$51.3	\$51.3
Dental Residency Program				
General Fund	\$0.0	\$0.0	\$1,000.0	\$0.0
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$0.0	\$0.0	\$1,000.0	\$0.0
Total Healthcare Workforce Development Programs	\$2,503.5	\$3,200.5	\$5,789.1	\$3,400.5
Statewide Priority Professional Development				
Teacher Loan-for-Service				
General Fund	\$84.6	\$84.6	\$84.6	\$84.6
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$84.6	\$84.6	\$84.6	\$84.6
Teacher Loan Repayment				
General Fund	\$0.0	\$0.0	\$660.0	\$0.0
Other Revenues	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$0.0	\$0.0	\$660.0	\$0.0
Graduate Scholarship				
General Fund	\$619.0	\$619.0	\$619.0	\$619.0
Total	\$619.0	\$619.0	\$619.0	\$619.0
Minority Doctoral Assistance				
General Fund	\$132.0	\$132.0	\$132.0	\$132.0
Total	\$132.0	\$132.0	\$132.0	\$132.0
WICHE Loan-for-Service				
General Fund	\$2,267.5	\$2,267.5	\$2,527.5	\$2,267.5
Total	\$2,267.5	\$2,267.5	\$2,527.5	\$2,267.5
Public Service Law Loan Repayment				
General Fund	\$281.2	\$281.2	\$281.2	\$281.2
Total	\$281.2	\$281.2	\$281.2	\$281.2
John R. Justice Loan Repayment				
Federal Funds	\$0.0	\$50.0	\$50.0	\$50.0
Total	\$0.0	\$50.0	\$50.0	\$50.0
Social Worker Loan for Service				
General Fund	\$0.0	\$450.0	\$900.0	\$450.0
Total	\$0.0	\$450.0	\$900.0	\$450.0
Total Statewide Priority Professional Development	\$3,384.3	\$3,884.3	\$5,254.3	\$3,884.3
Gifts, Grants, Interest, and Deficiency				
General fund	\$9,500.0			
Interest on Loans	\$47.2	\$0.0	\$0.0	\$0.0
Gifts and Grants	\$57.2	\$0.0	\$0.0	\$0.0
Total	\$9,604.4	\$0.0	\$0.0	\$0.0
Financial Aid Administration				
General Fund	\$0.0	\$0.0	\$8.0	\$0.0
Total	\$0.0	\$0.0	\$8.0	\$0.0
GENERAL FUND TOTAL	\$44,357.4	\$24,334.4	\$28,535.4	\$24,734.4
GRAND TOTAL	\$89,599.9	\$90,672.8	\$92,585.4	\$87,233.8

FY17 GENERAL FUND APPROPRIATIONS
(in thousands)

	FY15 Actual	FY16 OpBud	HED Request	LFC Rec.
INSTRUCTION and GENERAL				
INSTITUTIONAL I&G FUNDING				
<i>Percent of I&G Formula Based on Outcomes</i>	6.9%	6.5%	8.0%	7.0%
<i>Percent of "New Money"</i>	3.0%	0.87%	0.83%	0.88%
<i>Amount of "New Money" over FY16 Formula Funding</i>	\$18,296.6	\$5,267.0	\$5,111.2	\$5,418.5
FY17 I&G Base Year				
Prior Year I&G	\$583,006.6	\$608,900.4	\$615,250.7	\$615,250.7
Base Adjustment Rate	-4.0%	-5.7%	-7.2%	-6.2%
Base Adjustment Amount	(\$23,320.3)	(\$34,653.9)	(\$44,517.7)	(\$38,028.3)
FY16 Core Funding Level	\$559,686.3	\$574,246.5	\$570,733.0	\$577,222.4
Outcomes Funding				
Operating Base Adjustment	-	\$399.2	-	-
Hold Harmless		\$725.0	\$930.9	\$734.9
Hold-Harmless+ Funds		-	\$110.4	\$217.2
Workload Outcomes (Course Completion)	\$12,857.2	\$9,980.2	\$12,407.2	\$10,861.7
Statewide Outcomes Measures				
Total Formula Certificates and Degrees	\$12,847.2	\$10,778.6	\$13,896.1	\$11,730.6
Total Workforce Certificates and Degrees	\$5,160.9	\$5,389.3	\$6,699.9	\$6,082.6
Total At-Risk Certificates and Degrees	\$4,945.4	\$5,389.3	\$6,699.9	\$5,865.3
Subtotal Statewide Outcomes Measures	\$22,953.5	\$21,557.3	\$27,295.9	\$23,678.5
Mission-Differentiated Measures				
Research Universities	\$3,537.7	\$4,414.1	\$5,487.6	\$4,804.0
Comprehensive Institutions	\$519.3	\$975.5	\$1,184.9	\$1,037.3
Community Colleges	\$1,723.7	\$2,594.5	\$3,253.3	\$2,848.1
Subtotal Mission-Differentiated Measures	\$5,780.8	\$7,984.2	\$9,925.8	\$8,689.4
Total Outcomes Funding	\$41,591.5	\$39,920.9	\$50,670.2	\$44,181.7
I&G Base Adjustments	\$405.8	\$282.0	-	-
Stop/Loss		\$76.5	-	-
Total Formula Funding	\$601,303.2	\$615,250.9	\$621,403.2	\$621,404.1
UNM HEALTH SCIENCE CENTER I&G FUNDING	\$61,492.3	\$62,331.6	\$62,331.6	\$62,331.6
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$671,231.8	\$677,582.3	\$683,734.8	\$683,735.7
Dollar Change from Prior Year Operating Budget	\$27,307.9	\$6,350.5	\$6,152.5	\$6,153.4
Percent Change from Prior Year Operating Budget	4.2%	0.9%	0.9%	0.9%
OTHER CATEGORICAL				
Special Schools (I&G only)	\$6,320.1	\$6,320.1	\$6,470.1	\$6,470.1
Athletics	\$14,244.2	\$14,246.8	\$13,534.4	\$14,246.8
Public Television	\$3,386.9	\$3,465.1	\$3,291.8	\$3,465.1
Healthcare Workforce (incl. medical residencies, undergraduate & graduate nursing education, dental programs)	\$9,384.3	\$10,589.6	\$11,256.5	\$11,584.4
Other Research and Public Service Projects	\$98,756.0	\$99,972.9	\$99,437.1	\$99,665.6
Total RPSP (Excl. Special Schools I&G)	\$125,771.4	\$128,274.4	\$127,519.8	\$128,961.9
OTHER CATEGORICAL SUBTOTAL	\$132,091.5	\$134,594.5	\$133,989.9	\$135,432.0
Dollar Change from Prior Year Operating Budget	\$14,730.3	\$2,503.0	-\$604.6	\$837.5
Percent Change from Prior Year Operating Budget	12.6%	\$0.0	-0.4%	0.6%
TOTAL GAA SECTION 4 INSTITUTIONS FY16	\$803,323.3	\$812,176.8	\$817,724.7	\$819,167.7
HIGHER EDUCATION DEPARTMENT				
Operating Budget and Flow-Through Programming	\$11,925.9	\$11,998.7	\$13,953.7	\$12,915.2
Student Financial Aid	\$23,357.4	\$24,334.4	\$28,535.4	\$24,734.4
HIGHER EDUCATION DEPARTMENT TOTAL	\$35,283.3	\$36,333.1	\$42,489.1	\$37,649.6
Dollar Change from Prior Year Operating Budget	\$540.0	\$1,049.8	\$6,156.0	\$1,316.5
Percent Change from Prior Year Operating Budget	1.6%	3.0%	16.9%	3.6%
TOTAL HIGHER EDUCATION FY16	\$838,606.6	\$848,509.9	\$860,213.8	\$856,817.3
Dollar Change from Prior Year Operating Budget		\$9,903.3	\$11,703.9	\$8,307.4
Percent Change from Prior Year Operating Budget		1.2%	1.4%	1.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY16 (2015-2016)	FY17 (2016-2017)			
	Laws 2015, Chapter 101	HED Revised Request (11/6/15)	LFC Recommendation	Dollar Change	Percent Change
UNIVERSITY OF NEW MEXICO					
I&G	\$191,264.0	\$193,453.1	\$193,370.6	\$2,106.6	1.1%
Athletics	\$2,852.2	\$2,709.6	\$2,852.2	\$0.0	0.0%
Educational television	\$1,177.3	\$1,118.4	\$1,177.3	\$0.0	0.0%
Gallup Branch - I&G	\$9,322.3	\$9,341.7	\$9,356.4	\$34.1	0.4%
Nurse expansion	\$209.2	\$209.2	\$209.2	\$0.0	0.0%
Los Alamos Branch - I&G	\$1,886.0	\$1,889.9	\$1,894.1	\$8.1	0.4%
Valencia Branch - I&G	\$5,595.9	\$5,632.6	\$5,636.3	\$40.4	0.7%
Nurse expansion	\$169.8	\$169.8	\$169.8	\$0.0	0.0%
Taos Branch - I&G	\$3,544.9	\$3,620.5	\$3,616.5	\$71.6	2.0%
Nurse expansion	\$243.9	\$243.9	\$243.9	\$0.0	0.0%
Judicial selection	\$23.0	\$21.9	\$23.0	\$0.0	0.0%
Southwest research center	\$1,137.0	\$1,080.2	\$1,137.0	\$0.0	0.0%
Substance abuse program	\$138.2	\$138.2	\$138.2	\$0.0	0.0%
Resource geographic information system	\$66.3	\$66.3	\$66.3	\$0.0	0.0%
Southwest Indian law clinic	\$207.6	\$207.6	\$207.6	\$0.0	0.0%
Geospatial and population studies/BBER	\$384.7	\$384.7	\$384.7	\$0.0	0.0%
New Mexico historical review	\$48.0	\$48.0	\$48.0	\$0.0	0.0%
Ibero-American education	\$90.6	\$86.1	\$90.6	\$0.0	0.0%
Manufacturing engineering program	\$561.9	\$561.9	\$561.9	\$0.0	0.0%
Wildlife law education	\$96.4	\$96.4	\$96.4	\$0.0	0.0%
Morrissey hall programs	\$47.6	\$45.2	\$47.6	\$0.0	0.0%
Disabled student services	\$191.9	\$191.9	\$191.9	\$0.0	0.0%
Minority student services	\$969.3	\$920.8	\$969.3	\$0.0	0.0%
Community-based education	\$568.6	\$568.6	\$568.6	\$0.0	0.0%
Upton transboundary resources center	\$346.3	\$346.3	\$346.3	\$0.0	0.0%
Student mentoring program	\$292.3	\$277.7	\$292.3	\$0.0	0.0%
Land grant studies	\$131.8	\$125.2	\$131.8	\$0.0	0.0%
Athlete brain safe	\$175.0	\$0.0	\$0.0	-\$175.0	-100.0%
College degree mapping	\$75.0	\$300.8	\$142.2	\$67.2	89.6%
Small business innovation & research outreach prog.	\$84.4	\$84.4	\$84.4	\$0.0	0.0%
Total UNM	\$222,073.3	\$224,112.8	\$224,226.4	\$2,153.1	1.0%
UNM HEALTH SCIENCES CENTER					
I&G	\$62,331.6	\$62,331.6	\$62,331.6	\$0.0	0.0%
<i>Office of Medical Investigator</i>	\$5,025.3	\$5,025.3	\$5,125.3	\$100.0	2.0%
Children's psychiatric hospital	\$7,292.9	\$7,292.9	\$7,292.9	\$0.0	0.0%
Carrie Tingley hospital	\$5,327.6	\$5,327.6	\$5,327.6	\$0.0	0.0%
Newborn intensive care	\$3,350.2	\$3,350.2	\$3,350.2	\$0.0	0.0%
Pediatric oncology	\$1,303.5	\$1,564.9	\$1,303.5	\$0.0	0.0%
Poison and drug information center	\$1,554.7	\$1,554.7	\$1,554.7	\$0.0	0.0%
Cancer center	\$2,691.2	\$2,691.2	\$2,691.2	\$0.0	0.0%
Native American health center	\$274.7	\$274.7	\$274.7	\$0.0	0.0%
Hepatitis community health outcomes (Project ECHO)	\$2,143.8	\$2,143.8	\$2,243.8	\$100.0	4.7%
Nurse expansion	\$1,103.3	\$1,103.3	\$1,103.3	\$0.0	0.0%
Native American suicide prevention	\$99.7	\$99.7	\$99.7	\$0.0	0.0%
Graduate nurse education	\$1,650.7	\$1,650.7	\$1,650.7	\$0.0	0.0%
General surgery/family community medicine residencies	\$335.5	\$335.5	\$435.5	\$100.0	29.8%
Internal medicine residencies	\$1,068.5	\$1,510.1	\$1,468.5	\$400.0	37.4%
Psychiatry residencies	\$403.4	\$605.4	\$605.4	\$202.0	50.1%
Total UNM/HSC	\$95,956.6	\$96,861.6	\$96,858.6	\$902.0	0.9%
Total UNM and UNM/HSC	\$318,029.9	\$320,974.4	\$321,085.0	\$3,055.1	1.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

	FY16 (2015-2016)	FY17 (2016-2017)			
Agency/Institution/Program	Laws 2015, Chapter 101	HED Revised Request (11/6/15)	LFC Recommendation	Dollar Change	Percent Change
NEW MEXICO STATE UNIVERSITY					
I&G	\$119,248.6	\$120,289.8	\$120,283.4	\$1,034.8	0.9%
Athletics	\$3,397.4	\$3,227.5	\$3,397.4	\$0.0	0.0%
Educational television (KRWG)	\$1,097.0	\$1,042.2	\$1,097.0	\$0.0	0.0%
Alamogordo Branch - I&G	\$7,816.7	\$7,601.7	\$7,639.3	-\$177.4	-2.3%
Alamogordo - nurse expansion	\$0.0	\$0.0	\$0.0	\$0.0	-
Carlsbad Branch - I&G	\$4,240.4	\$4,249.2	\$4,256.1	\$15.7	0.4%
Nurse expansion	\$118.7	\$118.7	\$118.7	\$0.0	0.0%
Carlsbad manufacturing sector dev program	\$236.1	\$224.3	\$236.1	\$0.0	0.0%
Dona Ana Branch - I&G	\$23,356.4	\$23,442.4	\$23,462.9	\$106.5	0.5%
Nurse expansion	\$210.9	\$210.9	\$210.9	\$0.0	0.0%
Dental hygiene program	\$224.4	\$224.4	\$224.4	\$0.0	0.0%
Grants Branch - I&G	\$3,672.1	\$3,598.6	\$3,613.0	-\$59.1	-1.6%
<i>Department of Agriculture</i>	\$11,939.9	\$11,539.9	\$11,639.9	-\$300.0	-2.5%
<i>Agricultural Experiment Station</i>	\$14,925.5	\$14,925.5	\$15,175.5	\$250.0	1.7%
<i>Cooperative Extension Service</i>	\$13,612.6	\$13,612.6	\$13,612.6	\$0.0	0.0%
Water resource research institute	\$619.3	\$619.3	\$619.3	\$0.0	0.0%
Indian resources development	\$299.1	\$284.1	\$299.1	\$0.0	0.0%
Manufacturing sector development program	\$551.3	\$523.7	\$551.3	\$0.0	0.0%
Clean drinking water technology	\$100.0	\$100.0	\$100.0	\$0.0	0.0%
Arrowhead center for business development	\$338.2	\$338.2	\$338.2	\$0.0	0.0%
NMSU nurse expansion	\$763.1	\$763.1	\$763.1	\$0.0	0.0%
Mental health nurse practitioner	\$701.7	\$701.7	\$701.7	\$0.0	0.0%
Alliance teaching & learning advancement	\$151.1	\$143.5	\$151.1	\$0.0	0.0%
College assistance migrant program	\$217.8	\$206.9	\$217.8	\$0.0	0.0%
Economic development doctorate	\$99.7	\$94.7	\$99.7	\$0.0	0.0%
STEM alliance for minority participation	\$329.5	\$313.0	\$329.5	\$0.0	0.0%
Sunspot and solar observatory	\$0.0	\$273.4	\$0.0	\$0.0	-
Total NMSU	\$208,267.5	\$208,669.4	\$209,137.9	\$870.4	0.4%
NEW MEXICO HIGHLANDS UNIVERSITY					
I&G	\$28,382.5	\$28,583.0	\$28,589.3	\$206.8	0.7%
Athletics	\$2,145.4	\$2,038.1	\$2,145.4	\$0.0	0.0%
Advanced placement	\$281.4	\$267.3	\$281.4	\$0.0	0.0%
Nurse expansion	\$65.9	\$65.9	\$215.9	\$150.0	227.6%
Minority student services	\$560.6	\$532.6	\$560.6	\$0.0	0.0%
Forest and watershed institute	\$315.8	\$315.8	\$315.8	\$0.0	0.0%
Total NMHU	\$31,751.6	\$31,802.7	\$32,108.4	\$356.8	1.1%
WESTERN NEW MEXICO UNIVERSITY					
I&G	\$17,345.6	\$17,662.7	\$17,643.5	\$297.9	1.7%
Athletics	\$1,898.5	\$1,803.6	\$1,898.5	\$0.0	0.0%
Child development center	\$211.1	\$211.1	\$211.1	\$0.0	0.0%
Instructional television	\$78.2	\$74.3	\$78.2	\$0.0	0.0%
Web-based teacher licensure	\$141.0	\$141.0	\$141.0	\$0.0	0.0%
Nurse expansion	\$881.9	\$881.9	\$881.9	\$0.0	0.0%
Pharmacy and phlebotomy programs	\$124.7	\$124.7	\$124.7	\$0.0	0.0%
Total WNMU	\$20,681.0	\$20,899.2	\$20,978.9	\$297.9	1.4%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY16 (2015-2016)	FY17 (2016-2017)			
	Laws 2015, Chapter 101	HED Revised Request (11/6/15)	LFC Recommendation	Dollar Change	Percent Change
EASTERN NEW MEXICO UNIVERSITY					
I&G	\$27,806.5	\$28,176.2	\$28,158.7	\$352.2	1.3%
Athletics	\$2,144.1	\$2,036.9	\$2,144.1	\$0.0	0.0%
Educational television	\$1,112.6	\$1,057.0	\$1,112.6	\$0.0	0.0%
Roswell Branch - I&G	\$12,042.0	\$12,029.3	\$12,051.7	\$9.7	0.1%
Special services program expansion	\$61.7	\$61.7	\$61.7	\$0.0	0.0%
Nurse expansion	\$74.6	\$74.6	\$74.6	\$0.0	0.0%
Airframe mechanics	\$60.2	\$60.2	\$60.2	\$0.0	0.0%
Ruidoso Branch - I&G	\$2,122.4	\$2,126.8	\$2,129.9	\$7.5	0.4%
Allied health	\$155.2	\$155.2	\$155.2	\$0.0	0.0%
Blackwater draw site and museum	\$95.7	\$90.9	\$95.7	\$0.0	0.0%
Student success programs	\$454.5	\$431.8	\$454.5	\$0.0	0.0%
Nurse expansion	\$357.4	\$357.4	\$393.1	\$35.7	10.0%
At-risk student tutoring	\$244.8	\$232.6	\$244.8	\$0.0	0.0%
Youth robotic competition	\$224.7	\$0.0	\$0.0	-\$224.7	-100.0%
Total ENMU	\$46,956.4	\$46,890.6	\$47,136.9	\$180.5	0.4%
NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY					
I&G	\$27,789.0	\$28,041.6	\$28,049.5	\$260.5	0.9%
Athletics	\$209.0	\$198.6	\$209.0	\$0.0	0.0%
<i>Bureau of geology and mineral resources</i>	\$4,237.7	\$4,237.7	\$4,237.7	\$0.0	0.0%
<i>Bureau of mine safety</i>	\$340.1	\$340.1	\$340.1	\$0.0	0.0%
<i>Petroleum recovery research center</i>	\$2,006.5	\$2,006.5	\$2,006.5	\$0.0	0.0%
<i>Geophysical research center</i>	\$1,169.6	\$1,169.6	\$1,169.6	\$0.0	0.0%
Energetic materials research center	\$850.8	\$850.8	\$850.8	\$0.0	0.0%
Science & engineering fair	\$214.5	\$214.5	\$214.5	\$0.0	0.0%
Institute for complex additive systems analysis	\$862.9	\$862.9	\$862.9	\$0.0	0.0%
Cave and karst research	\$387.3	\$387.3	\$387.3	\$0.0	0.0%
Homeland security center	\$559.6	\$559.6	\$559.6	\$0.0	0.0%
Supercomputing challenge program	\$59.8	\$0.0	\$0.0	-\$59.8	-100.0%
Aerospace internship program	\$75.0	\$200.0	\$75.0	\$0.0	0.0%
Total NMIMT	\$38,761.8	\$39,069.2	\$38,962.5	\$200.7	0.5%
NORTHERN NEW MEXICO COLLEGE					
I&G	\$10,745.2	\$10,767.5	\$10,782.5	\$37.3	0.3%
Athletics	\$268.7	\$255.3	\$268.7	\$0.0	0.0%
Science, technology, engineering, and math	\$149.6	\$0.0	\$149.6	\$0.0	0.0%
Veterans Center	\$124.7	\$118.5	\$124.7	\$0.0	0.0%
Nurse expansion	\$253.8	\$253.8	\$253.8	\$0.0	0.0%
Total NNMC	\$11,542.0	\$11,395.1	\$11,579.3	\$37.3	0.3%
SANTA FE COMMUNITY COLLEGE					
I&G	\$9,936.9	\$10,164.0	\$10,150.0	\$213.1	2.1%
Small business development centers	\$4,419.7	\$4,419.7	\$4,419.7	\$0.0	0.0%
Automechanics	\$50.0	\$50.0	\$50.0	\$0.0	0.0%
Radiography technician program	\$100.0	\$100.0	\$100.0	\$0.0	0.0%
Hospitality articulation	\$125.0	\$0.0	\$0.0	-\$125.0	-100.0%
Nurse expansion	\$276.7	\$300.0	\$300.0	\$23.3	8.4%
Total SFCC	\$14,908.3	\$15,033.7	\$15,019.7	\$111.4	0.7%
CENTRAL NM COMMUNITY COLLEGE					
I&G	\$56,947.4	\$58,769.2	\$58,617.4	\$1,670.0	2.9%
Nurse expansion	\$195.9	\$195.9	\$195.9	\$0.0	0.0%
Total CNM	\$57,143.3	\$58,965.1	\$58,813.3	\$1,670.0	2.9%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY16 (2015-2016)	FY17 (2016-2017)			
	Laws 2015, Chapter 101	HED Revised Request (11/6/15)	LFC Recommendation	Dollar Change	Percent Change
LUNA COMMUNITY COLLEGE					
I&G	\$7,494.9	\$7,238.2	\$7,281.6	-\$213.3	-2.8%
Athletics	\$416.7	\$395.9	\$416.7	\$0.0	0.0%
Nurse expansion	\$291.0	\$291.0	\$291.0	\$0.0	0.0%
Student retention and completion	\$578.2	\$549.3	\$578.2	\$0.0	0.0%
Total LCC	\$8,780.8	\$8,474.4	\$8,567.5	-\$213.3	-2.4%
MESALANDS COMMUNITY COLLEGE					
I&G	\$4,294.0	\$4,167.1	\$4,190.5	-\$103.5	-2.4%
Athletics	\$150.0	\$142.5	\$150.0	\$0.0	0.0%
Dinosaur Museum & Natural Sciences Lab asset preserv.	\$0.0	\$60.0	\$60.0	\$60.0	-
Wind training center	\$123.1	\$123.1	\$123.1	\$0.0	0.0%
Total MCC	\$4,567.1	\$4,492.7	\$4,523.6	-\$43.5	-1.0%
NEW MEXICO JUNIOR COLLEGE					
I&G	\$5,615.2	\$5,669.1	\$5,668.9	\$53.7	1.0%
Athletics	\$483.5	\$459.3	\$483.5	\$0.0	0.0%
Oil & gas management program	\$176.2	\$176.2	\$176.2	\$0.0	0.0%
Nurse expansion	\$308.2	\$308.2	\$308.2	\$0.0	0.0%
Lea County distance education consortium	\$29.9	\$28.4	\$29.9	\$0.0	0.0%
Total NMJC	\$6,613.0	\$6,641.2	\$6,666.7	\$53.7	0.8%
SAN JUAN COLLEGE					
I&G	\$24,836.6	\$24,888.2	\$24,951.0	\$114.4	0.5%
Dental hygiene program	\$167.5	\$167.5	\$167.5	\$0.0	0.0%
Nurse expansion	\$216.2	\$216.2	\$300.0	\$83.8	38.8%
Total SJC	\$25,220.3	\$25,271.9	\$25,418.5	\$198.2	0.8%
CLOVIS COMMUNITY COLLEGE					
I&G	\$9,945.2	\$10,000.8	\$10,010.9	\$65.7	0.7%
Nurse expansion	\$297.4	\$297.4	\$297.4	\$0.0	0.0%
Total CCC	\$10,242.6	\$10,298.2	\$10,308.3	\$65.7	0.6%
NEW MEXICO MILITARY INSTITUTE					
I&G	\$1,388.4	\$1,388.4	\$1,388.4	\$0.0	0.0%
Athletics	\$281.3	\$267.2	\$281.3	\$0.0	0.0%
Knowles legislative scholarship program	\$1,359.1	\$1,359.1	\$1,359.1	\$0.0	0.0%
Total NMMI	\$3,028.8	\$3,014.7	\$3,028.8	\$0.0	0.0%
NM SCHOOL FOR BLIND & VISUALLY IMPAIRED					
I&G	\$891.1	\$1,041.1	\$1,041.1	\$150.0	16.8%
Early childhood center	\$382.9	\$382.9	\$382.9	\$0.0	0.0%
Low vision clinic programs	\$117.5	\$117.5	\$117.5	\$0.0	0.0%
Total NMSBVI	\$1,391.5	\$1,541.5	\$1,541.5	\$150.0	10.8%
NM SCHOOL FOR THE DEAF					
I&G	\$4,040.6	\$4,040.6	\$4,040.6	\$0.0	0.0%
Statewide outreach services	\$250.3	\$250.3	\$250.3	\$0.0	0.0%
Total NMSD	\$4,290.9	\$4,290.9	\$4,290.9	\$0.0	0.0%
HIGHER EDUCATION DEPARTMENT:					
Operating	\$3,352.0	\$3,817.4	\$3,352.0	\$0.0	0.0%
High Skills	\$338.5	\$340.0	\$500.0	\$161.5	47.7%
ABE Workforce	\$150.0	\$150.0	\$150.0	\$0.0	0.0%
Adult Basic Education	\$5,678.7	\$6,011.8	\$5,678.7	\$0.0	0.0%
MESA pass through to NMIMT	\$1,278.8	\$1,278.8	\$1,278.8	\$0.0	0.0%
ENLACE	\$1,001.3	\$1,001.3	\$1,001.3	\$0.0	0.0%
Tribal college dual credit	\$199.4	\$199.4	\$199.4	\$0.0	0.0%
Tribal consortium outreach	\$0.0	\$400.0	\$0.0	\$0.0	-
Adult Literacy	\$0.0	\$755.0	\$755.0	\$755.0	-
Subtotal Student Financial Aid	\$24,334.4	\$28,535.4	\$24,734.4	\$400.0	1.6%
Total NMHED	\$36,333.1	\$42,489.1	\$37,649.6	\$1,316.5	3.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

	FY16 (2015-2016)	FY17 (2016-2017)			
Agency/Institution/Program	Laws 2015, Chapter 101	HED Revised Request (11/6/15)	LFC Recommendation	Dollar Change	Percent Change
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$38,761.8	\$39,069.2	\$38,962.5	\$200.7	0.5%
New Mexico State University (954)	\$208,267.5	\$208,669.4	\$209,137.9	\$870.4	0.4%
University of New Mexico (952)	\$222,073.3	\$224,112.8	\$224,226.4	\$2,153.1	1.0%
UNM Health Sciences Center (952)	\$95,956.6	\$96,861.6	\$96,858.6	\$902.0	0.9%
Eastern New Mexico University (960)	\$46,956.4	\$46,890.6	\$47,136.9	\$180.5	0.4%
New Mexico Highlands University (956)	\$31,751.6	\$31,802.7	\$32,108.4	\$356.8	1.1%
Northern New Mexico College (964)	\$11,542.0	\$11,395.1	\$11,579.3	\$37.3	0.3%
Western New Mexico University (958)	\$20,681.0	\$20,899.2	\$20,978.9	\$297.9	1.4%
Central NM Community College (968)	\$57,143.3	\$58,965.1	\$58,813.3	\$1,670.0	2.9%
Clovis Community College (977)	\$10,242.6	\$10,298.2	\$10,308.3	\$65.7	0.6%
Luna Community College (970)	\$8,780.8	\$8,474.4	\$8,567.5	-\$213.3	-2.4%
Mesalands Community College (972)	\$4,567.1	\$4,492.7	\$4,523.6	-\$43.5	-1.0%
New Mexico Junior College (974)	\$6,613.0	\$6,641.2	\$6,666.7	\$53.7	0.8%
San Juan College (976)	\$25,220.3	\$25,271.9	\$25,418.5	\$198.2	0.8%
Santa Fe Community College (966)	\$14,908.3	\$15,033.7	\$15,019.7	\$111.4	0.7%
Subtotal - Universities and Community Colleges	\$803,465.6	\$808,877.6	\$810,306.5	\$6,840.9	0.9%
New Mexico Military Institute (978)	\$3,028.8	\$3,014.7	\$3,028.8	\$0.0	0.0%
New Mexico School for the Deaf (980)	\$4,290.9	\$4,290.9	\$4,290.9	\$0.0	0.0%
NM School for the Blind & Visually Impaired (979)	\$1,391.5	\$1,541.5	\$1,541.5	\$150.0	10.8%
Subtotal - Special Schools	\$8,711.2	\$8,847.1	\$8,861.2	\$150.0	1.7%
New Mexico Higher Education Department (950)	\$36,333.1	\$42,489.1	\$37,649.6	\$1,316.5	3.6%
TOTAL GENERAL FUND	\$848,509.9	\$860,213.8	\$856,817.3	\$8,307.4	1.0%
SUMMARY BY MAJOR FUNCTION					
University I&G (NNMC included eff. FY08)	\$422,581.4	\$426,973.9	\$426,877.6	\$4,296.2	1.0%
Community College I&G	\$192,669.3	\$194,429.3	\$194,526.5	\$1,857.2	1.0%
UNM/HSC I&G	\$62,331.6	\$62,331.6	\$62,331.6	\$0.0	0.0%
Special schools (excl athletics)	\$6,320.1	\$6,470.1	\$6,470.1	\$150.0	2.4%
Healthcare Workforce Programs	\$10,589.6	\$11,256.5	\$11,584.4	\$994.8	9.4%
Nursing programs	\$8,390.3	\$8,413.6	\$8,683.1	\$292.8	3.5%
Dental programs (incl residencies)	\$391.9	\$391.9	\$391.9	\$0.0	0.0%
Medical Residencies	\$1,807.4	\$2,451.0	\$2,509.4	\$702.0	38.8%
Athletics	\$14,246.8	\$13,534.4	\$14,246.8	\$0.0	0.0%
Educational Television	\$3,465.1	\$3,291.8	\$3,465.1	\$0.0	0.0%
NMHED - Oper/flow-thru's, excl nurs/dental/athl	\$11,998.7	\$13,953.7	\$12,915.2	\$916.5	7.6%
NMHED - Student financial aid	\$24,334.4	\$28,535.4	\$24,734.4	\$400.0	1.6%
Other programs	\$99,972.9	\$99,437.1	\$99,665.6	-\$307.3	-0.3%
TOTAL GENERAL FUND	\$848,509.9	\$860,213.8	\$856,817.3	\$8,307.4	1.0%

STATUTORY AUTHORITY:

Article XII, Section 11, of the New Mexico Constitution established the state educational institutions and the control and management of each institution by a board of regents. Other institutions are established by statute, pursuant to Articles 13, 14, and 16A NMSA 1978. Most statutory provisions pertaining to postsecondary education can be found in Sections 21-1-1 through 21-29-6 NMSA 1978.

AT A GLANCE:

The \$3 billion in appropriations for higher education institutions and special schools is based on state general fund revenues, other state funds, and federal funds. The general fund appropriation supports instruction and general (I&G) and other expenditure categories, including athletics and research and public service projects that serve regional and state needs. Since the 2012 interim, the Higher Education Department (HED), college and university leaders, and legislative and executive branch policymakers have focused on improving student completion at the postsecondary level and rewarding institutions that succeed in doing so.

Over the last several years, leaders have continued to revise the I&G funding formula, a method to distribute state general fund appropriations in support of educational costs and institutional efforts to improve performance and serve statewide priorities. Although more work needs to be done, the latest formula revision continues the direction of recognizing institutional success at producing certificates and degrees in total and in priority workforce disciplines. It emphasizes efforts to recruit, retain, and graduate students, especially those financially at-risk. It recognizes institutions for meeting their missions: to generate research-based funding and maintain access and progress among all students. The outcomes – evident in institutional reports on Accountability in Government Act measures and the data compilations in the LFC's Volume III – show that more students are making progress and completing programs. Because of this progress, both HED's request and LFC's recommendation for FY17 increase I&G formula-based funding by approximately \$6.1 million, or 1 percent, over FY16 operating levels.

In addition, the request supported and recommendation supports targeted increases in general fund appropriations for statewide needs. HED reprioritized existing funds to expand healthcare workforce initiatives and fund new research and public service projects. The LFC recommendation includes additional general fund appropriations to expand nursing programs and fund additional medical residencies as well as support agencies administratively attached to postsecondary institutions.

BUDGET ISSUES:

HED submitted a FY17 budget request for all institutions and special schools totaling \$3 billion, of which \$817.7 million, or 27.8 percent, was from the general fund. The department's request included \$690.2 million for I&G purposes, including \$683.7 million for higher education institutions and \$6.5 million for special schools, and \$127.5 million for research and public service projects and other activities. The department's request was \$5.5 million, or 0.7 percent, higher than the FY16 general fund appropriation.

The LFC's FY17 general fund recommendation for institutions and special schools totals \$819.2 million, \$1.4 million higher than the HED request and \$7 million, or 0.9 percent, above the FY16 general fund appropriation. The increase provides an additional \$6.1 million in I&G funding for higher education institutions and \$688 thousand for targeted research and public service projects. The recommendation provides a fifth year of increasing general fund support for institutions.

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. Historically, the formula was designed to reimburse institutions for a portion of the costs to educate students, including those related to instruction, academic support, student services, facilities, and institutional support. During the post-recession era, specifically after FY12, the formula and resulting general fund appropriations evolved from reimbursing an institution's actual instructional costs to allocating state revenues to support instructional costs generally. The department's request and LFC recommendation for FY17 continue this trend.

Pursuant to Section 21-2-5.1 NMSA 1978, HED is charged with developing a funding formula that sufficiently supports institutional efforts to accomplish their mission as articulated in a statewide plan. However, the process to develop formula changes and the eventual method of valuing and calculating the appropriation based on performance outcomes has varied each year in an ongoing attempt to simplify calculations and reward efforts that achieve the state's education attainment goals.

The department's process to develop annual formula changes has, at times, not allowed full participation of institutional leaders or policymakers, breaking down most notably during the 2013 development of the FY15 formula recommendation. More recent discussions have been somewhat more inclusive of institutional leaders, although the department continues to use small subcommittees to work on and discuss funding formula changes.

During the years of change, the direction has been constant – increasing the state appropriations per year that are based on institutional performance. However, the degree to which performance-based funding is increased each year remains a topic of debate. The outcome measures have, in general, remained consistent, with a workload component based on completed student credit hours and statewide measures based on the total number of certificates and degrees (awards) earned; awards earned in science, technology, engineering, mathematics, and health (STEMH); and awards earned by financially at-risk students. In more recent years, mission-specific outcome measures were added to the formula along with a “base operating” component. Consistent with past practice and the exercise of its appropriations power, the Legislature has adjusted the formula funding levels to address state priorities.

Interim I&G Funding Formula Steering Committee. During the 2015 legislative interim, several higher education institutions asserted inequities exist in the I&G funding formula that require smaller institutions, particularly community colleges, to improve performance at a greater rate than larger colleges and universities in order to gain funding through the formula. In response, the department assembled a small-institution subcommittee to investigate these suggested inequities and propose a solution if necessary. After reviewing data and discussing the effects of the funding formula on institutional budgets, the subcommittee reported that, although an institution’s size can affect its ability to compete for more funding through the performance-based formula, size does not appear to be the determining factor of whether a college gains or loses funding each year. Instead, the subcommittee indicated the redistribution of each institution’s base appropriation may affect whether colleges and universities are competing for funding on a level playing field.

A scenario produced by LFC staff confirmed the subcommittee’s conclusion. Assuming equal performance growth across all institutions, the LFC staff scenario showed funding disparities became magnified as more money was taken from the base appropriation and used to incentivize performance. Potential causes of these disparities included historical funding levels, economies of scale, and cost structures that are high, among others. As a result, LFC staff recommended the steering committee pursue an equity adjustment that continues to incentivize performance for those institutions identified as disadvantaged in the LFC staff scenario.

The discussion of an equity adjustment brought forward debate over how the state rewards performance and whether adjustments to the formula to help a handful of schools prevents New Mexico from having a funding mechanism that rewards “pure performance.” Several institutional leaders highlighted how national higher education experts point to New Mexico’s performance-based funding formula as a best practice model. New Mexico’s I&G formula was built on the premise of competition among the state’s colleges and universities; if one college produces more outcomes than others, the college will receive a larger share of state I&G appropriations. Conversely, community college representatives, particularly those from rural settings, reported challenges in competing against institutions that have larger populations from which to recruit students. As a result, the steering committee had thorough discussions related to the “hold harmless” adjustment, which prevents institutions from losing money if they are improving the number of certificates and degrees awarded over time.

FY17 I&G Funding Formula. Much discussion during the 2015 interim centered on the need for stability in the I&G funding formula. HED suggests any major changes to the formula make it difficult to gauge whether the formula causes improved outcomes among New Mexico’s colleges and universities.

Although minor adjustments are proposed for FY17, much of the funding formula remains consistent with FY16. The FY17 formula includes (1) a workload outcome measure based on end-of-course credit hours (25 percent); (2) statewide outcome measures that reflect total awards produced, awards in STEMH, and awards earned by at-risk students (about 55 percent); and (3) mission-specific measures that recognize external research funds at research institutions and high school/college dual-credit completion and academic progress at all other institutions (20 percent). For the workload component, the formula for FY17 continues the use of a three-tier, three-level matrix, rather than a flat dollar amount per completed credit hour. Two awards matrices are used to distribute statewide outcomes funding: one for research institutions and another for comprehensive and two-year institutions. The formula scales awards performance to the largest producer (the University of New Mexico, or UNM), no matter which matrix is applied, so that amounts can be distributed to all institutions proportionately.

The three notable differences between the FY17 formula and the FY16 formula are (1) the removal of the stop-loss adjustment, resulting in some institutions losing more than 1 percent of funding if they fail to improve outcomes; (2) reallocation of the 1 percent base operating component, resulting in the redistribution of about \$400 thousand; and (3) a “hold-harmless-plus” adjustment.

HED devised the hold harmless plus adjustment for FY17 in response to concerns over the equity of the funding formula. The new adjustment seeks to reward institutions that improve performance over time but do not experience funding gains from the performance-based formula. The hold-harmless-plus component prevents eligible institutions from losing year-over-year I&G funding and also provides additional funding to reward improved performance over time. The original HED proposal used \$400 thousand from the 1 percent base operating adjustment and redistributed funding to eligible colleges. This \$400 thousand was disbursed pro rata based on each eligible institution's contribution to the total award production of all other hold harmless plus eligible colleges.

However, several higher education stakeholders objected to this method because certain institutions eligible for hold harmless plus adjustments received higher funding increases than one particular community college that improved performance compared against other institutions. Stakeholders suggested a cap for the hold harmless plus measure to prevent this apparently unintended consequence from the formula adjustment.

FY17 I&G Request and Recommendation. The HED request supported and LFC recommendation supports increased state funding based on student performance, including performance in specific academic concentrations and by a diverse student population. While priorities are slightly different, 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 reallocate a portion of base funding without destabilizing institutions.

In sum, LFC's recommendation for FY17 endorses HED's \$621.4 million request for the I&G funding formula, or 1 percent over FY16 levels. As in the HED request, the LFC recommendation maintains sector balances of formula funding: Research institutions receive about 55 percent of formula funding, and comprehensive and two-year institutions receive about 14 percent and 31 percent, respectively. In addition the recommendation includes, as requested, an increase in performance-based funding – HED requested \$50.7 million, or 8 percent, and LFC recommends \$44.2 million, or 7 percent.

The primary difference between HED's request and the LFC recommendation centers on the source for funding and application of the hold-harmless-plus mechanism. HED's request pulls funding from new funds and applies about \$110 thousand for this adjustment. The LFC recommendation builds on HED's initial proposal for this measure using the 1 percent base operating adjustment as the source of funds; however, LFC's recommendation caps the adjustment at \$217 thousand and applies remaining funds to STEMH awards production.

As in the FY16 funding formula, the LFC recommendation does not specifically reduce general fund appropriations by a percentage of other state and local government revenues.

University of New Mexico Health Sciences Center. While not formula-based, UNM Health Sciences Center (HSC) receives a direct general fund 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 (for example, completed student credit hours for pharmacy and nursing education). For FY17, both HED and LFC recommend an I&G appropriation of \$62.3 million, a flat appropriation compared with FY16 funding levels.

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. In total, HED requested \$127.5 million in general fund support for such projects, a 0.6 percent decrease over FY16 funding levels. To fund new projects and expand others, the department reduced some current programs. The department shaved nearly \$1.4 million from existing programs related to athletics, public television, and academic student support programs. These savings would allow for \$333 thousand to fund new initiatives, including the Sunspot Solar Observatory Consortium at NMSU and a project at the Dinosaur Museum and Natural Sciences Lab at Mesalands Community College. The savings also would provide \$1.1 million for expansion of existing programs, including medical residencies and pediatric oncology at UNM-HSC, college-degree mapping at UNM, and the aerospace engineering program at the New Mexico Institute of Mining and Technology.

LFC recommends just under \$129 million in general fund support for research and public service projects. The recommendation targets healthcare workforce programs throughout the state, including an additional \$702 thousand for medical residencies at UNM-HSC and an additional \$300 thousand for nurse expansion programs at four institutions throughout the state.

The recommendation also supports state agencies administratively attached to colleges and universities. The LFC recommendation includes an increase of \$100 thousand for the Office of the Medical Investigator, which is attached to UNM-HSC and has experienced sharp increases in utilities and operating costs in recent years. The recommendation provides \$100 thousand for the New Mexico Department of Agriculture, housed at NMSU, for supplemental nutrition assistance program participants to purchase fresh fruits and vegetables at New Mexico farmer's markets through a statewide program. LFC recommends a \$250 thousand increase for the Agriculture Experiment Station, another NMSU-affiliated agency, for the management of the Los Luceros property. Finally, \$60 thousand is recommended for Mesalands Community College to support a project at the Dinosaur Museum and Natural Sciences Lab.

Special Schools. HED requested \$8.8 million in general fund support for the New Mexico School for the Blind and Visually Impaired (NMSBVI), the New Mexico School for the Deaf, and the New Mexico Military Institute (NMMI). The LFC recommendation is slightly higher due to an HED shave of NMMI's athletics program that LFC does not recommend. Both the HED request and LFC recommendation include an additional \$150 thousand to provide aviation services to students at NMSBVI to allow students to travel home on weekends and holidays.

RECOMMENDED LANGUAGE:

For University of New Mexico Health Sciences Center. The other state funds appropriation to the university of New Mexico health sciences center includes two million eight hundred fifty-nine thousand one hundred dollars (\$2,859,100) from the tobacco settlement program fund.

For New Mexico State University. The general fund appropriation to the agricultural experiment station program at New Mexico state university includes four hundred fifty thousand dollars (\$450,000) to the Alcalde agricultural experiment station for the Los Luceros ranch pursuant to an agreement with the cultural affairs department.

The general fund appropriation to the New Mexico department of agriculture at New Mexico state university includes one hundred thousand dollars (\$100,000) for supplemental nutrition assistance program participants to buy fresh fruits and vegetables at New Mexico farmers' markets through a statewide program.

New Mexico School For The Blind And Visually Impaired. The general fund appropriation for instruction and general purposes to the New Mexico school for the blind and visually impaired includes one hundred fifty thousand dollars (\$150,000) for aviation transportation services for students.

New Mexico Institute Of Mining And Technology. The general fund appropriation to the bureau of geology and mineral resources of the New Mexico institute of mining and technology includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

UNM MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of first-time, full-time, degree-seeking freshmen completing an academic program within six years	48.2%	47.6%	48.0%	47.0%	48.0%
Output	Number of baccalaureate degrees awarded	3,477	3,503	3,525	3,600	3,700
Output	Number of post-baccalaureate degrees awarded	1,448	1,543	1,525	1,525	1,525
Outcome	Percent of first-time, full-time, degree-seeking freshmen retained to second year	77.7%	79.1%	79.2%	79.6%	80.0%
Output	Number of undergraduate transfer students from two-year colleges	1,892	2,004	2,020	1,900	1,900
Output	Number of degrees awarded using extended services	754	1,055	1,000	1,000	1,100
Outcome	Amount of external dollars for research and public service, in millions	\$130	\$127	\$129	\$129	\$129
Outcome	Percent of enrolled Native American students among all degree-seeking undergraduates as of fall census date	10.1%	9.7%	10.0%	10.0%	11.0%
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)	75.1%	76.9%	77.0%	77.0%	77.0%

UNM GALLUP BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	40.6%	46.5%	42.0%	45.0%	45.0%
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	8.0%	6.7%	10.0%	10.0%	10.0%
Outcome	Percent of graduates placed in jobs in New Mexico	63.5%	63.7%	60.0%	64.0%	64.0%
Output	Number of students enrolled in the adult basic education program	146	350	160	386	386
Outcome	Percent of Hispanic students enrolled	11.6%	11.8%	12.0%	12.0%	12.0%
Outcome	Percent of Hispanic graduates	10.2%	9.3%	11.2%	10.8%	10.8%
Output	Number of students enrolled in the area vocational schools program	397	413	400	429	429
Efficiency	Percent of programs having stable or increasing enrollments	57.0%	57%	65%	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	83%	82%	84%	84%	84%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	85.9%	86.4%	86.0%	86.0%	87.0%

UNM LOS ALAMOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	65.7%	60.7%	65.0%	59.5%	61.0%
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	56.5%	50.5%	60.0%	57.0%	57.0%
Outcome	Percent of graduates placed in jobs in New Mexico	75.7%	75.2%	75.0%	51.0%	75.7%
Outcome	Percent of Native American students enrolled	6.0%	4.8%	7.5%	7.0%	7.0%
Outcome	Percent of Native American graduates	8.0%	9.9%	8.0%	8.5%	9.0%
Output	Number of students enrolled in the adult basic education program	285	155	300	300	300
Output	Number of students enrolled in the small business development center program	350	447	355	380	380
Efficiency	Percent of programs having stable or increasing enrollments	78.8%	81.3%	80.0%	69.0%	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	78.3%	77.5%	79.5%	80.0%	80.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	91.6%	94.5%	85.0%	76.0%	94.5%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.2%	51.9%	65.0%	60.0%	60.0%
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	8.5%	9.3%	10.0%	6.0%	9.5%
Outcome	Percent of graduates placed in jobs in New Mexico	69.0%	72%	65%	67%	67%
Outcome	Percent of Native Americans enrolled	3.9%	3.3%	4.5%	3.0%	3.5%
Outcome	Percent of Native American graduates	2.2%	2.2%	3.0%	2.5%	2.5%
Output	Number of students enrolled in the adult basic education program	991	775	900	900	900
Output	Number of students enrolled in the community services program	4,355	5,459	3,000	3,000	5,000
Efficiency	Percent of programs having stable or increasing enrollments	49.1%	41.4%	70.0%	60.0%	60.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.8%	79.0%	80.0%	75.0%	80.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	96.0%	95.4%	88.0%	90.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.6%	48.1%	59.0%	55.0%	55.0%
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	14.5%	11.3%	20.0%	8.0%	14.0%
Outcome	Percent of program completers placed in jobs in New Mexico based on unemployment insurance wage data	74%	71.7%	66.0%	66.0%	70.0%
Outcome	Percent of males enrolled	38.7%	28.3%	35.0%	23.0%	23.0%
Outcome	Percent of male graduates	30.1%	28.3%	30.0%	23.0%	30.0%
Output	Number of students enrolled in the adult basic education program	219	175	220	200	220
Output	Number of students enrolled in the concurrent enrollment program	914	810	900	600	850
Efficiency	Percent of programs with stable or increasing enrollment	66.7%	58.1%	75.0%	55.0%	65.0%
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%	75.2%	80.0%	70.0%	75.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	89.8%	89.8%	90.0%	84.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Percent of human poisoning exposures treated safely at home after the poison and drug information center is contacted by a caller in a non-healthcare setting	New	New	New	66%	66%
Output	Number of degrees awarded using extended university courses	72	99	80	80	100
Output	Number of post-baccalaureate degrees awarded	316	349	320	320	361
Outcome	Increase in external research and public service expenditures, in millions	\$318.2	\$330.3	\$310.0	\$310.0	\$310.0
Outcome	Pass rates on national medical licensing exam, step three, board exam, first attempt	98%	96%	95%	95%	95%
Output	Pass rates on national medical licensing exam, step two, clinical skills exam, first attempt	99%	98%	95%	95%	98%
Output	Total number of university of New Mexico hospital clinic visits	510,277	504,785	490,000	525,526	525,526
Output	Number of autopsies performed each year by the office of the medical investigator	2,401	2,146	2,200	1,788	1,788
Output	Number of patient days at Carrie Tingley hospital	4,181	4,197	4,100	4,100	4,100
Output	Total number of university of New Mexico hospital inpatient discharges	26,593	26,955	27,000	25,582	25,582
Output	Percent of human poisoning exposures treated safely at home after poison and drug information center contact	66%	66%	68%	Delete	Delete

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	University of New Mexico hospital inpatient readmission rate	3.96%	3.64%	4.0%	4.0%	4.0%
Outcome	University of New Mexico hospital inpatient satisfaction rate	83.0%	84.0%	83.0%	83.0%	84.0%
Output	Number of university of New Mexico cancer research and treatment center clinical trials	375	379	400	400	400
Outcome	Pass rate on national certification licensing exam test by college of nursing bachelors of science in nursing candidates	92.3%	72.6%	85.0%	90.0%	90.0%
Output	Pass rate for graduate students on American nurses credentialing center family nurse practitioner certification exam	100%	100%	95%	95%	98%
Output	First-time pass rate on the north American pharmacist licensure examination by doctor of pharmacy graduates	98%	92%	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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	43%	46%	47%	47%	47%
Outcome	Number of Hispanic undergraduate degree-seeking students	6,701	6,511	6,900	6,900	6,900
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)	74.3%	75.0%	78.0%	78.0%	78%
Output	Total number of baccalaureate degrees awarded	2,599	2,644	2,650	2,650	2,650
Outcome	Number of undergraduate transfer students from two-year colleges	1,291	1,312	1,300	1,300	1,300
Quality	Percent of academic departments or programs using the results of student learning outcomes for improvement	75%	80%	80%	80%	80%
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	74.2%	74.0%	74.0%	74.0%	74.0%
Output	Number of degree programs offered via distance education	36	37	37	37	37
Outcome	Total external research expenditures, in millions	New	New	\$90	\$90	\$90
Outcome	Graduate enrollment as a percent of total NMSU Las Cruces enrollment	New	New	20%	20%	20%
Output	Number of nursing degrees conferred	122	145	130	130	130

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	58.6%	56.2%	65.0%	61.0%	61.0%
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	8.2%	9.7%	14.0%	14.0%	14.0%
Outcome	Percent of graduates placed in jobs in New Mexico	70.4%	69.4%	72.0%	72.0%	72.0%
Outcome	Percent of Hispanic students enrolled	32.7%	33.8%	36.0%	36.0%	36.0%
Outcome	Percent of Native American graduates	1.8%	1.9%	4.0%	4.0%	4.0%
Output	Number of students enrolled in the adult basic education program	435	350	500	450	450
Output	Number of students enrolled in the small business development center program	504	559	550	575	575
Efficiency	Percent of programs having stable or increasing enrollments	63.9%	54.0%	78.0%	65.0%	65.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	71.5%	72.7%	79.8%	79.8%	79.8%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	92.0%	89.2%	93.0%	93.0%	93.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	58.8%	53.4%	54.0%	50.0%	50.0%
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	3.5%	5.9%	10.0%	10.0%	10.0%
Outcome	Percent of graduates placed in jobs in New Mexico	79.7%	75.8%	80.0%	80.0%	80.0%
Outcome	Percent of Hispanic students enrolled	51.1%	50.5%	50.0%	50.0%	50.0%
Outcome	Percent of Hispanic graduates	44.1%	47.9%	44.0%	45.0%	45.0%
Output	Number of students enrolled in concurrent enrollment	1,019	1,070	1,000	1,000	1,070
Efficiency	Percent of programs having stable or increasing enrollments	77.3%	89.0%	75.0%	70.0%	75.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	68.2%	68.9%	70.0%	70.0%	70.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	92.7%	88.0%	90.0%	90.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	49.1%	46.2%	52.0%	48.0%	48.0%
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	12.7%	12.5%	15.0%	15.0%	15.0%
Outcome	Percent of graduates placed in jobs in New Mexico	94.0%	73.4%	77.0%	77.0%	77.0%
Outcome	Percent of males enrolled	43.7%	43.3%	45.0%	45.0%	45.0%
Outcome	Percent of Hispanic graduates	67.8%	68.8%	66.0%	63.0%	68.0%
Output	Number of students enrolled in the contract training program	790	1,162	1,500	1,500	1,500
Output	Number of students enrolled in the adult basic education program	2,508	2,039	3,500	3,500	3,500
Efficiency	Percent of programs having stable or increasing enrollments	73.1%	68.5%	91.0%	85.0%	85.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	78.4%	78.7%	81.0%	81.0%	81.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico continuing their education in New Mexico	94.0%	92.6%	92.0%	87.0%	92.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.0%	46.4%	53.0%	52.0%	52.0%
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	18.3%	13.0%	20.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.7%	76.1%	74.0%	74.0%	76.0%
Outcome	Percent of Hispanic students enrolled	42.5%	41.2%	40.0%	33.0%	40.0%
Outcome	Percent of Hispanic graduates	32.1%	30.4%	36.0%	36.0%	36.0%
Output	Number of students enrolled in the adult basic education program	239	201	325	300	325
Efficiency	Percent of programs having stable or increasing enrollments	51.8%	39.3%	70.0%	50.0%	50.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	73.7%	70.0%	74.0%	73.0%	73.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	92.7%	92.8%	89.0%	90.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	18.4%	18.3%	20.0%	20.0%	20.0%
Output	Total number of baccalaureate degrees awarded	433	457	400	415	430
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	47.2%	48.4%	53.0%	53.0%	53.0%
Output	Number of undergraduate transfer students from two-year colleges	472	516	480	480	480
Output	Number of students enrolled in extended services	1,407	1,409	1,400	1,400	1,400
Outcome	Percent of graduating seniors indicating "satisfied" or "very satisfied" with the university on student satisfaction survey	94.7%	97.6%	95.0%	95.0	95%
Outcome	Percent of total funds generated by grants and contracts	24%	24%	25%	25%	25%
Outcome	Number of enrolled Native American students among all degree-seeking undergraduates as of fall census date	176	160	180	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)	54.4%	49.7%	58.0%	58.0%	58.0%

WESTERN NEW MEXICO UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of entering first-time, full-time freshmen who are Native American	2.7%	2.5%	1.5%	1.5%	3.1%
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)	61.9%	64.2%	63.0%	62.0%	62.0%
Output	Total number of baccalaureate degrees awarded	216	212	200	200	215
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	52.3%	56.8%	55.0%	53.0%	53.0%
Output	Number of courses available through instructional television and online via the internet	823	733	700	700	700
Output	Percent change of education majors	New	New	15%	15%	15%
Outcome	Amount of external dollars to be used for programs to promote student success, in millions	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
Output	Number of undergraduate transfer students from two-year colleges	159	223	170	170	200
Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	22.7%	20.9%	23.0%	23.0%	25.0%
Outcome	Percent of enrolled Hispanic and Native American students among all degree-seeking undergraduates as of fall census date	56.9%	61.1%	55.0%	55.0%	57.0%
Output	Number of graduates from the school of education	105	91	Delete	Delete	Delete

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Percent of first-time, full-time degree-seeking students enrolled second semester	80.2%	80.7%	84.0%	84.0%	84.0%
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)	66.1%	62.6%	65.0%	65.0%	65.0%
Output	Number of baccalaureate degrees awarded	638	702	675	700	700
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	58.1%	59.3%	64.5%	64.5%	64.5%
Output	Number of undergraduate transfer students from two-year colleges	661	670	675	675	675
Output	Number of internet-based courses offered	860	944	900	900	900
Outcome	Amount of external dollars supporting research and student success, in millions	\$5.5	\$5.0	\$5.5	\$6.0	\$6.0
Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	28.8%	27.1%	30.0%	32.0%	32.0%
Outcome	Percent of graduating seniors who are "satisfied" or "very satisfied" with their educational experience	95.0%	95.3%	95.0%	95.0%	95.0%
Outcome	Percent of enrolled Hispanic students among all degree-seeking undergraduates as of fall census date	34.7%	36.5%	37.0%	38.0%	38.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	56.8%	51.0%	50.7%	50.7%	51.0%
Outcome	Percent of students who complete a program within one hundred fifty percent of time	21.0%	22.7%	17.5%	17.7%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.2%	76.0%	68.9%	70.0%	75.0%
Outcome	Percent of males enrolled	49.4%	48.9%	47.1%	47.2%	47.2%
Outcome	Percent of male graduates	45.8%	51.1%	55.2%	55.2%	55.2%
Output	Number of students enrolled in the concurrent enrollment program	1,705	1,671	1,700	885	1,600
Output	Number of students enrolled in the distance education program	2,781	2,379	2,800	2,650	2,650
Efficiency	Percent of programs having stable or increasing enrollments	72.9%	61.9%	60.5%	60.5%	60.5%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	72.5%	74.2%	76.2%	76.2%	76.2%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	90.0%	86.4%	80.0%	78.5%	86.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	53.2%	50.2%	53.0%	53.0%	53.0%
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	13.6%	16.2%	20.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	73.2%	72.7%	78.0%	78.0%	78.0%
Outcome	Percent of Hispanic students enrolled	30.0%	29.0%	30.0%	28.5%	29.0%
Outcome	Percent of Hispanic student graduates	38.5%	34.4%	30.0%	30.5%	30.5%
Output	Number of students enrolled in adult basic education	217	150	300	250	250
Output	Number of students enrolled in the contract training program	977	866	850	850	866
Output	Percent of programs having stable or increasing enrollments	42.9%	53.4%	75.0%	75.0%	75.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	69.9%	50.3%	69.0%	65.0%	65.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	90.6%	91.6%	91.0%	91.5%	91.5%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of students enrolled in distance education courses	387	382	400	400	400
Output	Number of undergraduate transfer students from two-year colleges	60	68	60	60	60
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	31.1%	30.6%	30.0%	30.0%	30.6%
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	75.2%	74.6%	76.0%	76.0%	80.0%
Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44.2%	45.1%	48.0%	48.0%	48.0%
Output	Number of degrees awarded	303	328	325	325	325
Outcome	Percent of first-time freshmen retained to sophomore year	76.6%	78.8%	77.0%	77.0%	77.0%
Output	Number of students registered in master of science teaching program	173	208	180	180	180
Outcome	External dollars for research and creative activity, in millions	\$64.2	\$68.0	\$68.5	\$65.0	\$65.0

NORTHERN NEW MEXICO COLLEGE

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Output	Number of courses available through instructional television and online	135	135	150	150	150
Outcome	Percent of graduating seniors "satisfied" or "very satisfied" with the college in all survey categories	87.6%	84.0%	85.0%	80.0%	84.0%
Outcome	Percent of first-time, degree seeking, first-time freshmen retained to second year	55.0%	39.0%	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%	34%	35%	30%	34%
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	80.0%	82.1%	85.0%	80.0%	80.0%
Output	Number of students enrolled in extended services courses	134	179	150	150	150
Output	Number of undergraduate transfer students from two-year colleges	107	86	105	105	105
Output	Percent of first-time, full-time freshmen completing an academic program within six years	15%	15%	25%	25%	25%
Outcome	Percent of total funds generated by grants and contracts	46.0%	30.4%	40.0%	39.0%	39.0%
Output	Total number of baccalaureate degrees awarded	71	72	70	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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	58.8%	57.8%	60.0%	58.0%	58.0%
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	8.1%	9.6%	11.0%	11.0%	11.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.7%	77.8%	78.0%	75.0%	78.0%
Outcome	Percent of Hispanic students enrolled	42.8%	44.4%	45.0%	42.0%	45.0%
Outcome	Percent of Hispanic graduates	42.8%	44.0%	45.0%	44.0%	45.0%
Output	Number of students enrolled in the adult basic education program	1,595	1,615	1,900	1,500	1,615
Output	Number of students enrolled in the contract training program	2,707	2,311	3,000	2,000	2,311
Efficiency	Percent of programs having stable or increasing enrollments	66.9%	62.0%	70.0%	65.0%	65.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76.9%	78.4%	79.0%	79.0%	79.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.2%	91.1%	93.0%	90.0%	91.1%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	53.3%	53.3%	54.5%	54.5%	54.5%
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	9.7%	11.4%	11.0%	13.0%	13.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.0%	78.4%	82.0%	82.0%	82.0%
Outcome	Percent of Hispanic students enrolled	44.3%	46.2%	43.2%	43.2%	45.0%
Outcome	Percent of Hispanic graduates	42.4%	42.5%	42.0%	42.5%	42.5%
Output	Number of students enrolled in distance education program	16,769	16,984	16,000	17,000	17,000
Output	Number of students enrolled in concurrent enrollment program	3,717	3,710	3,000	3,800	3,800
Efficiency	Percent of programs having stable or increasing enrollments	72.6%	70.1%	85.0%	85.0%	85.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.7%	81.4%	83.0%	83.0%	83.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	94.0%	93.5%	94.0%	93.5%	93.5%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	74.2%	75.5%	70.0%	77.0%	77.0%
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%	18.6%	20.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.1%	79.6%	80.0%	80.0%	80.0%
Outcome	Percent of white students enrolled	19.2%	19.0%	18.0%	21.0%	21.0%
Outcome	Percent of male graduates	13.8%	14.4%	20.0%	20.0%	20.0%
Output	Number of students enrolled in the health education center program	1,434	2,313	3,000	3,600	3,000
Output	Number of students enrolled in the small business development center program	163	108	250	250	250
Efficiency	Percent of programs having stable or increasing enrollments	40.3%	40.9%	60.0%	60.0%	60.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67.6%	63.8%	70.0%	70.0%	70.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	94.4%	93.7%	95.0%	95.0%	95.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	46.3%	40.7%	50.0%	40.0%	41.0%
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	46.7%	39.3%	45.0%	30.0%	40.0%
Outcome	Percent of graduates placed in jobs in New Mexico	42.0%	43.7%	40.0%	40.0%	43.7%
Outcome	Percent of Hispanic students enrolled	35.5%	37.2%	36.0%	37.0%	37.0%
Outcome	Percent of female graduates	39.1%	41.5%	37.0%	35.0%	41.0%
Output	Number of students enrolled in the adult basic education program	154	191	180	200	200
Output	Number of students enrolled in the small business development center program	233	246	240	200	246
Efficiency	Percent of programs having stable or increasing enrollments	31.6%	40.0%	65.0%	60.0%	60.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	58.4%	73.4%	70.0%	70.0%	70.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	75.8%	72.8%	82.0%	70.0%	72.8%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	63.9%	61.1%	65.0%	65.0%	65.0%
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	13.3%	14.4%	33.0%	33.0%	33.0%
Outcome	Percent of graduates placed in jobs in New Mexico	77.4%	85.6%	75.0%	80.0%	80.0%
Outcome	Percent of Hispanic students enrolled	43.1%	44.5%	45.0%	50.0%	45.0%
Outcome	Percent of Hispanic graduates	36.9%	38.5%	45.0%	45.0%	45.0%
Output	Number of students enrolled in contract training	4,336	3,387	5,000	5,000	5,000
Output	Number of student credit hours completed through distance education program	17,319	18,446	20,000	20,000	20,000
Efficiency	Percent of programs having stable or increasing enrollments	100%	100%	90%	83%	100%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	83.8%	81.9%	80.0%	75.0%	82.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	88.3%	91.9%	85.0%	85.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	57.8%	57.7%	60.0%	60.0%	60.0%
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	13.8%	13.9%	15.0%	15.0%	15.0%
Outcome	Percent of graduates placed in jobs in New Mexico	80.7%	81.7%	75.0%	81.0%	81.0%
Outcome	Percent of Native Americans enrolled	32.4%	32.8%	32.0%	32.0%	32.0%
Outcome	Percent of Native American graduates	28.5%	27.9%	30.0%	28.0%	28.0%
Output	Number of students enrolled in the community services program	2,305	2,057	2,000	2,100	2,100
Output	Number of students enrolled in the service learning program	922	973	1,200	600	900
Efficiency	Percent of programs having stable or increasing enrollments	67.7%	62.3%	70.0%	63.0%	63.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.0%	79.9%	83.0%	80.0%	80.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.3%	90.1%	88.0%	88.5%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	55.3%	55.1%	55.0%	55.0%	55.5%
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	7.4%	10.1%	14.0%	14.0%	14.0%
Outcome	Percent of graduates placed in jobs in New Mexico	78.0%	74.7%	75.0%	75.0%	75.0%
Outcome	Percent of Hispanic students enrolled	29.2%	29.6%	30.0%	30.0%	30.0%
Outcome	Percent of Hispanic graduates	30.7%	31.8%	32.0%	32.0%	32.0%
Output	Number of students enrolled in the distance education program	2,838	2,910	3,100	3,100	3,100
Output	Number of students enrolled in the concurrent enrollment program	528	664	550	600	600
Efficiency	Percent of programs having stable or increasing enrollments	81.7%	89.9%	75.0%	75.0%	89.0%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	71.8%	75.5%	74.0%	74.0%	75.5%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.9%	89.0%	90.0%	90.0%	90.0%

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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 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	22.8	22.4	22.0	22.0	22.5
Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	59.4	59.2	60.0	60.0	60.0
Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	57.8	56.9	59.0	56.0	57.0
Efficiency	Percent of legislative scholarships (Knowles) awarded	90%	100%	95%	100%	100%
Efficiency	Annual cost of attendance	\$11,411	\$12,339	\$11,406	\$12,954	\$12,954

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico School for the Blind and Visually Impaired is to be an innovative leader and unifying entity in the field of educating blind and visually impaired students birth through high school by identifying and ensuring quality education through collaborative relationships with students, families and state, local and national partners to provide outstanding advocacy, training, resources, and support services, thus ensuring all students who are blind or visually impaired will become independent, productive members of their communities.

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Number of national conversations related to educational innovative practices and programs in which staff participate	New	5	5	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	9	36	40	40	40
Quality	Number of school districts over baseline year that use the school's internet database to follow visually impaired students	New	0	10	10	10
Outcome	Increase in enrollment on residential campus	New	10%	10%	10%	10%
Output	Number of New Mexico teachers who complete a personnel preparation program to become a teacher of the visually impaired	New	New	10	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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	85.0%	77.5%	87.0%	87.0%	85.0%
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	92%	100%	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	70%	71%	80%	80%	80%
Outcome	Percent of parents satisfied with educational services from the center for educational consultation and training (statewide outreach)	80%	88%	90%	90%	90%
Outcome	Percent of parents with children receiving outreach services indicating ability to make informed decisions about educational options and programs	70%	94%	90%	90%	90%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	95%	95%	95%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY17
(dollars in thousands)

School Year 2015-2016 Preliminary Unit Value = \$4,027.75		FY16 OpBud	FY17 PED Request	FY17 LFC Rec
1	PROGRAM COST	\$2,544,811.0	\$2,569,331.1	\$2,569,331.1
2	<u>UNIT CHANGES</u>			
3	Enrollment Growth Units	\$5,171.7	\$11,011.0	
4	Eliminate Enrollment Growth Units for New Programs	(\$2,924.2)		
5	Other Projected Net Unit Changes			\$1,960.3
6	At-Risk Unit Increase: FY16 Laws 2014, Chapter 55	\$12,561.0		
7	<u>UNIT VALUE CHANGES</u>			
8	Insurance	\$4,351.0	\$5,742.0	\$5,742.0
9	Fixed Costs	\$5,000.0	\$7,379.9	\$7,379.9
10	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	(\$309.4)		
11	Compensation Increase for Teachers, School Administrators, and Mentors Meeting Competencies			
12	Increase Level One Minimum Teacher Salaries (FY16 \$34K; PED FY17 \$36K; LFC FY17 \$35K)	\$6,670.0	\$14,129.0	\$6,400.0
13	PARCC Standards-Based Assessments (English Language Arts and Math)	(\$6,000.0)		
14	SUBTOTAL PROGRAM COST	\$2,569,331.1	\$2,607,593.0	\$2,590,813.3
15	Dollar Increase/Decrease Over Prior Year Appropriation	\$24,520.1	\$38,261.9	\$21,482.2
16	Percentage Increase	1.0%	1.5%	0.8%
17	LESS PROJECTED CREDITS (FY15 Actuals \$72.2 Million)	(\$56,000.0)	(\$59,000.0)	(\$60,000.0)
18	LESS OTHER STATE FUNDS (From Driver's License Fees)	(\$5,000.0)	(\$1,000.0)	(\$1,000.0)
19	STATE EQUALIZATION GUARANTEE	\$2,508,331.1	\$2,547,593.0	\$2,529,813.3
20	Dollar Increase/Decrease Over Prior Year Appropriation	\$27,020.1	\$39,261.9	\$21,482.2
21	Percentage Increase	1.1%	1.6%	0.9%
22	CATEGORICAL PUBLIC SCHOOL SUPPORT			
23	TRANSPORTATION - School District (PED Request Includes District and Charter)			
24	Maintenance and Operations	\$77,113.5	\$81,195.6	\$79,050.8
25	Fuel	\$11,786.2	\$12,883.9	\$11,786.2
26	Rental Fees (Contractor-Owned Buses)	\$8,865.8	\$9,001.4	\$9,001.4
27	TRANSPORTATION - State-Chartered Charter School (with language)			\$1,105.0
28	SUBTOTAL TRANSPORTATION	\$97,765.5	\$103,080.9	\$100,943.4
29	SUPPLEMENTAL DISTRIBUTIONS			
30	Out-of-State Tuition	\$300.0	\$300.0	\$300.0
31	Emergency Supplemental	\$2,000.0	\$2,000.0	\$2,000.0
32	INSTRUCTIONAL MATERIAL FUND	\$21,900.0 ¹	\$35,000.0	\$25,000.0 ¹
33	Dual Credit Instructional Materials	\$1,000.0	\$1,250.0	\$1,000.0
34	PARCC Standards-Based Assessments (English Language Arts and Math)	\$6,000.0	\$6,000.0	\$6,000.0
35	INDIAN EDUCATION FUND	\$1,824.6 ²	\$2,500.0	\$2,000.0 ²
36	Pre-kindergarten Classrooms		\$5,000.0	
37	School Bus Replacements		\$14,500.0	
38	TOTAL CATEGORICAL	\$130,790.1	\$169,630.9	\$137,243.4
39	TOTAL PUBLIC SCHOOL SUPPORT	\$2,639,121.2	\$2,717,223.9	\$2,667,056.7
40	Dollar Increase/Decrease Over Prior Year Appropriation	\$30,743.6	\$78,102.7	\$27,935.5
41	Percentage Increase	1.2%	3.0%	1.1%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY17
(dollars in thousands)

School Year 2015-2016 Preliminary Unit Value = \$4,027.75		FY16 OpBud	FY17 PED Request	FY17 LFC Rec
42	RELATED REQUESTS: RECURRING			
43	Regional Education Cooperatives Operations	\$935.6	\$935.6	\$935.6
44	K-3 Plus Fund	\$23,700.0	\$29,200.0	\$32,247.2 ³
45	Public Pre-kindergarten Fund	\$21,000.0 ⁴	\$28,000.0	\$24,500.0 ⁴
46	Early Reading Initiative	\$15,000.0	\$25,000.0 ⁵	\$21,000.0 ⁵
47	Breakfast for Elementary Students	\$1,924.6 ⁶	\$2,900.0	\$1,924.6 ⁶
48	After School and Summer Enrichment Programs	\$350.0 ⁷	\$2,250.0	\$1,350.0
49	Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment, and Retention	\$7,250.0 ⁸	\$15,000.0	\$13,250.0 ¹³
50	Top 100 Teachers in New Mexico (Stipend)		\$1,000.0	
51	Exemplary Teacher Residency (Scholarship)		\$1,000.0	
52	Teacher Advisory Training and Support		\$1,000.0	
53	Sustaining Improvement at Most Improved Schools (Top 50 Schools)		\$2,500.0	
54	Teaching Support in Schools with a High Proportion of Low-Income Students	\$500.0	\$500.0	\$500.0
55	NMTEACH Evaluation System	\$5,000.0	\$5,500.0	\$5,000.0
56	STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$2,400.0	\$3,000.0	\$3,000.0
57	Next Generation School Teacher and School Leader Preparation Programs	\$4,145.5 ⁹	\$6,000.0	\$4,645.5 ⁹
58	New Mexico Cyber Academy (IDEAL-NM)	\$250.0 ¹⁰	\$1,250.0	\$500.0 ¹⁰
59	College Preparation, Career Readiness, and Dropout Prevention	\$2,901.0	\$4,000.0	\$3,500.0
60	Advanced Placement	\$875.0	\$2,000.0	\$1,000.0
61	Interventions and Support for Students, Struggling Schools, and Parents including Truancy and Dropout Prevention	\$10,500.0 ¹¹	\$13,500.0	\$13,250.0 ¹¹
62	Parent Portal	\$1,196.7	\$1,196.7	\$1,196.7
63	New Mexico Grown Fruits and Vegetables	\$364.3		\$400.0
64	Black Student Union	\$30.0		
65	GRADS – Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0
66	Teacher Mentorship - Teachers Pursuing Excellence	\$1,000.0 ¹²	\$3,000.0	\$2,000.0 ¹²
67	Stipends for Teachers in Hard to Staff Areas (Special Education, Bilingual, STEM, etc.)	\$1,500.0	\$1,500.0	\$1,500.0
68	Innovative Approaches to Education		\$2,000.0	
69	Teacher Supplies		\$2,500.0	\$2,000.0
70	TOTAL RELATED APPROPRIATIONS: RECURRING	\$101,022.7	\$154,932.3	\$120,649.6
71	Dollar Increase/Decrease Over Prior Year Appropriation	\$5,899.9	\$53,909.6	\$19,626.9
72	Percentage Increase	6.2%	53.4%	19.4%
73	SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,740,143.9	\$2,872,156.2	\$2,787,706.3
74	Dollar Increase/Decrease Over Prior Year Appropriation	\$36,643.6	\$132,012.3	\$47,562.4
75	Percentage Increase	1.4%	4.8%	1.7%
76	PUBLIC EDUCATION DEPARTMENT	\$11,951.3	\$12,551.3	\$12,101.3
77	Dollar Increase/Decrease Over Prior Year Appropriation	\$0.0	\$600.0	\$150.0
78	Percentage Increase	0.0%	5.0%	1.3%
79	GRAND TOTAL	\$2,752,113.1	\$2,884,707.5	\$2,799,807.6
80	Dollar Increase/Decrease Over Prior Year Appropriation	\$36,643.6	\$132,594.4	\$47,694.5
81	LFC Compensation Recommendation			\$54,228.6 ¹³
82	GRAND TOTAL w/ Compensation Recommendation	\$2,752,113.1	\$2,884,707.5	\$2,854,036.2
82	Dollar Increase/Decrease Over Prior Year Appropriation			\$101,923.1
83	Percentage Increase	1.3%	4.8%	3.7%

Categorical Public School Support

¹The GAA of 2015 included \$3.1 million in nonrecurring general fund to supplement the recurring instructional materials appropriation, including \$1 million from the education lock box. The LFC recommendation for FY17 replaces the nonrecurring revenue appropriated in FY16. While the overall instructional materials budget is not increased, school districts will see an increase in allocations because PED is prohibited from distributing the instructional materials appropriation to support private school students.

²The GAA of 2015 included \$675.4 thousand in Indian education fund balance and earmarked \$400 thousand in general fund revenues for teaching support for Native American students. The LFC recommendation includes \$500 thousand in Indian education fund balance and continues the earmark for teaching support for Native American students.

Related Recurring "Below-the-Line"

³The LFC recommendation establishes a pilot program to extend K-3 Plus to fourth and fifth grades in schools that voluntarily implement a school-wide "K-5 Plus" program.

⁴The GAA of 2015 included \$3.5 million in TANF funds and continues the extended-day pilot. The LFC recommendation includes \$3.5 million in TANF funds and continues the extended-day pilot.

⁵PED's request and the LFC recommendation earmark the increase in funding for high-poverty, low-performing elementary schools.

⁶The GAA of 2015 funds breakfast for elementary students only and allows breakfast to be served before the start of the instructional day. PED requested an increase to expand the program to middle and high school students. The LFC recommendation continues 2015 language and funds breakfast for elementary students only.

⁷The FY16 appropriations for after school and summer enrichment programs included \$750.8 thousand in other state funds, totaling \$1.1 million.

⁸The FY16 appropriations for incentive pay included almost \$1.8 million in other state funds, totaling \$9 million.

⁹The GAA of 2015 earmarked \$1 million of the FY16 appropriation for creation of a program like the University of Virginia's School Turnaround Specialist Program and reauthorized the FY15 appropriation for school leader preparation in FY16. The LFC recommendation continues the earmark to create a UVA-STSP like program in New Mexico in FY17.

¹⁰The FY16 appropriations included \$250 thousand in other state funds, totaling \$500 thousand, the LFC recommendation replaces the nonrecurring other state funds with general fund revenues.

¹¹The FY16 appropriations included \$2 million in other state funds, totaling \$12.5 million, the LFC recommendation replaces the nonrecurring other state funds with general fund revenues.

¹²The FY16 appropriation included \$1 million in other state funds, totaling \$2 million, the LFC recommendation replaces the nonrecurring other state funds with general fund revenues.

¹³The LFC compensation recommendation includes general fund revenues for a compensation increase for teachers, school administrators, and mentors meeting competencies and the teacher and school leader programs and supports for training, preparation, recruitment, and retention. The committee's compensation recommendation is appropriated to the Department of Finance and Administration for disbursement to agencies contingent on revenues achieving consensus revenue levels and adequate general fund reserves.

STATUTORY AUTHORITY:

Article XII, Section 1, of the New Mexico Constitution provides that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. Statutory provisions related to public school education can be found in the Public School Code, Chapter 22 NMSA 1978. Constitutional amendments passed in 2003 restructured state education administration from one directed by an elected board to an executive agency under the governor and increased the amount of funding distributed to public schools and all beneficiaries of income from state trust land.

AT A GLANCE:

The committee recommendation for public education funding totals \$2.8 billion, an increase in general fund spending of 3.7 percent. The recommendation focuses on closing the achievement gap and improving student outcomes, enhancing educator quality, and supporting efforts to recruit and retain quality educators. The recommendation modestly decreases the share for formula funding from 91.5 percent to 90.7 percent while increasing the share for initiative funding by less than 1 percent. The program cost recommendation increases the minimum salary of level one teachers to \$35 thousand. The LFC compensation recommendation includes general fund revenues for a compensation increase for teachers, school administrators, and mentors meeting competencies and teacher and school leader programs and supports for training, preparation, recruitment, and retention. However, the compensation appropriation is to the Department of Finance and Administration (DFA) and is contingent on consensus revenues achieving targeted levels and adequate general fund reserves. Transportation funding is increased almost \$3.2 million and the committee recommends making two separate distributions for school districts and state-chartered charter schools; transportation funding has not been increased in a number of years. Recognizing the importance of instructional material funding, the recommendation replaces nonrecurring revenues appropriated in FY16 for instructional materials with recurring general fund revenues. This effectively results in a \$1.3 million increase to public schools and adult basic education because the New Mexico Supreme Court recently prohibited appropriations from being used to support private school students. The recommendation increases spending for existing initiatives consistent with the committee's budget guidelines, most of which is directed to early childhood programs, including prekindergarten, early literacy, and the K-3 Plus extended school year program.

BUDGET ISSUES:

The Public Education Department's (PED) request for public schools for FY17 totaled \$2.885 billion, a \$132.6 million, or 4.8 percent increase from FY16 appropriations. The department's request was based on August revenue estimates. PED's request includes an increase of \$39 million, or 1.6 percent for the state equalization guarantee distribution, shrinking the share for formula funding from 91.5 percent to 88.7 percent. The department's request for categorical programs increased \$38.8 million, or 29.7 percent, growing the share of categorical spending from 4.8 percent to 5.9 percent. The request for initiatives increased \$53.9 million, or 53.4 percent, growing the share for below-the-line spending from 3.7 percent to 5.4 percent. The LFC recommendation for public schools, including the compensation recommendation totals \$2.854 billion, a \$101.9 million, or 3.7 percent, increase from FY16 appropriations and is based on December revenue estimates.

Program Cost and State Equalization Guarantee Distribution. PED uses the state equalization guarantee (SEG), also known as the "funding formula," to distribute money to public schools. About 90 percent of school districts' operational revenue is derived through the formula. The formula, designed to guarantee each public school student equal access to programs and services appropriate to educational need regardless of geographic location or local economic conditions, is enrollment-driven with weighted factors for school and district size, teacher qualifications, students' special needs, and other circumstances to generate a program unit. The number of units generated by all students statewide is divided into the annual program cost to determine the unit value. As part of determining a 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 school district. School districts may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

PED's request increased the program cost by \$38.3 million, or 1.5 percent, including \$11 million for enrollment growth units; \$5.7 million for increased insurance costs; \$7.4 million for increased fixed costs; and \$14.1 million to increase the minimum salary of level one teachers to \$36 thousand. The request assumed \$59 million in local and federal revenue credits, including \$43.6 million from federal impact aid, \$12 million from the local 0.5 mill levy, and \$3.4 million from federal forest reserve funds. Credits assumed in the request have been conservative for the past few years. In FY15, \$96.4 million in local and federal revenues were received at the school district level, resulting in \$72.3 million in credits, \$16.3 million more than assumed in the FY15 budget. An additional credit of \$1 million from drivers' license fees was also assumed. PED receives \$3 from each driver's license issued to distribute to public schools through the SEG to provide defensive driving instruction to students. Adjusted for credits, PED requested a general fund appropriation of \$2.548 billion for the SEG distribution, an increase of \$39.3 million, or 1.6 percent over FY16.

The LFC recommendation for program cost totals \$2.59 billion, an increase of \$21.5 million, or 0.8 percent from FY16. The LFC recommendation for program cost includes \$2 million for projected program unit changes in FY16, \$5.7 million for increased insurance costs, \$7.4 million for increased fixed costs, and \$6.4 million to increase the minimum salary of level one teachers to \$35 thousand. The LFC recommendation assumes \$60 million in local and federal revenue credits and \$1 million from driver's license fees. The recommendation for federal credits should be reconsidered during the 2016 legislative session when more current information is available. Adjusted for credits, the committee's SEG general fund recommendation is \$2.529 billion, an increase of \$21.5 million, or 0.9 percent, over the FY16 appropriation.

Unit Changes. Formula funding is generally based on the average of 80th and 120th day enrollment for the previous year except for those schools – primarily charter schools – implementing new programs (such as elementary fine arts, bilingual programs, and new charter schools or charter schools adding phase-in grades), schools with new programs are funded on current year 40th day enrollment. Further school districts and charter schools growing more than 1 percent are entitled to additional funding units to mitigate large annual increases in enrollment not captured under a prior-year funding model. Typically, during budget development, units are assumed to remain flat year-over-year regardless of projected changes. This can result in inflation or dilution of the unit value. However, prior to FY16, annual appropriations have been included for a significant number of enrollment growth units that far exceeds any annual growth, resulting in overfunding of enrollment growth units over time. Prior to the 2015 legislative session, other net unit changes, such as new charter school units or a change in size units, have historically not been considered during budget development.

For FY17, the committee recommendation considers projected program unit changes and includes \$2 million to account for a projected growth of 487 units. (See "Public Education Funding Formula: Student Membership and Program Unit History and FY 17 Budget Assumptions," Volume III). Projections assume a modest increase in basic program, special education, and size units offset by a decrease in the units for teacher qualifications, known as the training and experience (T&E) index. Over the last several years the state's teacher workforce has become less experienced and less educated resulting in a lower T&E index. Education Retirement Board (ERB) data indicates the trend is likely to continue.

PED's request did not consider projected FY17 program unit changes and instead included \$11 million for enrollment growth units already funded in the base, which the LFC recommendation does not include. Since FY03, almost \$122 million has been included in the formula for this purpose. Much of the limited annual increase in enrollment growth units has been the result of charter schools phasing in grades over time. Enrollment for these grades is generally based on current year enrollment, rather than prior-year enrollment; however, charter schools have also historically been able to count these students toward enrollment growth units. For FY16, the Legislature prohibited counting any student funded based on current year enrollment toward enrollment growth units. PED originally indicated the language included in the budget sufficiently addressed the double-funding issue; however, PED recently indicated the department will not be implementing the language as drafted, which will result in a modest dilution of the unit value. The committee recommends continuing language in the budget that prohibits including any student membership reported based on current year first reporting date in the calculation of enrollment growth units.

Insurance. 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. NMPSIA's insurance requests for the employer share of insurance premiums totaled almost \$17.4 million for FY17 – \$16.8 million for healthcare benefits and \$1 million for the risk program. For a more detailed analysis of the NMPSIA request see discussion for agency 342. APS is not requesting additional funds in FY17 due to significant accumulation of fund balance. PED requested and LFC recommends a \$5.7 million increase, or 2.7 percent, for insurance premiums. The LFC recommendation assumes both APS and NMPSIA will budget fund balance to offset any premium increases.

Educator Salaries. PED's request includes \$14.1 million to increase the minimum salary of level one teachers to \$36 thousand. LFC recognizes the need to improve recruitment and retention of licensed employees while ensuring accountability for those dollars and rewarding the state's best educators. For FY17, the committee recommendation increases the minimum salary of all level one teachers to \$35 thousand; the committee is concerned the minimums for level two and level three have not been prioritized, leading to compaction. The salary structure established by the three-tiered licensure system has not been evaluated since implementation over a decade ago, and ad hoc changes are being made annually in an attempt to recruit teachers into the profession. The Legislature is encouraged to address recruitment and retention issues during the interim and make recommendations for updating the three-tiered licensure system and salary structure for the Legislature to consider in 2017. Additionally, the LFC compensation recommendation includes \$54.2 million for a targeted salary increase for teachers and administrators meeting annual competencies, including teachers serving as mentors to beginning teachers, teacher and school leader programs and supports for training, preparation, recruitment and retention, and a cost of living increase for all public school employees. However, the appropriation is to DFA for disbursement contingent on achievement of consensus revenue estimates and adequate general fund reserves.

Federal Special Education Maintenance of Effort. Federal law requires the state to make at least as much available for special education students as was made available the previous year or risk future reductions to federal special education funding if the state does not qualify for a waiver. In FY11, because of sharp declines in general fund revenue, the state was unable to meet the federal maintenance of effort (MOE) provision. The state's request for a waiver of the maintenance of financial support (MOE) requirement of the federal Individuals with Disabilities Act for FY11 is still pending, and PED has yet to submit a request to waive MOE requirements for FY12. An initial hearing was scheduled in May 2014 to determine whether the state qualified to reduce the level of required state support in FY11 under a federal flexibility provision. The hearing officer concluded the provision does not allow reduction of the level of state support required to meet MOE requirements, though the hearing officer's decision is still under review for possible modification by U.S. Secretary of Education. If the decision is modified and New Mexico prevails, the state would not need a waiver in FY11. In 2013 and 2014, the Legislature made several unique appropriations to ensure MOE requirements were satisfied for FY13, FY14, and FY15, including special appropriations in Sections 4, 5, and 6 in each year's General Appropriation Act and a separate appropriation of operating reserves if the aforementioned appropriations are insufficient. Preliminary estimates indicate both the PED and LFC recommendations for program cost include sufficient funding in FY17 to meet MOE requirements.

Categorical Public School Support. PED requested \$169.6 million for categorical expenditures – including transportation, instructional materials, supplemental distributions, Indian education, and funding for prekindergarten classrooms and school bus replacements – an increase of \$38.8 million, or 29.7 percent over FY16 appropriations. The department's request for prekindergarten classrooms (\$5 million) and school- district-owned bus replacements (\$14.5 million) duplicate the department's capital outlay request. LFC recommends \$137.3 million, an increase of \$6.5 million, or 5.9 percent.

Transportation. The largest categorical appropriation, the transportation distribution, is used to make payments to school districts and state-chartered charter schools for the to-and-from transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. PED requested \$103.1 million, an increase of \$5.3 million, or 5.4 percent, to cover bus maintenance and operations, fuel, and rental fees for contractor-owned buses. The department's request notes it includes funding for additional state-chartered charter schools that have requested transportation funding beginning in FY17. LFC recommends \$100.9 million, an increase of \$3.2 million, or 3.3 percent, and makes two separate allocations – one for school districts and one for charter schools. Previously, the Legislative Education Study Committee (LESC) noted state-chartered charter schools often receive transportation allocations much larger than needed, resulting in large cash balances and a joint LFC and LESC workgroup recommended making two separate allocations. The committee recommends any cash balance remaining in a state-chartered charter school's annual allocation be deposited in the transportation emergency fund. Additionally, the Legislature should review the transportation funding formula during the 2016 interim and make recommendations to address existing inequities.

Instructional Materials. The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas and is set by PED. English language arts, reading, and classical and native language materials for kindergarten through eighth grade are scheduled for replacement in FY17. 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, and state-supported schools, and adult basic education centers. The New Mexico Supreme Court recently prohibited instructional materials appropriations from being used to support private school students. PED requested \$36.3 million for instructional materials, including \$1.3 million for instructional materials for dual-credit courses in which students earn both high school and college credit. Previous LFC evaluations of instructional materials noted large cash balances maintained by school districts and charter schools, growing 22.8 percent from FY13 to FY14, from \$8 million to \$9.8 million. The committee recommends \$26 million for instructional materials, including replacement of \$3.1 million in nonrecurring revenues appropriated in FY16. The LFC recommendation assumes school districts and charter schools will use cash reserves to make up any FY17 shortfall. Costs of each annual adoption cycle vary widely depending on the subjects being adopted and the number of grades included, resulting in significantly different pressures on the general fund from year to year. PED is encouraged to review the adoption cycle and make changes to ensure consistent annual costs per adoption cycle.

Indian Education. PED requested \$2.5 million for Indian education in FY17. Balances in the fund have been used annually for several years for a number of recurring initiatives, leaving a low balance in the Indian education fund for the first time since its creation in 2007. However, limited outcome data is provided to assess effectiveness of allocations. The committee recommends a general fund appropriation of \$2 million and \$500 thousand in Indian education fund balance.

Related Recurring Appropriations. Earmarked related recurring “below-the-line” appropriations, appropriated to the department and not through the funding formula, may dis-equalize school funding and divert resources away from core educational needs, as well as dilute funding that could be directed to the state equalization guarantee. However, these initiatives may also more effectively target school appropriations to improve performance, accountability, and transparency. Concerns still exist about the department’s ability to effectively administer the 21 earmarked appropriations totaling more than \$101 million in FY16. Timeliness of allocations remains a concern, though PED has worked diligently over the past few years to notify school districts and charter schools of grant programs and make awards much earlier in the year. Additionally, many appropriations do not directly support students or are not targeted to support low-performing students (e.g., the early literacy appropriation is allocated based on student enrollment without regard for student proficiency or at-risk status) and PED continues to provide limited data to legislative agencies to evaluate the effectiveness of many appropriations.

PED’s request for initiatives totaled \$155 million, an increase of \$54 million or 53.4 percent over FY16 appropriations and included funding for five new initiatives. Limited data was provided to allow LFC to evaluate these initiatives. LFC is concerned new grant programs increase administrative burdens on school districts and charter schools and PED currently lacks the capacity to effectively administer new initiatives.

The LFC general fund recommendation for initiatives totals \$120.6 million, an increase of \$19.6 million, or 19.4 percent. The LFC recommendation continues existing initiatives and does not fund the department’s request for new initiatives. The recommendation prioritizes early childhood education programs, programs aimed at improving educator quality, and school improvement efforts. The recommendation holds flat funding for regional education cooperatives; elementary breakfast; teaching support; the evaluation system; the parent portal; the graduation, reality and dual role skills (GRADS) program; stipends for teachers in hard-to-staff schools and subjects; and teacher supplies, funded with nonrecurring revenues in FY16. LFC recommends increases for most other existing statewide programs.

Early Childhood Education. The committee continues to emphasize the importance of early childhood care and education and significantly increases funding for initiatives targeted to improve literacy and numeracy skills of young students. The return on investment for money spent on early childhood programs can be sizeable if programs are high quality and targeted. The committee recommends increasing general fund support by \$18 million, or 30 percent for prekindergarten, the K-3 Plus extended school year program, and PED’s early literacy initiative New Mexico Reads to Lead.

Prekindergarten. Four-year-olds enrolled in prekindergarten demonstrate improved kindergarten readiness and the program is producing meaningful impacts on early language, literacy, and math development. The committee recommendation for prekindergarten totals \$28 million, an increase of \$3.5 million, or 14.2 percent, including continuation of \$3.5 million in Temporary Assistance for Needy Families (TANF) funding. The recommendation also continues the extended full-day prekindergarten pilot. Interest in extended-day prekindergarten continues to grow. For FY16, 1,055 students were funded to participate in extended-day prekindergarten, an increase of 213 percent over FY15. School districts continue to indicate they have the capacity to serve more students and that increased student interest exists, though they might be limited by available classroom space in the near future.

K-3 Plus. Positive impacts on student achievement led the Legislature to make the five-year K-3 Plus pilot program permanent in 2012. K-3 Plus adds 25 instructional days before the beginning of the school year for economically disadvantaged and low-performing students and demonstrates success in improving math and reading skills closing the achievement gap. Since making the program permanent, the Legislature has increased funding by \$18.4 million, or almost 350 percent. More than 21 thousand students participated in the summer 2015 K-3 Plus program. While the state has made great progress expanding access to the program, there is still a large unmet need. Interest in the program continues to grow and recruitment of students and educators willing to devote summer weeks to schools continues to rise. An increasing number of school districts have K-3 Plus in each of their qualifying elementary schools while a number of school districts offer K-3 Plus at every qualifying grade in every qualifying school. The LFC recommendation allows PED to pilot extension of funding to fourth- and fifth-grade students in those qualifying schools or school districts that choose to implement a schoolwide mandatory 205-day school year for all students.

Early Literacy. LFC recommends \$21 million for PED’s early literacy initiative, New Mexico Reads to Lead, an increase of \$6 million. While data from FY13 showed positive gains for most participating schools, gains achieved by those students only minimally exceeded gains achieved statewide. Limited data has been provided by the department for FY14 and FY15 allocations to evaluate their effectiveness. Concerns continue to persist about distribution of the appropriation. For the third year, PED agreed to make a set distribution, based on student membership, to every school district and charter school that submitted an early literacy plan, rather than consider the at-risk and proficient status of recipients’ student when making FY16 awards. The committee recommends the increased funding be contingent on consideration of student proficiency and at-risk status when making school district and charter school awards.

Educator Quality. School teachers and leaders can significantly impact student learning. Significant appropriations were made in FY16 to improve educator quality. While PED struggled in FY15 to make timely allocations from a number of appropriations, the department worked diligently to make awards at the beginning of the fiscal year in FY16. The committee recommendation includes a \$500 thousand increase for school teacher and leader preparation programs. While the teacher and school leader preparation programs have merit, some programs are much more costly than others. For example, PED reports New Mexico State University was awarded \$4.4 million to serve 11 aspiring leaders, costing more than \$400 thousand per participant, while Eastern New Mexico University was awarded \$656 thousand to serve 20 participants, costing only \$33 thousand per participant. The additional \$500 thousand is sufficient to create an additional teacher or leader preparation program in FY17. Also, the LFC compensation recommendation includes general fund for the incentive pay pilot, though the demand for funding in FY15 was largely inflated by Santa Fe Public Schools requesting the entire appropriation (all other school districts and charter schools requested \$5.1 million).

School Improvement. The committee recommends \$2.3 million in additional general fund revenues for a number of initiatives aimed at improving outcomes and expanding opportunities for students, including after-school and summer enrichment programs; the science, technology, engineering, and mathematics (STEM) initiative; college preparation, career readiness, and dropout prevention; advanced placement; and interventions and supports for students, struggling schools, and parents. These appropriations fund the after-school and summer programs, the early college high school and workforce readiness program initiatives, career technical student organizations, college advisors, advanced placement, the early warning system, professional development for educators, truancy and dropout prevention, instructional audits, participation in the University of Virginia School Turnaround Specialist Program, high school counselors, and middle school social workers. The increased funding will allow the department to expand these efforts across the state.

RECOMMENDED LANGUAGE:

State Equalization Guarantee Distribution. The rate of distribution of the state equalization guarantee distribution shall be based on a program unit value determined by the secretary of public education. The secretary of public education shall establish a preliminary unit value to establish budgets for the 2016-2017 school year and then, on verification of the number of units statewide for fiscal year 2017, but no later than January 31, 2017, the secretary of public education may adjust the program unit value.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funds to increase the minimum salary of level one teachers from thirty-four thousand dollars (\$34,000) to thirty-five thousand dollars (\$35,000). Notwithstanding the provisions of the School Personnel Act or other substantive law, the secretary of public education shall ensure that no full-time level one teacher receives a base salary less than thirty-five thousand dollars (\$35,000) during fiscal year 2017.

For the 2016-2017 school year, the general fund appropriation to the state equalization guarantee distribution includes sufficient funding for school districts and charter schools to implement a new formula-based program. Those school districts and charter schools shall use current-year first reporting date membership in the calculation of program units for the new formula-based program provided that any current year first reporting date membership included in the calculation of basic program units pursuant to Section 22-8-20 NMSA 1978 and early childhood education units pursuant to Section 22-8-19 NMSA 1978 shall not be considered current year membership for the purposes of calculating enrollment growth pursuant to Section 22-8-23.1 NMSA 1978.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units.

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from federal Mineral Leasing Act receipts otherwise unappropriated.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL874 funds."

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2017 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions. Notwithstanding Sections 22-8-29.1 and 22-8-29.4 NMSA 1978, the appropriation for school district transportation shall only be allocated to school districts and the appropriation for state-chartered charter schools shall only be allocated to state-chartered charter schools. The public education department shall calculate an adjustment factor for school districts and shall calculate the distribution for school districts from the school district transportation distribution using the school district adjustment factor pursuant to the provisions of Sections 22-8-29.1 and 22-8-29.4 NMSA 1978. The public education department shall calculate an adjustment factor for state-chartered charter schools and shall calculate the distribution for state-chartered charter schools from the state-chartered charter school transportation distribution using the state-chartered charter school adjustment factor pursuant to the provisions of Sections 22-8-29.1 and 22-8-29.4 NMSA 1978.

Notwithstanding the provisions of Section 22-8-26 NMSA 1978 or other substantive law, a state-chartered charter school that receives a transportation allocation that exceeds the amount required to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation and vocational education transportation shall deposit one hundred percent of the remaining balance in the transportation emergency fund at the end of fiscal year 2017.

The secretary of public education shall not distribute any emergency supplemental funds to a school district or charter school that is not in compliance with the Audit Act or that has cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget.

Any unexpended balances in the supplemental distribution of the public education department remaining at the end of fiscal year 2017 from appropriations made from the general fund shall revert to the general fund.

The appropriation to the instructional material fund is made from federal Mineral Leasing Act receipts.

The general fund appropriation to the public education department for dual-credit instructional materials shall be used by the department to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual-credit program to the extent of the available funds.

Any unexpended balances in the dual-credit instructional materials distribution remaining at the end of fiscal year 2017 from appropriations made from the general fund shall revert to the general fund.

The general fund appropriation to the Indian education fund of the public education department includes four hundred thousand dollars (\$400,000) for a nonprofit organization that recruits recent college graduates and professionals who have demonstrated a record of achievement to teach in low-income urban and rural public schools to provide teaching support in schools with a high proportion of Native American students.

The other state funds appropriation is from the Indian education fund.

Public Education Department Special Appropriations. Notwithstanding the provisions of Section 22-13-13.2 NMSA 1978 or other substantive law, for the 2016-2017 school year, a school district or charter school required to provide breakfast to elementary students pursuant to Section 23-13-13.2 NMSA 1978 or receiving a distribution from the appropriation for elementary breakfast may provide breakfast before the instructional day begins.

Notwithstanding the provisions of Section 22-13-28.1 NMSA 1978 or other substantive law, the general fund appropriation to the k-3 plus fund includes funds to pilot k-3 plus in fourth and fifth grades in schools that voluntarily implement a schoolwide program that extends the school year by a minimum of twenty-five additional days for all students and grades at each.

In setting the reimbursement amount for the summer 2016 k-3 plus program, the secretary of public education shall use the final unit value set for the 2015-2016 school year as the basis for funding June, July and August 2016 k-3 plus programs.

The internal service funds/interagency transfers appropriation to the public pre-kindergarten fund of the public education department is from the federal temporary assistance for needy families block grant.

Notwithstanding the provisions of Article 23 of Chapter 32A NMSA 1978 or other substantive law, the appropriations to the public pre-kindergarten fund of the public education department include sufficient funding to continue the established extended-day pre-kindergarten pilot program during the 2016-2017 school year.

Six million dollars (\$6,000,000) of the general fund appropriation to the public education department for early literacy is contingent on the public education department granting awards to individual schools with high proportions of kindergarten through third-grade students who are socioeconomically disadvantaged and who are not proficient in reading.

The general fund appropriation to the public education department for teaching support for low-income students is for a nonprofit organization that recruits recent college graduates and professionals who have demonstrated a record of achievement to teach in low-income urban and rural public schools to provide teaching support in schools with at least sixty percent of the enrolled students eligible for free or reduced-fee lunch, with a priority for schools with eighty-five percent or more of the enrolled students eligible for free or reduced-fee lunch.

The general fund appropriation to the public education department for teacher and school leader preparation includes one million dollars (\$1,000,000) to be allocated to two or more New Mexico universities for a collaborative school principal turnaround leadership program involving one or more colleges of education and one or more business colleges.

Except for money in the appropriations for college preparation, career readiness and dropout prevention; interventions and supports for students, struggling schools and parents; and stipends for teachers in hard-to-staff areas that is for use by the public education department to provide services or support, the appropriations are contingent on the appropriations being distributed by the department to school districts and charter schools based on proposals submitted by school districts and charter schools and approved by the department.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2017 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>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	43.8%	23.7%	50.0%	50.0%	45.0%
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	42.7%	18.5%	50.0%	50.0%	45.0%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	58.7%	22.8%	60.0%	60.0%	51.0%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	40.0%	9.1%	50.0%	50.0%	43.0%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading	51.2%	NR	54.0%	54.0%	49.0%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessments in mathematics	47.2%	NR	53.0%	53.0%	47.0%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading	51.8%	24.9%	60.0%	60.0%	54.0%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics	49.4%	25.2%	60.0%	60.0%	54.0%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	32.5%	NR	35.0%	35.0%	28.0%
* Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	48.4%	NR	<40.0%	<40.0%	<35.0%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of high school students habitually truant	21.5%	21.7%	<12.0%	<12.0%	<12.0%
Outcome	Percent of middle school students habitually truant	20.1%	11.4%	<10.0%	<10.0%	<10.0%
Output	Percent of innovative digital education and learning courses completed by New Mexico school-age students	New	91%	80%	80%	90%
Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills for phonological awareness	67%	73%	75%	75%	75%
Outcome	Percent of dollars budgeted by districts with seven hundred and fifty members or greater for instructional support	New	74%	75%	75%	75%
Outcome	Percent of dollars budgeted by charter schools for instructional support	New	67%	>70%	66%	>70%
Outcome	Percent of students in second and third grade meeting benchmark for reading fluency	New	53%	58%	58%	60%
Quality	Annual percent of core academic subjects taught by highly effective teachers in high-poverty schools, kindergarten through twelfth grade	98.8%	96.4%	100.0%	100.0%	100.0%
Explanatory	Number of students in dual-credit programs within New Mexico public high schools and postsecondary institutions	15,304	17,608	TBD	TBD	TBD
Outcome	Percent of elementary public school students habitually truant	11.3%	12.4%	<5.0%	<5.0%	<7.5%
Outcome	Percent of dollars budgeted by districts with fewer than seven hundred and fifty members for instructional support	New	74%	65%	65%	75%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in reading	56.6%	NR	65.0%	65.0%	59.0%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in mathematics	53.8%	NR	57.0%	57.0%	54.0%
Explanatory	Number of dual-credit courses students enroll in within New Mexico public high schools and postsecondary institutions	10,068	32,546	TBD	TBD	TBD
Outcome	Percent of general fund non-state equalization guarantee distributions appropriations reverting at the end of the fiscal year	<1%	NR	<1%	<1%	<1%
Quality	Current five-year cohort graduation rate using shared accountability	74.0%	71.4%	80.0%	80.0%	80.0%
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics	46.4%	NR	63.0%	63.0%	56.0%
* Quality	Current four-year cohort graduation rate using shared accountability	69.3%	NR	75.0%	75.0%	75.0%
Explanatory	Number of American-Indian-language teachers certified to teach Native American languages in the public schools	126	139	TBD	TBD	TBD
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	35.3%	NR	38.0%	38.0%	32.0%

PERFORMANCE MEASURES

		<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Budget</u>	<u>FY17 Request</u>	<u>FY17 Recomm</u>
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading	70%	NR	75%	75%	66%
Quality	Annual percent of core academic subjects taught by highly effective teachers, kindergarten through twelfth grade	98.6%	96.4%	100.0%	100.0%	100.0%
Explanatory	Percent of American Indian students participating in Native American language classes taught in public schools	91.0%	94.1%	TBD	TBD	TBD
Outcome	Percent of public schools rated A and B	10%	NR	>42%	>42%	>42%
Outcome	Percent of charter schools rated A and B	10%	NR	>42%	>42%	>42%
Outcome	Percent of schools increasing their letter rating by one or more letter grade	26.4%	NR	>30.0%	>30.0%	>30.0%
Outcome	Percent of charter schools increasing their letter rating by one or more letter grade	14.3%	NR	>20.0%	>20.0%	>30.0%
Outcome	Percent of schools decreasing their letter rating by one or more letter grade	28.7%	NR	5.0%	5.0%	<5.0%
Outcome	Percent of charter schools decreasing their letter rating by one or more letter grade	40.8%	NR	5.0%	5.0%	<5.0%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	35.8%	NR	43.0%	43.0%	38.0%
Outcome	Number of schools identified as priority or focus schools pursuant to the Elementary and Secondary Education Act	95	NR	90	80	80
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	51.8%	NR	55.0%	55.0%	46.0%
Outcome	Number of schools identified as reward schools pursuant to the Elementary and Secondary Education Act	41	NR	45	31	45

NEW MEXICO FINANCE AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Finance Authority Act, Chapter 6, Article 21, NMSA 1978, created the New Mexico Finance Authority (NMFA) in 1992 as a governmental instrumentality for the purpose of coordinating and facilitating the planning and affordable financing of state and local capital projects for qualified entities in New Mexico. As a nongovernmental entity, NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The financial and program activities of NMFA are governed by an 11-member board, nine of whom are appointed by the governor. NMFA administers 12 programs managed through rules 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 approximately \$2 billion in total gross assets consisting of invested cash and loans receivable. Total assets include NMFA assets (approximately \$1.7 billion) and assets of the Governor Richardson's Investment Partnership program or GRIP I (approximately \$91.0 million), which NMFA manages for the New Mexico Department of Transportation. Gross assets increased by \$65.8 million between FY14 and FY15. 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 FY16 is approximately \$159.7 million. Nonoperational expenditures from bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service total \$105.2 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA's general operating budget for FY16 totals \$9.1 million, a 5.4 percent increase compared with FY15 budget. Actual expenditures in FY15 totaled nearly \$8.3 million, or 1 percent less than the approved operating budget. Budgeted positions were increased from 40 to 41, four of which were vacant resulting in decreased travel, training, and education expenses. NMFA pays 95 percent of employee medical premiums and 100 percent of other benefits (dental, vision, life policy, and employee assistance programs). A money purchase retirement plan (401A) is provided with a mandatory 3 percent paid by the employee and a 15 percent match paid by NMFA. Approximately 50 percent of the authority's operational costs are related to the public project revolving loan fund (PPRF). NMFA projects a higher volume of loans from PPRF in FY16 resulting in increased processing fees and interest revenue.

As an instrumentality of the state, NMFA is subject to the State Audit Act. The external audit for FY15 was submitted to the Office of the State Auditor on November 13, 2015. The authority expects to fill all vacant positions by the end of the calendar year. The NMFA governing board and the staff continue to be actively engaged in strengthening the fiscal oversight and compliance with laws and rules governing their audits and financial activities.

PROGRAMS:

NMFA currently administers 12 active finance programs, but the most significant infrastructure loan program is the PPRF capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT). NMFA leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds. The fund has evolved into a broader financier of state and local government credits for providing financial assistance to a greater diversity of entities and credits, thus helping 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 \$28.5 million will be deposited in PPRF for loans in FY16. 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 - \$33.5 million in a contingent liquidity account fund and \$30.3 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio. The cash balance for loans from PPRF as of October 31, 2015, was \$49.8 million. In July 2014, Standard & Poor's Rating Agency maintained a previous 'AAA' rating to 2014B senior-lien PPRF bonds and affirmed its 'AAA' rating on senior-lien bonds outstanding and its 'AA+' rating on subordinate-lien bonds. The Moody's Rating Agency assigned an 'Aa1' rating to senior lien PPRF bonds, series 2014B totaling \$57.1 million. In the same period, Moody's maintained the 'Aa1' senior and 'Aa2' subordinate lien PPRF ratings on \$669.2 million and \$330.1 million in previously issued debt, respectively.

NEW MEXICO FINANCE AUTHORITY

Budget for Fiscal Years 2015 thru 2016

	Budget FY15	Actual FY15	Budget FY16	FY16 Budget to FY15 Actuals	Budget to Budget FY15 and FY16
<u>REVENUES</u>					
Administration fee revenue	4,657,000	2,861,972	3,939,407	37.6%	-15.4%
Interest revenue bonded loans	54,000,000	43,520,218	47,970,000	10.2%	-11.2%
Interest on equity loans	2,143,000	4,869,045	2,810,650	-42.3%	31.2%
Interest income from investments	550,000	925,670	990,100	7.0%	80.0%
Appropriation revenue	42,000,000	37,157,026	41,569,000	11.9%	-1.0%
Grant revenue	52,350,000	64,031,220	62,426,632	-2.5%	19.2%
Total Revenues	155,700,000	153,365,152	159,705,789	4.1%	2.6%
<u>EXPENDITURES</u>					
Operating Expenses					
Personnel services	4,650,000	4,461,363	4,966,146	11.3%	6.8%
Professional services	2,700,000	2,565,342	2,741,100	6.9%	1.5%
Operating costs	1,300,000	1,256,398	1,410,298	12.2%	8.5%
Total - Operating Expenses	8,650,000	8,283,103	9,117,544	10.1%	5.4%
Non-Operating Increases (Decreases)					
Capital Outlay	(2,250,000)	(2,167,589)	(14,300,000)	559.7%	535.6%
Grants to others	(42,700,000)	(52,682,986)	(55,378,969)	5.1%	29.7%
Transfers to other agencies	(5,400,000)	(5,634,599)	(5,805,000)	3.0%	7.5%
New loans	(43,468,350)	(34,680,126)	(25,237,677)	-27.2%	-47.9%
Bond/Loan interest Expense	(51,731,650)	(54,617,606)	(48,366,599)	-11.4%	-6.5%
Bond Issuance Expense	(1,500,000)	(674,398)	(1,500,000)	122.4%	0.0%
Net other increases (decreases)	(147,050,000)	(150,457,303)	(150,588,245)	1.0%	2.4%
Excess (deficit) revenues over expenses	\$ -	\$ (5,375,255)	\$ -		

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975, the New Mexico Mortgage Finance Authority ("MFA") was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

MFA is governed by a seven-member board 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 advises MFA on the use of monies generated by the land title trust fund to address affordable housing. The New Mexico Housing Trust Fund Advisory Committee advises MFA on the use of state-appropriated housing trust fund monies. The Low-Income Housing Tax Credit Allocation Review Committee reviews staff tax credit award recommendations, hears appeals to the awards, and makes final recommendations to the MFA board.

MISSION:

MFA provides innovative policies, products, education, and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of New Mexico.

MANAGED GROSS ASSETS:

MFA manages approximately \$2.3 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, mortgage loans receivable, federal grant programs, low-income housing tax credit (LIHTC) properties, and Housing and Urban Development (HUD) Section 8 properties. As an instrumentality of the state, MFA is subject to the State Audit Act.

BUDGET ISSUES:

MFA is not a state agency and does not receive an annual recurring appropriation for operations. Instead, the state mandates the authority generate its own funding to maintain operations and to carry out its duties. The primary program funding available to MFA to carry out its statewide housing mission are private activity bonds and federal housing programs, including LIHTCs, Department of Energy weatherization program funding, HUD project-based Section 8 Contract Administration funding, and the HOME Investment Partnership. MFA also provides affordable loan funding through the Housing Opportunity Fund, an internal revolving loan fund, and through partnerships with Wells Fargo Bank, the Small Business Investment Corporation, and USDA Rural Development. Currently, about 2 percent of the authority's program resources are funded by state nonrecurring special appropriations and state tax credits issued to qualified contributors through vouchers from the state Taxation and Revenue Department.

MFA operates on the federal fiscal year with FY16 ending September 30, 2016. The authority's general operating expense budget for FY16 totals \$12.1 million, an increase of \$1.9 million, or 18 percent, over FY15 projected actual expenses. The increase is primarily due to \$1.4 million budgeted for the purchase of mortgage servicing rights related to the expansion of mortgage operations. Other increases include personnel costs, building maintenance and other operating expenses related to program expansion. The FY16 expense increases are offset by a reduction in capacity building. MFA is able to accomplish a reduction in expenses due to a decrease in the Ventana Fund (a community development financial institution) contribution to statewide affordable housing. The FY16 operating revenues are budgeted at \$14.7 million, an increase of \$0.1 million, or 1 percent, from FY15 projected actual revenues. The increase is attributed to new revenues generated from the expansion of mortgage operations. Excess revenue in FY16 totaling \$2.6 million will be used for MFA's internal revolving loan fund and to meet reserve requirements for rating agencies. In FY16, MFA also budgeted funds received from the state general fund for regional housing authority oversight and administration of the Affordable Housing Act in the amount of \$0.45 million.

MFA requested a recurring appropriation in 2016 to support the oversight of the regional housing authorities (\$0.3 million), the Affordable Housing Act (\$0.25 million), and the low-income residential energy conservation program, NM EnergySmart, (\$1.0 million). MFA will request nonrecurring appropriations for the Housing Trust Fund (\$5 million), down payment assistance to supplement increased production in the low to moderate income mortgage program (\$1.65 million), and Veteran Home Rehabilitation (\$2.0 million).

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET (dollars in thousands)

	FY15 2014-2015 <u>Budget</u>	FY15 2014-2015 <u>Projected Actuals</u>	FY16 2015-2016 <u>Budget</u>	FY17 2016-2017 <u>Projected Budget</u>
SOURCES				
Interest on Loans	\$3,705	\$3,704	\$4,418	\$4,551
Housing Program Income & Admin. Fees	3,399	3,519	3,410	3,512
Bond Administrative Fees	1,829	2,317	2,224	2,291
Interest on Cash/Investments	1,479	1,464	1,718	1,770
Transaction Fees	1,969	2,196	2,048	2,109
Loan Servicing Income	403	339	604	622
Fair Value Adjustments	-	691	-	-
Other Income	160	313	234	241
TOTAL SOURCES	\$12,944	\$14,543	\$14,656	\$15,096
USES				
Compensation (Salaries & Benefits)	\$5,746	\$5,610	\$6,081	\$6,263
Travel & Public Information	365	334	428	441
Office Expenses	627	645	805	829
Other Operating Expenses	1,293	1,268	1,411	1,453
Non-Operating Expenses (Training and Technical Assistance, Pro	1,641	1,637	1,199	1,235
Capital Outlay	15	15	1,441	1,484
Non-Cash Expenses	963	689	705	726
TOTAL USES	\$10,650	\$10,198	\$12,070	\$12,432
TOTAL FTE POSITIONS	64.75	65.25	66.75	66.75

PERFORMANCE MEASURES (dollars in millions)

	FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Projected</u>	FY16 <u>Budget</u>
Average financial assets	\$1,388	\$1,229	\$1,091	\$996	\$939
Average assets under management	\$2,770	\$2,687	\$2,583	\$2,345	\$2,288
Funds disbursed through:					
Federal and state programs	\$58	\$47	\$42	\$40	\$43
MFA programs	\$6	\$6	\$7	\$7	\$7
General fund non-operating (capacity building)	\$1	\$1	\$2	\$2	\$1
Single-family first mortgage Loans:					
Number of units purchased	896	1,143	939	1,150	1,250
Dollar of loans purchased	\$107	\$142	\$114	\$146	\$156
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	1,351	1,750	975	926	900
Dollar of loans and subsidies	\$55	\$78	\$14	\$34	\$30
Housing programs:					
Homeless persons served	15,004	11,134	6,925	11,500	11,500
Single family homeowner rehab	2,707	1,070	1,108	1,354	1,359

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-22 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico postsecondary institutions. The authority is governed by a seven-member board, appointed by the governor with the advice and consent of the Senate. The act requires the board to appoint a chief executive officer to manage and direct the operation of the lottery and all administrative and technical activities of the authority, among other duties.

The New Mexico Lottery Act requires NMLA to present its budget to DFA and LFC by December 1. The lottery is not a state agency, and the act provides that LFC has oversight over the operations of NMLA. The act also requires LFC to periodically review and evaluate the success with which NMLA is accomplishing its duties and operating the lottery. LFC is authorized to conduct an independent audit or investigation of the lottery or the NMLA.

MISSION:

The mission of the New Mexico Lottery Authority is to maximize revenues for tuition assistance for New Mexico undergraduates by conducting a fair and honest lottery for the entertainment of the public.

BUDGET ISSUES:

The New Mexico Lottery Act requires NMLA to transmit monthly at least 30 percent of the gross revenue of the previous month to the State Treasury to be deposited in the lottery tuition fund. A 2007 amendment to the act increased this share from 27 percent starting January 1, 2009. NMLA reports this increased transfer requirement strained its ability to operate effectively and meet its statutory requirements. The authority asserts New Mexico is one of few states specifying a mandatory transfer of revenue and ranks 38th out of 42 states allowing the sale of instant prize tickets, such as scratchers, while states without a required transfer rank much higher in per capita sales. During the 2015 session, the Legislature considered a measure that, along with allowing use of debit cards to purchase lottery tickets, would have replaced the 30 percent transfer requirement with a measure requiring transfers of net revenue on a monthly basis, with an annual minimum based on FY15; however, the bill did not pass.

The authority reports gross revenue has declined from \$148.8 million in FY07 to \$137.1 million in FY15. NMLA has offset reductions in revenue through cost saving measures such as a reduction from 68 FTE in FY07 to 53.75 FTE in FY15, conversion to a vendor system that is anticipated to save \$4.0 million over the life of the eight-year contract, and rent savings of \$243 thousand per year.

NMLA reports large prize pool sales remain volatile year to year, while instant prize ticket sales have picked up in the last two fiscal years. More specifically, the two largest prize pool games – Powerball and Mega Millions – experienced an \$8.5 million, or 18 percent, decrease in sales between FY14 and FY15. A 14.5 percent increase in instant ticket sales and a reduction in retailer fees helped to offset the large prize pool sales drop.

While scholarship expenditures have been increasing, revenue transfers from the lottery have been relatively flat, averaging \$41.7 million since FY12, with a peak of \$43.7 million in FY13 thanks to a large run-up of the Powerball jackpot. FY15 revenue transfers were \$41.1 million.

Legislative action has provided temporary support for the lottery tuition fund in recent years through nonrecurring general fund appropriations -- \$2.9 million in FY14 and \$11.5 million in FY15 -- and by channeling about \$18 million in liquor excise tax revenue to the fund each year through FY17. The FY17 LFC recommendation includes a \$1.5 million nonrecurring special appropriation for the scholarship program to pay a higher uniform percentage of tuition in academic year 2016-2017. A statute change in 2014 attempted to reduce lottery scholarship expenditures by reducing the number of scholarship semesters from eight to seven and requiring incoming recipients to enroll in 15 credit hours. In the event of insufficient funds for full awards, the awards are reduced to pay a uniform percentage of average tuition per sector – research, comprehensive, and community college. For FY16, the lottery scholarship pays 90 percent of sector average tuition.

NMLA has discussed measures to increase revenue in future years by making ticket sales more convenient, with a particular focus on younger individuals who tend to use debit cards instead of cash, are more likely to use technology to make purchases, and value convenience.

NEW MEXICO LOTTERY AUTHORITY

FY15 Consolidated Income Statement and FY16 Original Annual Budget New Mexico Lottery Authority

	2015 <u>Consolidated Income Statement**</u>	2016 <u>Original Annual Budget*</u>
OPERATING REVENUES		
Instant ticket sales	\$ 79,956,236	\$ 81,227,000
Powerball sales	27,722,571	29,877,000
Mega Millions sales	11,161,262	11,999,000
Roadrunner Cash sales	6,240,297	6,499,000
Hot Lotto sales	5,997,386	5,999,500
Pick 3 sales	4,621,530	4,799,500
Quickster sales	742,509	799,500
Monopoly Millionaires' Club sales	421,020	-
Lucky Numbers Bingo sales	153,912	249,500
Net ticket sales	137,016,723	141,450,000
Retailer fees	19,980	12,000
Bad debts	-	(24,000)
Total operating revenues	137,036,703	141,438,000
NON-OPERATING REVENUES		
Interest income	16,373	18,000
Other income	10,516	6,000
Total non-operating revenues	26,889	24,000
GROSS REVENUES	137,063,592	141,462,000
GAME EXPENSES		
Prize expense	75,592,325	75,338,000
Retailer commissions	8,941,265	9,443,000
On-line vendor fees	2,193,183	4,406,000
Advertising	2,174,697	2,200,000
Ticket vendor fees	1,265,885	1,404,000
Shipping and postage	312,134	348,000
Promotions	134,190	176,000
Retailer equipment	96,816	304,000
Responsible gaming	69,998	75,000
Game membership	66,895	81,000
Drawing game	37,150	-
Total game expenses	90,884,538	93,775,000
OPERATING EXPENSES		
Salaries, wages, and benefits	3,485,280	3,765,000
Leases and insurance	435,550	192,000
Utilities and maintenance	410,518	405,000
Depreciation and amortization	298,547	281,000
Professional fees	232,028	226,000
Materials and supplies	77,233	118,000
Travel	66,160	121,000
Other	52,281	99,000
Total operating expenses	5,057,597	5,207,000
OPERATING INCOME	41,094,568	42,456,000
NON-OPERATING EXPENSES		
Interest expense	236	41,000
Total non-operating expense	236	41,000
Net income	41,121,221	42,439,000

* Original Annual Budget approved on June 10, 2015.

** - 2015 Financial Audit Report released on November 17, 2015 by the Office of the State Auditor



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