

STATE OF NEW MEXICO

REPORT OF THE LEGISLATIVE FINANCE COMMITTEE
TO THE FIFTY-SECOND LEGISLATURE
FIRST SESSION

JANUARY 2015
FOR FISCAL YEAR 2016

VOLUME II



LEGISLATING FOR RESULTS:
APPROPRIATION RECOMMENDATION

Published by:

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January, 2014

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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY14	FY15	FY16		
	2013-2014 Actuals	Operating Budget	Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY15
111 Legislative Council Service	5,058.0	5,924.4	6,126.3	6,126.3	3.4%
112 Legislative Finance Committee	3,985.0	4,307.2	4,350.3	4,350.3	1.0%
114 Senate Chief Clerk	854.9	1,210.7	1,213.9	1,213.9	0.3%
115 House Chief Clerk	836.0	1,175.4	1,178.8	1,178.8	0.3%
117 Legislative Education Study Committee	1,157.6	1,297.1	1,308.9	1,308.9	0.9%
119 Legislative Building Services (GAA)	3,684.8	4,342.5	4,342.5	4,342.5	0.0%
131 Legislative Information Systems	632.1	731.9	839.6	839.6	14.7%
131 Interim Committee Expenses	774.9	861.2	861.2	861.2	0.0%
131 Pre-Session Expenses	426.6	426.6	426.6	426.6	0.0%
131 Legislative Internship Program	42.6	50.0	50.0	50.0	0.0%
131 Senate Rules Interim Committee	7.4	20.5	20.5	20.5	0.0%
Energy Council Dues (GAA)	38.4	38.4	38.4	38.4	0.0%
TOTAL	\$17,498.3	\$20,385.9	\$20,757.0	\$20,757.0	1.8%
NON-RECURRING					
2015 Legislature		\$9,503.7*			
2014 Legislature		\$5,517.0			
2013 Legislature		\$9,212.3			
2012 Legislature		\$5,015.4			

*Appropriation for the 2015 60-day legislative session will be made by the Legislature in January 2015. The budgeted amount of \$9,503.7 was provided by the Legislative Council Service.

Appropriation for the 2016 30-day legislative session will be made by the Legislature in January 2016.

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,552.3	1,547.4	1,607.0	1,591.6	2.9
Other Revenues	1.8	1.8	2.2	2.2	22.2
SOURCES TOTAL	1,554.1	1,549.2	1,609.2	1,593.8	2.9
USES					
Personal Services and Employee Benefits	625.9	648.2	670.4	655.0	1.0
Contractual Services	345.9	381.3	406.7	406.7	6.7
Other	563.0	519.7	532.1	532.1	2.4
TOTAL USES	1,534.8	1,549.2	1,609.2	1,593.8	2.9
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

AT A GLANCE:

For the Supreme Court Law Library to maintain current service levels, the agency requested additional funding in the personal services and employee benefits category to cover the cost of health insurance increases and provide funding for a vacant law librarian I position. In addition, the agency requested additional funding in the contractual services category for a contract to provide access to an electronic legal research database.

The committee recommendation for the Supreme Court Law Library includes adequate funding in the personal services and employee benefits category to maintain current service levels, fill vacant positions, and provides additional funding in the contractual services category to allow the agency to maintain its legal research database contract.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of updated titles	57.5%	52%	70%	70%	70%
Quality	Percent of staff time spent on shelving and updating library materials	20%	20%	<20%	<20%	<20%
Output	Number of website hits	97,644	25,690	98,500	98,500	98,500
Output	Number of research requests	8,223	12,295	8,500	8,500	8,500

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	400.0	400.0	400.0	400.0	0.0
Other Revenues	1,257.5	1,260.6	1,257.4	1,257.4	-0.3
Fund Balance	98.7	123.0	179.0	179.0	45.5
SOURCES TOTAL	1,756.2	1,783.6	1,836.4	1,836.4	3.0
USES					
Personal Services and Employee Benefits	447.8	519.4	519.4	519.4	0.0
Contractual Services	1,177.0	1,114.8	1,177.0	1,177.0	5.6
Other	131.4	149.4	140.0	140.0	-6.3
TOTAL USES	1,756.2	1,783.6	1,836.4	1,836.4	3.0
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 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. While the commission anticipates receiving sufficient revenues in FY16 to cover expenses, the agency has increasingly relied on fund balance to pay for increases in publishing costs. The commission anticipates having a fund balance of \$1.2 million at the close of FY15.

The committee recommendation fully funds the agency request and includes an increase in contractual services to provide adequate funding for the publication of the election law handbook and the constitution. These two publications are produced every other fiscal year for the Secretary of State's office.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,207.9	\$1,258.3	\$1,300	\$1,300	\$1,300

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	836.9	858.3	891.7	891.7	3.9	
Other Revenues	0.0	10.0	2.0	2.0	-80.0	
SOURCES TOTAL	836.9	868.3	893.7	893.7	2.9	
USES						
Personal Services and Employee Benefits	662.9	709.9	731.7	731.7	3.1	
Contractual Services	21.3	28.2	28.2	28.2	0.0	
Other	152.4	130.2	133.8	133.8	2.8	
TOTAL USES	836.6	868.3	893.7	893.7	2.9	
FTE						
Permanent	8.0	8.0	8.0	8.0	0.0	
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0	

AT A GLANCE:

The Judicial Standards Commission received the largest number of complaints in its history in FY14. Between FY13 and FY14, complaints increased 40 percent, from 184 to 257. The majority of the complaints were filed against district and magistrate judges, and despite the dramatic increase in the number of filings, the number of judges terminated from office decreased from eight in FY13 to five in FY14.

The committee recommendation fully funds the agency request, which included full funding for all positions and funding to allow seven of the 13 commissioners to attend judicial ethics training.

RECOMMENDED LANGUAGE:

Any unexpended balances remaining at the end of fiscal year 2016 in other state funds from funds received from investigation and trial cost reimbursements from respondents shall not revert to the general fund.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Board Member Training</u>	<u>(P210)</u>	<u>11.6</u>	<u>0.0</u>
TOTAL			11.6	0.0

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	2	0.4	1	3	1
Output	Time for release of annual report to the public, from the end of the fiscal year, in months	2	2	2	3	2
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	2	0	2	2	2

STATUTORY AUTHORITY:

The Court of Appeals was established by constitutional amendment in 1965. Its statutory authority is found in Sections 34-5-1 through 34-5-14 NMSA 1978. The court has no original jurisdiction but reviews certain types of cases on appeal: violations of municipal or county ordinances where a fine or imprisonment is imposed; decisions of state administrative agencies; all actions under the Workers' Compensation Act, the New Mexico Occupational 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)		FY16 – 2015-2016		
		FY14 2013-2014	FY15 2014-2015	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	General Fund Transfers	5,738.1	5,943.8	5,943.8	5,943.8	0.0
	Other Revenues	0.6	1.0	1.0	1.0	0.0
	SOURCES TOTAL	5,738.7	5,944.8	5,944.8	5,944.8	0.0
USES						
	Personal Services and Employee Benefits	5,157.2	5,441.8	5,441.8	5,441.8	0.0
	Contractual Services	12.3	33.9	33.9	33.9	0.0
	Other	501.7	469.1	469.1	469.1	0.0
	TOTAL USES	5,671.2	5,944.8	5,944.8	5,944.8	0.0
FTE						
	Permanent	61.5	61.5	61.5	61.5	0.0
	Temporary	1.0	1.0	0.0	0.0	-100.0
	TOTAL FTE POSITIONS	62.5	62.5	61.5	61.5	-1.6

AT A GLANCE:

The New Mexico Court of Appeals submitted a flat budget for FY16. The budget request of the court indicates the FY15 operating budget provides sufficient funding to achieve its mission. The court received a general fund increase of 3.6 percent between FY14 and FY15.

The committee recommendation supports the agency request.

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
*	Explanatory Cases disposed as a percent of cases filed	113%	97%	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)					
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,096.8	3,249.6	3,472.9	3,407.0	4.8
SOURCES TOTAL	3,096.8	3,249.6	3,472.9	3,407.0	4.8
USES					
Personal Services and Employee Benefits	2,975.1	3,143.9	3,312.5	3,258.6	3.6
Contractual Services	10.1	14.3	7.3	7.3	-49.0
Other	110.7	91.4	153.1	141.1	54.4
TOTAL USES	3,095.9	3,249.6	3,472.9	3,407.0	4.8
FTE					
Permanent	34.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	34.0	35.0	35.0	35.0	0.0

AT A GLANCE:

The Supreme Court reduced funding for basic operations throughout the recession and recovery in order to maintain staffing levels adequate to handle the caseload of the court. The Legislature provided the court with an increase of 5 percent for FY15 with a majority of the funding going to personal services and employee benefits.

The committee recommendation for FY16 includes an increase of 4.8 percent to provide the court with additional funding for transcription services and travel and training expense. The committee recommendation applies a vacancy rate of 1.5 percent although the current vacancy rate is 13 percent.

BUDGET ISSUES:

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

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

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

RECOMMENDED LANGUAGE:

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

SUPREME COURT

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

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Explanatory	Cases disposed as a percent of cases filed	94.3%	94%	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)						
		<u>FY16 – 2015-2016</u>				
		<u>FY14</u>	<u>FY15</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
		<u>2013-2014</u>	<u>2014-2015</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	867.1	923.0	987.1	964.2	4.5
	SOURCES TOTAL	867.1	923.0	987.1	964.2	4.5
USES						
	Personal Services and Employee Benefits	702.8	729.1	766.7	756.0	3.7
	Contractual Services	7.0	7.2	7.3	7.3	1.4
	Other	155.0	186.7	213.1	200.9	7.6
	TOTAL USES	864.8	923.0	987.1	964.2	4.5
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 additional funding for maintenance efforts for the Supreme Court facility. The commission received an increase of 6.4 percent between FY14 and FY15.

The committee recommendation fully funds the personal services and employee benefits category and provides an increase in the other costs category to allow the purchase of supplies necessary for the maintenance and upkeep of the facility and grounds.

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>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY16</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Quality	Accuracy of fixed-assets inventory records	100%	TBD	100%	100%	100%

STATUTORY AUTHORITY:

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

MISSION:

The 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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	43,369.5	46,772.8	55,611.4	50,430.9	7.8
Other Transfers	2,327.9	2,480.2	1,551.3	1,801.3	-27.4
Federal Revenues	895.7	966.1	876.5	876.5	-9.3
Other Revenues	11,631.5	11,133.0	10,794.8	11,372.2	2.1
Fund Balance	758.6	2,289.8	875.0	875.0	-61.8
SOURCES TOTAL	58,983.2	63,641.9	69,709.0	65,355.9	2.7
USES					
Personal Services and Employee Benefits	28,789.8	30,054.7	33,971.0	30,915.1	2.9
Contractual Services	9,094.7	10,509.0	11,237.8	10,201.4	-2.9
Other	17,983.1	19,029.6	20,277.6	20,188.8	6.1
Other Financing Uses	2,855.7	4,048.6	4,222.6	4,050.6	0.0
TOTAL USES	58,723.3	63,641.9	69,709.0	65,355.9	2.7
FTE					
Permanent	370.3	372.8	397.3	377.3	1.2
Term	69.5	69.5	71.5	74.5	7.2
TOTAL FTE POSITIONS	439.8	442.3	468.8	451.8	2.1

AT A GLANCE:

The Administrative Office of the Courts (AOC) has historically struggled to pay jurors and interpreters. Collection of magistrate court past due fines and fees has remained flat for the past two years and is not projected to increase in FY16, impacting magistrate court operations. Additionally, in 2014, the governor vetoed Senate Bills 38 and 84, which provided much needed revenue to operate the magistrate courts. AOC requested \$8.8 million more from the general fund, or 19 percent over FY15. The request included \$1.7 million for juror and interpreter pay, \$3.3 million to offset lower collections of past due fines and fees and lost revenue from the vetoes, and to expand the DWI program, and \$3.8 million for salaries and benefits and other operational expenses in all four programs.

The committee recommendation includes funding to address juror and interpreter pay, increases to retirement and health insurance rates, increase magistrate court leases, and replace lapsing federal and other state funds. The recommendation also includes expansion of positions not funded by the general fund. The committee also recommends appropriations for problem-solving courts in the Special Court Services Program be shown separately in the General Appropriation Act.

BUDGET ISSUES:

The Administrative Office of the Courts (AOC) requested a total of \$69.7 million, 10.6 percent higher than the FY15 base appropriation. The request included increases for four AOC programs: 15 percent to the Administrative Services Program, or \$2.1 million; 6.7 percent for the Statewide Automation Program, or \$642 thousand; 4.2 percent for the Magistrate Court Program, or \$1.3 million; and 18.5 percent for the Special Court Services Program, or \$2 million.

Increases to the Administrative Services Program included \$1.7 million to pay jurors and interpreters. AOC has not had sufficient money to pay jurors or interpreters since FY03. In FY14, AOC requested and received a \$464 thousand loan from the Board of Finance to pay for prior-year juror services. Also for FY14, AOC received a \$600 thousand supplemental appropriation to address a shortfall in jury and witness payments. In FY15, AOC implemented new business processes to contain costs. Further, the Supreme Court in FY15 issued an order granting the authority to increase juror pay from \$6.25 to \$6.75 per hour.

To get to the federal minimum wage of \$7.25 per hour, AOC will need an additional \$277.5 thousand. AOC estimates jury and interpreter costs will exceed appropriations by \$1 million in FY14 and requested a deficiency appropriation of \$596 thousand to meet its obligations. For FY15, AOC requested a \$842.8 thousand supplemental appropriation to pay jurors and interpreters. AOC requested 7.5 FTE for language access services, currently performed by contractors and funded with other state funds. The request is cost-neutral.

The 6.7 percent increase requested for the Statewide Automation Program includes an additional \$322 thousand from the general fund for vacant positions. In FY15, the Statewide Automation Program received \$5.5 million, or 57 percent of its funding from the Supreme Court automation fund (SCAF). The main source of SCAF revenue is fees collected from civil cases filed in district courts. The collections are estimated to decrease by \$329 thousand, or 6 percent, in FY16. The request also includes an FTE expansion of 7 FTE to provide more comprehensive technical support for Odyssey.

The request from the general fund for the Magistrate Court Program was \$3.3 million, or 13 percent above the FY15 budget. The increase offset a decline in warrant enforcement funds because collections from enforcement efforts have leveled off (\$1.2 million), decrease in fees for the magistrate court mediation fund because of a decrease in civil case filings (\$308 thousand), and the vetoes of Senate Bills 38 and 84 (\$1.2 million), which will deplete the fund balance in FY15. Senate Bill 38 required the New Mexico Finance Authority (NMFA) to transfer 50 percent of the amount in reserve in the Metropolitan Court bond guarantee fund to AOC for programs to prevent DWI. The governor's veto message asked the NMFA to instead transfer 100 percent to the Traffic Safety Bureau for DWI programs statewide. Senate Bill 84 would have allowed magistrate courts to continue to collect \$4 on penalty assessment misdemeanors to fund magistrate court operations, which among other items funded magistrate court leases. The governor's veto message requested that general fund revenues be used instead. The remaining \$675 thousand was an increase for salaries and benefits and other operational costs and an expansion of the magistrate court DWI drug court program.

Eighty percent of the Special Court Services Program (\$10.5 million) request was for three programs: court-appointed special advocates (CASA), drug courts, and court-appointed attorneys (CAA). The other financing uses category included a \$4 million transfer from the general fund for drug-court programs statewide. The other revenue for the drug court program is from the liquor excise tax fund (LETF), which AOC requested be continued. The request includes an additional \$871 thousand from the general fund to expand the CAA program, which provides lawyers to children and parents involved in child abuse and neglect cases.

The committee recommends a general fund increase of \$1.8 million, or 22 percent, to the Administrative Services Program, including an additional \$1.6 million for the jury and witness fund above FY15 to reduce the running deficit in juror and interpreter payments. AOC proposed legislation to separate juror and interpreter payments and create an interpreter access fund to segregate revenue and expenses. The recommendation supports the shift from contractual services to term FTE for language access services funded by other state funds.

The recommendation for the Statewide Automation Program funds the contractual services and other costs categories at the agency request, which includes \$157 in telecommunication costs funded with general fund dollars.

The Magistrate Court Program recommendation funds \$206 thousand of court lease obligations and offsets the use of warrant enforcement funds in the budget and funds increases to judicial retirement and health benefits. The recommendation increases other revenues, assuming the resumption of the court operations fee vetoed during the last session. The committee supports introduction of legislation similar to Senate Bill 84 from the 2014 session, which extended the time magistrate courts could collect the \$4 fee on penalty assessment misdemeanors.

The committee recommendation to the Special Court Services Program includes \$2.4 million from the general fund for drug-court programs statewide, the same amount as FY15 appropriation. An additional \$250 thousand above FY15 from the LETF is also recommended. Funding received for drug courts are distributed by the drug-court advisory council on a competitive basis. AOC oversees and tracks the progress of New Mexico drug-court programs. The FY14 recidivism rate of drug-court participants is 15.5 percent, significantly lower than the 45.4 percent recidivism rates of convicted and incarcerated felons. The data suggest drug-court programs are an economical alternative to incarceration. The increases recommended to the court-appointed attorney and the access to justice programs are six percent and two percent, respectively, to address the increase in cases requiring court-appointed attorneys, especially in the 2nd and 13th judicial district courts and to assist people through the court process who cannot afford a lawyer.

BASE EXPANSION:

AOC requested an expansion of 16 FTE: 6.5 FTE in administrative support, 7 FTE in statewide judicial automation, 3 FTE in magistrate courts and 0.5 FTE in court services. The committee recommends adding funding for the existing 4.5 term FTE for which funding will lapse in FY16 in the Administrative Support and the Magistrate Courts Programs and converting the positions from term to permanent. AOC also requested 10.5 new FTE funded by other state funds for services provided by contractors, which should allow AOC to better control costs in the language access, magistrate mediation, court-appointed attorney and magistrate DWI programs. The committee recommends 10.5 FTE not funded through the general fund as term FTE, increasing salaries and benefits and decreasing contractual services.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 11-6A-3 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts in the other financing uses category includes seven hundred fifty thousand dollars (\$750,000) from the local DWI grant fund for drug-courts. Any unexpended balances from appropriations made from the local DWI grant fund remaining at the end of fiscal year 2015 shall revert to the local DWI grant fund.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Statewide DWI program manager - 0.5 FTE (P559)	41.9	25.4
2	DWI project manager - 1 FTE (P559)	81.4	66.4
3	Administrative assistant - 2 FTE (P559)	61.4	0.0
4	Associate attorney - 1 FTE (P559)	101.2	0.0
5	Management analyst - 1 FTE (P559)	78.7	0.0
6	Statewide language access manager - 1 FTE (P559)	101.2	0.0
7	Administrative Assistant - (1) (P559)	0.0	0.0
8	Financial Specialist - (0.5) (P559)	0.0	0.0
9	Language Access Coordinator - (6) (P559)	0.0	0.0
10	Program manager - 1 FTE (P559)	0.0	0.0
11	IT specialist - 1 FTE (P560)	510.0	0.0
12	Database administrator - 1 FTE (P560)	101.2	0.0
13	DWI drug court coordinators - 3 FTE (P610)	208.2	208.2
14	Mediation program manager - 1 FTE (P610)	0.0	0.0
15	Alternate dispute resolve manager - 0.5 FTE (P620)	117.5	0.0
16	DWI drug court coordinator - 1 FTE (P620)	0.0	0.0
TOTAL		1,402.7	300.0

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)**

	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	7,508.1	8,081.3	10,752.8	9,886.1	22.3
Other Transfers	1,082.3	604.0	311.3	311.3	-48.5
Federal Revenues	895.7	966.1	876.5	876.5	-9.3
Other Revenues	2,304.0	2,194.0	2,275.0	2,275.0	3.7
Fund Balance	172.8	250.0	0.0	0.0	-100.0
SOURCES TOTAL	11,962.9	12,095.4	14,215.6	13,348.9	10.4
USES					
Personal Services and Employee Benefits	3,729.7	3,600.0	5,029.3	4,022.7	11.7
Contractual Services	1,468.5	1,775.0	1,609.1	1,609.1	-9.3
Other	6,690.0	6,720.4	7,577.2	7,717.1	14.8
TOTAL USES	11,888.2	12,095.4	14,215.6	13,348.9	10.4
FTE					
Permanent	38.8	38.8	51.8	40.3	3.9
Term	3.0	3.0	4.0	9.0	200.0
TOTAL FTE POSITIONS	41.8	41.8	55.8	49.3	18.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Output	Average cost per juror	\$51.93	\$55.40	\$50.00	\$50.00	\$50.00

STATEWIDE JUDICIARY AUTOMATION

The purpose of the statewide judicial automation program is to provide development, enhancement, maintenance and support for core court automation and usage skills for appellate, district, magistrate and municipal courts and ancillary judicial agencies.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	2,924.0	3,489.3	4,445.0	3,646.6	4.5
Other Revenues	5,150.9	5,478.9	5,150.0	5,150.0	-6.0
Fund Balance	192.1	584.8	600.0	600.0	2.6
SOURCES TOTAL	8,267.0	9,553.0	10,195.0	9,396.6	-1.6
USES					
Personal Services and Employee Benefits	4,787.2	5,276.4	6,098.4	5,300.0	0.4
Contractual Services	1,125.7	1,427.2	1,263.0	1,263.0	-11.5
Other	2,354.0	2,849.4	2,833.6	2,833.6	-0.6
TOTAL USES	8,266.9	9,553.0	10,195.0	9,396.6	-1.6
FTE					
Permanent	42.5	44.5	51.5	44.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	51.5	53.5	60.5	53.5	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Quality	Percent of accurate driving-while-intoxicated court reports	82.4%	94.1%	98%	98%	98%
Output	Number of help desk calls for assistance resolved	18,258	28,369	17,000	17,000	29,000
Quality	Average time to resolve automation calls for assistance, in hours	16.7	8.5	10	10	7
Quality	Judicial computer user qualitative rating of judicial information program help desk support	5	4.9	3	4	4

MAGISTRATE COURT

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	24,754.7	25,651.9	28,956.7	27,031.0	5.4
Other Transfers	0.0	766.2	50.0	50.0	-93.5
Other Revenues	4,176.6	3,460.1	3,369.8	3,947.2	14.1
Fund Balance	393.7	1,378.6	200.0	200.0	-85.5
SOURCES TOTAL	29,325.0	31,256.8	32,576.5	31,228.2	-0.1
USES					
Personal Services and Employee Benefits	19,850.1	20,734.0	22,232.9	21,083.3	1.7
Contractual Services	543.2	1,108.2	591.8	591.8	-46.6
Other	8,893.7	9,414.6	9,751.8	9,553.1	1.5
TOTAL USES	29,287.0	31,256.8	32,576.5	31,228.2	-0.1
FTE					
Permanent	284.5	285.0	288.0	288.0	1.1
Term	57.5	57.5	58.5	55.5	-3.5
TOTAL FTE POSITIONS	342.0	342.5	346.5	343.5	0.3

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.3	3.32	\$3.3	\$3.3	\$3.3
* Explanatory Efficiency	Cases disposed as a percent of cases filed Percent of magistrate courts' financial reports submitted to fiscal services division and reconciled on a monthly basis	101%	100.8%	95%	95%	100%
		100%	100.0%	100%	100.0%	100%

SPECIAL COURT SERVICES

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

AOC - SPECIAL COURT SERVICES APPROPRIATIONS

BUDGET SUMMARY

(dollars in thousands)

FY 2015 - 2016

	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES				
General fund transfers	9,550.3	11,456.9	9,867.2	3.3%
Other transfers	1,110.0	1,190.0	1,440.0	29.7%
Federal program revenues				
Other program revenues				
General revenues				
Fund balance	76.4	75.0	75.0	-1.8%
TOTAL REVENUES	\$10,736.7	\$12,721.9	\$11,382.2	6.0%
USES				
(a) CASA	1,424.6	1,468.5	1,424.6	0.0%
(b) Supervised Visitation	898.7	974.7	898.7	0.0%
(c) Water Rights	686.4	686.4	686.4	0.0%
(d) Court-appointed Attorneys	4,887.0	5,758.0	5,201.1	6.4%
(e) Children's Mediation	231.9	252.3	231.9	0.0%
(f) Judge' Pro Temp	30.9	30.9	30.9	0.0%
(g) Access to Justice	127.2	130.8	130.0	2.2%
(h) Statewide Alternative Dispute Resolution		117.0	0.0	
(i) Drug Court	2,450.0	3,225.0	2,778.6	13.4%
TOTAL EXPENDITURES	\$10,736.7	\$12,643.6	\$11,382.2	6.0%
FTE				
Permanenet	4.5	6	4.5	0%
Term	0	0	1	0%
TOTAL FTE POSITIONS	4.5	6	5.5	22.2%

PERFORMANCE MEASURES

	FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output Number of required events attended by attorneys in abuse and neglect cases	8,005	13,866	8,000	8,000	14,000
Output Number of monthly supervised child visitations and exchanges conducted	1,022	1,016	1,100	1,100	1,100
Output Number of children to whom court-appointed special advocate volunteers are assigned	1,559	1,795	1,500	1,500	1,750

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)

	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	FY16 – 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	70,411.1	74,915.7	79,851.9	76,280.9	1.8
Other Transfers	4,420.1	3,095.2	3,092.0	3,092.0	-0.1
Federal Revenues	173.0	116.0	116.0	116.0	0.0
Other Revenues	5,590.5	7,293.3	7,539.3	7,599.3	4.2
Fund Balance	468.5	696.2	765.0	770.1	10.6
SOURCES TOTAL	81,063.2	86,116.4	91,364.2	87,858.3	2.0
USES					
Personal Services and Employee Benefits	68,511.2	74,163.9	78,777.9	75,735.6	2.1
Contractual Services	6,059.0	7,284.2	7,396.8	7,171.8	-1.5
Other	5,050.6	4,668.3	5,189.5	4,950.9	6.1
TOTAL USES	79,620.8	86,116.4	91,364.2	87,858.3	2.0
FTE					
Permanent	967.1	979.8	1,006.3	979.8	0.0
Term	94.1	92.5	96.6	92.6	0.1

AT A GLANCE:

The district courts report low salaries adversely affect staff retention and succession planning. Also civil case filings in foreclosure and debt collection increased in the 13 judicial district courts due to population growth. Problem-solving courts have shown positive results across the state, especially drug courts, which have expanded to 27 counties. Only the 10th Judicial District does not have a drug-court program because of lack of service providers in the area.

The New Mexico judiciary 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 FY16 priorities included increases to base budgets for rate increases in retirement and health insurance rates, judicial compensation, problem-solving courts, and expansion of personnel, including support staff and judges in seven of the 13 districts.

The committee recommends additional funding for increases to retirement, health insurance, and risk rates, and modest increases to fill vacant positions in the 2nd and 6th district courts. An increase for drug-court programs from the general fund and the liquor excise tax fund is recommended for the Administrative Office of the Courts, which will distribute the revenue to district courts statewide. No staff or judge expansions are recommended as caseloads have declined over the past four years and the new case management system has provided staff efficiencies.

BUDGET ISSUES:

The \$4.9 million increase requested from the general fund included \$2.9 million, or 3.9 percent, for base operating budgets for retirement, health insurance, and risk coverage rate increases. The remainder, \$2 million, was for expansion to problem-solving courts in the 2nd (Albuquerque) and 9th (Clovis and Portales) district courts, additional judgeships in the 2nd (Albuquerque) and 3rd (Las Cruces) district courts, and additional staff in the 10th (Tucumcari) and 13th (Bernalillo, Los Lunas, and Grants).

The committee recommends an average 1.8 percent, or \$1.4 million, from the general fund for district courts statewide. The recommendation provides funding for rate and retirement contribution increases, and contractual obligations and other operating expenses. In FY14, district courts transferred \$337.8 thousand into the personal services and employee benefits category.

The committee recommendation applied an average vacancy savings rate of 3 percent and increased the use of non-general fund revenue. The average vacancy for the district courts as of September 2014 was 9.8 percent. Court employees received a 3 percent average salary increase in the General Appropriation Act of 2014. Salary increases for judges were vetoed; however, the New Mexico Supreme Court partially overturned the veto and the judges received a 5 percent salary increase. New Mexico district court judges are the 46th lowest paid judges nationwide after the salary increase in FY15.

District courts have drug-court programs designed to keep certain substance-dependant nonviolent criminal defendants out of the correctional system. The general fund appropriation for drug-court programs statewide increased by \$950 thousand in FY15 for a total available of \$7.6 million, \$2.9 million below the FY09 peak funding level. The committee recommendation for drug-court programs is \$2.4 million from the general fund and an additional \$250 thousand transfer from the liquor excise tax fund.

In 2013, the Legislature passed, and the governor signed, House Bill 608 creating the Bernalillo County Criminal Justice Review Commission to review the criminal justice system in Bernalillo County and make recommendations to improve the system. The commission identified new case management practices that impose definite and enforceable time limits on criminal case proceedings. The New Mexico Supreme Court on November 6, 2014, issued a rule and order making the changes to the case management practices effective February 2, 2015. Changes are expected to reduce pretrial detention, allow for speedy justice, and reduce the backlog at the 2nd District Court.

BASE EXPANSION:

The courts requested two judgeships, one each in the 2nd and 3rd judicial districts. Both judgeships are for problem-solving courts. No additional judgeships are recommended this year.

Seven district courts (1st, 3rd, 6th, 8th, 9th, 10th and 13th) requested a total of 11.5 additional positions. Two positions for the 13th judicial district court were not expansions but a request from the general fund to replace lapsing federal funds. Funding was included in the base for the existing staff assigned to the program.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Probation officer-drug court – 1 FTE	First Judicial Dist. Court	70.3	0.0
2	Court clinician mediation – 1FTE	First Judicial Dist. Court	90.0	0.0
3	Judge and staff - 4 FTE	Second Judicial Dist. Court	385.7	0.0
4	Veterans' court - 2.5 FTE	Second Judicial Dist. Court	200.0	0.0
5	Judge & staff - 5 FTE	Third Judicial Dist. Court	436.5	0.0
6	Human Resource - 1 FTE	Third Judicial Dist. Court	50.1	0.0
7	Surveillance officer - 0.5 FTE	Sixth Judicial Dist. Court	26.0	0.0
8	Administrative assistant - 0.5 FTE	Sixth Judicial Dist. Court	24.5	0.0
9	Bailiff - 1 FTE	Eighth Judicial Dist. Court	41.1	0.0
10	Court clerk II - 1 FTE	Eighth Judicial Dist. Court	48.6	0.0
11	Drug court PO & counselor - 1.5 FTE	Ninth Judicial Dist. Court	100.8	0.0
12	Financial specialist - 1 FTE	Tenth Judicial Dist. Court	60.7	0.0
13	Foreclosure settlement program - 2 FTE	Thirteenth Judicial Dist. Court	211.6	203.0
14	Jury clerk - 1 FTE	Thirteenth Judicial Dist. Court	50.8	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,337.6	6,886.4	7,260.9	7,057.8	2.5
Other Transfers	590.7	358.8	358.8	358.8	0.0
Federal Revenues	40.9	0.0	0.0	0.0	
Other Revenues	280.8	790.8	790.8	790.8	0.0
SOURCES TOTAL	7,250.0	8,036.0	8,410.5	8,207.4	2.1
USES					
Personal Services and Employee Benefits	6,385.6	7,159.5	7,535.0	7,331.9	2.4
Contractual Services	354.7	448.6	441.4	441.4	-1.6
Other	438.8	427.9	434.1	434.1	1.4
TOTAL USES	7,179.1	8,036.0	8,410.5	8,207.4	2.1
FTE					
Permanent	86.0	89.0	93.0	89.0	0.0
Term	8.8	7.8	7.8	7.8	0.6
TOTAL FTE POSITIONS	94.8	96.8	100.8	96.8	0.1

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Probation officer-drug court (1)	(P231)	70.3	0.0
2	Court clinician mediation (1)	(P231)	90.0	0.0
TOTAL			160.3	0.0

FIRST JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	96.5%	91.4%	100%	100%	100%
Quality	Recidivism of adult drug-court graduates	18.8%	27%	8%	20%	15%
Quality	Recidivism of juvenile drug-court graduates	20%	25.8%	10%	20%	15%
Output	Number of adult drug-court graduates	20	22	20	20	25
Output	Number of juvenile drug-court graduates	5	22	8	8	25
Output	Median number of days to process vendor payment vouchers	1.4	12	10	10	10
Output	Number of days to process juror payment vouchers	12.8	11.5	5	5	5
Explanatory	Graduation rate, juvenile drug court	55.6%	22%	60%	60%	60%
Explanatory	Graduation rate, adult drug court	37%	57.9%	45%	40%	58%

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	21,765.7	23,062.9	24,583.6	23,414.8	1.5
Other Transfers	143.0	217.0	217.0	217.0	0.0
Other Revenues	3,778.8	3,687.5	3,845.9	3,845.9	4.3
Fund Balance	346.8	346.8	433.6	433.6	25.0
SOURCES TOTAL	26,034.3	27,314.2	29,080.1	27,911.3	2.2
USES					
Personal Services and Employee Benefits	23,547.4	25,295.0	26,622.4	25,839.0	2.2
Contractual Services	460.4	435.1	659.6	434.6	-0.1
Other	1,281.8	1,584.1	1,798.1	1,637.7	3.4
TOTAL USES	25,289.6	27,314.2	29,080.1	27,911.3	2.2
FTE					
Permanent	326.5	328.5	335.0	328.5	0.0
Term	55.5	55.5	57.5	55.5	0.0
TOTAL FTE POSITIONS	382.0	384.0	392.5	384.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Elderly & disabled - 0 FTE	(P232)	0.0	0.0
2	Judge and staff - 4 FTE	(P232)	385.7	0.0
3	Veterans' court - 2.5 FTE	(P232)	200.0	0.0
TOTAL			585.7	0.0

SECOND JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	100%	103%	95%	95%	100%
Quality	Recidivism of adult drug-court graduates	7.3%	16.4%	8%	15%	12%
Quality	Recidivism of juvenile drug-court graduates	21.6%	40.5%	10%	30%	30%
Output	Number of adult drug-court graduates	62	58	60	60	60
Output	Number of juvenile drug-court graduates	9	9	10	10	10
Output	Median number of days to process vendor payment vouchers	1	1	3	3	2
Output	Number of days to process juror payment vouchers	13	18	14	14	14
Explanatory	Graduation rate, adult drug-court	58.5%	56.3%	60%	60%	60%
Explanatory	Graduation rate, juvenile drug-court	47.4%	56.3%	50%	50%	60%

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	6,235.9	6,581.8	7,481.3	6,680.8	1.5	
Other Transfers	663.0	344.2	335.3	335.3	-2.6	
Other Revenues	159.6	588.9	631.0	691.0	17.3	
Fund Balance	17.7	56.9	46.8	66.9	17.6	
SOURCES TOTAL	7,076.2	7,571.8	8,494.4	7,774.0	2.7	
USES						
Personal Services and Employee Benefits	5,973.2	6,543.3	7,322.0	6,674.1	2.0	
Contractual Services	741.2	776.2	787.2	787.2	1.4	
Other	349.4	252.3	385.2	312.7	23.9	
TOTAL USES	7,063.8	7,571.8	8,494.4	7,774.0	2.7	
FTE						
Permanent	85.3	85.3	92.3	85.3	0.0	
Term	7.3	7.3	7.3	7.3	0.0	
TOTAL FTE POSITIONS	92.6	92.6	99.5	92.6	0.0	

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Judge & staff - 5 FTE	(P233)	436.5	0.0
2	Human Resource - 1 FTE	(P233)	50.1	0.0
TOTAL			486.6	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	94.2%	99.8%	95%	95%	100%
Quality	Recidivism of adult drug-court graduates	10.3%	11.8%	8%	10%	10%
Quality	Recidivism of juvenile drug-court graduates	8.3%	16.7%	10%	15%	15%
Output	Number of adult drug-court graduates	21	16	21	20	20
Output	Number of juvenile drug-court graduates	20	14	20	20	20
Output	Median number of days to process vendor payment vouchers	5.42	13	5	5	5
Output	Number of days to process juror payment vouchers	6.83	13	14	14	13
Explanatory	Graduation rate, adult drug-court	60%	64%	60%	65%	65%
Explanatory	Graduation rate, juvenile drug-court	55.6%	43.8%	60%	50%	50%

BUDGET SUMMARY
(dollars in thousands)

	FY14		FY15		FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>		2014-2015 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	2,144.1		2,252.7		2,328.0	2,278.1	1.1
Other Transfers	161.2		169.3		169.3	169.3	0.0
Other Revenues	16.6		25.0		25.0	25.0	0.0
Fund Balance	2.0		2.0		2.0	2.0	0.0
SOURCES TOTAL	2,323.9		2,449.0		2,524.3	2,474.4	1.0
USES							
Personal Services and Employee Benefits	1,990.1		2,083.8		2,144.1	2,094.2	0.5
Contractual Services	182.9		196.3		211.3	211.3	7.6
Other	146.4		168.9		168.9	168.9	0.0
TOTAL USES	2,319.4		2,449.0		2,524.3	2,474.4	1.0
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>	
*	Explanatory	Cases disposed as a percent of cases filed	96.8%	96.5%	95%	95%	97%
	Output	Median number of days to process vendor payment vouchers	<1	1	3	3	2
	Output	Number of days to process juror payment vouchers	3.1	2	4	4	3
	Explanatory	Graduation rate, juvenile drug-court	50%	50%	70%	60%	60%
	Quality	Recidivism of juvenile drug-court graduates	25%	25%	10%	20%	20%
	Output	Number of juvenile drug-court graduates	3	3	10	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	6,104.4	6,604.7	6,776.6	6,734.7	2.0
Other Transfers	448.2	503.1	503.1	503.1	0.0
Other Revenues	116.3	120.0	120.0	120.0	0.0
Fund Balance	3.7	10.0	10.0	0.0	-100.0
SOURCES TOTAL	6,672.6	7,237.8	7,409.7	7,357.8	1.7
USES					
Personal Services and Employee Benefits	5,571.5	6,151.0	6,292.9	6,241.0	1.5
Contractual Services	639.9	770.7	770.7	770.7	0.0
Other	366.6	316.1	346.1	346.1	9.5
TOTAL USES	6,578.0	7,237.8	7,409.7	7,357.8	1.7
FTE					
Permanent	82.0	84.0	84.0	84.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	83.0	85.0	85.0	85.0	0.0

FIFTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	99.1%	94.9%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	4.6	4	5	5	4
Output	Number of days to process juror payment vouchers	4.8	4	5	5	4
Explanatory	Graduation rate, family drug-court	78.6%	87.5%	80%	80%	90%
Quality	Recidivism of family drug-court graduates	0%	36.4%	15%	15%	15%
Output	Number of family drug-court graduates	11	14	10	10	15

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,122.1	3,249.6	3,466.5	3,310.1	1.9
Other Transfers	163.2	181.8	181.8	181.8	0.0
Other Revenues	17.0	17.0	20.0	20.0	17.6
Fund Balance	8.3	14.0	12.0	12.0	-14.3
SOURCES TOTAL	3,310.6	3,462.4	3,680.3	3,523.9	1.8
USES					
Personal Services and Employee Benefits	2,336.9	2,584.9	2,785.9	2,629.5	1.7
Contractual Services	694.8	718.9	733.7	733.7	2.1
Other	276.2	158.6	160.7	160.7	1.3
TOTAL USES	3,307.9	3,462.4	3,680.3	3,523.9	1.8
FTE					
Permanent	35.5	37.0	38.5	37.0	0.0
Term	0.5	0.0	0.0	0.0	
TOTAL FTE POSITIONS	36.0	37.0	38.5	37.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Surveillance officer - 0.5 FTE	(P236)	26.0	0.0
2	Administrative assistant - 0.5 FTE	(P236)	24.5	0.0
TOTAL			50.5	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	97.9%	101.5%	95%	95%	100%
Quality	Recidivism of juvenile drug-court graduates	7.7%	25.6%	10%	20%	20%
Output	Number of juvenile drug-court graduates	8	7	9	9	9
Output	Median number of days to process vendor payment vouchers	2.5	8	5	5	5
Output	Number of days to process juror payment vouchers	<1	11	5	9	9
Explanatory	Graduation rate, juvenile drug-court	66.7%	87.5%	80%	80%	90%

BUDGET SUMMARY (dollars in thousands)						
	FY14	FY15	FY16 – 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	2,278.0	2,378.6	2,441.6	2,411.6	1.4	
Other Transfers	406.3	118.9	124.6	124.6	4.8	
Other Revenues	20.9	325.2	333.7	333.7	2.6	
Fund Balance	0.0	5.0	5.0	0.0	-100.0	
SOURCES TOTAL	2,705.2	2,827.7	2,904.9	2,869.9	1.5	
USES						
Personal Services and Employee Benefits	2,017.5	2,278.9	2,346.8	2,311.8	1.4	
Contractual Services	305.1	384.0	387.0	387.0	0.8	
Other	287.0	164.8	171.1	171.1	3.8	
TOTAL USES	2,609.6	2,827.7	2,904.9	2,869.9	1.5	
FTE						
Permanent	30.0	30.0	30.0	30.0	0.0	
Term	4.0	4.0	4.0	4.0	0.0	
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0	

SEVENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	99.7%	105.7%	95%	95%	100%
Output	Median number of days to process vendor payment vouchers	2.2	2.3	5	5	3
Output	Number of days to process juror payment vouchers	<1	<1	3	3	2

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,809.6	2,906.5	3,080.3	2,970.0	2.2
Other Transfers	143.9	181.7	181.7	181.7	0.0
Other Revenues	44.0	81.0	81.0	81.0	0.0
SOURCES TOTAL	2,997.5	3,169.2	3,343.0	3,232.7	2.0
USES					
Personal Services and Employee Benefits	2,087.8	2,208.5	2,362.2	2,251.9	2.0
Contractual Services	765.9	855.9	856.2	856.2	0.0
Other	139.7	104.8	124.6	124.6	18.9
TOTAL USES	2,993.4	3,169.2	3,343.0	3,232.7	2.0
FTE					
Permanent	31.0	31.0	33.0	31.0	0.0
TOTAL FTE POSITIONS	31.0	31.0	33.0	31.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Bailiff - 1 FTE	(P238)	41.1	0.0
2	Court clerk II - 1 FTE	(P238)	48.6	0.0
TOTAL			89.7	0.0

EIGHTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	89.3%	109.2%	95%	95%	100%
Quality	Recidivism of adult drug-court graduates	9.5%	17.7%	8%	20%	15%
Quality	Recidivism of juvenile drug-court graduates	4.6%	10.2%	5%	10%	9%
Output	Number of adult drug-court graduates	25	15	25	20	20
Output	Number of juvenile drug-court graduates	15	8	15	10	10
Output	Median number of days to process vendor payment vouchers	2.5	2.5	5	5	3
Output	Number of days to process juror payment vouchers	0	1	3	3	2
Explanatory	Graduation rate, juvenile drug-court	53.6%	42.1%	70%	60%	60%
Explanatory	Graduation rate, adult drug-court	58.1%	30%	70%	60%	60%

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,243.1	3,403.7	3,660.7	3,472.5	2.0
Other Transfers	669.3	125.2	125.2	125.2	0.0
Other Revenues	67.8	622.9	615.9	615.9	-1.1
SOURCES TOTAL	3,980.2	4,151.8	4,401.8	4,213.6	1.5
USES					
Personal Services and Employee Benefits	3,538.1	3,762.6	4,037.1	3,848.9	2.3
Contractual Services	126.8	159.8	137.7	137.7	-13.8
Other	286.1	229.4	227.0	227.0	-1.0
TOTAL USES	3,951.0	4,151.8	4,401.8	4,213.6	1.5
FTE					
Permanent	44.8	45.0	46.5	45.0	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	51.3	51.5	53.0	51.5	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	<u>Drug court PO & counselor - 1.5 FTE</u>	<u>(P239)</u>	<u>100.8</u>	<u>0.0</u>
TOTAL			100.8	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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	103.4%	98.4%	95%	95%	100%
Output	Median number of days to process vendor payment vouchers	5.3	5	5	5	4
Output	Number of days to process juror payment vouchers	5.1	7.3	5	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	798.2	889.0	989.3	919.6	3.4
Other Revenues	9.5	10.5	12.5	12.5	19.0
Fund Balance	21.6	25.3	27.8	27.8	9.9
SOURCES TOTAL	829.3	924.8	1,029.6	959.9	3.8
USES					
Personal Services and Employee Benefits	699.2	744.3	826.5	762.5	2.4
Contractual Services	18.7	89.4	93.5	93.5	4.6
Other	86.6	91.1	109.6	103.9	14.1
TOTAL USES	804.5	924.8	1,029.6	959.9	3.8
FTE					
Permanent	10.0	10.0	11.0	10.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	11.0	10.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	<u>Financial specialist - 1 FTE</u>	<u>(P240)</u>	<u>60.7</u>	<u>0.0</u>
TOTAL			60.7	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	103.8%	99.5%	95%	95%	100%
Output	Median number of days to process vendor payment vouchers	1.1	1	3	1	1
Output	Number of days to process juror payment vouchers	<1	1	3	1	1

BUDGET SUMMARY
(dollars in thousands)

			FY16 – 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,973.8	6,309.1	6,666.2	6,438.6	2.1
Other Transfers	586.2	353.0	353.0	353.0	0.0
Other Revenues	157.6	467.5	477.4	477.4	2.1
Fund Balance	0.0	12.0	12.0	12.0	0.0
SOURCES TOTAL	6,717.6	7,141.6	7,508.6	7,281.0	2.0
USES					
Personal Services and Employee Benefits	5,652.5	6,035.9	6,403.6	6,176.0	2.3
Contractual Services	627.7	783.8	777.4	777.4	-0.8
Other	417.5	321.9	327.6	327.6	1.8
TOTAL USES	6,697.7	7,141.6	7,508.6	7,281.0	2.0
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	94.8%	95.5%	95%	95%	97%
Quality	Recidivism of adult drug-court graduates	25.8%	26.9%	8%	20%	20%
Quality	Recidivism of juvenile drug-court graduates	16.3%	20.4%	10%	20%	18%
Output	Number of adult drug-court graduates	18	20	30	25	25
Output	Number of juvenile drug-court graduates	12	10	16	15	15
Output	Median number of days to process vendor payment vouchers	5.1	1	5	5	3
Output	Number of days to process juror payment vouchers	10.9	2.3	8	8	1.5
Explanatory	Graduation rate, juvenile drug-court	66.7%	71.4%	75%	60%	80%
Explanatory	Graduation rate, adult drug-court	52.9%	37.7%	70%	50%	50%

BUDGET SUMMARY
(dollars in thousands)

			FY16 – 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,090.7	3,277.0	3,603.8	3,356.8	2.4
Other Transfers	102.1	130.9	130.9	130.9	0.0
Other Revenues	45.6	52.0	52.0	52.0	0.0
Fund Balance	0.0	78.3	69.9	69.9	-10.7
SOURCES TOTAL	3,238.4	3,538.2	3,856.6	3,609.6	2.0
USES					
Personal Services and Employee Benefits	2,636.1	2,988.0	3,290.6	3,043.6	1.9
Contractual Services	269.1	273.7	281.4	281.4	2.8
Other	326.7	276.5	284.6	284.6	2.9
TOTAL USES	3,231.9	3,538.2	3,856.6	3,609.6	2.0
FTE					
Permanent	45.5	45.5	45.5	45.5	0.0
TOTAL FTE POSITIONS	45.5	45.5	45.5	45.5	0.0

TWELFTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	89.5%	89%	95%	95%	95%
Quality	Recidivism of juvenile drug-court participants	15.4%	27.3%	10%	20%	20%
Output	Number of juvenile drug-court graduates	5	3	7	7	7
Output	Median number of days to process vendor payment vouchers	1	2	3	3	2
Output	Number of days to process juror payment vouchers	7.2	11	5	5	5
Explanatory	Graduation rate, juvenile drug-court	62.5%	37.5%	75%	50%	50%

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,507.9	7,113.7	7,513.1	7,235.5	1.7
Other Transfers	343.0	411.3	411.3	411.3	0.0
Federal Revenues	132.1	116.0	116.0	116.0	0.0
Other Revenues	876.0	505.0	534.1	534.1	5.8
Fund Balance	68.4	145.9	145.9	145.9	0.0
SOURCES TOTAL	7,927.4	8,291.9	8,720.4	8,442.8	1.8
USES					
Personal Services and Employee Benefits	6,075.3	6,328.2	6,808.8	6,531.2	3.2
Contractual Services	871.8	1,391.8	1,259.7	1,259.7	-9.5
Other	647.8	571.9	651.9	651.9	14.0
TOTAL USES	7,594.9	8,291.9	8,720.4	8,442.8	1.8
FTE					
Permanent	78.5	82.5	85.5	82.5	0.0
Term	4.0	4.0	6.0	4.0	0.0
TOTAL FTE POSITIONS	82.5	86.5	91.5	86.5	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Foreclosure settlement program - 2 FTE	(P243)	211.6	203.0
2	Jury clerk - 1 FTE	(P243)	50.8	0.0
TOTAL			262.4	203.0

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	93.1%	102.5%	95%	95%	100%
Quality	Recidivism of juvenile drug-court graduates	18.1%	10.5%	10%	10%	8%
Output	Number of juvenile drug-court graduates	50	60	50	50	65
Output	Median number of days to process vendor payment vouchers	5.5	3	5	5	4
Output	Number of days to process juror payment vouchers	3	5.5	7	7	6
Explanatory	Graduation rate, juvenile drug-court	71.4%	72.3%	70%	70%	75%

STATUTORY AUTHORITY:

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

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

BUDGET SUMMARY						
(dollars in thousands)						
	FY14	FY15	FY16 – 2015-2016		Percent Incr (Decr)	
	2013-2014	2014-2015	Agency Request	LFC Recommendation		
	<u>Actuals</u>	<u>Budgeted</u>				
SOURCES						
General Fund Transfers	22,843.3	23,795.6	24,330.0	24,021.4	0.9	
Other Transfers	409.6	439.7	436.7	436.7	-0.7	
Federal Revenues	167.0	392.6	327.2	327.2	-16.7	
Other Revenues	2,121.2	2,479.0	2,365.4	2,365.4	-4.6	
Fund Balance	183.9	160.0	131.4	331.4	107.1	
SOURCES TOTAL	25,725.0	27,266.9	27,590.7	27,482.1	0.8	
USES						
Personal Services and Employee Benefits	19,389.6	21,008.7	21,117.3	21,008.7	0.0	
Contractual Services	3,044.3	3,323.8	3,251.3	3,251.3	-2.2	
Other	3,237.7	2,919.4	3,207.1	3,207.1	9.9	
Other Financing Uses	15.0	15.0	15.0	15.0	0.0	
TOTAL USES	25,686.6	27,266.9	27,590.7	27,482.1	0.8	
FTE						
Permanent	299.0	299.0	299.0	299.0	0.0	
Term	42.0	40.0	39.8	39.8	-0.5	
TOTAL FTE POSITIONS	341.0	339.0	338.8	338.8	-0.1	

AT A GLANCE:

The Bernalillo County Metropolitan Court (Metro Court) processes the highest volume of cases of any single state court. In FY14, case filings were lower than FY13 by almost 106 thousand cases. The court’s operating budget supports 16 criminal and three civil judicial divisions and courtroom support, customer service, compliance, background investigations, probation supervision, case initiation and file maintenance, human resources, finance, procurement, information technology, administration, building maintenance, interpreters, mediation, the drug court, and self-help center.

Metro court requested increase for salaries and benefits and contractual obligations above FY15. The committee recommends funding for increased retirement benefits and health insurance and contracts from the general fund and an additional \$200 thousand from fund balances.

BUDGET ISSUES:

The Metro Court for FY16 requested \$324 thousand, or about 1 percent, over the FY15 operating budget. Non-general fund revenue is estimated to decrease by \$211 thousand, and the court has requested general fund revenue to replace it. The total request from the general fund was \$534 thousand, or a 2.2 percent increase from the previous year. The FY16 request for the personal services and employee benefits category included a vacancy savings rate of 9.7 percent. Metro Court’s vacancy rate as of September 2014 was 11.3 percent. In FY14, Metro Court transferred \$187 thousand out of the personal services and employee benefits category to pay for other operational expenses. For FY15, Metro Court requested an additional \$288 thousand, or 9.9 percent, in the other costs category for building and equipment maintenance. Metro Court also requested \$2.7 million for capital improvements, which included modifications to the fourth floor corridor and exits, upgrade to the security surveillance system throughout the building, and completion of the fourth floor for future needs. With caseloads declining or remaining relatively flat, completion of the fourth floor can be delayed.

The committee recommends an increase of \$226 thousand, or 0.9 percent, which includes increases to retirement contributions and health benefits and contractual obligations, and applies a vacancy savings rate of 10 percent. The committee also recommends an additional \$200 thousand from fund balances for court operations.

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>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY16</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	100%	92.6%	95%	95%	95%
Efficiency	Cost per client per day for adult drug-court participants	\$10.26	\$10.79	\$11.00	\$11.00	\$10.65
Quality	Recidivism of driving-while-intoxicated drug-court graduates	3.6%	7.7%	4%	7%	7%
Explanatory	Graduation rate of drug-court participants	73%	73.9%	80%	80%	80%

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)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	58,399.2	61,949.2	68,267.7	63,398.8		2.3
Other Transfers	588.1	740.8	504.6	504.6		-31.9
Federal Revenues	1,291.0	1,304.9	1,212.8	1,212.8		-7.1
Other Revenues	964.5	805.6	930.8	930.8		15.5
Fund Balance	764.0	723.1	636.7	716.4		-0.9
SOURCES TOTAL	62,006.8	65,523.6	71,552.6	66,763.4		1.9
USES						
Personal Services and Employee Benefits	56,148.0	61,755.7	66,970.3	62,478.2		1.2
Contractual Services	429.1	350.5	467.4	437.4		24.8
Other	4,831.6	3,417.4	4,114.9	3,847.8		12.6
TOTAL USES	61,408.7	65,523.6	71,552.6	66,763.4		1.9
FTE						
Permanent	883.0	886.0	924.0	888.0		0.2
Term	59.5	54.5	54.5	52.5		-3.7
TOTAL FTE POSITIONS	942.5	940.5	978.5	940.5		0.0

AT A GLANCE:

The district attorneys identified low attorney salaries as hampering efforts to recruit and retain qualified and experienced staff. Attorney turnover is more pervasive in rural offices. District attorneys receiving federal funding from the Southwest Border Protection Initiative will have that funding source cease in FY16. Although case filings have dropped overall, child abuse, domestic violence, and drug-related crimes are increasing in some districts.

The New Mexico Sentencing Commission provides the district attorneys with a staffing assessment based on fiscal year case filings. The Sentencing Commission reports that in FY14 six district attorneys were understaffed by up to two attorneys. Two of those offices, the 8th (Taos, Union, and Colfax) and the 11th Division II (McKinley) also had case filings increase by 16 percent and 4 percent, respectively. The most understaffed office is the 3rd Judicial District Attorney (Dona Ana), which only had a 2 percent overall decrease in case filings from FY13 to FY14.

The committee recommendation for the district attorneys statewide provides sufficient funding to help address some of the recruitment and retention issues, especially in rural districts.

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.

For FY16, the district attorneys requested budget increases ranging from a low of 2.9 percent in the 7th Judicial District to a high of 26.4 percent in the 12th Judicial District. The district attorneys requested funding for personal services and employee benefits that in most districts are funded well above the midpoint of the district attorney salary compensation plan. The district attorneys are exempt from the State Personnel Act, so they are allowed to increase employee compensation without State Personnel Office approval. The average hourly compensation for senior trial attorneys is \$30.72, assistant trial attorneys is \$25.90, and associate trial attorneys is \$24.16. According to the Federal Bureau of Labor Statistics, the 2013 median hourly salary for state government attorneys was \$40.19. In FY14, district attorneys statewide transferred \$1.2 million out of personal services and employee benefits (PS&EB) for other operational expenses. Of the total amount transferred out of PS&EB, \$436 thousand is attributable to the 2nd Judicial District Attorney and \$237 thousand to the 13th Judicial District Attorney. All but four district attorney offices (1st, 5th, 8th and 11th-Division II) had a decline in case filings, which went down by 1,739 cases from FY13 to FY14.

DISTRICT ATTORNEYS (ALL)

251-263 &265

The committee recommendation for the district attorneys is an average 1.9 percent above the FY15 operating budget; however, the general fund is increasing by 2.3 percent. The recommendation adds funding to increase salaries currently below midpoint or to fill vacant positions, depending on the agency's priorities, and to meet contractual obligations.

BASE EXPANSION
LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Deputy district attorneys - 2 FTE	First Judicial Dist. Attorney	215.0	0.0
2	Physical security - 1 FTE	First Judicial Dist. Attorney	89.1	0.0
3	Attorneys & paralegals - 16 FTE	Second Judicial Dist. Attorney	1,249.0	0.0
4	Child crime attorneys & secretary - 3 FTE	Second Judicial Dist. Attorney	236.0	0.0
5	Senior attorneys & support staff - 4 FTE	Fifth Judicial Dist. Attorney	290.5	0.0
6	Lead investigator - 1 FTE	Tenth Judicial Dist. Attorney	102.6	0.0
7	Senior trial attorney - 1 FTE	Tenth Judicial Dist. Attorney	99.2	0.0
8	Senior trial attorney - 1 FTE	Eleventh Judicial Dist. Attorney, Div. II	94.6	0.0
9	Drug program administrator - 1 FTE	Eleventh Judicial Dist. Attorney, Div. II	64.7	0.0
10	Senior attorneys & support staff - 4 FTE	Twelfth Judicial Dist. Attorney	246.8	0.0
11	Clerk specialist - 1 FTE	Eleventh Judicial Dist. Attorney, Div. II	30.4	0.0
12	Assistant trial attorney - 1 FTE	Eleventh Judicial Dist. Attorney, Div. II	79.7	0.0
TOTAL			2,797.6	0.0

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,874.9	5,262.3	5,698.6	5,400.0	2.6
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	5,038.4	5,425.8	5,862.1	5,563.5	2.5
USES					
Personal Services and Employee Benefits	4,529.9	5,060.1	5,401.3	5,102.7	0.8
Contractual Services	18.0	20.9	24.0	24.0	14.8
Other	474.4	344.8	436.8	436.8	26.7
TOTAL USES	5,022.3	5,425.8	5,862.1	5,563.5	2.5
FTE					
Permanent	70.0	70.0	74.0	70.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	73.0	73.0	77.0	73.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Deputy district attorneys - 2 FTE	(P251)	215.0	0.0
2	Physical security - 1 FTE	(P251)	89.1	0.0
TOTAL			304.1	0.0

FIRST JUDICIAL DISTRICT

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	1.1%	0.9%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	45	36	<45	<35	<35
* Efficiency	Average time from filing of petition to final disposition, in months	6.2	4.1	6	6	6
Efficiency	Average attorney caseload	291	300	280	280	280
Output	Number of cases prosecuted	3,914	4,250	4,000	4,625	4,625
Output	Number of cases referred for screening	7,140	7,356	7,200	7,000	7,200
Output	Number of cases prosecuted per attorney	N/A	173.5	175	185	185
Output	Number of cases in which defendant was referred into preprosecution diversion program	N/A	260	125	200	250

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	17,250.4	18,380.3	20,441.6	18,744.5		2.0
Other Transfers	86.8	86.8	86.8	86.8		0.0
Federal Revenues	201.9	201.9	201.9	201.9		0.0
Other Revenues	491.0	467.1	474.1	474.1		1.5
Fund Balance	168.6	117.4	100.0	125.0		6.5
SOURCES TOTAL	18,198.7	19,253.5	21,304.4	19,632.3		2.0
USES						
Personal Services and Employee Benefits	16,809.0	18,167.7	20,123.5	18,520.8		1.9
Contractual Services	104.1	95.7	124.0	124.0		29.6
Other	1,214.9	990.1	1,056.9	987.5		-0.3
TOTAL USES	18,128.0	19,253.5	21,304.4	19,632.3		2.0
FTE						
Permanent	283.0	283.0	302.0	283.0		0.0
Term	9.0	9.0	9.0	9.0		0.0
TOTAL FTE POSITIONS	292.0	292.0	311.0	292.0		0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Attorneys & paralegals - 16 FTE	1,249.0	0.0
2	Child crime attorneys & secretary - 3 FTE	236.0	0.0
TOTAL		1,485.0	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.0%	0.2%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	1	41	10	10	10
Efficiency	Average time from filing of petition to final disposition, in months	7.6	9	9	9	9
Output	Number of cases prosecuted	20,921	19,695	20,900	20,000	20,000
Output	Number of cases referred for screening	26,303	25,575	26,300	25,600	25,600
Efficiency	Average number of cases prosecuted per attorney	194	181	200	190	190
Output	Number of cases in which defendant was referred into preprosecution diversion program	110	169	110	160	170

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,447.9	4,716.1	5,114.6	4,820.7		2.2
Other Transfers	108.7	108.8	108.8	108.8		0.0
Federal Revenues	467.6	521.6	417.6	417.6		-19.9
Other Revenues	150.8	190.8	141.6	141.6		-25.8
Fund Balance	232.7	99.3	95.8	150.5		51.6
SOURCES TOTAL	5,407.7	5,636.6	5,878.4	5,639.2		0.0
USES						
Personal Services and Employee Benefits	4,973.8	5,361.2	5,590.4	5,361.2		0.0
Contractual Services	31.5	18.9	19.4	19.4		2.6
Other	402.4	256.5	268.6	258.6		0.8
TOTAL USES	5,407.7	5,636.6	5,878.4	5,639.2		0.0
FTE						
Permanent	62.0	62.0	63.0	62.0		0.0
Term	19.0	13.0	12.0	13.0		0.0
TOTAL FTE POSITIONS	81.0	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Efficiency	Average time from filing of petition to final disposition, in months	7.1	7.6	6	6	6
Output	Number of cases referred for screening	6,068	5,696	6,000	6,000	6,000
Output	Number of cases dismissed under the six-month rule	7	18	3	3	3
Output	Number of cases prosecuted	4,676	5,114	4,600	4,600	5,000
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.4%	0.05%	0.05%	0.05%
Efficiency	Average attorney caseload	296	259	160	160	160
Output	Number of cases prosecuted per attorney	228	232	170	170	200
Output	Number of cases in which defendant was referred into preprosecution diversion program	50	146	100	100	140

BUDGET SUMMARY
(dollars in thousands)

	FY14		FY15		FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>		2014-2015 <u>Budgeted</u>		<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES							
General Fund Transfers	3,069.1		3,179.7		3,297.0	3,179.9	0.0
SOURCES TOTAL	3,069.1		3,179.7		3,297.0	3,179.9	0.0
USES							
Personal Services and Employee Benefits	2,680.6		2,993.1		3,110.4	2,993.3	0.0
Contractual Services	29.7		29.9		29.9	29.9	0.0
Other	358.8		156.7		156.7	156.7	0.0
TOTAL USES	3,069.1		3,179.7		3,297.0	3,179.9	0.0
FTE							
Permanent	42.0		42.0		42.0	42.0	0.0
TOTAL FTE POSITIONS	42.0		42.0		42.0	42.0	0.0

FOURTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of cases referred for screening	2,043	1,935	2,000	1,900	1,950
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	5.3	5	6	6	5
Efficiency	Average attorney caseload	255	242	225	230	230
Output	Number of cases prosecuted per attorney	255	212	225	200	215
Output	Number of cases prosecuted	1,701	1,694	2,000	1,600	1,700
Output	Number of cases in which defendant was referred into preprosecution diversion program	34	37	35	35	36

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,572.1	4,872.1	5,479.2	5,009.3	2.8	
SOURCES TOTAL	4,572.1	4,872.1	5,479.2	5,009.3	2.8	
USES						
Personal Services and Employee Benefits	4,387.0	4,682.7	5,181.0	4,793.1	2.4	
Contractual Services	14.3	16.5	16.5	16.5	0.0	
Other	170.8	172.9	281.7	199.7	15.5	
TOTAL USES	4,572.1	4,872.1	5,479.2	5,009.3	2.8	
FTE						
Permanent	62.0	65.0	69.0	65.0	0.0	
Term	1.0	1.0	1.0	1.0	0.0	
TOTAL FTE POSITIONS	63.0	66.0	70.0	66.0	0.0	

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Senior attorneys & support staff - 4 FTE	290.5	0.0
TOTAL		290.5	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.0%	<1%	<1%	<1%
Efficiency	Average time from filing of petition to final disposition, in months	6	6	6	6	6
Efficiency	Average attorney caseload	330	270.9	150	150	150
Output	Number of cases prosecuted	4,810	5,283	4,000	4,000	5,000
Output	Number of cases referred for screening	5,883	6,743	5,500	5,500	6,000
Output	Number of cases dismissed under the six-month rule	5	5	5	5	5
Output	Number of cases prosecuted per attorney	N/A	345.8	150	150	200
Output	Number of cases in which defendant was referred into preprosecution diversion program	N/A	119	90	90	100

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,639.0	2,783.0	3,046.7	2,844.1	2.2
Other Transfers	43.7	94.1	33.9	33.9	-64.0
Federal Revenues	138.7	127.4	127.4	127.4	0.0
SOURCES TOTAL	2,821.4	3,004.5	3,208.0	3,005.4	0.0
USES					
Personal Services and Employee Benefits	2,415.1	2,792.1	2,995.1	2,793.2	0.0
Contractual Services	20.0	18.9	19.4	19.4	2.6
Other	369.2	193.5	193.5	192.8	-0.4
TOTAL USES	2,804.3	3,004.5	3,208.0	3,005.4	0.0
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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	0	0	<5	<5	<5
Efficiency	Average time from filing of petition to final disposition, in months	5	3	5	5	4
Efficiency	Average attorney caseload	318	228	200	200	200
Output	Number of cases prosecuted	2,051	2,404	1,900	1,900	2,000
Output	Number of cases referred for screening	2,547	2,528	2,400	2,400	2,400
Output	Average number of cases prosecuted per attorney	256	228	200	200	200
Output	Number of cases prosecuted per attorney	N/A	227.5	200	200	200
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	N/A	29	50	30	30

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,402.3	2,504.3	2,578.0	2,539.2	1.4
SOURCES TOTAL	2,402.3	2,504.3	2,578.0	2,539.2	1.4
USES					
Personal Services and Employee Benefits	2,067.8	2,347.4	2,413.0	2,374.2	1.1
Contractual Services	12.8	13.8	13.5	13.5	-2.2
Other	248.6	143.1	151.5	151.5	5.9
TOTAL USES	2,329.2	2,504.3	2,578.0	2,539.2	1.4
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.2%	0.0%	<1%	<1%	<1%
Output	Number of cases prosecuted per attorney	N/A	139	200	200	150
Output	Number of cases in which defendant was referred into preprosecution diversion program	N/A	19	30	30	30
Output	Number of cases dismissed under the six-month rule	4	1	<5	<5	<5
Efficiency	Average attorney caseload	195	178	140	140	140
Output	Number of cases prosecuted	1,708	1,459	1,850	1,750	1,750
Output	Number of cases referred for screening	2,045	1,866	2,000	2,000	2,000
Efficiency	Average time from filing of petition to final disposition for felony cases, in months	7.3	7.7	8	8	7
Efficiency	Average time from filing of petition to final disposition for misdemeanor cases, in months	5.7	5.9	5.5	5.7	5.7
Efficiency	Average time from filing of petition to final disposition, in months	5.7	6	5.5	5.5	5.5

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,503.4	2,671.9	2,841.3	2,735.2	2.4
Other Revenues	2.6	0.0	0.0	0.0	
SOURCES TOTAL	2,506.0	2,671.9	2,841.3	2,735.2	2.4
USES					
Personal Services and Employee Benefits	2,295.6	2,517.0	2,632.5	2,556.6	1.6
Contractual Services	22.5	14.8	19.1	19.1	29.1
Other	185.3	140.1	189.7	159.5	13.8
TOTAL USES	2,503.4	2,671.9	2,841.3	2,735.2	2.4
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

EIGHTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of cases referred for screening	1,541	1,968	2,000	2,000	2,000
Output	Number of cases prosecuted	1,198	1,351	1,300	1,500	1,500
Outcome	Percent of cases dismissed under the six-month rule	0%	<1%	<1%	<3%	<1%
Efficiency	Average time from filing of petition to final disposition, in months	7	8.5	6	6 to12	7
Efficiency	Average attorney caseload	181	246	200	200	200
Output	Number of cases dismissed under the six-month rule	17	10	15	15	10
Output	Average number of cases prosecuted per attorney	141	169	200	200	175
Output	Number of cases prosecuted per attorney	141	169	200	200	200
Output	Number of cases in which defendant was referred into preprosecution diversion program	48	92	50	50	98

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	2,699.4	2,853.1	3,084.6	2,935.7		2.9
SOURCES TOTAL	2,699.4	2,853.1	3,084.6	2,935.7		2.9
USES						
Personal Services and Employee Benefits	2,485.7	2,717.8	2,873.4	2,741.8		0.9
Contractual Services	16.8	18.5	17.0	17.0		-8.1
Other	194.2	116.8	194.2	176.9		51.5
TOTAL USES	2,696.7	2,853.1	3,084.6	2,935.7		2.9
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of cases prosecuted	2,693	2,817	2,700	2,700	2,800
Output	Number of cases referred for screening	3,354	3,229	3,360	3,200	3,200
Efficiency	Average time from filing of petition to final disposition, in months	7	7.2	6	7	6
Efficiency	Average attorney caseload	319	380	325	380	350
Output	Number of cases dismissed under the six-month rule	5	0	<5	<5	<5
Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
Output	Number of cases prosecuted per attorney	256	331	250	280	280
Output	Number of cases in which defendant was referred into preprosecution diversion program	107	116	90	90	100

BUDGET SUMMARY
(dollars in thousands)

	FY16 – 2015-2016					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,005.8	1,182.3	1,402.8	1,206.2		2.0
Other Transfers	3.0	0.0	0.0	0.0		
SOURCES TOTAL	1,008.8	1,182.3	1,402.8	1,206.2		2.0
USES						
Personal Services and Employee Benefits	903.5	1,070.2	1,283.3	1,086.7		1.5
Contractual Services	12.0	11.2	11.0	11.0		-1.8
Other	93.0	100.9	108.5	108.5		7.5
TOTAL USES	1,008.5	1,182.3	1,402.8	1,206.2		2.0
FTE						
Permanent	13.0	13.0	15.0	13.0		0.0
TOTAL FTE POSITIONS	13.0	13.0	15.0	13.0		0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Lead investigator - 1 FTE	(P260) 102.6	0.0
2	Senior trial attorney - 1 FTE	(P260) 99.2	0.0
TOTAL		201.8	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule		0%	<1%	<1%	<1%
Efficiency	Average time from filing of petition to final disposition, in months	5	5.2	5	6	5
Efficiency	Average attorney caseload	364	600	275	350	350
Output	Number of cases prosecuted	802	832	800	800	800
Output	Number of cases referred for screening	911	1,012	900	900	950
Output	Number of cases dismissed under the six-month rule	1	0	0	0	0
Output	Number of cases prosecuted per attorney	321	568	275	350	350
Output	Number of cases in which defendant was referred into pre-prosecution diversion program	7	15	10	10	15

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,365.2	3,540.2	4,082.3	3,638.1	2.8
Other Transfers	104.7	120.2	111.6	111.6	-7.2
Federal Revenues	86.6	86.0	106.5	106.5	23.8
Other Revenues	5.0	0.0	0.0	0.0	
Fund Balance	362.7	506.4	440.9	440.9	-12.9
SOURCES TOTAL	3,924.2	4,252.8	4,741.3	4,297.1	1.0
USES					
Personal Services and Employee Benefits	3,683.5	4,026.3	4,501.4	4,057.2	0.8
Contractual Services	23.2	26.5	26.1	26.1	-1.5
Other	217.5	200.0	213.8	213.8	6.9
TOTAL USES	3,924.2	4,252.8	4,741.3	4,297.1	1.0
FTE					
Permanent	55.0	55.0	57.0	57.0	3.6
Term	11.0	12.0	12.0	10.0	-16.7
TOTAL FTE POSITIONS	66.0	67.0	69.0	67.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Senior trial attorney - 1 FTE	(P250)	94.6	0.0
2	Drug program administrator - 1 FTE	(P250)	64.7	0.0
TOTAL			159.3	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of cases referred for screening	4,129	4,225	4,000	4,000	4,200
Output	Number of cases prosecuted	3,588	3,370	3,500	3,500	3,500
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.1%	<0.25%	<0.3%	0.1%
Efficiency	Average time from filing of petition to final disposition, in months	5	4.8	<6	<6	<6
Efficiency	Average attorney caseload	275	258	250	250	250
Output	Average number of cases prosecuted per attorney	239	205	200	200	200
Output	Number of cases in which defendant was referred into preprosecution diversion program	145	140	115	120	140
Output	Number of cases dismissed under the six-month rule	5	3	<10	<10	<5

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,101.8	2,207.8	2,479.5	2,245.9	1.7
Other Transfers	0.0	167.4	0.0	0.0	-100.0
Other Revenues	167.4	0.0	167.4	167.4	
SOURCES TOTAL	2,269.2	2,375.2	2,646.9	2,413.3	1.6
USES					
Personal Services and Employee Benefits	2,017.6	2,268.0	2,506.0	2,272.4	0.2
Contractual Services	13.2	13.5	14.5	14.5	7.4
Other	172.2	93.7	126.4	126.4	34.9
TOTAL USES	2,203.0	2,375.2	2,646.9	2,413.3	1.6
FTE					
Permanent	33.0	33.0	35.0	33.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	38.0	36.0	0.0

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Clerk specialist - 1 FTE	(P265)	30.4	0.0
2	Assistant trial attorney - 1 FTE	(P265)	79.7	0.0
TOTAL			110.1	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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	<1%	<1%	<1%	<1%	<1%
Efficiency	Average attorney caseload	475	324	350	350	350
Output	Number of cases prosecuted per attorney	302	205	275	275	275
Output	Number of cases prosecuted	1,661	1,746	2,200	2,200	2,200
Output	Average time from filing complaint to final disposition, in months	3	4.2	3	5	4
Output	Number of cases referred for screening	2,613	2,751	3,000	3,000	3,000
Output	Number of cases in which defendant was referred into preprosecution diversion program	5	10	20	20	20
Output	Number of cases dismissed under the six-month rule	6	5	3	3	3
Efficiency	Average time from filing of petition to final disposition, in months	3.8	4.2	4	5	4

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,624.6	2,758.5	3,486.1	2,900.6	5.2
Other Transfers	156.3	54.1	54.1	54.1	0.0
Federal Revenues	276.1	247.9	239.3	239.3	-3.5
SOURCES TOTAL	3,057.0	3,060.5	3,779.5	3,194.0	4.4
USES					
Personal Services and Employee Benefits	2,792.7	2,867.1	3,474.0	2,946.0	2.8
Contractual Services	40.5	29.1	30.0	30.0	3.1
Other	216.4	164.3	275.5	218.0	32.7
TOTAL USES	3,049.6	3,060.5	3,779.5	3,194.0	4.4
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
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Senior attorneys & 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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of cases dismissed under the six-month rule	0.1%	0.3%	<0.1%	0.3%	0.3%
Efficiency	Average time from filing of petition to final disposition, in months	6	6.5	6	6	6
Efficiency	Average attorney caseload	394	375.6	180	180	180
Output	Number of cases prosecuted	3,453	3,652	3,400	3,400	3,400
Output	Number of cases referred for screening	4,133	4,319	5,000	4,000	4,000
Output	Number of cases dismissed under the six-month rule	2	11	2	12	<10
Output	Average number of cases prosecuted per attorney	328.9	317.6	150	150	150
Output	Number of cases prosecuted per attorney	329	317.6	150	150	150
Output	Number of cases in which defendant was referred into preprosecution diversion program	43	40	125	125	125

BUDGET SUMMARY
(dollars in thousands)

	FY14		FY15		FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 Actuals		2014-2015 Budgeted		Agency Request	LFC Recommendation	
SOURCES							
General Fund Transfers	4,843.3		5,037.6		5,235.4	5,199.4	3.2
Other Transfers	41.5		66.0		66.0	66.0	0.0
Other Revenues	147.7		147.7		147.7	147.7	0.0
SOURCES TOTAL	5,032.5		5,251.3		5,449.1	5,413.1	3.1
USES							
Personal Services and Employee Benefits	4,106.2		4,885.0		4,885.0	4,879.0	-0.1
Contractual Services	70.5		22.3		103.0	73.0	227.4
Other	513.9		344.0		461.1	461.1	34.0
TOTAL USES	4,690.6		5,251.3		5,449.1	5,413.1	3.1
FTE							
Permanent	80.0		80.0		80.0	80.0	0.0
Term	2.0		2.0		3.0	2.0	0.0
TOTAL FTE POSITIONS	82.0		82.0		83.0	82.0	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

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
Outcome	Percent of cases dismissed under the six-month rule	0.4%	0.4%	<0.3%	<0.3%	<0.3%
Output	Number of cases dismissed under the six-month rule	17	16	<17	<17	<17
Efficiency	Average time from filing of petition to final disposition, in months	9	11.2	6	6	6
Efficiency	Average attorney caseload	201	221	190	190	190
Output	Number of cases prosecuted	4,209	4,183	5,200	5,200	5,200
Output	Number of cases referred for screening	5,982	5,654	6,200	6,200	6,200
Output	Number of cases prosecuted per attorney	Baseline	164	192	192	192
Output	Number of cases in which defendant was referred into preprosecution diversion program	N/A	131	120	120	125

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,058.4	2,207.5	2,709.4	2,265.2	2.6
Other Transfers	0.0	10.0	0.0	0.0	-100.0
Federal Revenues	692.6	0.0	0.0	0.0	
Other Revenues	301.2	252.9	300.0	300.0	18.6
Fund Balance	798.2	0.0	0.0	0.0	
SOURCES TOTAL	3,850.4	2,470.4	3,009.4	2,565.2	3.8
USES					
Personal Services and Employee Benefits	1,342.3	1,316.7	1,587.1	1,316.9	0.0
Contractual Services	269.6	231.8	308.8	308.8	33.2
Other	830.3	921.9	1,113.5	939.5	1.9
Other Financing Uses	770.7	0.0	0.0	0.0	
TOTAL USES	3,212.9	2,470.4	3,009.4	2,565.2	3.8
FTE					
Permanent	14.0	15.0	17.0	15.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	15.0	16.0	18.0	16.0	0.0

AT A GLANCE:

In response to the district attorneys identifying low salaries as a barrier to attracting and retaining qualified attorneys, the Administrative Office of the District Attorneys (AODA) contracted for a workload assessment and compensation study, which should be available in FY15.

AODA requested salary increases, expansion of its information technology staff, and increases for travel and supplies above FY15 levels. The committee recommendation continues funding for operations of children's safehouse network and keeps salaries and benefits at the FY15 levels.

BUDGET ISSUES:

For FY16, AODA requested an increase of \$539 thousand, or 22 percent over the FY15 operating budget. The increase included \$192.5 thousand in the other category, or 21 percent, for travel and supplies. The request increased the personal services and employee benefits category by \$270.4 thousand, or 21 percent, to fund its existing 16 authorized positions and 2 FTE expansions. In FY14, AODA transferred \$194 thousand into the personal services and employee benefits category.

The committee recommends an increase of \$57.7 thousand, or 2.6 percent, over the FY15 operating budget for increased risk rates, contracts costs, and other operating expenses. The recommendation does not support the requested FTE expansion. The FY16 recommendation includes funding to support the operations of children's safehouse network.

BASE EXPANSION:

AODA requested \$146.1 thousand to expand its information technology staff by 2 FTE, one program specialist and one database administrator for state victim notification system. The committee does not recommend either position at this time.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Program specialist - 1 FTE	(P264)	63.0	0.0
2	Database administrator - 1 FTE	(P264)	83.1	0.0
TOTAL			146.1	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

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
Output	Number of victim notification events and escapes reported, monthly	2,200	59,816	3,700	80,000	80,000
Efficiency	Average time to resolve information technology calls for assistance, in hours	8	5	7	7	<6
Explanatory	Percent of time network is available to users	95.5%	96.5%	99%	99%	99%

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,511.1	10,767.0	18,197.5	10,767.0	0.0
Other Transfers	7,948.9	6,769.0	500.0	7,286.0	7.6
Federal Revenues	1,522.3	1,585.3	1,688.7	1,688.7	6.5
Other Revenues	0.0	0.0	2,000.0	0.0	***
Fund Balance	7,948.9	7,269.0	3.0	7,789.0	7.2
SOURCES TOTAL	26,931.2	26,390.3	22,389.2	27,530.7	4.3
USES					
Personal Services and Employee Benefits	14,923.2	15,878.7	16,443.5	16,424.7	3.4
Contractual Services	736.8	780.2	820.4	783.9	0.5
Other	2,794.4	2,462.4	2,622.3	2,533.1	2.9
Other Financing Uses	7,948.9	7,269.0	2,503.0	7,789.0	7.2
TOTAL USES	26,403.3	26,390.3	22,389.2	27,530.7	4.3
FTE					
Permanent	181.0	181.0	183.0	181.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	182.0	182.0	184.0	182.0	0.0

AT A GLANCE:

During the economic downturn, the Legislature used consumer settlement fund balance to offset general fund revenues for operations in the New Mexico Attorney General's (NMAG) budget. For FY16, NMAG sought to supplant \$6.8 million in fund balance revenue with general funds. Although the NMAG general fund appropriation request was an increase of 67.6 percent, the reduction of fund balance revenue results in a more modest year-over-year increase.

The LFC recommendation increases the use of consumer settlement funds to \$7.3 million, reduces the overall vacancy rate, and provides additional funding for operational expenses. Even with the increase, LFC projects an FY16 yearend balance in the consumer settlement fund to be over \$17 million. This allows an increase in FY16 total appropriations while leaving general fund appropriations flat.

BUDGET ISSUES:

The New Mexico Attorney General (NMAG) is the state's chief legal officer and oversees prosecution of both criminal and civil cases in the interest of the state. NMAG consists of two programs: Legal Services and Medicaid Fraud. The Legal Services Program is made up of 12 divisions. The work of the Legal Services Program ranges from extraditions of fugitive criminals to defending the state in lawsuits to criminal investigations and prosecutions. 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 in the process of investigating behavioral health providers referred to NMAG by the Human Services Division (HSD) as required under federal law. The audit, conducted in 2013, resulted in the stoppage of reimbursement payments to 15 healthcare providers. NMAG completed investigations of two providers to date and found no evidence of fraud. The other 13 entities remain under investigation. NMAG has resisted making public the audit findings, which has created continued uncertainty for the former providers, the legislature, and the public.

The Medicaid Fraud Program of NMAG notes the behavioral health referral resulted in the need to fill more of the vacant positions in the program. NMAG requested an increase of \$36.1 thousand, or 6.8 percent, from the general fund and an additional \$103.4 thousand, or 6.5 percent, in federal funds. The increase in funding will be used primarily in the other costs category to purchase information technology equipment for investigations.

In the Legal Services Program, NMAG requested an additional \$536 thousand, or 3.7 percent, for personal services and employee benefits, although LFC analysis shows that, in FY15, NMAG has \$1.4 million in funded, vacant positions. NMAG requested an additional \$39.8 thousand, or 5.1 percent, in the contractual services category to provide funding for experts on utility rate cases and for tobacco settlement arbitration. In the other costs category, NMAG requested an increase of \$53 thousand, or 2.5 percent, for court reporting and recording and vehicle leases.

The LFC recommendation continues a \$500 thousand transfer of consumer settlement funds to New Mexico State University for the Water Resource Research Institute.

BASE EXPANSION:

NMAG requested \$150 thousand to fund two expansion positions to handle sex offender parole hearings. LFC does not recommend this expansion.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the attorney general include seven million two hundred eighty-six thousand dollars (\$7,286,000) from the consumer settlement fund of the office of the attorney general.

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
FY16 - 2015-2016**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Sex offender parole-2 FTE	150.5	0.0
TOTAL		150.5	0.0

LEGAL SERVICES

The purpose of the legal services program is to deliver quality legal services including opinions, counsel and representation to state government entities and to enforce state law on behalf of the public so New Mexicans have an open, honest, efficient government and enjoy the protection of state law.

**BUDGET SUMMARY
(dollars in thousands)**

	FY15		FY16 - 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	8,999.5	10,240.1	17,634.5	10,204.0	-0.4
Other Transfers	7,948.9	6,766.0	500.0	7,286.0	7.7
Other Revenues	0.0	0.0	2,000.0	0.0	
Fund Balance	7,948.9	7,266.0	0.0	7,786.0	7.2
SOURCES TOTAL	24,897.3	24,272.1	20,134.5	25,276.0	4.1
USES					
Personal Services and Employee Benefits	13,353.0	14,049.1	14,584.1	14,565.3	3.7
Contractual Services	733.2	771.5	811.3	774.8	0.4
Other	2,451.1	2,185.5	2,239.1	2,149.9	-1.6
Other Financing Uses	7,948.9	7,266.0	2,500.0	7,786.0	7.2
TOTAL USES	24,486.2	24,272.1	20,134.5	25,276.0	4.1
FTE					
Permanent	160.0	160.0	162.0	160.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	161.0	161.0	163.0	161.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of crime victims receiving information and advocacy	1,150	1,200	1,000	1,000	1,200
Efficiency	Number of outreach presentations conducted throughout the state	89	37	90	90	90
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act, with complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Percent of mediation processes initiated within seventy-two hours of receipt of completed complaint	77%	63%	90%	90%	85%
Outcome	Percent of initial responses to requests for attorney general opinions made within three days of request	88%	82%	95%	95%	95%
Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	35%	37%	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>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	511.6	526.9	563.0	563.0	6.9
Other Transfers	0.0	3.0	0.0	0.0	-100.0
Federal Revenues	1,522.3	1,585.3	1,688.7	1,688.7	6.5
Fund Balance	0.0	3.0	3.0	3.0	0.0
SOURCES TOTAL	2,033.9	2,118.2	2,254.7	2,254.7	6.4
USES					
Personal Services and Employee Benefits	1,570.2	1,829.6	1,859.4	1,859.4	1.6
Contractual Services	3.6	8.7	9.1	9.1	4.6
Other	343.3	276.9	383.2	383.2	38.4
Other Financing Uses	0.0	3.0	3.0	3.0	0.0
TOTAL USES	1,917.1	2,118.2	2,254.7	2,254.7	6.4
FTE					
Permanent	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	21.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Three-year projected savings resulting from fraud investigations, in millions	\$25	\$27	\$30	\$30	\$30
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$3,494	\$8,964	\$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	4	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.	34%	59%	80%	80%	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)				
	FY14 2013-2014	FY15 2014-2015	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
General Fund Transfers	2,899.9	3,170.3	3,170.3	3,120.3	-1.6
Other Revenues	446.5	430.0	430.0	430.0	0.0
Fund Balance	200.0	208.1	200.0	250.0	20.1
SOURCES TOTAL	3,546.4	3,808.4	3,800.3	3,800.3	-0.2
USES					
Personal Services and Employee Benefits	2,439.7	3,077.5	3,077.5	3,077.5	0.0
Contractual Services	51.0	249.6	237.2	237.2	-5.0
Other	393.2	481.3	485.6	485.6	0.9
TOTAL USES	2,883.9	3,808.4	3,800.3	3,800.3	-0.2
FTE					
Permanent	33.0	33.0	34.0	34.0	3.0
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

AT A GLANCE:

Historically, the Office of the State Auditor (OSA) has struggled to recruit and retain qualified auditors, particularly at the audit manager level, which the office attributed to a need for more competitive salaries for the demanding work performed in the office. Over the past few years, the office has worked with the State Personnel Office to upgrade a number of positions, including state audit manager and state audit coordinator, to higher alternative pay bands and successfully decreased vacancies. Maintaining sufficient staffing levels is crucial to the office's ability to fulfill its legal mandate and primary mission: to thoroughly examine and audit the financial affairs and transactions of all government agencies which receive and expend public money. The office, taking into account prior reclassifications and budget increases, requested a flat budget for FY16 to allow adequate funding for hiring and retaining qualified staff. The office also requested reclassification of one term position into a perm position, at no additional cost; the receptionist position for which reclassification was requested is already funded from the general fund and filled on a full-time basis.

The committee recommendation supports the overall agency budget request but recommends a revenue shift using cash balances, which have grown over the past two years, in place of a small amount of general fund revenue. The committee recommendation also supports the position reclassification requested.

BUDGET ISSUES:

2010 amendments to the Audit Act established tiered reporting requirements for governmental entities with less than \$500 thousand in annual revenue, exclusive of capital outlay or grants. The act also provides for withholding the state equalization guarantee distribution for public schools with late audit reports and, as of 2012, withholding of revenue from the general fund to state agencies or withholding of tax distributions to counties and municipalities in the absence of a timely audit report. As of September 2014, 20 entities were designated as "at-risk" by OSA for failing to submit an FY13 (or earlier) audit, down from 27 entities in November 2013. To date, withholding of revenue or distributions has not been exercised.

However, Executive Order 2013-06 has been enforced and brought greater importance to financial reporting for governmental entities of all sizes. 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. A total of 38 projects were ineligible for capital outlay funds as of the June 2014 bond sale, a marked decline from the 122 projects ineligible per Executive Order 2013-06 about a year ago.

In FY14, OSA completed 17 agreed-upon procedure (AUP) reports for numerous acequias that fell within the tiered system of reporting and, having fallen behind in their compliance with the Audit Act, were subject to withholding of capital funds. During the 2014 legislative session, the Legislature appropriated OSA \$160 thousand to further assist small political subdivisions with their reporting requirements and limit exposure to Executive Order 2013-06. The office has developed an application process for entities to receive funding assistance from that appropriation. The application seeks to determine individual entity need based on financials and risk for encountering withheld capital outlay funding. The FY16 request included a renewal of this funding, which the committee supports, recognizing the need for assistance is recurring. 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.

For the first time, New Mexico will issue an audited comprehensive annual financial report (CAFR). OSA reviewed the audited FY13 CAFR in August 2014, identifying a number of shortcomings in the report for the contractor procured for the audit, CliftonLarsonAllen, to review before publicly releasing the CAFR. In a November 1, 2013 letter to DFA, OSA stressed the importance of issuing a timely, audited CAFR; the office noted compliance with the Government Financial Officer's Association (GFOA) established six-month standard for issuance of a CAFR and the impact to a range of state functions, including bonding, state bond ratings, and budget and revenue projections.

In FY14, with staffing levels higher than in preceding years, OSA met all of its performance measure targets. Importantly, the office not only met its mandate to bring in \$430 thousand in audit fees but exceeded the target, collecting \$446 thousand, boosting the audit fund balance higher.

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Total audit fees generated	\$353,076	\$446,530	\$430,000	\$430,000	\$430,000
* Explanatory	Percent of audits completed by regulatory due date	79%	84%	80%	80%	80%
Output	Number of training sessions performed	17	17	16	16	16
Outcome	Percent of statutory reviews of audit reports completed within ten days	90%	88%	85%	85%	88%
Outcome	Percent of agency auditor selection requests processed within five days of receipt	100%	100%	95%	95%	99%
Output	Number of working paper reviews of independent public accountants	45	46	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)

			<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	54,952.4	57,839.3	59,120.4	58,525.6	1.2
Other Transfers	506.4	620.6	651.6	651.6	5.0
Federal Revenues	1,660.4	1,506.8	1,506.9	1,506.9	0.0
Other Revenues	30,571.9	26,086.4	26,331.9	26,115.2	0.1
Fund Balance	3,968.9	1,265.9	0.0	1,265.9	0.0
SOURCES TOTAL	91,660.0	87,319.0	87,610.8	88,065.2	0.9
USES					
Personal Services and Employee Benefits	57,668.5	60,354.7	61,363.7	61,036.4	1.1
Contractual Services	8,265.7	8,358.9	9,201.4	9,038.0	8.1
Other	16,646.0	17,339.5	17,045.7	16,724.9	-3.5
Other Financing Uses	1,865.9	1,265.9	0.0	1,265.9	0.0
TOTAL USES	84,446.1	87,319.0	87,610.8	88,065.2	0.9
FTE					
Permanent	1,058.5	1,058.5	1,061.5	1,010.5	-4.5
Term	29.0	29.0	29.0	29.0	0.0
Temporary	21.5	21.5	20.5	20.5	-4.7
TOTAL FTE POSITIONS	1,109.0	1,109.0	1,111.0	1,060.0	-4.4

AT A GLANCE:

The Taxation and Revenue Department (TRD) demonstrated improved performances in some programs during FY14. In the last fiscal year, the Motor Vehicle Division (MVD) demonstrated dramatically improved performance and the Property Tax Division returned a record amount in delinquent property tax obligations to New Mexico counties. However, the department encountered difficulties in properly coordinating with other agencies to ensure compliance with the state's weight-distance tax on commercial trucking, with the agency's application of part of the Tax Administration Act, and with executing a thorough tax-gap analysis that would enable TRD to most efficiently direct audit and compliance resources. The department's FY15 request included a modest general fund increase for personal services and employee benefits to support decreased vacancies and 2 expansion FTE to assist with delinquent property tax sales.

The committee recommendation for TRD includes a small general fund increase over FY15, mostly as a result of decreased vacancy rates. The recommendation also includes 1 expansion FTE in the Property Tax Division.

BUDGET ISSUES:

TRD requested a general fund appropriation of \$59.1 million, \$1.3 million, or 2.2 percent, over the FY15 operating budget. The largest contributor to the department's requested increase was a \$600 thousand increase for personal services and employee benefits within the Tax Administration Program. Additional increases in the general fund request were primarily associated with supplementing 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 requested general fund increase was also for additional audit and lease costs associated with the creation of an Office of Internal Oversight within Program Support. The overall base request was \$87.6 million, or \$292 thousand over the FY15 operating budget. The 2 expansion FTE requested were in the Property Tax Program, which is entirely self-funded.

The committee recommendation includes a general fund appropriation of \$58.5 million, a 1.2 percent increase over the FY15 operating budget. The overall budget recommendation is \$88.1 million, or about 1 percent over the FY15 operating budget. The recommendation includes \$1.3 million in weight-distance tax permit fee fund balance for transfer to the Motor Transportation Division of the Department of Public Safety, which was not included in the TRD request, to support enforcement of the New Mexico weight-distance tax for commercial vehicles.

In fall 2014, estimated FY14 reversions to the general fund were \$890 thousand. An additional \$135 thousand was transferred out of personal services and employee benefits to other budget categories, excluding \$1.3 million transferred out to cover a union lawsuit settlement. These are both markedly smaller amounts than in FY13.

The Tax Administration Program, comprised of the Audit and Compliance Division and the Revenue Processing Division, collected 61 percent of collectable audit assessments generated in FY14, exceeding the 55 percent target for collections. The program also met the newly increased 18 percent target for collections as a percent of outstanding balances. The number of taxpayers filing electronically continues to increase, reaching 90 percent in FY14. In June 2014, TRD expanded the Taxpayer Access Point (TAP) used for electronically filing returns to include Combined Reporting System (CRS) taxes for businesses.

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, that 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, but a hearing date is not yet set. If the Court of Appeals decision is affirmed by the Supreme Court, TRD estimates the future potential impact to the general fund at \$20 million per year. The retroactive impact of such a decision is unknown, but could be quite substantial.

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. Paired with increasing automated processes and electronic filing, staffing pressures within the program have decreased somewhat. 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 about \$500 thousand of the department's \$600 thousand requested increase for personal services and employee benefits in the program to cover the costs associated with filling vacancies.

Throughout FY14, and continuing in FY15, the Motor Vehicle Division (MVD) has dramatically improved performance on key performance measures. Average field office and call center wait times were well below the respective targets of 20 minutes and 6 minutes in FY14 and the first quarter of FY15. Using a new customer satisfaction survey and tracking system, MVD demonstrated customer feedback of service as "good" or higher more than 80 percent of the time.

MVD continues to move forward with the project to replace its 40-year-old driver and motor vehicle IT systems with a new, integrated system called "Tapestry." The project is on track and expected to roll out in two phases. The first phase, the driver's license component, is set to be implemented in May 2015, and second phase, the motor vehicle component, is expected to be implemented in May 2016.

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 the Department of Public Safety (DPS)). LFC, TRD, DPS, and the Department of Transportation (DOT) are working together to find solutions to increase compliance and revenue collection. DOT recently secured a \$1 million federal grant to increase compliance enforcement efforts at Motor Transportation Division ports of entry. The grant will be used to free ports-of-entry enforcement and inspections officers from clerical duties to allow them 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 that MVD explore the possibility of increasing the weight-distance permit fee, which is 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 \$12.6 million from the general fund and an overall budget of \$28 million, a slight increase over the FY15 operating budget.

The Property Tax Program has been funded with other revenue and cash balances since FY11. The program request included a \$288 thousand, or 8.5 percent increase over the FY15 operating budget, largely for 2 expansion FTE. The recommendation supports a 2.1 percent increase and 1 expansion FTE to assist with delinquent property sales. In FY14, the program returned \$13.4 million in delinquent property tax obligations to counties.

The committee recommendation for Program Support includes a \$676 thousand, or 3 percent, increase to support the transfer of 6 FTE from the Compliance Enforcement Program and 1 FTE from MVD to form an Office of Internal Oversight that reports directly under the secretary. The new office is designed to provide independent internal examination of the programs and operations of TRD to ensure efficiency, effectiveness, and integrity. The increased funding in Program Support is offset by decreased funding in Compliance Enforcement and MVD.

RECOMMENDED LANGUAGE:

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

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

BASE EXPANSION:

The recommendation includes funding for 1 of the 2 expansion FTE requested in the Property Tax Division. The program should focus on filling or reclassifying existing vacancies to provide additional support for the Delinquent Property Tax Bureau.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Property tax title examiners--2 FTE	103.7	51.8
TOTAL		103.7	51.8

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		FY16 - 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	22,430.2	22,368.3	23,252.4	22,996.2	2.8
Other Transfers	0.6	0.0	0.0	0.0	
Federal Revenues	1,256.5	1,506.8	1,506.9	1,506.9	0.0
Other Revenues	7,671.9	7,588.9	7,303.9	7,303.9	-3.8
SOURCES TOTAL	31,359.2	31,464.0	32,063.2	31,807.0	1.1
USES					
Personal Services and Employee Benefits	24,386.8	24,878.6	25,477.8	25,381.6	2.0
Contractual Services	224.2	110.6	213.1	213.1	92.7
Other	6,104.5	6,474.8	6,372.3	6,212.3	-4.1
TOTAL USES	30,715.5	31,464.0	32,063.2	31,807.0	1.1
FTE					
Permanent	462.5	460.5	460.5	420.5	-8.7
Term	26.0	26.0	26.0	26.0	0.0
Temporary	18.5	17.5	17.5	17.5	0.0
TOTAL FTE POSITIONS	507.0	504.0	504.0	464.0	-7.9

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	10:1	11:1	10:1	10:1	11:1
* Output	Percent of electronically filed returns for personal income tax and combined reporting system	85%	90%	90%	90%	92%
Outcome	Percent of baseline and funded delinquent tax collection targets met	98.7%	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	17.6%	18%	18%	18%	18%
* 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	new	new	new	18%	50%
Outcome	Percent of fraudulent refund mill tax returns intercepted compared with the total number of personal income tax returns processed	new	0.7%	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)

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,483.9	12,558.6	12,725.1	12,603.6	0.4
Federal Revenues	403.9	0.0	0.0	0.0	
Other Revenues	16,264.1	13,949.5	14,085.2	14,085.2	1.0
Fund Balance	3,908.9	1,265.9	0.0	1,265.9	0.0
SOURCES TOTAL	32,060.8	27,774.0	26,810.3	27,954.7	0.7
USES					
Personal Services and Employee Benefits	15,413.1	16,171.2	16,116.0	16,028.5	-0.9
Contractual Services	5,464.5	4,270.0	4,747.7	4,747.7	11.2
Other	5,988.1	6,066.9	5,946.6	5,912.6	-2.5
Other Financing Uses	1,865.9	1,265.9	0.0	1,265.9	0.0
TOTAL USES	28,731.6	27,774.0	26,810.3	27,954.7	0.7
FTE					
Permanent	342.0	342.0	342.0	332.0	-2.9
Term	3.0	3.0	3.0	3.0	0.0
Temporary	3.0	3.0	2.0	2.0	-33.3
TOTAL FTE POSITIONS	348.0	348.0	347.0	337.0	-3.2

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	6:52	4:48	6	6	<5
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	24:42	17.4	20	20	19
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1.5	1	1	1	1

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Quality	Percent of customers rating customer service as good or higher	new	new	85%	85%	85%
Efficiency	Web transactions as a percent of total transactions	new	new	25%	25%	25%

PROPERTY TAX

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	5,751.9	3,378.9	3,666.8	3,450.1	2.1
Fund Balance	60.0	0.0	0.0	0.0	
SOURCES TOTAL	5,811.9	3,378.9	3,666.8	3,450.1	2.1
USES					
Personal Services and Employee Benefits	2,261.2	2,537.2	2,630.9	2,584.1	1.8
Contractual Services	136.2	194.0	378.2	214.8	10.7
Other	593.5	647.7	657.7	651.2	0.5
TOTAL USES	2,990.9	3,378.9	3,666.8	3,450.1	2.1
FTE					
Permanent	39.0	39.0	41.0	40.0	2.6
TOTAL FTE POSITIONS	39.0	39.0	41.0	40.0	2.6

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held	new	78%	66%	66%	70%
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$12.0	\$13.5	\$10.0	\$10.0	\$12.0
* Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value-to-market value	97%	93%	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)						
FY16 - 2015-2016						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
General Fund Transfers	1,953.6	2,030.1	1,505.4	1,505.4	-25.8	
Other Revenues	0.0	263.9	263.9	263.9	0.0	
SOURCES TOTAL	1,953.6	2,294.0	1,769.3	1,769.3	-22.9	
USES						
Personal Services and Employee Benefits	1,614.3	1,951.5	1,475.2	1,475.2	-24.4	
Contractual Services	17.6	24.0	24.7	24.7	2.9	
Other	295.6	318.5	269.4	269.4	-15.4	
TOTAL USES	1,927.5	2,294.0	1,769.3	1,769.3	-22.9	
FTE						
Permanent	28.0	28.0	22.0	22.0	-21.4	
TOTAL FTE POSITIONS	28.0	28.0	22.0	22.0	-21.4	

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	67%	33%	50%	50%	50%
Outcome	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	100%	95%	95%	98%
Outcome	Percent of internal investigations completed within sixty days	53%	86%	55%	55%	60%

PROGRAM SUPPORT

The purpose of program support is to provide information system resources, human resource services, finance and accounting services, revenue forecasting and legal services to give agency personnel the resources needed to meet departmental objectives. For the general public, the program conducts hearings for resolving taxpayer protests and provides stakeholders with reliable information regarding the state's tax programs.

BUDGET SUMMARY (dollars in thousands)						
FY16 - 2015-2016						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>	
SOURCES						
General Fund Transfers	19,084.7	20,882.3	21,637.5	21,420.4	2.6	
Other Transfers	505.8	620.6	651.6	651.6	5.0	
Other Revenues	884.0	905.2	1,012.1	1,012.1	11.8	
SOURCES TOTAL	20,474.5	22,408.1	23,301.2	23,084.1	3.0	
USES						
Personal Services and Employee Benefits	13,993.1	14,816.2	15,663.8	15,567.0	5.1	
Contractual Services	2,423.2	3,760.3	3,837.7	3,837.7	2.1	
Other	3,664.3	3,831.6	3,799.7	3,679.4	-4.0	
TOTAL USES	20,080.6	22,408.1	23,301.2	23,084.1	3.0	

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
FTE					
Permanent	187.0	189.0	196.0	196.0	3.7
Temporary	0.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	187.0	190.0	197.0	197.0	3.7

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of driving-while-intoxicated drivers' license revocations rescinded due to failure to hold hearings within ninety days	0.5%	0.3%	0.5%	<1%	<0.75%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	16	15	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	1,371	1,306	1,200	1,200	1,300
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	100%	100%	100%
Output	Percent of internal audit recommendations implemented	87%	99%	90%	90%	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)

	FY16 – 2015-2016		Agency Request	LFC Recommendation	Percent Incr (Decr)
	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted			
SOURCES					
Other Revenues	44,674.4	50,169.3	61,585.7	57,115.2	13.8
SOURCES TOTAL	44,674.4	50,169.3	61,585.7	57,115.2	13.8
USES					
Personal Services and Employee Benefits	3,762.5	4,466.1	4,641.4	4,641.4	3.9
Contractual Services	40,255.9	44,840.4	56,081.5	51,611.0	15.1
Other	656.0	862.8	862.8	862.8	0.0
TOTAL USES	44,674.4	50,169.3	61,585.7	57,115.2	13.8
FTE					
Permanent	32.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	32.0	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 nearly \$20 billion at the end of June 2014. The increased value of assets under management results in higher asset management fees paid to managers from the contractual services category. The increase in projected fees contributes the majority of the increase in the agency's budget request. Much of the remaining increase is in the personal services and employee benefits category and reflects increased employee liability rates charged by the General Services Department.

The LFC recommendation makes a more conservative assumption for the growth in assets under management than does the agency request. The asset management fee structure is integral to the agency's budget. Management fees average approximately 28 basis points 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 provides sufficient funding for the agency to fill vacant positions.

BUDGET ISSUES:

The SIC's budget request for FY16 was \$61.6 million, a 23 percent increase over its FY15 operating budget and 38 percent above FY14 actual expenditures. The request included a 3.9 percent increase in the personal services and employee benefits category, much of which is to fund a \$104 thousand increase in employee liability premiums due to a General Services Department rate increase. SIC reported this increase reflects expected payouts in two ongoing claims.

The request for the contractual services category totaled \$56.1 million and was \$11.2 million, or 25 percent, above the FY15 operating budget. The request included \$47.6 million to pay external management fees, which drove the majority of the increase in the agency's budget request.

While the funding recommendation of \$57.1 million is lower than the agency's request, it includes budget adjustment authority that would allow SIC to increase the contractual services category by up to \$5 million for asset management fees in the event of further growth in the funds' market value. The agency's 5 vacant FTE are all classified. The recommendation provides sufficient funding for the agency to fill these positions.

As it did for FY15, the recommendation for FY16 also includes \$2.5 million in legal contractual services. Among legal issues facing the agency is ongoing pay-to-play litigation, and SIC estimates legal costs could increase in subsequent fiscal years as the case goes to trial. The agency reports recoveries currently total approximately \$29 million.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	-89	-113	>25	>25	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	75	43	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points	-124	-90	>25	>25	>25
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe	41	62	<49	<49	<49

STATUTORY AUTHORITY:

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

MISSION:

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

	BUDGET SUMMARY (dollars in thousands)				
	<u>FY16 – 2015-2016</u>				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	23,595.4	26,262.2	27,606.7	26,693.6	1.6
Other Transfers	174.3	19,572.6	19,572.6	19,572.6	0.0
Federal Revenues	10,943.3	9,016.4	9,016.4	9,016.4	0.0
Other Revenues	40,225.7	68,507.4	70,722.4	72,832.4	6.3
Fund Balance	3,190.0	0.0	0.0	0.0	
SOURCES TOTAL	78,128.7	123,358.6	126,918.1	128,115.0	3.9
USES					
Personal Services and Employee Benefits	10,638.7	12,269.6	13,032.1	12,382.3	0.9
Contractual Services	8,129.4	11,360.3	11,711.3	11,776.0	3.7
Other	39,318.8	51,025.1	52,604.0	53,636.0	5.1
Other Financing Uses	830.0	48,703.6	49,570.7	50,320.7	3.3
TOTAL USES	58,916.9	123,358.6	126,918.1	128,115.0	3.9
FTE					
Permanent	141.6	137.0	145.3	137.3	0.2
Term	16.5	21.0	21.8	21.8	3.6
TOTAL FTE POSITIONS	158.0	158.0	167.0	159.0	0.6

AT A GLANCE:

Throughout FY14, the Local Government Division of the Department of Finance and Administration (DFA) struggled to provide adequate assistance to local entities and encountered difficulty administering non-operating budget contracts in a timely manner. Turnover and vacancies within the division contributed substantially to these issues. The Financial Control Division within DFA continued to struggle to submit a timely Comprehensive Annual Financial Report (CAFR) of the state's finances but did procure an audit of the prior year CAFR for the first time, meeting the statutory requirement to do so. The department requested 9 expansion FTE in FY16 to help increase assistance to local entities and improve financial control performance.

The committee recommendation for DFA includes a slight general fund increase over FY15, mostly as a result of support for 1 expansion FTE and decreased vacancy rates to allow for additional hires, and a moderate increase in overall budget, largely due to increased revenues in the local DWI grant program administered by the Local Government Division (LGD) of DFA.

BUDGET ISSUES:

DFA requested a general fund appropriation of \$27.6 million, \$1.3 million, or 4.9 percent over the FY15 operating budget, that included \$1.2 million of expansion items. About \$15.8 million, or 60 percent, of the general fund request covered operating expenses of agency programs; the remaining \$11.8 million was allocated to general state expenditures or special appropriations that "pass through" DFA, such as the Youth Mentoring Program. The largest contributor to the requested increase was the \$558 thousand for 6 expansion FTE in the Fiscal Management Program to assist with compiling the state's CAFR. Another large contribution was a \$355 thousand expansion for Citizen Review Boards (CRBs) that provide independent review of children in foster homes prior to judicial review.

In fall 2014, estimates of FY14 DFA reversions to the general fund were roughly \$1.6 million, coming primarily from vacancy savings. Additionally, in FY14, the department requested \$558 thousand in budget adjustment requests out of personal services and employee benefits to be used for contracts or other uses.

The overall base budget request for FY16 was \$125.7 million, \$2.4 million, or 1.9 percent, above the FY15 operating budget. Beginning in FY15, the DFA operating budget appears about \$45 million larger than in the past due to the inclusion of two pass-through funds previously excluded -- the tobacco settlement fund and the county-supported Medicaid fund. The FY16 budget increase not accounted for by general fund increases can be attributed to an increase in the county-supported Medicaid fund pass-through.

The committee recommends a general fund appropriation of \$26.7 million, a 1.6 percent increase over the FY15 operating budget. The recommendation also supports a small expansion in the Policy Development Program for increased Board of Finance meeting transcription costs and an expansion of 1 FTE in the Capital Outlay Bureau.

Fiscal Management and Oversight: Within the Fiscal Management and Oversight Program, the recommendation includes a moderate funding increase to support a 1 FTE transfer from Program Support in addition to a decreased unfunded vacancy rate to allow the program to fill additional positions.

Between FY13 and FY15, 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. 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. In FY15, DFA acknowledged additional need for business process modification for continued and improved point-forward reconciliations that include third-party payment systems currently operating outside of SHARE. The department planned to initiate cash management remediation phase two to accomplish this in December 2014 and expects the cost of the project to be \$5 million (\$1.1 million of which has been funded thus far).

During the 2014 legislative session, DFA was appropriated \$1 million to address historical unreconciled cash balances and determine the proper amount and source of liability the state faces. DFA initiated the project to do so during summer 2014 and, at the close of the project in November 2014, had no better estimate of a shortfall. Additional, largely manual and time-consuming, work would be necessary to further identify the source and amount of historical imbalances, but it is undetermined if such an investment would be worthwhile. DFA has placed a liability against the state's operating reserve fund of \$101 million to cover any ultimate finding of historical imbalance.

In spring 2014, a lawsuit brought against the state by the American Federation of State, County and Municipal Employees for back pay was decided in the union's favor by the Supreme Court of New Mexico. Subsequently, the State Personnel Office, the General Services Department, and DFA worked together to determine and distribute appropriate back pay for affected bargaining unit employees. The process of calculating the debt to employees has been complicated. As of November 2014, about 4,200 back pay checks were issued, less than half of the overall number of affected employees. DFA also helped agencies to reserve surplus budget amounts in anticipation of the payout and allocated a \$2.7 million appropriation to agencies without surpluses.

Local Government: The committee recommendation for LGD increases the requested vacancy rate to 8.5 percent, which leaves personal services and employee benefits funded at 15 percent over FY14 actuals to fill or reclassify vacant positions.

LGD has experienced substantial leadership turnover in the past two years and currently does not have a director or deputy director. This, combined with additional vacancies and limited information technology solutions, negatively impacted LGD's ability to provide services to local governments and administer special programs and contracts efficiently. In FY14, contracts for one-on-one youth mentoring were not executed until January 2014 and in FY15 some contracts were temporarily extended with small purchase agreements due to delays in posting requests for proposal and certifying contracts.

Laws 2014, Chapter 54, Section 1 (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. Projections for the local DWI program fund will increase by about \$2 million to \$21.9 million in FY16. 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 increases the DWI grant fund transfer from the local DWI fund to the Administrative Office of the Courts to support drug-courts by \$250 thousand.

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 in order 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 38 projects were ineligible for capital outlay funds as of the June 2014 bond sale, a marked decline from the 122 projects totaling \$13.4 million ineligible about a year ago. 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 discovered with the introduction of Executive Order 2013-06 is dealt with.

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 LFC-recommended \$200 thousand general fund increase for the Civil Legal Services program will bring general fund support for the program almost back to FY09 levels and help offset decreases in other state funds and federal funds.

Regarding special appropriations that pass through DFA and are administered by LGD, the committee recommendation includes a \$100 thousand increase for one-on-one youth mentoring, as well as minor increases for department memberships and dues. The recommendation does not support the requested \$171.1 thousand, or 133 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 FY13 financial audit, the community does not need additional financial assistance at this time.

BASE EXPANSION:

The recommendation includes funding for the department's expansion request for \$74.4 thousand and 1 FTE within the Policy Development Program. The expansion FTE will help to provide additional oversight for entities receiving capital outlay appropriations.

The recommendation does not include funding for 2 expansion FTE requested in the Local Government Division (LGD) to assist counties and municipalities experiencing difficulty with financial reporting requirements. The division should use existing vacancies to provide additional support and should consider using part of the administrative fees applied by the department on special appropriations administered by LGD.

The recommendation does not include funding for 6 expansion FTE requested in the Financial Control Division of the Fiscal Management Program. The recommendation decreases the requested vacancy rate to 5.7 percent to provide an additional \$178.9 thousand in personal services and employee benefits, leaving total personal services and employee benefits funding more than \$1 million greater than FY14 actuals. The program should focus on filling existing vacancies or reclassifying vacant positions to assist with the compilation of the CAFR.

The recommendation also does not include the \$355 thousand expansion for Citizen Review Boards (CRBs). The current funding level should be adequate to fund CRBs once necessary statutory changes are made to eliminate the requirement that CRBs evaluate every foster care case before judicial review and instead focus on cases in which there is need for such independent review.

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 seven hundred fifty thousand dollars (\$750,000) 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 2016. 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 eleven million seven hundred four thousand five hundred dollars (\$11,704,500) from the 911 enhancement fund, twenty-one million dollars (\$21,000,000) from the local DWI grant fund, and one million six hundred fifty-nine thousand nine hundred dollars (\$1,659,900) from the civil legal services fund.

The department may withhold an administrative fee up to the amount of one and a half percent of the special appropriations administered by the local government division: county food infrastructure, children's interactive science, land grant council, acequia and community ditch education program, food banks, group youth mentoring, one-one-one youth mentoring, statewide teen court and citizen substitute care review.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Capital outlay-- 1 FTE (P541)	74.4	74.4
2	BOF--meeting transcription (P541)	5.0	5.0
3	"At-risk" outreach-- 2 FTE (P543)	207.5	0.0
4	FCD accountants-- 6 FTE (P544)	558.9	0.0
5	Citizen review boards (P545)	355.5	0.0
TOTAL		1,201.3	79.4

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)

	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,399.4	3,440.1	3,519.5	3,507.9	2.0
SOURCES TOTAL	3,399.4	3,440.1	3,519.5	3,507.9	2.0
USES					
Personal Services and Employee Benefits	2,632.0	3,185.3	3,229.3	3,229.3	1.4
Contractual Services	89.5	85.7	108.3	108.3	26.4
Other	209.5	169.1	181.9	170.3	0.7
TOTAL USES	2,931.0	3,440.1	3,519.5	3,507.9	2.0
FTE					
Permanent	35.0	35.0	36.0	36.0	2.9
TOTAL FTE POSITIONS	35.0	35.0	36.0	36.0	2.9

PERFORMANCE MEASURES

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
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 unexpended (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%	11%	10%	10%	10%
Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and -gas revenue and corporate income taxes	4.2%	2.2%	(+/-) 4%	(+/-) 4%	(+/-) 4%
Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	7.2%	0.7%	(+/-) 3%	(+/-) 3%	(+/-) 3%
Outcome	Average number of working days to process capital budget requests and budget adjustment requests	3.5	4 to 7	5	5	5

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Quality	Average number of working days to process capital budget requests	new	new	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%	97%	95%	95%	97%
Output	Average number of bids received at each competitive bond sales	8	6	5	5	7
Efficiency	Percent of state payments processed electronically	84.6%	81.7%	>=70%	>=70%	>=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	new	95%	99%
Outcome	Percent of training attendees that report training as satisfactory or above	new	new	new	75%	85%
Outcome	Percent of agencies responding to the annual state budget division performance survey who rate customer service as satisfactory or above	new	new	new	75%	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)

	<u>FY14</u> <u>2013-2014</u> <u>Actuals</u>	<u>FY15</u> <u>2014-2015</u> <u>Budgeted</u>	<u>FY16 - 2015-2016</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	3,813.3	4,134.4	4,341.9	4,287.3	3.7
Federal Revenues	10,943.3	9,016.4	9,016.4	9,016.4	0.0
Other Revenues	32,416.3	32,617.1	32,254.4	34,364.4	5.4
Fund Balance	3,000.0	0.0	0.0	0.0	
SOURCES TOTAL	50,172.9	45,767.9	45,612.7	47,668.1	4.2
USES					
Personal Services and Employee Benefits	2,824.8	3,184.6	3,413.8	3,244.9	1.9
Contractual Services	3,570.3	3,919.8	3,867.9	4,067.9	3.8
Other	28,316.8	37,863.5	38,031.0	39,305.3	3.8
Other Financing Uses	800.0	800.0	300.0	1,050.0	31.3
TOTAL USES	35,511.9	45,767.9	45,612.7	47,668.1	4.2
FTE					
Permanent	30.6	25.0	26.3	24.3	-3.0
Term	16.5	21.0	21.8	21.8	3.6
TOTAL FTE POSITIONS	47.0	46.0	48.0	46.0	0.0

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</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	301	322	325	325	325
Quality	Number of annual local site visits by DWI staff	50	40	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	0	3.5	4 to 8	4 to 8	4 to 8
Quality	Number of annual local site visits by E-911 staff	83	80	100	100	100
Outcome	Total number of persons who benefited from closed civil legal services cases	35,429	111,278	10,000	10,000	100,000
Efficiency	Percent of grant agreements, not restricted by state board of finance special conditions, issued within seventy-five days from availability of funds	new	97%	90%	90%	95%
Output	Percent of community development block grant projects completed with closeout monitoring letter	60%	95%	85%	85%	90%
* Output	Percent of county and municipality budgets approved by the local government division of budgets submitted timely	new	84%	90%	90%	90%
* Outcome	Number of counties and municipalities operating under a conditional certification during the fiscal year	new	16	5	5	5

FISCAL MANAGEMENT AND OVERSIGHT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14</u> <u>2013-2014</u> <u>Actuals</u>	<u>FY15</u> <u>2014-2015</u> <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	4,904.8	6,069.2	6,732.1	6,323.2	4.2
Other Transfers	0.0	19,282.7	19,282.7	19,282.7	0.0
Other Revenues	0.0	27,890.9	29,608.0	29,608.0	6.2
SOURCES TOTAL	4,904.8	53,242.8	55,622.8	55,213.9	3.7
USES					
Personal Services and Employee Benefits	3,868.0	4,624.6	5,265.1	4,887.7	5.7
Contractual Services	348.1	893.0	931.8	931.8	4.3
Other	571.2	551.6	535.2	503.7	-8.7
Other Financing Uses	0.0	47,173.6	48,890.7	48,890.7	3.6
TOTAL USES	4,787.3	53,242.8	55,622.8	55,213.9	3.7
FTE					
Permanent	57.0	63.0	70.0	64.0	1.6
TOTAL FTE POSITIONS	57.0	63.0	70.0	64.0	1.6

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Efficiency	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	not given	N/A	10	10	7
Output	Date of submitting the annual statewide cost allocation plan for federal approval	not given	3/31	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	new	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%	95%	95%	95%	95%
Efficiency	Percent of payroll payments to employees made by the scheduled payday	100%	99.5%	100%	100%	100%
* Efficiency	Percent of vendor and employee payment vouchers processed within five working days	92.5%	93.92%	95%	95%	95%
Efficiency	Percent response to help desk requests within two business days	new	97%	97%	97%	97%
* Output	Percent of bank accounts reconciled	new	100%	100%	100%	100%
Outcome	Percent of error-free bank accounts	new	84%	75%	75%	80%
Outcome	Percent of contracts rejected	10%	14.3%	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 administer the executive's exempt salary plan and to review and approve all state professional service contracts.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,621.4	1,310.8	1,166.2	1,156.6	-11.8
SOURCES TOTAL	1,621.4	1,310.8	1,166.2	1,156.6	-11.8
USES					
Personal Services and Employee Benefits	1,313.9	1,194.7	1,025.8	1,020.4	-14.6
Contractual Services	65.2	75.0	75.2	75.0	0.0
Other	198.5	41.1	65.2	61.2	48.9
TOTAL USES	1,577.6	1,310.8	1,166.2	1,156.6	-11.8
FTE					
Permanent	19.0	14.0	13.0	13.0	-7.1
TOTAL FTE POSITIONS	19.0	14.0	13.0	13.0	-7.1

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	not given	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	new	93%	90%	90%	90%
Outcome	Date of timely, unqualified audit opinion issued for the department audit	12/04	11/26	12/15	12/15	12/15
Outcome	Average number of working days to process department level budget adjustment requests and submit them to state budget division for review	new	new	new	2	2
Outcome	Date agency appropriation request is submitted to agency management for review and approval	new	new	new	8/15	8/15
Outcome	Percent of internal invoices processed and submitted to financial control division for payment within forty-eight hours of acceptance	new	new	new	95%	98%
Outcome	Percent of completed personnel action requests within forty-eight hours of acceptance	new	new	new	90%	90%
Outcome	Percent of employee evaluations received by each employee's anniversary date in accordance with NMAC 1.7.9	new	new	new	90%	95%

**DFA NON-OPERATING APPROPRIATIONS
BUDGET SUMMARY**
(dollars in thousands)
FY 2015 - 2016

	FY15 Operating	FY16 Agency Request	FY16 LFC Recommendation	FY15/FY16 Pct increase (decrease)
SOURCES				
General fund transfers	11,307.7	11,847.0	11,418.6	1.0%
Other transfers	289.9	289.9	289.9	0.0%
Federal program revenues				
Other program revenues				
General revenues	7,999.4	8,860.0	8,860.0	10.8%
Fund balance	0.0	0.0	0.0	0.0%
TOTAL REVENUE	\$19,597.0	\$20,996.9	\$20,568.5	5.0%
USES				
(a) BOF emergency water fund	118.1	118.1	118.1	0.0%
(b) BOF fiscal agent contract	1,317.2	1,317.2	1,317.2	0.0%
(c) Membership and dues	707.3	720.0	718.2	1.5%
(d) Citizens review board	644.5	1,000.0	644.5	0.0%
(e) Youth mentoring program	700.1	700.1	700.1	0.0%
(f) One-on-one youth mentoring	2,328.3	2,328.3	2,428.3	4.3%
(g) Law enforcement enhancement	7,809.4	8,700.0	8,700.0	11.4%
(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	299.6	128.5	0.0%
(l) County prisoner detention	3,290.9	3,290.9	3,290.9	0.0%
(m) Acequia & community ditch prog	423.8	423.8	423.8	0.0%
(n) New Mexico acequia commission	49.3	49.3	49.3	0.0%
(o) Food bank	523.0	523.0	523.0	0.0%
(p) Statewide Teen Court-Juvenile	209.9	179.9	179.9	-14.3%
(q) Land grant council	99.7	99.7	99.7	0.0%
(r) County food infrastructure	99.7	99.7	99.7	0.0%
(s) Industry developed curriculum Alb.	49.9	49.9	49.9	0.0%
(t) Children's interactive science	99.7	99.7	99.7	0.0%
(u) Bernalillo active shooter	50	50	50	0
TOTAL EXPENDITURES	\$19,597.0	\$20,996.9	\$20,568.5	5.0%

Recommended Language:

The department of finance and administration shall not distribute a general fund appropriation made in items (a) 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. (Note: Lettering may change in actual House Bill 2 to accommodate the individual listing of membership and dues items.)

STATUTORY AUTHORITY:

The New Mexico Public Schools Insurance Authority (NMPSIA) was created by Sections 22-2-6.1 through 22-2-6-10 NMSA 1978 to provide comprehensive core insurance programs for 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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,286.4	1,323.0	1,362.6	1,362.6	3.0
Other Revenues	363,413.1	370,445.0	387,019.0	377,730.6	2.0
Fund Balance	3,784.5	5,367.7	7,000.0	7,000.0	30.4
SOURCES TOTAL	368,484.0	377,135.7	395,381.6	386,093.2	2.4
USES					
Personal Services and Employee Benefits	878.1	938.8	961.3	961.3	2.4
Contractual Services	348,185.5	374,641.0	392,822.4	383,534.0	2.4
Other	242.2	232.9	235.3	235.3	1.0
Other Financing Uses	1,286.4	1,323.0	1,362.6	1,362.6	3.0
TOTAL USES	350,592.2	377,135.7	395,381.6	386,093.2	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 payroll and school contributions to employee health plans and risk pool insurance, covers hundreds of thousand of students, employees and volunteers, and billions of dollars in property value for school districts, charter schools and other educational entities throughout the state. In the past five years, despite declining enrollment in health plans and less utilization, medical and prescription drug costs on a per-member basis grew by 18 percent even with members paying a higher share of the costs when they access care. This is because New Mexico's medical costs continue to increase faster than many other regions in the nation.

NMPSIA asked for an overall increase of 4.8 percent, primarily to pay projected health and risk claims expenditures and increases in excess insurance coverage as a result of increases in property values and continued large property and casualty losses. This would require an additional \$10.6 million be appropriated to public school support for the school's share of increased insurance premiums. The committee recommends half that -- an increase of 2.4 percent -- with an increase in revenue from school risk assessments for about half the needed amount, and the remainder from excess fund reserves and other state funds, without increasing health plan contributions.

BUDGET ISSUES:

Excluding Albuquerque Public Schools, NMPSIA administers employee health benefit plans and risk management programs for 88 public school districts, 95 charter schools, and 23 other educational entities that voluntarily participate. Under the plans, there are 273 thousand students, 44 thousand employees, \$19.5 billion in insured property values, 8,400 buses and other vehicles, 42 thousand sports participants and 9 thousand volunteers. During FY14, NMPSIA operated with 11 FTE and expended \$1.3 million for program support, \$276 million for employee health benefits, and \$72 million for risk coverage. The cost to administer and service the Employee Benefits Program and Risk Program account for about 6 percent of total expenses.

The Employee Benefits Program met all performance targets except for the number of covered participants. The Risk Program met all but one performance target, the average cost per claim, because of a student shooting in Roswell, sexual molestations in Carlsbad, and various school campus rape claims. Starting FY15, the program added performance metrics for schools in compliance with loss control recommendations, and several related to reducing the number and average cost per claim for some higher-impact incidents as compared with their five-year average or other self-insured plans. This targeted approach is because claims history and pending losses are driving up costs for schools, especially as it relates to excess insurance. In addition, these reinsurers consider New Mexico at risk for above average property losses from weather.

The agency's request included increases of 15 percent for the Employee Benefits Program and 2 percent for the Risk Program over actual spending levels. The request for the Benefits Program anticipates increases close to 3 percent from employee payroll and school employer contributions, and \$7 million from fund balances, to cover medical inflation, health insurer fees imposed under the Affordable Care Act, and third-party administration cost increases. The request for the Risk Program anticipates increases of about 11 percent from school risk assessments to cover pending losses, reinsurance, and third-party administration.

For FY14, the Benefits Program paid \$239 million in medical and prescription drug claims, an increase of about 3 percent from FY13 actual spending. This is lower than the medical cost trend rate of 8 percent used for forecasting purposes. Most services under the health plan are subject to a \$300 deductible, 20 percent coinsurance, and maximum out-of-pocket limit of \$2,800, less generous than plans administered by Albuquerque Public Schools (APS) and more generous than plans under the General Services Department (GSD). However, because of generous subsidies provided by the state for most employees in GSD plans, many employees in APS and NMPSIA health plans pay a higher contribution toward the premium.

The recommendation for the Benefits Program includes an increase of 1.4 percent over the FY15 operating budget and should not require an increase in payroll or employer contributions due to strong fund reserves.

Except for APS, all school districts, charter schools, board members, employees, volunteers, and school bus contractors are covered under risk policies administered by NMPSIA. The financing method is a combination of self-insurance of \$500 thousand per occurrence for workers' compensation coverage and \$750 thousand per occurrence for property and liability coverage with reinsurance for larger losses. NMPSIA has contracts with commercial excess insurance carriers to minimize exposure on risks above its self-insurance retention. Over the past five years, excess insurance costs have increased 40 percent, on average 8 percent per year.

Over the past five years, appropriations to the Risk Program increased 20 percent; on average 4 percent per year. To hold down costs for schools, NMPSIA kept risk premiums flat most of those years even though expenditures were expected to exceed revenues. The shortfall in revenue was to be covered by fund balances which had been growing steadily since 2010. However, school payrolls continue to increase, with growth in student enrollment, the number of school districts and charter schools has doubled, and school property values have more than tripled. Because of these increases in exposure and several large losses in recent years, claims payments from the risk fund increased close to 50 percent over this same time period.

The recommendation for the Risk Program includes a 5 percent increase in school risk premiums. To support smaller rate increases than requested, the recommendation budgets other state funds and does not use fund balance, which was \$5.4 million at the start of FY15. Because of losses not anticipated, a budget adjustment of \$8.5 million was approved in FY14, although not all was expended. Should losses continue into FY15, a budget adjustment may be needed because the operating budget is slightly less than actual spending levels.

For Program Support, the recommendation includes increases to cover facility maintenance and salary and benefits for 11 FTE, funded by internal transfers from the Employee Benefits Program and Risk Program.

Because healthcare claims expenses continue to climb, LFC staff conducted program evaluations in 2010 and 2013 to review utilization, provider rates, and other factors that inflate costs for employee health plans, the benefits and barriers to consolidation and in the 2013 report, the impact of the Affordable Care Act on employee healthcare. Study findings included a lack of oversight

of provider rates and quality improvement, duplicative administrative functions, and lack of data warehousing for better claims management. A key recommendation in both reports included the creation of one consolidated entity to administer employee health benefits.

RECOMMENDED LANGUAGE:

Any unexpended balance in program support of the new Mexico Public School Insurance Authority remaining at the end of fiscal year 2016 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	288,902.3	303,906.4	312,519.0	303,900.0	0.0
Fund Balance	0.0	2,686.5	7,000.0	7,000.0	160.6
SOURCES TOTAL	288,902.3	306,592.9	319,519.0	310,900.0	1.4
USES					
Contractual Services	275,679.8	305,931.4	318,837.7	310,218.7	1.4
Other Financing Uses	643.2	661.5	681.3	681.3	3.0
TOTAL USES	276,323.0	306,592.9	319,519.0	310,900.0	1.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent change in per-member health claim costs	New	New	≤9%	≤6%	≤6%
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	8	10	8	10	10
Outcome	Percent increase in mammography screening compliance	New	65%	62%	2%	2%
Outcome	Percent increase in pap smear screening compliance	New	58%	72%	2%	2%
* Outcome	Percent change in medical premium as compared with industry average	New	New	≤3%	≤3%	≤3%
Outcome	Percent change in dental premium as compared with industry average	New	New	≤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)

			FY16 - 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	74,510.8	66,538.6	74,500.0	73,830.6	11.0
Fund Balance	3,784.5	2,666.5	0.0	0.0	-100.0
SOURCES TOTAL	78,295.3	69,205.1	74,500.0	73,830.6	6.7
USES					
Contractual Services	72,344.4	68,543.6	73,818.7	73,149.3	6.7
Other Financing Uses	643.2	661.5	681.3	681.3	3.0
TOTAL USES	72,987.6	69,205.1	74,500.0	73,830.6	6.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of schools in compliance with loss control prevention recommendations	New	New	75%	40%	75%
Outcome	Average cost per claim for current fiscal year	New	≤\$6,187	≤\$3,800	≤\$5,754	≤\$5,754
Outcome	Percent change in average risk premium cost per one hundred dollars of building value	2%	0%	≤5%	≤7%	≤3%
Outcome	Percent change in the average cost per ergonomic claim as compared with five-year average	New	New	≤3%	≤5%	≤5%
Outcome	Percent change in average cost per water damage claim as compared with five-year average	New	New	≤3%	≤10%	≤3%
* Outcome	Percent change in the average cost per improper touching claim as compared with five-year average	New	New	≤3%	≤7%	≤3%
Outcome	Percent change in the average cost per individuals with disabilities education act claim as compared with five-year average	New	New	≤3%	≤5%	≤3%
Outcome	Percent change in the average cost per bus accident claim as compared with five-year average	New	New	≤3%	≤7%	≤5%
* Outcome	Percent change in the average cost per roof damage claim as compared with five-year average	New	New	≤3%	≤10%	≤3%
* Outcome	Percent change in the average cost per workers' compensation claim as compared with other self-insured employers in the workers' compensation administration's annual report	New	New	≤3%	≤5%	≤5%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,286.4	1,323.0	1,362.6	1,362.6	3.0
Fund Balance	0.0	14.7	0.0	0.0	-100.0
SOURCES TOTAL	1,286.4	1,337.7	1,362.6	1,362.6	1.9
USES					
Personal Services and Employee Benefits	878.1	938.8	961.3	961.3	2.4
Contractual Services	161.3	166.0	166.0	166.0	0.0
Other	242.2	232.9	235.3	235.3	1.0
TOTAL USES	1,281.6	1,337.7	1,362.6	1,362.6	1.9
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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 (RHCA) was created by Section 10-7C-1 through 10-7C-19 NMSA 1978 to provide affordable health care for New Mexico public retirees and eligible dependents. RHCA is governed by a board of 11 members: the state treasurer, a governor’s appointee, a state employee, a teacher, two representatives from New Mexico pension plans, two representatives from retiree associations, one member from the Municipal League, one member from the school superintendent’s association, and one member from the Association of Counties.

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

			<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES					
Other Transfers	2,748.3	2,929.3	3,119.0	3,017.2	3.0
Other Revenues	291,471.6	275,051.3	302,036.5	296,628.3	7.8
SOURCES TOTAL	294,219.9	277,980.6	305,155.5	299,645.5	7.8
USES					
Personal Services and Employee Benefits	1,736.9	1,906.4	2,026.3	1,924.5	0.9
Contractual Services	252,083.5	272,589.4	299,347.2	294,096.3	7.9
Other	534.9	555.5	663.0	607.5	9.4
Other Financing Uses	2,748.3	2,929.3	3,119.0	3,017.2	3.0
TOTAL USES	257,103.6	277,980.6	305,155.5	299,645.5	7.8
FTE					
Permanent	25.0	26.0	28.0	26.0	0.0
TOTAL FTE POSITIONS	25.0	26.0	28.0	26.0	0.0

AT A GLANCE:

RHCA offers Medicare and pre-Medicare healthcare benefit plans for New Mexico's retired public employees. Currently, 96 thousand public employees contribute to the health plan, and 57 thousand retirees and eligible dependents access healthcare through the plan. In FY14, RHCA operated with 25 FTE and expended \$2.6 million for in-house program support and \$252 million for healthcare benefits. In the past 3 years, despite an 18 percent increase in participation, medical and prescription drug costs on a per member basis actually declined. This is due in part to health plan participants paying a greater share of their own healthcare costs, and health plan design strategies that encourage retirees and their eligible dependents to use healthcare more efficiently.

As of the 2014 biannual valuation, the health of the program's long-term fund improved. Actuarial assumptions include a discount rate of 5 percent, payroll increases of 3.5 percent, and medical cost trend of 8 percent. In the past few years, primarily because of increased payroll contributions, RHCA added \$125 million to the fund to cover healthcare liabilities for employees after retirement. The balance in the fund is now close to \$400 million, a small fraction of what is needed long-term. Assets are invested with the State Investment Council, and returns over 10 years are 7.28 percent, shy of the long-term target of 7.75 percent. The fund will soon invest in private equity, increasing management fees and risk -- an approach expected to help the fund reach long-term targets.

BUDGET ISSUES:

The agency requested \$305.2 million, a \$27.2 million, or 9.8 percent, increase from the FY15 operating budget. The request included \$136.5 million in revenue from retiree premiums, an increase of 9 percent in response to medical inflation and growth in membership; \$113.9 million from payroll contributions; \$22.3 million from prescription drug rebates and subsidies; and \$29.3 million from an annual tax suspense fund distribution. The request for program support included an additional \$175 thousand for 2 customer service FTE and funding in contractual services for IT expenses related to a new eligibility and billing system.

The recommendation is \$299.6 million, a \$21.7 million, or 7.8 percent, increase from the FY15 operating budget. The recommendation reflects a 4 percent growth in membership, medical inflation of 3 percent, and fees for pre-Medicare members associated with the Affordable Care Act. The recommendation provides smaller increases in the other costs category for less-essential expenses. The program leases two locations that provide customer service, one in Albuquerque and the other in Santa Fe. The recommendation does not include funding for two new FTE, but because of low staff turnover, does not take a vacancy savings rate.

As of the 2014 biannual valuation, the cost of unfunded healthcare benefits on an actuarial basis decreased from \$3.7 billion to \$3.4 billion. The fund is now 10 percent funded, up from 6 percent two years ago, with a positive fund balance through 2033. Last July, to increase revenue and decrease plan expenses over the long-term, RHCA increased premiums for pre-Medicare and Medicare plans 8 percent and 5 percent, respectively; reduced some spousal subsidies from 40 percent to 38 percent; implemented a minimum age of 55 to receive a subsidy; increased years of service from 20 years to 25 years to receive a maximum subsidy; and agreed to evaluate proposals to phase out a life insurance subsidy. Most changes affect new retirees after 2020 (public safety excluded). The board will also pursue an increase in employee payroll and employer contributions, which requires legislative action. If not supported, RHCA may need to further reduce or eliminate subsidies for spouses not Medicare eligible, increase the age to receive a subsidy to at least 60, offer only a Medicare option, or provide a monthly stipend to retirees to purchase insurance elsewhere.

RHCA becomes the secondary payer once a retiree reaches Medicare-eligibility, which sharply reduces plan expenses. In recent years, the program has seen migration toward lower premium, higher out-of-pocket pre-Medicare plans and growth in Medicare Advantage plans over Medicare Supplement plans because of the lower cost. During 2014, a pre-Medicare retiree with 20 years of service paid \$272 monthly for a lower out-of-pocket plan or \$146 monthly for a higher out-of-pocket plan. In contrast, a Medicare-eligible retiree with 20 years of service paid up to \$67 monthly for a Medicare Advantage plan and \$160 monthly for a Medicare Supplement plan. The program pays 50 percent of the total cost, with the other 50 percent captured through annually updated retiree premiums that reflect market trends, the pool's health risks, and actual claims.

The Interagency Benefits Advisory Committee (IBAC) is looking at ways to move away from a fee-for-service system that rewards volume, to a fee-for-outcome arrangement that rewards value. This includes creating incentives for members to use certain medical facilities, bundled payments for some episodes-of-care, and payment arrangements that share risks and savings with healthcare providers. This effort had stalled because IBAC does not have a direct relationship with provider groups and negotiations occur through contractual agreements with commercial carriers that sometimes own provider networks. However, for the new plan year, RHCA successfully negotiated the addition of performance criteria to agreements to track the health of its members with diabetes using actual lab results, and the use of emergency rooms for non-emergent needs.

RHCA participates in the New Mexico Business Coalition on Health with the Albuquerque Public Schools, New Mexico Public School Insurance Authority, city of Albuquerque and several large private employer healthcare purchasers in an effort to leverage the group's purchasing power to control healthcare costs and increase quality of care through public reporting of performance data and value-based purchasing incentives. In addition, RHCA has been meeting with University of New Mexico's Project Echo to discuss a collaboration to help fund the training of community health workers to provide basic healthcare to retirees in their local communities. Initial discussions have focused on programs for diabetes and obesity.

RECOMMENDED LANGUAGE:

Any unexpended balance in program support of the retiree health care authority remaining at the end of fiscal year 2016 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	291,471.6	275,051.3	302,036.5	296,628.3	7.8
SOURCES TOTAL	291,471.6	275,051.3	302,036.5	296,628.3	7.8
USES					
Contractual Services	251,724.2	272,122.0	298,862.0	293,611.1	7.9
Other	0.0	0.0	55.5	0.0	
Other Financing Uses	2,748.3	2,929.3	3,119.0	3,017.2	3.0
TOTAL USES	254,472.5	275,051.3	302,036.5	296,628.3	7.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Minimum number of years of positive find balance	16	19	20	15	20
Outcome	Total revenue generated in millions	\$272	\$293	\$282	\$320	\$320
* Efficiency	Total revenue increase to the reserve fund, in millions	\$15.2	\$57.5	\$25	\$25	\$40
Efficiency	Average monthly pre medicare eligible per-participant claim cost	\$579	\$577	\$670	\$670	\$612
Output	Average monthly medicare eligible per-participant claim cost	\$236	\$252	\$340	\$340	\$267
* Efficiency	Percent variance of medical premium change with industry average	3%	0.1%	+/-4%	+/-4%	+/-4%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	2,748.3	2,929.3	3,119.0	3,017.2	3.0
SOURCES TOTAL	2,748.3	2,929.3	3,119.0	3,017.2	3.0
USES					
Personal Services and Employee Benefits	1,736.9	1,906.4	2,026.3	1,924.5	0.9
Contractual Services	359.3	467.4	485.2	485.2	3.8
Other	534.9	555.5	607.5	607.5	9.4
TOTAL USES	2,631.1	2,929.3	3,119.0	3,017.2	3.0
FTE					
Permanent	25.0	26.0	28.0	26.0	0.0
TOTAL FTE POSITIONS	25.0	26.0	28.0	26.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Number of prior-year audit findings that recur	1	0	0	0	0
Efficiency	Percent of deposits made within twenty-four hours	New	New	100%	100%	100%
Efficiency	Percent of payments made within thirty days	New	New	100%	100%	100%
* Efficiency	Average number of days to resolve customer service claims related to inquiries and appeals	6	8	6	7	7

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>FY16 – 2015-2016</u>				
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	13,842.5	14,367.7	15,117.7	14,367.7	0.0
Other Transfers	9,294.6	12,344.0	11,750.9	11,516.5	-6.7
Other Revenues	422,651.2	481,334.7	431,370.6	421,745.4	-12.4
Fund Balance	1,971.9	4,712.8	5,042.2	12,342.2	161.9
SOURCES TOTAL	447,760.2	512,759.2	463,281.4	459,971.8	-10.3
USES					
Personal Services and Employee Benefits	15,877.7	19,248.5	20,596.5	20,270.8	5.3
Contractual Services	40,551.2	42,998.0	46,139.4	41,990.2	-2.3
Other	354,247.9	438,021.4	384,517.7	385,917.4	-11.9
Other Financing Uses	9,447.2	12,491.3	12,027.8	11,793.4	-5.6
TOTAL USES	420,124.0	512,759.2	463,281.4	459,971.8	-10.3
FTE					
Permanent	331.5	311.0	311.5	311.5	0.2
Term	0.0	1.0	1.0	1.0	0.0
Temporary	0.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	331.5	314.0	314.5	314.5	0.2

AT A GLANCE:

GSD, funded primarily from other state funds including fees revenue, agency assessments, and payroll contributions, provides a variety of support services to state government 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 maintenance of public buildings, oversees billions of dollars in contracts for goods and services, from vehicle purchases to office supplies, and negotiates and manages all office space, storage, and special use leases on behalf of state government. About 3 percent of the agency's total appropriation is from the general fund, mostly for the management and maintenance of state property.

GSD asked for an overall decrease of 10 percent from other state funds, due to revised projections for employee health plans, and an increase of 5 percent from the general fund for staff and expenses related to the upkeep of state property. The recommendation for the most part supports the request from other state funds, uses fund balances to reduce unemployment compensation, employee health plan, and motor pool rates for state agencies, saving \$4.5 million in general fund, and maintains the general fund appropriation at FY15 operating levels.

BUDGET ISSUES:

GSD consists of six divisions that provide consolidated services to public entities in the areas of employee health; risk management, including litigation defense and loss prevention; facility design and construction management; building maintenance; vehicle fleet and air transportation services; centralized procurement; and printing services. The operating budget for FY15 is \$513 million including \$40 million to cover operating expenses for six divisions, \$97 million for risk management funds, and \$375 million for public employee health plans. The agency has 314 authorized FTE; a little less than half are funded from the general fund and the remainder from other state funds including revenue generated from enterprise activities.

Group Benefits: From FY10 to FY14, medical and prescription drug costs on a per member basis grew 10 percent, on average 2 percent per year, less than medical inflation. This suggests that cost-shifting to employees to manage cost increases has had the desired effect. However, from FY09 to FY13, health plan premiums were mostly kept flat, and fund balances were depleted to offset the difference between healthcare cost increases and declining revenue from the loss of members to retirement and a hiring freeze.

In January 2013, the Employee Group Health Benefits Program alerted the Legislature it was rapidly reaching insolvency. In response, the Legislature appropriated \$25 million, of which \$10.4 million was from the general fund; however, the governor vetoed the remaining appropriation from participating non-general fund employers. Over concerns the appropriation was not sufficient, the program followed the actuary's guidance and increased premiums 15 percent for FY14 and 10 percent for FY15 and proposes another 3 percent increase for FY16. The program projects to end FY16 with a fund balance of \$37 million, \$10 million more than what may be needed for a well-managed plan of this size to be actuarially sound.

The recommendation for benefits assumes a 5 percent membership growth, flat administrative costs on a per member basis, 10 percent growth in per member medical and prescription drug costs over FY14 actual spending to cover inflation, well-designed wellness programs, and fees imposed by the Affordable Care Act. Under the recommendation, employer premiums would increase 1 percent for state agencies but would be offset by use of excess fund reserves. DFA budget guidelines limited agencies to assume a 3 percent increase in employer premiums, so a companion to the LFC recommendation is a reduction in spending across state agencies. The savings to the general fund would be about \$2.7 million.

Risk Coverage: During FY14, the average cost of a workers' compensation or civil rights claim was only slightly higher than the five-year average. This is somewhat due to the Risk Management Division (RMD) closing out some claims sooner which can often result in lower settlement costs. However, the average cost of a law enforcement or medical professional claim grew 20 percent and 30 percent, respectively, when compared with their five-year averages. The financial position of the funds are 24 percent for worker's compensation and 33 percent for public liability, less than the desired target of 50 percent (assets/estimated outstanding losses), 244 percent for unemployment compensation, and 322 percent for public property. Although the ratio for the public property fund appears excessive, it is difficult to find an optimal balance given the unpredictability of weather-related losses.

Starting in FY15, GSD implemented a five-year solvency plan to replenish the risk funds after years of inadequate rate setting. For FY16, the second year of the plan, risk rates include about \$10 million in total to rebuild reserve levels. In addition, RMD is working to restore trust with agencies from improved rate setting. The recommendation aligns revenues according to the posted DFA risk rate schedules, except for unemployment compensation, which is reduced for state agencies and offset using excess fund reserves, saving the general fund \$1.5 million. Again, DFA budget instructions incorporated unemployment compensation assessments so state agency requests are reduced accordingly in the LFC recommendation.

Facilities Management: FMD reorganized into four bureaus for financial management, facility operations and maintenance which accounts for the majority of staff and costs; capital projects, which includes design and construction; and asset management, which oversees space use in both state-owned and leased buildings.

FMD has six project managers (PMs) managing 62 appropriations for 160 capital projects totaling \$144 million. That equates to 26 statewide projects totaling \$24 million on average per PM. Because of the difficulty in managing some statewide projects from Santa Fe, FMD hires contract PMs for outlying areas. Lately, FMD has had difficulty moving capital projects to completion, partly because of turnover attributed to compensation. The salary for a PM at FMD is about \$27 per hour; the private sector industry rate for a "certified" PM is between \$29 and \$39 per hour although that rate does not include pension and other benefits. As of October 2014, \$76 million in appropriations for capital projects were still outstanding.

In addition to managing capital projects, FMD also oversees 750 buildings that house agency employees and controls almost 400 leases for state government. Because 40 leases have expired and are operating month-to-month and 100 leases are expiring within the next year or so, GSD transferred funding out of personal services and employee benefits to hire temporary staff to coordinate with other agencies to support its leasing team. The team will evaluate opportunities to reduce lease costs, revise leasing documents, and standardize the process. Presently, gross square feet averages 400 per FTE for leased offices in Santa Fe, closer to 500 per FTE for leased offices statewide. The ideal is 230 per FTE which mirrors federal standards.

Although the recommendation for FMD is flat, it supports a crucial increase of 24 percent over FY14 actual spending levels in the personal services and employee benefits category. The program should use the capital projects fund to supplement its budget in the contractual services and other costs categories to preserve funding for compensation. As of October, the cash balance in the capital projects fund was \$2.4 million, and DFA is distributing about 25 percent per year to the division. The fund receives a small percentage of capital outlay appropriations managed by FMD each year to help the division cover some operating expenses.

Transportation and Surplus Property: From FY11 to FY13, Transportation Services Division's (TSD) vehicle leasing rates did not include vehicle replacement, resulting in a higher mileage state fleet. This led to increased costs for maintenance and fuel, which are higher for older vehicles. During FY13, over half the fleet exceeded their life cycle. The target is 20 percent to reflect a five year life cycle. However, for FY14, the program did not replace as many vehicles as budgeted, which increased its fund balance by \$500 thousand. The recommendation reflects a slight reduction in leasing rates for state agencies offset by use of fund balance, saving the general fund about \$300 thousand. Because DFA budget instructions incorporated vehicle leasing rates, state agency requests are reduced accordingly in the LFC recommendation.

For FY13, TSD's State Aviation Bureau did not request a general fund appropriation due to proceeds from the sale of aircraft. For FY14 and FY15, with most of those proceeds from sales exhausted, the Legislature appropriated just over \$1 million in total from the general fund. The recommendation for FY16 includes \$600 thousand from the general fund to cover the majority of operating costs. Revenue from passengers for fuel are budgeted at \$135 thousand, an increase of about 15 percent from actual revenue. The majority of flight hours are used by Department of Health providers serving rural areas. The recommendation for TSD's Surplus Property Bureau includes 2 more FTE to assist agencies with their physical moving requirements.

Centralized Procurement: The State Purchasing Division (SPD) reorganized into four bureaus for IT, core and construction procurement processes, and contract management. The program has two sources of revenue, general fund and fees. The general fund share has declined in recent years to about one-half of the revenue requested for operations. In 2012, vendor registration fees were discontinued; however, during FY13 and FY14 revenue from other fees increased. This was primarily due to efforts to collect outstanding amounts owing from use of state price agreements which are self-reported by vendors on a quarterly basis. The recommendation includes a slightly reduced general fund appropriation in light of stronger fund balances, applies a vacancy savings rate of about 3 percent, and reduces less-essential costs accordingly.

GSD and Chemeketa Community College in Oregon in cooperation with the National Association of State Procurement Officials are implementing an online curriculum to certify chief procurement officers (CPOs) in New Mexico. According to statutory requirements, the state must have a CPO certification program in place by January 2015 and CPOs must be certified by the following July. To help pay for the training, GSD submitted a BAR of \$150 thousand to cover the cost of \$350 per trainee from enterprise fees. By improving competencies, this effort is expected to standardize and improve spending practices across state government.

Print Services: The State Printing and Graphic Services program (SPG) is requesting a general fund deficiency appropriation in 2015. SPG started FY07 with a surplus of \$625 thousand and ended FY13 with a negative \$461 thousand; the amount of the deficiency request in 2015. According to GSD, the problem was not outstanding receivables as first thought, but SPG's inability to generate enough revenue to match expenditures. In addition, SPG lost business to competitors because of failure to modernize, and as a result, customer service suffered. In support of a new marketing campaign and improvements in customer service, the recommendation supports the request, which is dependent on a large increase in actual sales revenue.

Program Support: The recommendation for Program Support includes funding to eliminate vacancies and support core functions, which includes standardizing human resources and financial processes across divisions. The recommendation supports the request funded by internal transfers from the other divisions.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2016 shall revert to the procurement services, state printing services, risk management, employee group benefits, facilities management and transportation services programs based on the proportion of each individual program's assessment for program support.

Any unexpended balances in the risk management program of the general services department remaining at the end of fiscal year 2016 shall revert to the public liability fund, public property reserve 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)					
	FY14	FY15	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	325,932.7	375,290.0	323,622.4	319,422.4	-14.9
Fund Balance	0.0	0.0	0.0	4,200.0	
SOURCES TOTAL	325,932.7	375,290.0	323,622.4	323,622.4	-13.8
USES					
Contractual Services	18,370.5	20,562.8	20,712.8	18,462.2	-10.2
Other	289,910.2	353,660.1	300,000.0	303,000.0	-14.3
Other Financing Uses	0.0	1,067.1	2,909.6	2,160.2	102.4
TOTAL USES	308,280.7	375,290.0	323,622.4	323,622.4	-13.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of state group prescriptions filled with generic drugs	84%	84%	82%	80%	80%
Explanatory	Percent of eligible state employees purchasing state medical insurance	93%	92%	92%	85%	85%
* Efficiency	Percent change in state employee medical premium compared with industry average	0%	11%	≤7%	≤12%	≤3%
Efficiency	Percent change in state employee dental premiums compared with industry average	0%	<6%	≤7%	≤12%	≤3%
* Outcome	Percent difference between the average per-member per-month cost compared with other government sector plans	New	New	New	≤ 5%	≤ 5%
Outcome	Percent of members who participate in preventative health checkups	New	New	New	25%	25%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	5,784.7	8,245.8	7,378.4	7,144.0	-13.4
Fund Balance	1,971.9	0.0	1,600.0	1,600.0	
SOURCES TOTAL	7,756.6	8,245.8	8,978.4	8,744.0	6.0
USES					
Personal Services and Employee Benefits	3,539.9	4,265.3	4,860.9	4,678.4	9.7
Contractual Services	129.0	169.3	169.3	117.4	-30.7
Other	672.3	522.9	571.0	571.0	9.2
Other Financing Uses	2,961.6	3,288.3	3,377.2	3,377.2	2.7
TOTAL USES	7,302.8	8,245.8	8,978.4	8,744.0	6.0
FTE					
Permanent	59.0	59.0	56.0	56.0	-5.1
Temporary	0.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	59.0	61.0	58.0	58.0	-4.9

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Efficiency	Average time to resolve a claim, in days	New	New	New	30	30
Outcome	Percent change in claims to the unemployment insurance funds	New	New	New	≥2%	≥2%

RISK MANAGEMENT FUNDS

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	86,092.1	96,225.8	97,212.9	92,347.6	-4.0
Fund Balance	0.0	868.9	0.0	2,600.0	199.2
SOURCES TOTAL	86,092.1	97,094.7	97,212.9	94,947.6	-2.2
USES					
Contractual Services	20,854.9	21,431.5	24,406.3	22,619.6	5.5
Other	50,493.2	68,234.7	68,088.0	67,094.4	-1.7
Other Financing Uses	5,784.7	7,428.5	4,718.6	5,233.6	-29.5
TOTAL USES	77,132.8	97,094.7	97,212.9	94,947.6	-2.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Explanatory	Projected financial position of the public property fund	285%	250%	50%	50%	50%
* Explanatory	Projected financial position of the workers' compensation fund	52%	18%	50%	50%	50%
* Explanatory	Projected financial position of the public liability fund	32%	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>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,138.6	1,664.9	1,542.4	1,542.4	-7.4
SOURCES TOTAL	1,138.6	1,664.9	1,542.4	1,542.4	-7.4
USES					
Personal Services and Employee Benefits	698.1	910.1	793.1	793.1	-12.9
Contractual Services	3.2	12.0	12.0	12.0	0.0
Other	632.2	683.1	686.0	686.0	0.4
Other Financing Uses	0.0	59.7	51.3	51.3	-14.1
TOTAL USES	1,333.5	1,664.9	1,542.4	1,542.4	-7.4
FTE					
Permanent	17.0	15.0	14.0	14.0	-6.7
TOTAL FTE POSITIONS	17.0	15.0	14.0	14.0	-6.7

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Revenue generated per employee compared with the previous legislative fiscal year	\$120,400	\$106,100	\$120,000	\$100,000	\$110,000
* Outcome	Sales growth in revenue compared with the previous legislative fiscal year	5%	1.1%	5%	8%	8%
Output	Percent of printing jobs delivered on time	New	New	New	95%	95%
Output	Print job error costs, as compared with total sales	New	New	New	≤2%	≤2%
Outcome	Average number of business days to provide a customer quote	New	New	New	2	2

BUSINESS OFFICE SPACE MANAGEMENT AND MAINTENANCE SERVICES

The purpose of the business office space management and maintenance services 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,914.7	12,444.5	13,236.3	12,550.6	0.9
Other Transfers	0.0	102.5	25.7	25.7	-74.9
Other Revenues	0.0	0.0	224.7	224.7	
SOURCES TOTAL	11,914.7	12,547.0	13,486.7	12,801.0	2.0
USES					
Personal Services and Employee Benefits	5,286.3	6,460.4	6,689.5	6,577.5	1.8
Contractual Services	501.3	357.3	339.5	304.5	-14.8
Other	5,909.1	5,615.2	6,008.3	5,469.6	-2.6
Other Financing Uses	114.4	114.1	449.4	449.4	293.9
TOTAL USES	11,811.1	12,547.0	13,486.7	12,801.0	2.0
FTE					
Permanent	156.5	138.0	139.5	139.5	1.1
Term	0.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	156.5	139.0	140.5	140.5	1.1

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of preventive maintenance service requirements completed on time	New	85.6%	75%	75%	75%
Outcome	Percent change in natural gas consumption	13%	23%	5%	3%	3%
Outcome	Percent change in electricity consumption	14%	11.4%	5%	3%	3%
Output	Percent of severance tax bond funded projects in design within six months of approved budget	92%	60%	95%	80%	80%
* Efficiency	Percent of capital projects on schedule and within approved budget	93%	88%	94%	90%	90%
Outcome	Percent of time major facility equipment is operational	99%	98.8%	95%	90%	90%
* Outcome	Percent change in average cost per square foot for leased space	New	New	New	3%	3%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	502.0	647.8	601.1	601.1	-7.2
Other Revenues	7,727.4	7,091.6	7,543.9	6,984.0	-1.5
Fund Balance	0.0	3,823.2	3,442.2	3,942.2	3.1
SOURCES TOTAL	8,229.4	11,562.6	11,587.2	11,527.3	-0.3
USES					
Personal Services and Employee Benefits	2,216.0	2,391.2	2,592.5	2,592.5	8.4
Contractual Services	172.6	127.0	180.5	180.5	42.1
Other	5,870.3	8,626.6	8,428.6	8,368.7	-3.0
Other Financing Uses	465.4	417.8	385.6	385.6	-7.7
TOTAL USES	8,724.3	11,562.6	11,587.2	11,527.3	-0.3
FTE					
Permanent	34.0	33.0	35.0	35.0	6.1
TOTAL FTE POSITIONS	34.0	33.0	35.0	35.0	6.1

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Percent of state vehicle fleet beyond five years	29%	54%	20%	30%	30%
* Explanatory	Increase short-term vehicle use	47%	28%	5%	5%	5%
Outcome	Increase in vehicles that accumulate at least one thousand miles per month	41%	29.8%	25%	10%	10%
Outcome	Increase in revenue generated through surplus property	23%	115.6%	5%	5%	5%
Efficiency	Percent of total revenues to total expenses	New	New	New	90%	90%
* Efficiency	Average vehicle operation costs per mile, as compared with industry average	New	New	New	< \$0.59	< \$0.59

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,425.8	1,275.4	1,280.3	1,216.0	-4.7
Other Revenues	1,760.4	1,062.4	1,224.3	1,224.3	15.2
Fund Balance	0.0	20.7	0.0	0.0	-100.0
SOURCES TOTAL	3,186.2	2,358.5	2,504.6	2,440.3	3.5
USES					
Personal Services and Employee Benefits	1,629.8	1,968.3	2,187.1	2,155.9	9.5
Contractual Services	63.4	34.9	25.0	0.0	-100.0
Other	214.6	239.5	209.2	201.1	-16.0
Other Financing Uses	121.1	115.8	83.3	83.3	-28.1
TOTAL USES	2,028.9	2,358.5	2,504.6	2,440.3	3.5
FTE					
Permanent	28.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	28.0	27.0	27.0	27.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Increase in e-procurement bids and proposals	New	New	New	5%	5%
Output	Increase in public outreach events and activities	New	New	New	5%	5%
* Output	Increase in agency visits for compliance with procurement requirements	New	New	New	2%	2%
* Outcome	Percent increase in vendors that comply with post award procurement guidelines	New	New	New	3%	3%
Output	Percent change in agencies using requests for proposals over other procurement methods	New	New	New	5%	5%

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,509.9	3,995.7	4,346.8	4,346.8	8.8
SOURCES TOTAL	3,509.9	3,995.7	4,346.8	4,346.8	8.8
USES					
Personal Services and Employee Benefits	2,507.6	3,253.2	3,473.4	3,473.4	6.8
Contractual Services	456.3	303.2	294.0	294.0	-3.0
Other	546.0	439.3	526.6	526.6	19.9
Other Financing Uses	0.0	0.0	52.8	52.8	
TOTAL USES	3,509.9	3,995.7	4,346.8	4,346.8	8.8
FTE					
Permanent	37.0	39.0	40.0	40.0	2.6
TOTAL FTE POSITIONS	37.0	39.0	40.0	40.0	2.6

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of audit findings resolved from prior fiscal year, excluding findings related to fund solvency	50%	100%	65%	70%	95%
Output	Percent of accounts-receivable dollars collected by fiscal year-end	New	New	75%	75%	95%
Output	Percent of time information technology systems are available	New	New	95%	95%	95%
Output	Percent of internal audit plans completed	New	New	New	80%	95%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY16 – 2015-2016</u>				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	30,068.0	30,055.3	31,051.0	30,465.1	1.4
SOURCES TOTAL	30,068.0	30,055.3	31,051.0	30,465.1	1.4
USES					
Personal Services and Employee Benefits	5,104.0	5,595.4	6,696.1	6,210.9	11.0
Contractual Services	24,221.4	23,548.2	22,827.6	22,827.6	-3.1
Other	742.6	911.7	1,527.3	1,426.6	56.5
TOTAL USES	30,068.0	30,055.3	31,051.0	30,465.1	1.4
FTE					
Permanent	63.0	63.0	67.0	65.0	3.2
Term	2.0	0.0	0.0	0.0	
Temporary	0.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	65.0	67.0	71.0	69.0	3.0

AT A GLANCE:

The pension fund hit an all-time high of \$11.3 billion on June 30, 2014, after bringing in returns of 14.6 percent, but it ranked only in the 79th percentile of its peer universe. One-, three-, and five-year returns exceeded the fund's rate-of-return target of 7.75 percent, but 10-year returns fell short, because of investment strategies slow to adapt to rapidly changing market dynamics and to a lesser extent, from restrictions on diversifying with alternative investments. Consequently, performance has not come without a higher price tag, as a higher ratio of assets shift to more expensive alternatives to maximize returns at moderate risk.

In recent years, a slow-growing workforce coupled with pay freezes some years ago worsened the fund's actuarial condition. By the end of FY12, the percentage of pension benefits funded dropped to 60 percent. In response, in 2013 the Legislature increased employee contributions, delayed the cost-of-living adjustment (COLA) until age 67, and applied a COLA reduction until the fund is at least 90 percent funded. The Legislature also enacted a minimum retirement age of 55 for new hires. The plan is now adequately funded according to governmental accounting standards, as long as investments over the long-term earn 7.75 percent and future legislation changing retirement rules or benefit structures do not erode the gains made.

BUDGET ISSUES:

Although the overall request was only 3 percent above the FY15 operating budget, it included an additional \$1.1 million in the personal services and employee benefits category to fill vacant positions; carry over salary adjustments from FY15 for classified employees and for exempt FTE authorized by the board; fund reclassifications to help with recruitment and retention; cover increases from the General Services Department for public liability coverage and group health benefits; and fund an expansion request that included 4 FTE to staff a new member call center and transition real estate and equity portfolios to internal management.

In the contractual services category, the request included a decrease in the base budget from eliminating external managers and attorneys no longer needed. In the other costs category, the request included funding to temporarily expand office space until a decision is made to remodel the existing building, or buy or build a new building, and to purchase two Oracle data appliances and storage array to operate and secure "IRIS," the agency's primary pension administration system, once a \$3.5 million upgrade project is completed in FY16.

The agency spent about 90 percent of its FY14 operating budget for personal services and employees benefits. The agency reports this is due to employee turnover and delays in posting and processing hiring requests. After applying a 5 percent vacancy factor to salaries and benefits, excluding GSD risk rates that include \$755 thousand for public liability coverage, the recommendation provides about half the requested increase for personal services and employee benefits and 2 new FTE -- a real estate investment manager and equity portfolio investment manager. Once the new FTE are in place, external manager fees should decrease by \$1 million annually. In contractual services and other costs categories, the recommendation provides smaller inflation-adjusted increases for some expenses.

The recommendation does not include funding for additional staff for an enhanced call center. The agency participated in a comparative analysis of ERB's administration processes against a universe of 75 international public pension plans. The report suggested ERB had higher phone, email, and one-on-one service transactions and the biggest improvement ERB could make to reduce costs on a per FTE basis and improve service at the same time would be to improve online capabilities for active members, retirees, and beneficiaries. The report also said global trends among pension plans include engaging younger members through social media and mobile apps, using videos as opposed to on-site classes for education, and moving away from print newsletters. With that end in mind, the recommendation supports the increases for information technology upgrades.

A higher portion of the portfolio is now allocated to alternative assets and those fees are not part of the operating budget. Unlike traditional assets, such as stocks and bonds, fees for managing alternative investments are embedded as part of investment valuations. The agency reports these investments quarterly, net of fees; the market value represents the asset value after fees are deducted. Fees for alternatives were \$143 million in FY14, due to higher allocations. This was in addition to \$18 million in fees for traditional assets that required direct payments to managers as part of the operating budget. For FY14, the agency paid \$161 million in fees, including both "off-budget" and "on-budget"; expenses, and investment returns were \$1.46 billion, net of fees. However, after adjusting for the net difference between contributions and benefits payments after administrative expenses, the overall increase in assets was \$1.1 billion.

ERB's performance ranking among its peers for three-year returns is the 69th percentile. The ranking increases to the 38th percentile for five-year returns. The fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the 13th percentile of its peers over the longer time period. This means the fund produced more return per unit of risk than 87 percent of its peers. ERB should consider joining PERA and SIC in reviewing asset management fee structures as well as developing a uniform reporting format for better comparative analysis. This review could identify opportunities for better cooperation among the three agencies. Administrative and other costs could be reduced through uniform fee schedules, shared internal management of assets, shared information regarding due diligence of firms, and coordinated trainings for both board members and staff.

The state could explore other options for providing pension benefits to teachers. For instance, hybrid pension plans include a traditional defined-benefit (DB) component, often on a limited salary base, that provides a more modest benefit than the typical public plan, combined with a defined-contribution (DC) component that is sometimes mandatory and applied to the salary above the base. DB-DC hybrids are in place in 11 state retirement systems. In addition, most federal employees now participate in a DB-DC hybrid retirement plan. This approach may free up funding to enable salaries to adjust more rapidly to competition for highly qualified teachers and at the same time, enhance take-home pay, which, in turn, benefits local communities.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	investments financial specialist - 1 FTE	(P635)	46.2	0.0
2	member services financial specialist - 1 FTE	(P635)	50.9	0.0
3	real estate portfolio manager - 1 FTE	(P635)	329.0	329.0
4	public equities portfolio manager - 1 FTE	(P635)	332.0	329.0
TOTAL			758.1	658.0

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

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
* Outcome	Average rate of return over a cumulative five-year period	5.8%	12.9%	7.75%	7.75%	7.75%
Outcome	Average number of days to process refund requests	7	8	12	12	12
Outcome	Percent of members satisfied with seminars and trainings	98%	98%	95%	95%	95%
Output	Number of member workshops conducted	26	28	30	30	30
* Outcome	Funding period of unfunded actuarial accrued liability, in years	Infinite	Infinite	≤ 30	≤ 30	≤ 30

STATUTORY AUTHORITY:

The New Mexico Sentencing Commission was created in 1994 under Section 9-3-10 NMSA 1978 as the Criminal and Juvenile Justice Coordinating Council. Laws 2003, Chapter 75, changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 178 created a Sex Offender Management Board within the commission. The commission also has four committees: Data, Sentencing Reform, Legislative, and Judicial.

MISSION:

The central duties of the commission include serving as a clearing house for criminal justice data provided by other state agencies, providing unbiased research on criminal justice related issues on an ad hoc basis, and analyzing criminal justice 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)						
	FY14	FY15	FY16 – 2015-2016		Percent Incr (Decr)	
	2013-2014	2014-2015	Agency Request	LFC Recommendation		
	<u>Actuals</u>	<u>Budgeted</u>				
SOURCES						
General Fund Transfers	529.8	578.2	578.2	578.2	0.0	
Other Transfers	30.0	30.0	30.0	30.0	0.0	
SOURCES TOTAL	559.8	608.2	608.2	608.2	0.0	
USES						
Contractual Services	555.2	602.9	602.9	602.9	0.0	
Other	4.5	5.3	5.3	5.3	0.0	
TOTAL USES	559.7	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 continues providing timely research and information on important criminal and juvenile justice system issues. The commission does not have FTE but, instead, contracts with the University of New Mexico, 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 per year. Recent studies include the Motor Transportation Police staffing study, prison population forecasts, and analyses of the impact of earned meritorious deductions.

The committee recommendation supports the commission's flat budget request for FY16. The commission continues to provide data to LFC to advance the New Mexico Results First Initiative to systematically calculate the return on investment of current and proposed recidivism reduction programs, consistent with the commission's FY15 expansion.

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

		FY13	FY14	FY15	FY16	FY16
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of criminal and juvenile justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	13	13	15	15	15
Output	Number of website hits per month	350,000	350,000	350,000	350,000	350,000
Outcome	Number of pragmatic research projects provided to policymakers that inform policy discussions in New Mexico	new	new	new	100%	100%

STATUTORY AUTHORITY:

The Public Defender Commission (PDC) was established under Sections 31-15-1 through 31-15-12 NMSA 1978 to provide legal representation or payment to private counsel for defendants financially unable to obtain counsel and charged in any court with a crime that carries a possible sentence of imprisonment 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	42,024.6	44,489.2	96,244.7	50,132.0	12.7
Other Revenues	604.4	270.0	250.0	250.0	-7.4
Fund Balance	163.5	0.0	0.0	0.0	
SOURCES TOTAL	42,792.5	44,759.2	96,494.7	50,382.0	12.6
USES					
Personal Services and Employee Benefits	26,122.0	28,533.7	41,840.4	31,719.5	11.2
Contractual Services	10,751.7	10,624.4	44,957.8	12,524.4	17.9
Other	5,913.3	5,601.1	9,696.5	6,138.1	9.6
TOTAL USES	42,787.0	44,759.2	96,494.7	50,382.0	12.6
FTE					
Permanent	394.0	406.0	627.0	461.0	13.5
TOTAL FTE POSITIONS	394.0	406.0	627.0	461.0	13.5

AT A GLANCE:

In an effort to address chronically low contract attorney reimbursements, forestall litigation, and provide adequate staff to handle the current caseload, the Public Defender Commission (PDC) submitted a budget request that would more than double their appropriation. The request includes \$34.3 million for implementation of an hourly contract reimbursement rate of \$85. Motions filed by contract attorneys in the second half of 2014 in southern New Mexico resulted in a judge's order for PDC to immediately provide all indigent criminal defendants with effective counsel. These orders highlight the potential for the court to mandate pay for contract attorneys in the absence of a plan to increase contract rates.

The committee recommendation for PDC includes funding to address staffing shortages in PDC offices statewide as well as funding to hire additional staff to reduce the need for contract counsel. Additionally, the recommendation provides sufficient funding for an average 27.5 percent rate increase for contract attorneys but does not include additional funding to implement an hourly pay structure for contract counsel.

BUDGET ISSUES:

The Public Defender Commission (PDC) stated current funding levels are not sufficient to provide quality representation to qualified criminal defendants and that a funding gap exists between PDC and district attorneys (DAs). In FY15, the DAs and the Administrative Office of the District Attorneys received general fund appropriations totaling \$64.2 million while the PDC received an appropriation of \$44.5 million, a difference of \$19.7 million.

The \$51.8 million request of the PDC would help close the funding gap and provide a contract reimbursement fix. The request for the contractual services category includes an additional \$34.3 million, or 323 percent, to transition contract attorneys from a flat fee per case to an hourly rate of \$85. PDC will hire five additional staff to administer the new rate. Of the remaining increase, \$13.3 million would be used to hire additional staff for other duties and \$4.1 million would be for operational expenses.

Implementation of an \$85 hourly rate for contract counsel faces several challenges. First, contract administration would require more staff than the five requested. In FY14, PDC provided contract counsel in 23 thousand cases. To audit these billings, PDC will be forced to hire more administrative staff at the expense of hiring legal staff. Second, the \$85 per hour rate may not result in better quality representation. Third, the dramatic pay increase for contract attorneys will make it difficult or impossible to retain staff attorneys as 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 judicial branch.

While a transition to an hourly reimbursement rate may not be an optimal solution, it is clear that contract rates must be increased and that adequate funding for additional staff is needed. The New Mexico Sentencing Commission (NMSC) produces an annual workload study to determine adequate staffing levels for the courts, DAs, and PDC. In the 2014 report, NMSC stated, given the current distribution of cases between PDC employees and contract attorneys, the necessary staffing for PDC offices is 506, 100 FTE more than the FY15 operating level of 406. The NMSC report further states PDC would need an additional 202 FTE positions to represent all eligible defendants without the need for contract representation.

The NMSC study highlights the need for additional PDC staff, and the threat of litigation on contract rates creates urgency in providing additional resources to PDC. But funding must be equitably distributed to PDC and the DAs and determining parity is complicated by differing perspectives on resource need. PDC notes it is mandated to provide representation to defendants in felony and misdemeanor cases, while the DAs are only obligated to prosecute felony cases. Additionally, PDC notes that DAs often have a strong working relationship with law enforcement so, for there to be true parity, PDC needs more investigators than the DAs. Lastly, PDC is faced with more conflicts of interest than the DAs, and so is forced to rely on contract attorney services to a greater extent. DA personnel note the burden of proof falls to the prosecution and DAs must sometimes perform a large amount of research on cases prior to indictment and engagement of a public defender. Also, though DAs are not statutorily required to prosecute misdemeanors, they often do because the alternative is for the arresting officer to prosecute a case in which the defendant is represented by a lawyer.

The LFC recommendation addresses parity based on the NMSC workload study that shows, given current PDC contracting practices, PDC should receive not less than 73 percent of the budget of the DAs. Based on this study, LFC staff estimate the current staffing funding gap between the DAs and the PDC to be at least \$4.8 million. LFC recommends an additional \$5.6 million for PDC, with \$3.2 million of the funding to increase staff capacity and \$1.9 million to increase contract reimbursement rates.

The LFC base recommendation for the personal services and employee benefits category fully funds the agency request for base funding, an increase of \$138.5 thousand or 0.5 percent. LFC analysis shows PDC currently has 18.5 funded vacant FTE and has maintained an average vacancy rate of 12.7 percent over the past two years.

The LFC base recommendation holds the contractual services category flat relative to FY15 and includes additional expansion funding.

In the other cost category, the LFC recommendation includes an additional \$506 thousand. The increase includes \$200 thousand for overhead costs associated with the recommended additional FTE and to allow PDC to rent additional office space and \$300 thousand to reflect PDC's FY14 actual expenditures in the category.

BASE EXPANSION:

In the personal services and employee benefits category, the LFC recommendation provides \$1.9 million to allow PDC to hire an additional 38 support staff. The PDC request designated 79 of the 221 requested FTE as a critical need, which included 77 support staff. PDC believes providing more support to the attorneys in the field will improve efficiency; currently, many attorneys are doing work that may be done by paralegals, secretaries, and investigators at a significant savings. The addition of support staff will allow attorneys to increase their caseloads or provide higher-quality representation.

In addition to increased support staff, the LFC recommendation includes \$1.2 million to open an alternate public defender (APD) office in Bernalillo County. The funding will allow PDC to hire 17 FTE, eight attorneys and nine support staff, and provide office space and necessary equipment for the APD. The APD will handle conflict cases that would otherwise have to be contracted. The APD is an independent public defender office that would be administratively attached to PDC but which will be completely independent from PDC for the purposes of client representation.

In FY14, PDC reported 4,081 conflict cases were assigned to contract counsel in Bernalillo County at a cost of \$2.2 million. PDC stated an APD office could handle up to 3,045 of those cases with an expenditure of \$2.9 million. Based on information provided by PDC, the LFC recommendation will reduce the need for contract counsel by 1,298 cases at a savings to the contractual services category of \$700 thousand.

The LFC recommendation increases the contractual services category by \$1.9 million. The increase in funding will allow PDC to increase contract rates by 27.5 percent in FY16. The increase in contract rates will provide contract counsel with a fair rate as well as insulate the state from potential legal action resulting from chronically low reimbursement rates. 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.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Contract counsel compensation	(P720)	33,705.5	0.0
2	Adequate staffing levels	(P720)	14,423.9	1,992.0
3	Administration staff expansion	(P720)	490.5	0.0
4	Adequate compensation	(P720)	565.9	0.0
5	Alternate Public Defender	(P720)	0.0	1,253.9
6	Contract reimbursement increase	(P720)	0.0	1,900.0
TOTAL			49,185.8	5,145.9

CRIMINAL LEGAL SERVICES

The purpose of the criminal legal services program is to provide effective legal representation and advocacy for eligible clients so their liberty and constitutional rights are protected and to serve the community as a partner in assuring a fair and efficient criminal justice system that sustains New Mexico's statutory and constitutional mandate to adequately fund a statewide indigent defense system.

PERFORMANCE MEASURES

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
Output	Number of alternative sentencing treatment placements for felony and juvenile clients	8,726	3,102	10,000	Discontinue	Discontinue
Efficiency	Percent of cases in which application fees were collected	356%	38%	45%	45%	45%
Quality	Percent of felony cases resulting in a reduction of original formally filed charges	52%	87%	65%	65%	75%
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	N/A	19.4%	65%	25%	75%
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	N/A	12.4%	65%	25%	75%
* Output	Number of alternative sentencing treatment placements for felony, misdemeanor and juvenile clients	new	new	10,000	10,000	10,000

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
	<u>FY16 – 2015-2016</u>				
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <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	3,609.0	3,599.1	3,599.1	3,599.1	0.0
SOURCES TOTAL	3,609.0	3,599.1	3,599.1	3,599.1	0.0
USES					
Personal Services and Employee Benefits	2,736.2	2,983.6	2,983.6	2,983.6	0.0
Contractual Services	76.5	100.5	100.5	100.5	0.0
Other	372.0	515.0	515.0	515.0	0.0
TOTAL USES	3,184.7	3,599.1	3,599.1	3,599.1	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 performance measure targets for FY14. The request eliminated three measures, including days press releases are posted on the website, number of meetings held with each department's public information officer, and number of cabinet secretaries making more than \$125 thousand annually. For this last measure, the number increased from zero to four for FY14.

Although the base budget request was flat with the FY15 operating budget, it was 13 percent greater than the FY14 actual spending level. The request projected increases for the employer share of employee health benefits for 27 exempt FTE. In contrast to the previous administration, the agency has 13 fewer FTE funded through the operating budget. The request increased funding for attorney fees, despite at least three attorneys on staff, and travel over FY14 actual spending. It also continued funding in contractual services for filming legislative committee hearings. The committee recommendation supports the agency's request.

BUDGET ISSUES:

Although the agency did not spend \$255 thousand of its FY14 appropriation for personal services and employee benefits, a number of staff assigned to the Office of the Governor are funded in other agency operating budgets. However, it is not unusual for an administration to have people paid by other agencies assigned and reporting to the Office of the Governor. Over the years, the Legislative Finance Committee has criticized this practice because it distorts the true operating budget for the Office of the Governor.

The request included \$80 thousand for the governor's contingency fund for discretionary spending. The fund is used by each administration 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.

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Output	Number of business days to answer or refer to the proper entity constituent requests for information	5	8	8	8	8
Output	Number of days to process extraditions	14	14	14	14	14
Output	Number of days to post the recordings of 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	2	1	2	2	2
Efficiency	Percent of required governor exempt employees that 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 it will take 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 State Senate and serves as ombudsman and acting governor when the governor is out of state.

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	589.8	588.2	588.2	588.2	0.0	
SOURCES TOTAL	589.8	588.2	588.2	588.2	0.0	
USES						
Personal Services and Employee Benefits	486.4	499.7	499.7	499.7	0.0	
Contractual Services	12.1	44.7	44.7	44.7	0.0	
Other	42.8	43.8	43.8	43.8	0.0	
TOTAL USES	541.3	588.2	588.2	588.2	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 five out of nine performance measure targets for FY14. Scheduling conflicts contributed to the agency missing targets for the number of meetings held and attended, including the New Mexico Border Authority, New Mexico Mortgage Finance Authority, Board of Finance, and Spaceport Authority meetings. As for constituent cases closed within 30 days, the lieutenant governor staff's primary function, staff closed 95 percent of cases, which exceeded the target of 80 percent.

BUDGET ISSUES:

For FY16, the agency's base budget request was flat with the FY15 operating budget. The request projected small increases for the employer share of employee health benefits. The agency has 4 exempt FTE, including chief of staff, legal counsel, policy analyst, and special projects coordinator. In contrast to the previous administration, the agency has one attorney and 3 fewer FTE funded in the operating budget, and 2 budgeted FTE are shared with the Office of the Governor. However, the decreased staffing levels do not appear to have affected the staff's ability to meet performance target levels for constituent services.

The committee recommendation supports the request.

STATE OMBUDSMAN

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

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of constituent service files closed within thirty days	80%	95%	80%	80%	80%
Output	Percent of border authority meetings or teleconferences held and attended	90%	66%	90%	90%	90%
Output	Percent of mortgage finance authority meetings held and attended	90%	83%	90%	90%	90%
Output	Percent of board of finance meetings held and attended	90%	84%	90%	90%	90%
Output	Percent of days in session and presided over	90%	100%	90%	90%	90%
Output	Percent of community development council meetings held and attended	90%	100%	90%	90%	90%
Output	Number of constituent service mobile office days held	4	12	4	4	4
Output	Percent of spaceport authority meetings or teleconferences held and attended	90%	67%	90%	90%	90%
Output	Number of constituent town hall meetings and economic forums held	4	14	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 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	860.0	877.4	1,277.4	977.4	11.4
Other Transfers	3,308.7	10,219.6	11,666.9	11,584.8	13.4
Federal Revenues	0.0	590.3	618.8	618.8	4.8
Other Revenues	54,844.7	51,970.1	56,456.1	55,522.0	6.8
SOURCES TOTAL	59,013.4	63,657.4	70,019.2	68,703.0	7.9
USES					
Personal Services and Employee Benefits	15,780.2	18,646.3	19,555.9	18,415.3	-1.2
Contractual Services	9,052.5	10,937.0	11,014.0	10,886.0	-0.5
Other	26,783.8	23,854.7	27,746.4	27,734.8	16.3
Other Financing Uses	3,293.7	10,219.4	11,702.9	11,666.9	14.2
TOTAL USES	54,910.2	63,657.4	70,019.2	68,703.0	7.9
FTE					
Permanent	209.0	210.0	212.0	210.0	0.0
Term	0.0	1.0	5.0	1.0	0.0
TOTAL FTE POSITIONS	209.0	211.0	217.0	211.0	0.0

AT A GLANCE:

Ongoing concerns regarding the lack of strategic planning and robust and transparent oversight of state information technology projects persist into fiscal year 2015. After a three-year long gap, the Information Technology Commission (ITC), staffed by Department of Information Technology, began meeting quarterly; however, progress on ITC goals, such as the development of a new state IT strategic plan, has been very slow.

The department requested \$6 million, or 9.4 percent, over the FY15 operating budget, and attributes the increases primarily to the higher costs of providing services and increased service utilization. Concerns remain over the department's significant transfers of funds out of personal services and employee benefits to contractual services and other cost categories. LFC applies a modest vacancy rate of 6 percent to the Enterprise Services Program, which averages a 20 percent vacancy rate, and recommends the department work to better document its spending priorities and initiatives.

BUDGET ISSUES:

In July 2014, DoIT proposed new service rates for information technology (IT) and telecommunication services to take effect July 1, 2016. The approved rates include a 5 percent increase in telephone services over FY15 and a 10 percent increase in radio communications services. The SHARE subscription fee, increased substantially in FY14 (from \$310 per FTE to \$350 per FTE) to support ongoing maintenance and operations, remained flat for FY16. DoIT estimates \$8.9 million in FY16 revenue collections from agencies for SHARE assessments and \$47 million for enterprise service assessments. About \$8.4 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 the department successfully moved the SHARE system to new hardware. For FY16, DoIT requested reauthorization of \$5 million appropriated in FY14 to upgrade SHARE software, which continues to be several versions behind and lacking in critical modern functionality. The department is working to improve communications with agencies and other customers regarding its rate-setting and cost-recovery models, stating ongoing confusion or misperceptions regarding how it sets rates and whether DoIT rates are competitive with other service providers.

The DoIT base budget request for FY16 was \$69.6 million, an increase of \$6 million, or 9.4 percent, over the FY15 operating budget. DoIT attributes the increases to higher costs of providing services and increases in service utilization. The DoIT request was 2.7 percent higher for Program Support, with increases primarily in personal services and employee benefits. The base request for the Compliance and Project Management Program, the only program funded with revenue from the state's general fund, was flat.

The recommendation largely supports the agency request for the Enterprise Services Program. However, there continues to be concern DoIT does not adequately document its spending priorities and initiatives. Despite predictable vacancies within the program, DoIT did not apply a vacancy rate and instead requested full funding for personal services and employee benefits (PS&EB). In FY13, the program transferred approximately \$2.2 million in personal services and employee benefits to contractual services and other costs; by the fall of FY15, DoIT transferred about \$2.5 million out of PS&EB to other cost categories. For FY16, the recommendation applies a modest 6 percent vacancy rate to the program, about \$900 thousand under the agency request of \$57 million.

A number of state agencies report difficulty recruiting and retaining highly skilled IT staff. 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 FY16 recommendation for Program Support is flat with FY15 at \$3.2 million despite relatively high vacancy rates. Program Support is, in part, responsible for leadership and administrative policies and procedures for the department; however, a number of policy areas within the department's purview have not been properly addressed. For example, statutes, rules, policies, and procedures relating to the Information Technology Commission and the IT Project Certification Committee are out of date or in critical need of refining and updating.

Finally, LFC supports the flat request for the Compliance and Oversight Program. Despite previous LFC recommendations for increased funding for continuing education (and travel expenses) and an IT system to improve project management, oversight and reporting for the millions in IT projects the program oversees, DoIT's request for the FY16 base budget remained virtually unchanged from previous years.

BASE EXPANSION:

LFC partially supports the agency's request for support of the New Mexico broadband program (NMBBP) within the Compliance and Oversight Program. The NMBBP was funded with millions of dollars in federal funding to support broad projects, such as mapping broadband availability around the state, planning and assessments, and technical assistance. However, that federal grant ends January 2015. Without a secured funding source for new broadband initiatives, it is unclear if the full requested expansion of 2 new FTE and \$400 thousand is necessary at this time.

While DoIT has been tapped to provide some technical assistance for a significant project to improve educational IT infrastructure, which includes a funding source, the department has not been asked to conduct oversight or implementation tasks. The recommendation provides \$100 thousand from the general fund, which should allow the employee who has been managing the NMBBP program to continue to provide technical assistance for broadband initiatives for the state as needed under this capacity.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Broadband program, 2 FTE	400.0	100.0
TOTAL		400.0	100.0

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	860.0	877.4	1,277.4	977.4	11.4
SOURCES TOTAL	860.0	877.4	1,277.4	977.4	11.4
USES					
Personal Services and Employee Benefits	670.2	718.5	930.2	805.8	12.2
Contractual Services	7.8	32.3	128.0	0.0	-100.0
Other	35.4	42.1	57.3	45.7	8.6
Other Financing Uses	126.0	84.5	161.9	125.9	49.0
TOTAL USES	839.4	877.4	1,277.4	977.4	11.4
FTE					
Permanent	7.0	7.0	9.0	7.0	0.0
TOTAL FTE POSITIONS	7.0	7.0	9.0	7.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Explanatory	Number and budget requested for nonrecurring information technology appropriations as incorporated within annual agency information technology plans	18/\$25M	21/57M	n/a	n/a	n/a
Explanatory	Number and appropriated budget of executive agency certified projects reviewed quarterly for oversight requirements	64/\$340M	84/\$407M	n/a	n/a	n/a
Explanatory	Quarterly number and budget of approved information technology professional services contracts and amendments	99/\$236M	152/\$68M	n/a	n/a	n/a

ENTERPRISE SERVICES

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	0.0	590.3	618.8	618.8	4.8
Other Revenues	54,844.7	51,970.1	56,456.1	55,522.0	6.8
SOURCES TOTAL	54,844.7	52,560.4	57,074.9	56,140.8	6.8
USES					
Personal Services and Employee Benefits	12,781.9	15,050.9	15,666.7	14,732.6	-2.1
Contractual Services	8,461.8	7,115.7	7,270.5	7,270.5	2.2
Other	22,523.0	20,258.9	22,596.7	22,596.7	11.5
Other Financing Uses	3,167.7	10,134.9	11,541.0	11,541.0	13.9
TOTAL USES	46,934.4	52,560.4	57,074.9	56,140.8	6.8
FTE					
Permanent	168.0	169.0	169.0	169.0	0.0
Term	0.0	1.0	5.0	1.0	0.0
TOTAL FTE POSITIONS	168.0	170.0	174.0	170.0	0.0

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Output	Queue-time to reach a customer service representative at the help desk, in seconds	0:12	0:09	<0:16	<0:20	<0:15
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	not given	not given	65%	65%	65%
Outcome	Number of anchor institutions using the forthcoming 700Mhz long-term evolution public safety network	not given	not given	5	5	5
Outcome	Percent of phone systems using internet protocol or other similar technologies to achieve virtual local calling within the state enterprise	8%	17.9%	15%	10%	15%
Outcome	Percent of service desk incidents resolved within the timeframe specified for their priority level	67%	83.2%	90%	90%	90%
Output	Percent of scheduled uptime the financial suite of the statewide human resource, accounting and management reporting system is available during business hours	99.7%	100%	99.5%	99.5%	99.5%
Output	Percent of scheduled uptime the statewide human resources, accounting and management reporting system is available during business hours	100%	100%	99.5%	99.5%	99.5%
Outcome	Percent on-time delivery of statewide human resource, accounting, and management reporting system approved projects to the implementation date		not given	80%	80%	80%
Outcome	Percent of mainframe uptime affecting user access or batch scheduling	100%	100%	100%	99.99%	99.99%
Outcome	Number of perimeter and security-logged systems reporting security metrics to the network operations center	80%	80%	80%	80%	80%
Outcome	Percent of staff that receive at minimum twenty-four hours of training in their specific technology field within a year		new	80%	60%	80%
Output	Total number of virtual machines running on hosted enterprise servers			new	375	375
Explanatory	Number of enterprise systems hosted or owned by the department with a disaster recovery or resilience presence			new	5	5
Outcome	Number of perimeter and security-logged devices reporting security metrics to the network operations center			new	80%	80%

EQUIPMENT REPLACEMENT FUND

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	11.9	7,049.0	8,411.3	8,411.3	19.3
SOURCES TOTAL	11.9	7,049.0	8,411.3	8,411.3	19.3
USES					
Contractual Services	544.7	3,749.0	3,575.5	3,575.5	-4.6
Other	3,993.7	3,300.0	4,835.8	4,835.8	46.5
TOTAL USES	4,538.4	7,049.0	8,411.3	8,411.3	19.3
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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	3,296.8	3,170.6	3,255.6	3,173.5	0.1
SOURCES TOTAL	3,296.8	3,170.6	3,255.6	3,173.5	0.1
USES					
Personal Services and Employee Benefits	2,328.1	2,876.9	2,959.0	2,876.9	0.0
Contractual Services	38.2	40.0	40.0	40.0	0.0
Other	231.7	253.7	256.6	256.6	1.1
TOTAL USES	2,598.0	3,170.6	3,255.6	3,173.5	0.1
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	83%	not given	95%	95%	95%
Output	Percent of accounts receivable dollars collected within sixty days of the invoice due date	62%	83%	78%	75%	80%
Outcome	Dollar amount of account receivables over sixty days old	\$5,328,693	\$4,956,248	\$5,500,000	\$7,500,000	\$7,500,000
Outcome	Percent of mainframe services meeting federal standards for cost recovery	not given	not given	100%	100%	100%
Outcome	Percent of voice, data and radio services meeting federal standards for cost recovery	not given	not given	100%	100%	100%

STATUTORY AUTHORITY:

The Public Employees Retirement Association (PERA) is responsible for administering the Public Employees Retirement Act (Sections 10-11-1 through 10-11-141 NMSA 1978). In addition, the PERA board is responsible for administering the Volunteer Firefighters Retirement Act (Sections 10-11A-1 through 10-11A-7 NMSA 1978), Judicial Retirement Act (Sections 10-12B-1 through 10-12B-19 NMSA 1978), Magistrate Retirement Act (Sections 10-12C-1 through 10-12C-18 NMSA 1978), Retirement Reciprocity Act (Sections 10-13A-1 through 10-13A-4 NMSA 1978), Deferred Compensation Act (Sections 10-7A-1 through 10-7A-12 NMSA 1978), and the U.S. Internal Revenue Code 457 regarding deferred compensation. PERA is governed by a 12-member board composed of the secretary of state and state treasurer (both ex officio), four members under a state coverage plan elected from state membership, four members under a municipal coverage plan elected from local government membership, and two retiree members elected by the retired members .

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	41,095.7	40,356.6	46,723.8	46,214.8	14.5
SOURCES TOTAL	41,095.7	40,356.6	46,723.8	46,214.8	14.5
USES					
Personal Services and Employee Benefits	5,210.6	5,965.5	6,581.9	6,151.6	3.1
Contractual Services	33,934.8	33,317.5	38,818.8	38,818.8	16.5
Other	1,196.1	1,073.6	1,323.1	1,244.4	15.9
TOTAL USES	40,341.5	40,356.6	46,723.8	46,214.8	14.5
FTE					
Permanent	77.0	80.0	82.0	80.0	0.0
TOTAL FTE POSITIONS	77.0	80.0	82.0	80.0	0.0

AT A GLANCE:

For the fiscal year ending June 30, 2014, the fund returned 17.3 percent, ranking in the 56th percentile of its peer universe. Despite one-, three-, and five-year returns exceeding the fund's investment return target of 7.75 percent, the fund outperformed the median when compared with its peers in only one of those three time periods. In addition, the 10-year rate of 6.6 percent is below the target, ranking the fund in the 87th percentile, because of investment strategies slow to adapt to rapidly changing market dynamics and to a lesser extent, from restrictions on diversifying with alternatives. Consequently, performance has come with a higher price tag, as a higher ratio of assets shift to more expensive alternative investments to maximize returns at moderate risk.

Significant investment earnings fluctuations and a slow growing workforce coupled with pay freezes some years ago worsened PERA's actuarial condition over the last decade. As a result, PERA's unfunded liability increased to \$6.2 billion by the end of FY12, and the percentage of pension benefits funded dropped to 65 percent. To put the pension fund on a more sustainable path, the Legislature raised employee payroll and employer contributions, decreased and delayed annual cost-of-living adjustments, and decreased benefits for new hires with changes that included accrual rates, vesting periods, and retirement eligibility requirements. As of the last valuation, the fund is now expected to reach a funded ratio over 100 percent within the 30-year requirement.

BUDGET ISSUES:

The agency requested \$46.7 million, 16 percent above the FY15 operating budget. The request included an additional \$616 thousand in the personal services and employee benefits category to fill vacant positions due to turnover, add 3 new FTE under an expansion request of \$253 thousand, carry over salary adjustments from FY15 for classified employees and for exempt FTE authorized by the board, cover increases from reclassifications to address recruitment and retention issues, and cover increases from the General Services Department for workers' compensation coverage and group health benefits.

The request for the contractual services category totaled \$38.8 million, including \$36.3 million, an increase of about \$5 million, for asset management, consulting, and custodial contracts, in line with a projected growth in assets under management based on an investment earnings assumption of 7.75 percent. The request also included \$550 thousand for external "specialized" attorneys to help the agency's two staff attorneys and paralegal with administrative appeal processes and review of alternative investment contracts.

The committee recommends funding the agency at \$46.2 million. The recommendation applies a higher vacancy savings rate to the personal services and employee benefits category in consideration of turnover. Of the 12 positions currently vacant, six have been vacant less than one year. Of the six positions vacant longer than one year, the recommendation encourages the agency to look at cross training across departments or reclassifying vacant positions as opposed to adding new FTE. The recommendation provides sufficient funding to fill vacant positions and does not include additional funding for the expansion FTE.

In general, the recommendation supports the request in the contractual services category, including the agency assuming the projected costs of approximately \$100 thousand to provide actuarial and accounting data to participating employers to implement Governmental Accounting Standards Board Statement 68. In the other cost category, the recommendation provides smaller inflation-adjusted increases for some expenses.

A higher percentage of the portfolio is now allocated to alternative assets and those fees are not paid through the operating budget. Unlike traditional assets, fees for managing alternative investments are embedded as part of investment valuations. The agency reports these investments quarterly, net of fees; the market value represents the asset's value after fees are deducted. Estimated fees for alternatives were \$92.5 million in FY14. This was in addition to \$24.2 million in fees for traditional assets that required direct payments to managers as part of the operating budget. For FY14, the agency estimates \$116.7 million in total fees, including "off-budget" and "on-budget" expenses, and investment income of \$2.1 billion, net of fees. However, after adjusting for the net difference between payroll contributions and benefit payments after administrative expenses, the overall increase in assets is \$1.6 billion. In contrast, for FY12, for instance, the fund declined \$400 million, reinforcing the importance of asset allocation and looking at long-term performance.

This past summer, the PERA board amended its proposed rule change for how part-time members earn service credit to enhance the fiscal solvency of the fund. Under the amended new rule, a non-vested member as of June 30, 2014 will acquire one month of service credit for every month the member works 30 hours or more per week. Members who are vested as of June 30, 2014 will continue to earn one month of service credit for every month the member works at least 20 hours per week. The proposed rule change before the amendment would have applied the rule regardless of whether or not one was vested in the plan.

The agency's FY13 audit identified several risks, including ineffective review of member application forms for completeness, potential for contributions to not be reported accurately, and unreliable monitoring systems that could result in over- or underpayment of benefits. In response, PERA dedicated staff to work with employers on missing forms, completeness of data, and late reporting of contributions. In addition, PERA made it a priority to reconcile accounts that had been left unaudited for years. The auditors also noted PERA may not have enough staff with sufficient expertise to manage complex accounting and financial reporting issues encountered by large public retirement systems. With that end in mind, the recommendation supports continued staff training and increases for information technology, especially as it relates to online tools.

The state could consider other options for providing pension benefits to public employees. For instance, hybrid pension plans include a traditional defined-benefit (DB) component, often on a limited salary base, that provides a more modest benefit than the typical public plan, combined with a defined-contribution (DC) component that is sometimes mandatory and applied to the salary above the base. DB-DC hybrids are in place at 11 state retirement systems. In addition, most federal employees now participate in a DB-DC hybrid retirement plan. This approach may free up funding to enable salaries to adjust more rapidly to competition for highly skilled workers and, at the same time, enhance take-home pay, which benefits local communities.

BASE EXPANSION LISTING
FY16 - 2015-2016

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Accountant auditor- 1 FTE	(P640)	62.6	0.0
2	IT generalist - 1 FTE	(P640)	95.3	0.0
3	IT business analyst - 1 FTE	(P640)	95.3	0.0
TOTAL			253.2	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Quality	Percent of accurately computed retirements	99%	99%	99%	99%	99%
* Outcome	Funding period of unfunded actuarial accrued liability in years	New	30	≤ 30	≤ 30	≤ 30
Efficiency	Average number of days to respond to requests for benefit estimates, military buy-backs and service credit verifications	24-28	24-28	25-30	24-28	24-28
* Outcome	Average rate of return on investments over a cumulative five-year period	New	New	7.75%	7.75%	7.75%
Outcome	Ten-year average annualized performance ranking in national survey of fifty to sixty similar large public pension plans	95th	87th	≤ 50th	≤ 50th	≤ 50th
Outcome	Ten-year annualized investment returns to exceed internal benchmark in basis points	205	83	≥ 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,637.9	2,798.1	3,008.7	2,871.9	2.6
Federal Revenues	27.0	26.2	0.0	0.0	-100.0
Other Revenues	123.1	117.1	120.8	120.8	3.2
Fund Balance	101.7	101.3	97.6	97.8	-3.5
SOURCES TOTAL	2,889.7	3,042.7	3,227.1	3,090.5	1.6
USES					
Personal Services and Employee Benefits	2,217.4	2,569.8	2,775.8	2,639.2	2.7
Contractual Services	133.2	60.4	52.9	52.9	-12.4
Other	388.7	412.5	398.4	398.4	-3.4
TOTAL USES	2,739.3	3,042.7	3,227.1	3,090.5	1.6
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0

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 funding for an expansion of the Santa Fe storage facility in addition to a budget increase that would fill all but two of the agency's authorized positions.

The 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 increases the personal services and employee benefits category and applies a 3 percent vacancy rate.

BUDGET ISSUES:

Due to limited storage space, CPR notified agencies records will only be accepted when records currently in storage reach their retention period and are destroyed. In response to the capacity issues, the Legislature appropriated \$600 thousand for the planning and design of an expanded records facility. CPR has begun the design process and requested \$63 million in infrastructure capital improvement plan (ICIP) funds for an expansion of the Santa Fe storage facility.

The lack of storage space resulted in agencies storing their own documents, often using office space for the purpose. The expansion of the Santa Fe storage facility is necessary for proper record management but, without significant changes to the retention schedules and storage policies, it is likely CPR will fill any new facility and require additional facility construction and expansion. With no changes to the management of records inflows and retention policies, the proposed \$63 million facility would reach full capacity in 15 to 20 years.

LFC recommends CPR begin re-examining its retention rules to determine if the retention requirements are reasonable given the state's limited capacity to build additional storage facilities. Further, agency demand for storage may be reduced by the imposition of a per-box storage fee. An analysis of the practices of 25 states conducted by CPR concluded 23 have a per-box storage fee of 35 cents per month. If New Mexico were to impose a per-box fee of 35 cents per month, CPR estimates it would

result in \$628 thousand in additional annual revenue. Additional training for agency designated records retention specialists could reduce the amount of information sent to CPR and increase the quality of the stored information.

CPR requested full funding for all currently authorized positions. The LFC recommendation includes sufficient funding to fill 5 vacant FTE to hire additional staff to expand CPR's capacity to administer electronic records from agencies statewide.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Maximum number of days between rule effective date and online availability	30	30	32	32	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	71%	93%	75%	75%	80%
Outcome	Percent of total records items scheduled, reviewed, amended or replaced within a five-year period	29%	38%	40%	40%	40%
Output	Number of research documents and educational activities provided by the state historian	26	27	25	25	25
Output	Number of times during a fiscal year that visitors accessed information on the New Mexico history website	213,716	213,076	150,000	150,000	200,000
* Outcome	Percent of requests for access to public records in its custody the commission is able to satisfy within twenty-four hours	100%	100%	75%	75%	95%

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)

	FY14	FY15	FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,447.2	7,457.2	7,958.2	7,639.8	2.4
Other Revenues	1,250.0	1,950.0	1,350.0	1,500.0	-23.1
SOURCES TOTAL	7,697.2	9,407.2	9,308.2	9,139.8	-2.8
USES					
Personal Services and Employee Benefits	3,491.1	4,151.3	4,169.7	4,169.7	0.4
Contractual Services	1,104.6	1,060.5	1,309.2	1,309.2	23.5
Other	2,972.5	4,195.4	3,829.3	3,660.9	-12.7
TOTAL USES	7,568.2	9,407.2	9,308.2	9,139.8	-2.8
FTE					
Permanent	58.0	58.0	59.0	58.0	0.0
Term	1.0	1.0	0.0	1.0	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 primary election without the need for a special or supplemental appropriation. Over the past several years, the SoS relied to a great extent on special appropriations to cover election costs. The FY16 request reflected increases in election expenses, including the lease cost of voting machines and an increase for IT expenses related to the state's voter registration database.

The LFC recommendation continues to provide additional funding with the goal of fully funding primary election expenses. The recommendation fully funds the SoS request for increases in equipment rental costs as well as for IT expenses. To ensure sufficient funds are available to the SoS, the LFC recommendation funded the other costs category at levels that reflect actual expenditures in FY14, when there was a primary election.

BUDGET ISSUES:

Since FY12, the Legislature has pursued a policy of increasing the base budget of the SoS to have sufficient funding to pay all election costs. The 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, primary elections have been less costly than general and presidential elections. Because primary elections years represent the minimum spending need, the Legislature worked to increase recurring appropriations to this level.

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. In the past, the Legislature covered election costs with special and supplemental appropriations. In FY09, the SoS received special and supplemental appropriations and Board of Finance loans totaling \$5.2 million. In FY15, the SoS received \$486 thousand in special appropriations for elections. In FY16, the SoS does not anticipate the need for a special appropriation. The FY16 request of the SoS reflected increases in the rental costs of ballot printers from \$2,250 per printer to \$3,000. The total cost of the increase will require an additional \$190 thousand in FY16.

The FY16 request of SoS increased general fund appropriations by 6.7 percent with additional funding offsetting a decrease in revenue from the public election fund. In FY15, SoS was authorized \$1.95 million from the public election fund. In FY16, SoS requested \$1.35 million from the public election fund. The public election fund receives \$1.4 million per year in transfers, with \$200 thousand coming from the Public Regulation Commission from utility fees and \$1.2 million coming from the Taxation and Revenue Department from unclaimed property balances. Both of the transfer amounts are set in statute.

The LFC recommendation provides a general fund increase sufficient to cover costs of increased election expenses related to equipment rentals and IT expenses and includes \$1.5 million from the public election fund.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 1-19A-10 NMSA 1978, the other state funds appropriation to the elections program of the secretary of state includes one million five hundred thousand dollars (\$1,500,000) from the public elections fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2016 from appropriations made from the public elections fund shall revert to the public elections fund.

ADMINISTRATION AND OPERATIONS

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

BUDGET SUMMARY (dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,152.0	4,845.1	4,853.6	4,780.5	-1.3
SOURCES TOTAL	4,152.0	4,845.1	4,853.6	4,780.5	-1.3
USES					
Personal Services and Employee Benefits	3,491.1	4,151.3	4,169.7	4,169.7	0.4
Contractual Services	151.2	203.5	129.4	129.4	-36.4
Other	509.7	490.3	554.5	481.4	-1.8
TOTAL USES	4,152.0	4,845.1	4,853.6	4,780.5	-1.3
FTE					
Permanent	58.0	58.0	59.0	58.0	0.0
Term	1.0	1.0	0.0	1.0	0.0
TOTAL FTE POSITIONS	59.0	59.0	59.0	59.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	92%	100%	100%	100%	100%
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	100%	100%
Output	Average number of days to issue charter documents	N/A	3	10	7	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,295.2	2,612.1	3,104.6	2,859.3	9.5
Other Revenues	1,250.0	1,950.0	1,350.0	1,500.0	-23.1
SOURCES TOTAL	3,545.2	4,562.1	4,454.6	4,359.3	-4.4
USES					
Contractual Services	953.4	857.0	1,179.8	1,179.8	37.7
Other	2,462.8	3,705.1	3,274.8	3,179.5	-14.2
TOTAL USES	3,416.2	4,562.1	4,454.6	4,359.3	-4.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of county clerks satisfied with the election training provided by the secretary of state's office	100%	100%	100%	100%	100%
Output	Number of training sessions provided to all county clerks on changes to the Election Code	1	1	1	1	1
* Outcome	Percent of eligible voters who are registered to vote	78%	80%	80%	80%	80%
Outcome	Percent of campaign reports filed electronically by the due date	88%	100%	98%	Delete	Delete
Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	95%	100%	100%	100%	100%
Outcome	Percent of voting machines tested	100%	100%	100%	100%	100%
* Efficiency	Percent of public requests responded to within the three-day statutory deadline	unreported	100%	95%	95%	100%
Outcome	Percent of eligible Native American voters who are registered to vote	unreported	unreported	60%	60%	60%
Outcome	Percent of statutorily required documents provided to the county clerks	100%	100%	100%	100%	100%
Outcome	Percent of counties visited by the secretary of state's office to obtain input regarding the election code and its application	95%	90%	100%	100%	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,190.7	4,295.1	4,409.6	4,378.1	1.9
Other Revenues	229.2	280.9	235.8	235.8	-16.1
SOURCES TOTAL	4,419.9	4,576.0	4,645.4	4,613.9	0.8
USES					
Personal Services and Employee Benefits	3,876.2	4,235.8	4,285.2	4,273.7	0.9
Contractual Services	100.6	50.5	50.5	50.5	0.0
Other	382.5	289.7	309.7	289.7	0.0
TOTAL USES	4,359.3	4,576.0	4,645.4	4,613.9	0.8
FTE					
Permanent	53.0	53.0	54.0	52.0	-1.9
Term	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	53.0	53.0	55.0	53.0	0.0

AT A GLANCE:

The State Personnel Office (SPO) submitted an FY16 request for a near-flat base budget as well as \$112 thousand for 2 expansion FTE. SPO is in the process of implementing a new occupationally based salary structure, which would replace the state's single pay plan with 16 occupation-based pay plans to allow for market-rate adjustments.

The LFC recommendation does not include expansion funding but does sustain SPO's staffing levels allowing the agency to decrease the time to fill vacant positions and increase the quality of the applicant pool.

BUDGET ISSUES:

The State Personnel Office (SPO) requested a reduction of \$43 thousand, or 1 percent, of its base budget and \$112.4 thousand in expansion funding for a total FY16 increase of \$69.4 thousand, or 1.5 percent. The expansion would allow SPO to hire a paralegal to assist the general counsel and a compensation, benefits, and job analyst to conduct audits of personnel files.

SPO requested a reduction of \$45.1 thousand from other revenues related to the shared human resources (HR) services provided by SPO to many small agencies. The reduction aligns the request for shared HR services revenue to FY14 actuals, reflecting SPO's continuation of the shared HR services programs at previous year's levels.

SPO has made progress in streamlining the hiring process over the past year. For FY14, the time to fill a vacant position decreased from 73 days to 64 days. Additionally, the percent of new employees who successfully complete their probationary period increased from 58 percent to 68 percent. The progress made on these measures suggests SPO is matching qualified candidates to jobs faster, resulting in vacancies being filled more timely with employees who are more likely to remain in state service.

The LFC recommendation seeks to build on recent improvement by reducing SPO's vacancy rate and providing additional funding for operational expenses. As of September 2014, SPO's vacancy rate was 7.4 percent; over the past two years, SPO has experienced an average vacancy rate of 19 percent. The LFC recommendation applies a vacancy rate of 0.8 percent to the agency and holds the other category flat relative to the FY15 operating budget.

SPO is in the midst of a modernization project, the goals of which are to digitize all state personnel records to provide uniformity in records and consistency in the storage and management of those records. SPO is working with the State Commission of Public Records to survey the records to be digitized to determine a retention schedule and method. The total cost of this project is an estimated \$8.3 million.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Paralegal FTE	(P643)	53.6	0.0
2	Personnel analyst FTE	(P643)	58.8	0.0
TOTAL			112.4	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

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Request	FY16 Recomm
* Outcome	Average number of days to fill a position from the date of posting	73	64	45	60	55
Explanatory	Percent of new employees who successfully complete their probationary period	58%	68%	75%	75%	75%
Explanatory	Percent of classified employees voluntarily leaving state service	new	new	14%	15%	15%
Explanatory	Percent of classified employees involuntarily leaving state service	new	new	4%	5%	5%
Efficiency	Average state employee sick leave usage per capita	24 hrs	24 hrs	24 hrs	24 hrs	24 hrs
Efficiency	State employee average overtime usage per month	new	new	12 hrs	12 hrs	12 hrs
Outcome	Percent of state employees receiving overtime	new	new	25%	25%	25%
Outcome	Percent of department or agencies with over ninety percent of personnel evaluations completed	95%	97%	95%	95%	95%
Explanatory	Number of disciplinary actions for union-covered positions appealed to arbitration rather than personnel board	34	26	40	40	40
Explanatory	Average cost paid by state for arbitration of disciplinary actions for union-covered positions appealed to arbitration rather than to state personnel board	\$3,809	\$7,225	\$7,500	\$7,500	\$7,500
Outcome	Number of rule-compliance audit reviews performed during the fiscal year	8	20	5	5	10

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
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	new	93%	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	17%	15%	10%	15%	10%
* Efficiency	Average state classified employee compa-ratio	99.5%	100%	95%	95%	95%
Efficiency	Average state classified new hire compa-ratio	94.4%	97%	91%	91%	91%
Outcome	Average number of days to fill a position from advertisement closure	new	new	new	50	40
Outcome	Average number of days to post position following agency request	new	new	new	14	10
* Output	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	93%	99%	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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	215.5	231.1	258.0	241.2	4.4	
SOURCES TOTAL	215.5	231.1	258.0	241.2	4.4	
USES						
Personal Services and Employee Benefits	163.1	163.7	169.1	166.7	1.8	
Contractual Services	7.0	8.5	14.6	10.6	24.7	
Other	43.8	58.9	74.3	63.9	8.5	
TOTAL USES	213.9	231.1	258.0	241.2	4.4	
FTE						
Permanent	2.0	2.0	2.0	2.0	0.0	
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0	

AT A GLANCE:

In FY14, none of the Public Employees Labor Relations Board's (PELRB) decisions were overturned in a judicial review and 87 percent of bargaining unit recognition petitions were processed within 180 days of filing. In FY13, PELRB overspent its budget, and with only 2 FTE, LFC suggested the agency present a plan to the Legislature to administratively attach it to another agency for administrative and fiscal support. For FY16, the agency did not submit a plan to become administratively attached to another agency.

The committee recommendation fully funds the request for personal services and employee benefits and provides an increase in the contractual services category to ensure adequate funding for election monitoring as well as additional funding in the other costs category to provide a comprehensive labor issues training to board members.

PUBLIC EMPLOYEES LABOR RELATIONS BOARD

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	50%	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	83%	87%	95%	80%	95%
Outcome	Percent of cases resolved through agreement, mediation or arbitration prior to hearing	New	New	34%	34%	34%
Output	Percent of prohibited practice complaints, not settled or withdrawn, decided within one hundred eighty days of filing	New	New	75%	75%	75%

STATUTORY AUTHORITY:

The Office of the State Treasurer (STO) is established within the executive branch of government by Article V of the New Mexico Constitution. The principal statutory provisions governing the Office of the State Treasurer are Sections 6-1-13, 6-8-6, 6-8-11, 6-10-10, 6-10-25 through 6-10-29, 6-10-37, 7-27-24 and 7-27-25, 8-6-1 through 8-6-7, 29-4-5, and 58-18-4 NMSA 1978.

MISSION:

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

	BUDGET SUMMARY (dollars in thousands)				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,708.8	3,785.1	3,998.2	3,824.2	1.0
Federal Revenues	0.0	4.0	4.0	4.0	0.0
Other Revenues	0.0	122.3	122.3	122.3	0.0
SOURCES TOTAL	3,708.8	3,911.4	4,124.5	3,950.5	1.0
USES					
Personal Services and Employee Benefits	2,908.9	3,174.1	3,349.9	3,176.0	0.1
Contractual Services	219.1	206.4	225.7	225.7	9.4
Other	567.0	530.9	548.9	548.8	3.4
TOTAL USES	3,695.0	3,911.4	4,124.5	3,950.5	1.0
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 2014, 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. STO faces considerable personnel turnover mostly caused by low salaries compared with similar positions at other state investment agencies and requested an increase in the base budget due to salary increases granted in FY15. The LFC recommendation applies an additional 5 percent vacancy savings rate and expenditures nearly 10 percent over the FY14 level.

BUDGET ISSUES:

The agency request of \$4.1 million for FY16 is an increase of 5.4 percent over the FY15 operating budget and included a 5.5 percent increase in personal services and employee benefits for salary increases of employees earning less than \$50 thousand annually. STO currently has eight vacant positions, three of which are not funded. STO presently has 40 authorized FTE and requested the vacant positions remain "as is" for FY16. The full implementation of the treasury module in SHARE requires, as a prerequisite, the PeopleSoft system be upgraded. However, the timeframe for the PeopleSoft upgrade by DoIT is uncertain; therefore, STO cannot determine staffing needs at this time. The agency request applies a vacancy savings rate of 0.5 percent and a 9 percent increase in the contractual services category to fund an annual review of its IT system to assess vulnerabilities and security breaches before and after they occur.

The LFC recommendation provides sufficient funding to fill 3 vacant FTE and fully funds the requested increases in the contractual services and other categories. The 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.

STO manages its holdings differently depending on the liquidity needs of different beneficiaries. For example, the liquidity needs of the various bond funds and the local government investment pool are such that they are invested in relatively short-term securities, which reduces yield. Further, STO segregates general fund holdings into 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 relatively long-term basis and is invested in longer-duration securities. During FY14, STO decreased the average monthly balances of accounts in the liquidity portfolio to approximately \$623 million, a 47 percent reduction, allowing a

greater portion of state balances to be invested in higher-yielding securities. The eventual implementation of the proposed cash-management modules in SHARE would allow STO to manage state monies even more efficiently.

The low-interest-rate environment of post-recessionary years had a negative effect on investment returns at STO. Interest earnings on general fund state balances have decreased significantly, from more than \$100 million in FY08 to \$12.6 million in FY14. The base for many short-term interest rates, the annual federal funds rate, was 0.11 percent in the fourth quarter of FY14, compared with 5.25 percent in the fourth quarter of FY07. Short-term rates are expected to increase with the federal funds rate in the second half of 2015, according to recent discussions of the Board of Governors of the Federal Reserve System. However, long-term rates should maintain downward pressure and help improve financial conditions to promote a stronger economic recovery.

The balance of the State Treasurer's fund, comprising state general fund and other self-earning accounts, was \$2.3 billion at the end of FY14, approximately \$265 million more than a year ago.

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	18	15	5	5	5
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	15	18	5	5	5
Outcome	Maximum number of audit findings	2	NA	2	2	2
Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	new	new	90%	90%	90%

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-51-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act.

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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	370.4	52.2	378.9	375.9	620.1	
Fund Balance	0.0	310.7	0.0	0.0	-100.0	
SOURCES TOTAL	370.4	362.9	378.9	375.9	3.6	
USES						
Personal Services and Employee Benefits	202.3	253.7	264.1	261.1	2.9	
Contractual Services	6.7	13.9	13.1	13.1	-5.8	
Other	72.2	95.3	101.7	101.7	6.7	
TOTAL USES	281.2	362.9	378.9	375.9	3.6	
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 Board of Examiners for Architects requested additional funding for the personal services and employee benefits category to cover an increase in unemployment compensation insurance. Also, the board requested an increase in the other category to cover higher Department of Information Technology information systems charges. The board will collect biannual license renewal fees in FY16 and will not need to use fund balance.

The committee recommends a budget that fully funds the personal services and employee benefits category and provides additional funding in the other category for the increased Department of Information Technology information systems charges.

ARCHITECTUAL REGISTRATION

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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of audited registrants who successfully meet the continuing education requirements	Off year	2%	N/A	80%	80%
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement committee	3	6	5	6	5
Outcome	Percent of reciprocity applicants who successfully complete the application process			New	80%	80%
Quality	Percent of audited registrants who successfully meet the continuing education requirements			New	80 %	80%
Efficiency	Percent of cases resolved prior to issuance of a notice of contemplated action			New	60 %	60%
Efficiency	Percent of cases where a notice of contemplated action has been issued, but is resolved prior to hearing			New	80 %	80%

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)				
	FY14 2013-2014	FY15 2014-2015	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
General Fund Transfers	337.4	330.9	330.9	330.9	0.0
Other Revenues	202.8	160.9	160.9	160.9	0.0
SOURCES TOTAL	540.2	491.8	491.8	491.8	0.0
USES					
Personal Services and Employee Benefits	264.4	314.6	304.4	304.4	-3.2
Contractual Services	105.4	82.3	82.3	82.3	0.0
Other	93.0	94.9	105.1	105.1	10.7
TOTAL USES	462.8	491.8	491.8	491.8	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

AT A GLANCE:

The agency request for FY16 was flat compared with FY15. The LFC recommendation concurs with the agency's request. Fund balances are projected to increase to approximately \$200 thousand by the end of FY16, providing a source of funds for planning projects related to port of entry, road, and rail expansions.

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 is in discussions to develop a fourth border crossing in Sunland Park.

BUDGET ISSUES:

The number of trucks crossing the border at Santa Teresa increased 57 percent over the previous five years, to nearly 81 thousand in 2013 from just over 51 thousand in 2009. In the next two years, the Bridge of the Americas on the El Paso/Mexico border will be shut down, and traffic will be re-routed east and west, further increasing the number of vehicle crossings at Santa Teresa. New Mexico made significant investments to accommodate this rapid increase in international economic activity; over \$30 million in state and federal funding was spent on developing the Santa Teresa border crossing. Remaining infrastructure needs include upgrading Airport Road and Industrial Drive because the asphalt is cracking under the weight of the traffic, and increasing the number of commercial lanes at the Santa Teresa port of entry. However, \$350 thousand appropriated in 2013 to the Border Authority will provide some relief by adding one northbound and one southbound lane.

Union Pacific Railroad's recently completed \$400 million fueling and intermodal facility (a truck-to-rail hub) at Santa Teresa is projected to provide up to 600 full-time jobs. The facility opened in May 2014, a year ahead of schedule, and Union Pacific reports it is more than halfway to its job creation target. A locomotive fuel tax exemption passed in 2011 will cost the state an estimated \$1.9 million to \$7.9 million in lost tax revenue in FY15, depending on whether the exemption affected the location decision.

Mexico's largest maquiladora, Foxconn, the largest contract manufacturer in the world, employs 7,000 workers at its new facility in San Jeronimo, Chihuahua. The plant is just across the border from Santa Teresa and could eventually grow to 20 thousand workers. Steps taken by Foxconn, Union Pacific, and the state have helped to bring supporting logistics operations and other companies to New Mexico, and vacant space in the Santa Teresa industrial parks decreased from 800 thousand square feet six years ago to 32 thousand square feet at the end of FY14.

New Mexico led the country in export growth in 2012, at 42 percent, but saw a net decrease in exports in 2013, from \$2.96 billion to \$2.71 billion. However, exports to Mexico grew 33 percent to \$802 million. The largest exporters, by city, to Mexico are Detroit, Los Angeles, Houston, El Paso, and San Diego. New Mexico's exports are primarily composed of industrial inputs and components to Mexico's maquiladora industry: manufactured steel components, plastic injection components, packaging materials, and other production inputs. Nearly \$1.5 billion of products cross the Santa Teresa port of entry monthly, up from \$1 billion per year three years ago.

The Border Authority is also working to increase traffic at New Mexico's other two ports of entry. The agency gave Luna County a \$100 thousand matching grant from parking lot revenues to improve the Columbus port of entry, and agency staff worked with Mexican counterparts to improve the poor condition of the road on the southern side of the Antelope Wells border crossing; the dirt road is now three-quarters paved.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	21%	10%	21%	21%	21%
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	260	300	270	300	300
Outcome	Commercial and noncommercial vehicular port traffic at New Mexico ports	824,824	1,279,179	830,000	1,300,000	1,500,000

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,332.3	12,337.8	15,977.0	14,021.0	13.6
Other Revenues	4,329.7	4,425.2	4,426.3	4,426.3	0.0
SOURCES TOTAL	14,662.0	16,763.0	20,403.3	18,447.3	10.0
USES					
Personal Services and Employee Benefits	3,641.1	3,965.3	4,320.4	4,115.3	3.8
Contractual Services	1,672.3	1,503.8	1,539.7	1,477.0	-1.8
Other	9,302.2	11,293.9	14,543.2	12,855.0	13.8
TOTAL USES	14,615.6	16,763.0	20,403.3	18,447.3	10.0
FTE					
Permanent	61.5	61.5	60.5	60.5	-1.6
Term	7.0	7.0	8.0	8.0	14.3
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 significantly greater than the national average. However, employment growth began to level out in FY14, and the leisure and hospitality industry no longer leads employment growth in the state. The LFC recommendation increases advertising funding in FY16 by \$2 million to \$10.6 million.

BUDGET ISSUES:

In 2013, the tourism industry experienced a second record year of visitor and spending levels. According to an annual survey by Longwoods Travel USA, New Mexico set a new high of more than 32 million travelers, but the increase from 2012 was 200 thousand visitors, or less than 1 percent. Tourists spent nearly \$6 billion in New Mexico during 2013, an increase of \$300 million, or 7 percent. This spending growth significantly outpaced the national average of 4.5 percent.

The leisure and hospitality industry no longer leads job growth in New Mexico, falling from the fastest-growing industry in the state to fifth place at 1.7 percent. Throughout much of 2014, the industry lost jobs year-over-year in the Albuquerque area, and these losses dragged down the 2.8 percent industry job growth rate across the rest of the state.

The agency is using a shared services contract with the State Personnel Office (SPO) for human resources management. SPO increased the cost to the Tourism Department for this service from \$34.4 thousand in FY14 to \$52.6 thousand in FY15 and \$74.4 thousand in FY16, but the department plans to continue the contract as long as it remains cheaper than hiring a qualified human resources manager. However, at this rate of increase, the cost differential is closing rapidly.

The Tourism Department's FY15 operating budget allocates 67 percent of the \$12.8 million general fund appropriation to advertising. This is an increase from 60 percent of the \$10.3 million appropriation in FY14. 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.

The agency requested an additional \$3.5 million for advertising in FY16. The department received approximately \$2.5 million of additional advertising funding in FY15 for a total of \$8.6 million -- a significant increase from a low of \$3 million in FY11.

The advertisements, initially targeting West Texas, Arizona, and Colorado, expanded to Chicago, New York, and farther into Texas (including Dallas and Houston) during FY15. The Tourism Department plans to use any increase in funding for FY16 to either enter the San Francisco market or increase advertising in New York and add a limited campaign in Los Angeles. The agency will also hire a contractor to perform an advertising effectiveness study in the second half of FY15.

The Tourism Department's strategic plan notes several indicators of improvement in marketing the state but reports New Mexico still faces two key challenges. The first issue is low intent to visit, with 1.7 percent of survey respondents reporting an intent to visit New Mexico compared with an average 4.1 percent intending to visit competitor states. Additionally, 29.8 percent of respondents surveyed after a visit to New Mexico said they intend to return, while 47.8 percent intend to return to competitor states. 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-one percent of overnight visitors to the state choose it as their primary destination versus an average 83 percent for competitor states.

The Tourism Department announced \$590 thousand in cooperative marketing awards for FY15 to 41 local and tribal governments and nonprofit entities to advertise and promote destinations, attractions, and events. Seven entities received the maximum \$40 thousand award by collaborating with at least five other members: the cities of Alamogordo, Elephant Butte, and Truth or Consequences; the town of Taos; Sandoval County; Silver City MainStreet; and the Los Alamos Meeting and Visitors Bureau. Applicants needed to demonstrate integration of the New Mexico True brand into the marketing efforts to leverage the agency's multi-state advertising campaign.

The Tourism Department accepted applications for its new event sponsorship program for events held between January and June 2015. Sponsorships are awarded at three levels, ranging from \$2,500 to \$40 thousand depending on the size of the event and the level of sponsorship. The agency is evaluating applications based on incremental economic impact, the advertising value provided for the department, community support, the event's potential for growth, and alignment with the New Mexico True brand.

New Mexico Magazine was named the best state and regional magazine for 2013 by the Western Publishing Association, marking the second year in a row the magazine has received the award. 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 90 thousand and more than 240 thousand readers. However, circulation fell 2 percent in FY14, and the New Mexico Magazine Program had an operational loss for the first time in three years, requiring a draw-down of \$182 thousand in fund balances to offset reduced sales revenues.

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)					
	FY14	FY15	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
	2013-2014	2014-2015	Agency Request	LFC Recommendation	
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
General Fund Transfers	7,781.5	9,690.9	13,292.8	11,501.0	18.7
Other Revenues	37.0	30.0	30.0	30.0	0.0
SOURCES TOTAL	7,818.5	9,720.9	13,322.8	11,531.0	18.6
USES					
Personal Services and Employee Benefits	1,498.7	1,633.2	1,868.1	1,761.8	7.9
Contractual Services	582.0	351.7	363.3	351.7	0.0
Other	5,698.8	7,736.0	11,091.4	9,417.5	21.7
TOTAL USES	7,779.5	9,720.9	13,322.8	11,531.0	18.6
FTE					
Permanent	36.5	36.5	36.5	36.5	0.0
TOTAL FTE POSITIONS	36.5	36.5	36.5	36.5	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent change in visits to New Mexico visitor information centers	-6%	2%	1%	1%	2%
Quality	Number of stories placed in the media	907	753	800	700	750
* Output	Percent of visitors who choose New Mexico as their primary destination	70%	70%	71%	71%	71%
Output	Dollar amount spent per visitor per day	\$75	\$68	\$75	\$63	\$70
* Outcome	New Mexico's domestic overnight visitor market share	new	1.1%	1.1%	1.1%	1.2%
Outcome	Percent change in New Mexico leisure and hospitality employment	new	1%	3%	3%	3%
Output	Percent increase in social media fans	new	12%	12%	12%	12%
Output	Percent increase in number of visits longer than ten seconds to all department websites	new	44%	3%	3%	20%
Output	Percent change in number of visitors to New Mexico	new	0.6%	3.0%	3.0%	3.0%
* Outcome	Percent increase in gross receipts tax revenue from accommodations revenue	new	new	2.5%	2.5%	2.5%
Outcome	Number of referrals from newmexico.org to partner websites	new	new	75,000	75,000	75,000
Explanatory	Percent of advertising spending of overall agency budget	50%	60%	new	50%	70%

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)**

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,093.5	1,074.8	1,080.1	973.1	-9.5
Other Revenues	1,236.1	1,029.6	1,030.7	1,030.7	0.1
SOURCES TOTAL	2,329.6	2,104.4	2,110.8	2,003.8	-4.8
USES					
Personal Services and Employee Benefits	387.7	310.8	363.4	314.6	1.2
Contractual Services	252.6	153.8	230.4	179.3	16.6
Other	1,689.3	1,639.8	1,517.0	1,509.9	-7.9
TOTAL USES	2,329.6	2,104.4	2,110.8	2,003.8	-4.8
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of entities participating in collaborative applications for the cooperative advertising program	new	213	150	150	200
Outcome	Number of joint tourism ventures between New Mexico tourism department and native american entities	new	22	22	22	22
Outcome	Number of new minor and major sporting events attracted to New Mexico	new	5	5	5	5
* Outcome	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands	new	new	\$1,600	1,600	1,600
Output	Number of meetings with regional tourism boards to develop regional tourism infrastructure development plans	new	new	6	6	6
Outcome	Number of communities in New Mexico clean and beautiful clean-up, beautification, recycling and education events	new	new	50	50	50
Outcome	Number of volunteers in New Mexico clean and beautiful clean-up, beautification, recycling and education events	new	new	20,000	20,000	20,000

NEW MEXICO MAGAZINE

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	3,056.6	3,365.6	3,365.6	3,365.6	0.0
SOURCES TOTAL	3,056.6	3,365.6	3,365.6	3,365.6	0.0
USES					
Personal Services and Employee Benefits	802.3	912.8	992.7	992.7	8.8
Contractual Services	796.2	956.4	900.0	900.0	-5.9
Other	1,458.1	1,496.4	1,472.9	1,472.9	-1.6
TOTAL USES	3,056.6	3,365.6	3,365.6	3,365.6	0.0
FTE					
Permanent	7.0	7.0	6.0	6.0	-14.3
Term	7.0	7.0	8.0	8.0	14.3
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Advertising revenue per issue, in thousands	\$67	\$65	\$72	\$72	\$72
* Outcome	Annual circulation rate	91,197	89,500	95,000	95,000	95,000
Output	Collection rate	91%	92%	98%	93%	97%
Output	Number of digital magazine subscribers	229	491	750	750	750
Output	Number of social media fans	new	new	new	150,000	150,000

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,457.3	1,572.1	1,604.1	1,546.9	-1.6
SOURCES TOTAL	1,457.3	1,572.1	1,604.1	1,546.9	-1.6
USES					
Personal Services and Employee Benefits	952.4	1,108.5	1,096.2	1,046.2	-5.6
Contractual Services	41.5	41.9	46.0	46.0	9.8
Other	456.0	421.7	461.9	454.7	7.8
TOTAL USES	1,449.9	1,572.1	1,604.1	1,546.9	-1.6
FTE					
Permanent	13.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Efficiency	Number of repeat audit findings	1	3	0	0	0
Outcome	Acceptance rate of payment vouchers	99%	97%	99%	99%	99%
Explanatory	Percent of administrative costs of overall agency operating budget	11%	14%	11%	11%	9%
Output	Percentage of purchase orders and payment vouchers processed within forty-eight hours	new	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/private partnerships to establish a stable diversified economy that will improve the quality of life for New Mexicans.

	BUDGET SUMMARY (dollars in thousands)					Percent Incr (Decr)
	FY14	FY15	<u>FY16 – 2015-2016</u>			
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	6,622.7	7,387.3	12,014.6	9,499.6	28.6	
Federal Revenues	4,424.1	0.0	0.0	0.0		
SOURCES TOTAL	11,046.8	7,387.3	12,014.6	9,499.6	28.6	
USES						
Personal Services and Employee Benefits	3,332.6	3,825.3	4,222.2	3,952.0	3.3	
Contractual Services	2,479.9	2,423.8	5,103.8	2,809.0	15.9	
Other	5,032.6	1,138.2	2,688.6	2,738.6	140.6	
TOTAL USES	10,845.1	7,387.3	12,014.6	9,499.6	28.6	
FTE						
Permanent	52.0	52.0	52.0	51.0	-1.9	
TOTAL FTE POSITIONS	52.0	52.0	52.0	51.0	-1.9	

AT A GLANCE:

The Economic Development Department (EDD) requested base budget increases to fully fund vacancies and continue the transition of the Job Training Incentive Program (JTIP) from annual nonrecurring appropriations to the operating budget. The agency also requested expansions for MainStreet and the new Technology Research Collaborative, housed at the New Mexico Institute of Mining and Technology. The LFC recommendation increases funding for JTIP, MainStreet, and the Technology Research Collaborative and adds funding for the Economic Development Partnership to market the state.

BUDGET ISSUES:

New Mexico ranks 48th in the country for jobs gained or lost since 2008, according to updated data from the U.S. Bureau of Labor Statistics. The state remains 4.4 percent below 2008 employment levels, a greater decline in employment than in all states but Nevada and Alabama at 5.9 percent and 4.7 percent, respectively. Several of New Mexico's neighbors, including Texas and Colorado, now exceed 2008 employment levels by as much as 10 percent. The state's 0.3 percent growth in FY14 lagged the growth rates of neighboring states and the national average.

EDD reports the unobligated JTIP fund balance is shrinking rapidly and projects JTIP will run out of money for awards in January 2015. This would leave the program with obligated funds but no money to award additional training funds for new jobs. At the start of FY15, the JTIP board changed rules to allow more administrative and lower-wage positions to qualify for JTIP, which could contribute to increased total awards. The agency reconciled its fund balance and de-obligated funds companies indicated they would no longer be able to use during the award period; however, at the current rate of awarding grants for approximately 100 jobs per month at an average cost of about \$6,000 per job, the unobligated balance could approach zero by the end of 2014. However, cash balance in the fund as of November 2014 was \$11.5 million.

The New Mexico Economic Development Partnership, created in 2003 as a nonprofit organization to recruit companies and promote New Mexico to businesses outside the state, achieved one of the lowest rates for cost-per-job-created for job creation programs in the state during FY14 (see "Cost Per Job" in the LFC Volume III for cost-per-job rankings). Most communities throughout the state do not have sufficient staffing levels or budgets to facilitate business recruitment and rely on the Economic Development Partnership to provide this function. The organization receives nearly its entire operating budget through a contract with EDD.

For every state dollar invested in the state's MainStreet program since 1986, MainStreet districts saw private sector investment of \$21.89 in building rehabilitation and \$22.55 in new construction, according to a report by a consultant hired by the National Trust for Historic Preservation. Additionally, from 1986 to July 2013, MainStreet districts gained 3,200 net new businesses and nearly 11.3 thousand net new jobs. The report also estimates the program costs taxpayers \$1,127 per net new job, making it one of the most cost-effective job creation programs in New Mexico.

Somewhat separate from the EDD budget request, the Jobs Council, a bipartisan group of legislators, cabinet secretaries, and business leaders, voted to recommend funding for 10 current and new programs related to job creation, including \$50 million for the state's "closing fund" – the Local Economic Development Act (LEDA) – to help "close" deals by funding land purchases and building construction, \$12 million for JTIP, and an increase of \$500 thousand for the Economic Development Partnership. The total funding request for FY16 was \$70.4 million. The majority of the funding would primarily enhance business recruitment efforts. This would improve one of the three levers of economic development, but the other two levers (business creation and business expansion) also require programs and funding. According to a consultant for the Jobs Council, the requested funding focuses on short-term returns in an attempt to jump-start the economy. This approach is attractive because New Mexico's economy is lagging behind the national average and neighboring states for job creation. However, if structural, long-term issues, such as workforce and infrastructure, are not also addressed, they could hamper job growth and continue to degrade the state's ability to compete as a business location.

The LFC recommendation for EDD includes a general fund appropriation of \$9.5 million, a 29 percent increase compared with the FY15 operating budget, and includes \$1.9 million for JTIP; \$850 thousand for MainStreet -- an increase of \$100 thousand; \$1.4 million -- an increase of \$500 thousand -- for the Economic Development Partnership to market the state, including advertising the 2013 legislative tax package; \$200 thousand for the Technology Research Collaborative; and \$130 thousand for certified business incubators. The recommendation eliminates one position in the Film Program vacant for more than two years.

EDD corrected a lingering financial oversight issue, reverting more than \$1 million in May 2014. The funds should have been reverted at the end of FY10, but the reversion was overlooked until the agency's FY12 audit noted it as a finding. However, the department did not revert these funds after the audit, and the FY13 audit again reported it as a significant deficiency.

LFC staff reviewed the agency's new economic impact modeling software. Once fully functional, it could report a return on investment for each of the agency's business projects and allow data-driven decisions regarding discretionary incentive programs. EDD also plans to offer communities the ability to request analysis of local projects. While the model is very comprehensive and customizable for individual projects at specific locations down to the school district level within the state, it currently does not account for statutory tax incentives or state discretionary incentives. Without this functionality, any results could greatly exaggerate the net benefits to the community and state. EDD reports it is working with the software developer, Impact DataSource out of Austin, Texas, to add incentives to the model but currently would need to calculate that reduction in net benefits separately.

The Economic Development Commission, responsible for the annual update and approval of the five-year statewide economic development plan, released the first update in more than three years in 2014. However, the 68-page report contains just six pages devoted to workforce development, a critical issue for job creation. The 2014 *Area Development Magazine* survey of corporations and site selectors ranks availability of skilled labor as the most important factor in choosing a site for a new or relocating business facility. Additionally, the plan does not assign timelines or responsibility to most of the action items and does not coordinate with other agencies and organizations across the state involved in economic development.

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, according to accounting company MNP, a consultant hired by EDD to analyze the effect of the credit. However, the film productions returned 43 cents for every dollar of incentives, paying \$104 million in state and local taxes. The state has numerous tax incentives available to companies in other industries, but the majority of those incentives are based on net new jobs -- jobs that, hopefully, will remain after the incentive is exhausted. Film productions are temporary in nature and can often relocate more easily than manufacturing plants and other industry operations, so a state must continue to pay these incentives year after year to maintain the existing employment base. This could increase the cumulative cost of creating a job for one person in the film industry to a multiple of the cost in another industry over several years.

BASE EXPANSION:

The requested expansion increases funding for the MainStreet Program from \$750 thousand to \$1.5 million and increases funding from \$100 thousand to \$2 million for the Technology Research Collaborative at the New Mexico Institute of Mining and Technology. The LFC recommendation includes a \$100 thousand increase for MainStreet and doubles the current level of funding for the Technology Research Collaborative to \$200 thousand. The committee recommends EDD develop a strategic plan for the collaborative in coordination with the university that houses it.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes one million four hundred thirty thousand dollars (\$1,430,000) for the New Mexico economic development corporation and one hundred thirty thousand dollars (\$130,000) for certified business incubators.

The general fund appropriation to the economic development program of the economic development department in the other category includes one million nine hundred thousand dollars (\$1,900,000) for the development training fund and two hundred thousand dollars (\$200,000) for the technology research collaborative.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Technology research collaborative (TRC)	(P512)	2,000.0	100.0
2	Mainstreet	(P512)	750.0	100.0
TOTAL			2,750.0	200.0

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)**

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,876.9	4,660.4	9,023.2	6,727.8	44.4
Federal Revenues	4,424.1	0.0	0.0	0.0	
SOURCES TOTAL	8,301.0	4,660.4	9,023.2	6,727.8	44.4
USES					
Personal Services and Employee Benefits	1,517.1	1,709.9	1,907.1	1,761.7	3.0
Contractual Services	2,009.3	2,120.0	4,735.2	2,535.2	19.6
Other	4,695.7	830.5	2,380.9	2,430.9	192.7
TOTAL USES	8,222.1	4,660.4	9,023.2	6,727.8	44.4
FTE					
Permanent	23.0	24.0	24.0	24.0	0.0
TOTAL FTE POSITIONS	23.0	24.0	24.0	24.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Total number of jobs created due to economic development department efforts	3,093	3,686	3,000	4,000	5,000
Output	Average annual cost per economic development partnership job created	\$2,582	\$573	\$620	\$465	\$620
* Outcome	Number of workers trained by the job training incentive program	844	1,355	1,000	1,200	1,400
* Outcome	Number of rural jobs created	1,440	1,562	1,400	1,400	2,000
* Outcome	Number of jobs created through business relocations and competitive expansions facilitated by the economic development partnership	244	1,624	1,500	2,000	2,300

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Dollars of private sector investment in mainstreet districts, in millions	\$23	\$10	\$15	\$9	\$15
Output	Number of building rehabilitations completed in mainstreet districts	86	162	150	150	160
Output	Number of businesses provided technical assistance resulting in a funding package and job creation	new	5	5	7	7
Output	Number of businesses participating in the job training incentive program	49	46	40	50	50
Output	Average hourly wage of jobs funded by the job training incentive program	\$18.46	\$17.32	\$20.00	\$20.00	\$19.00
Output	Number of new business advocacy cases opened	75	101	100	100	100
Output	Number of business advocacy cases solved	58	67	50	45	65
Output	Percent of employees whose wages were subsidized by the job training incentive program still employed in New Mexico after one year	new	68%	80%	66%	80%
* Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act	new	new	5:1	5:1	5:1
Outcome	Total number of jobs filled due to economic development department efforts	new	new	1,650	1,650	2,000
Output	Total capital investment of recruited companies that supports jobs created by the New Mexico partnership, in millions	new	new	new	\$80	\$80
* Output	Number of jobs created through the use of Local Economic Development Act funds	new	new	new	500	1,500
Outcome	Number of business development projects resulting in a positive outcome such as job creation or retention, new investment, business financing or increased revenue	new	new	new	15	15
Output	Number of funded economic development projects resulting in job growth, new investment and increased revenue	new	new	new	8	8
Outcome	Number of total business expansions assisted by the economic development department	57	61	50	60	65

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	757.1	755.3	915.4	725.8	-3.9
SOURCES TOTAL	757.1	755.3	915.4	725.8	-3.9
USES					
Personal Services and Employee Benefits	415.9	550.7	646.0	521.2	-5.4
Contractual Services	207.2	97.5	162.3	97.5	0.0
Other	101.5	107.1	107.1	107.1	0.0
TOTAL USES	724.6	755.3	915.4	725.8	-3.9
FTE					
Permanent	8.0	8.0	8.0	7.0	-12.5
TOTAL FTE POSITIONS	8.0	8.0	8.0	7.0	-12.5

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of film and media worker days	216,461	189,782	200,000	150,000	200,000
Outcome	Number of films and media projects principally made in New Mexico	53	61	60	60	61
Outcome	Number of major film productions over one million dollars (\$1,000,000) made in New Mexico	21	18	18	15	20
* Outcome	Direct spending by film industry productions, in millions	new	\$162	\$225	\$200	\$200

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)

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,988.7	1,971.6	2,076.0	2,046.0	3.8
SOURCES TOTAL	1,988.7	1,971.6	2,076.0	2,046.0	3.8
USES					
Personal Services and Employee Benefits	1,399.6	1,564.7	1,669.1	1,669.1	6.7
Contractual Services	263.4	206.3	206.3	176.3	-14.5
Other	235.4	200.6	200.6	200.6	0.0
TOTAL USES	1,898.4	1,971.6	2,076.0	2,046.0	3.8
FTE					
Permanent	21.0	20.0	20.0	20.0	0.0
TOTAL FTE POSITIONS	21.0	20.0	20.0	20.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of previous years' audit findings resolved	new	new	new	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)						
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	13,226.4	13,688.0	13,977.8	13,688.0	0.0	
Other Transfers	1,043.7	2,422.6	5,449.0	2,209.1	-8.8	
Federal Revenues	17.5	158.9	117.5	117.5	-26.1	
Other Revenues	11,724.6	9,477.1	10,196.5	10,033.2	5.9	
Fund Balance	45.1	1,259.4	782.5	1,000.9	-20.5	
SOURCES TOTAL	26,057.3	27,006.0	30,523.3	27,048.7	0.2	
USES						
Personal Services and Employee Benefits	16,194.4	19,809.9	19,986.2	19,974.5	0.8	
Contractual Services	800.0	1,300.9	1,228.0	1,207.1	-7.2	
Other	4,354.8	3,792.6	4,261.6	4,017.4	5.9	
Other Financing Uses	1,375.8	2,102.6	5,047.5	1,849.7	-12.0	
TOTAL USES	22,725.0	27,006.0	30,523.3	27,048.7	0.2	
FTE						
Permanent	295.4	294.4	303.4	300.4	2.0	
Term	4.0	7.0	1.0	1.0	-85.7	
Temporary	0.0	0.0	3.0	0.0		
TOTAL FTE POSITIONS	299.4	301.4	307.4	301.4	0.0	

AT A GLANCE:

Strategic goals for the Regulation and Licensing Department (RLD) are to simplify the application process, reduce the time to process an application, provide public education to prevent violations and citations, and resolve complaints in a prompt, efficient, and courteous manner. RLD requested additional general funds to fill vacant positions and add 6 FTE: 3 FTE in the Financial Institutions Division, 0.5 FTE in the Alcohol and Gaming Division, 0.5 FTE in Program Support, and 2 FTE in Boards and Commissions.

The committee recommends a budget relatively flat with the FY15 operating budget, but 19 percent over FY14 expenditure levels. The recommendation provides sufficient funding for the department to reach its strategic goals and reduce the number of vacant positions. The recommendation does not support the requested 6 new FTE due to the high vacancy rate in the department, 21.6 percent.

The LFC recommendation includes \$1.85 million twice in the budget due to generally accepted accounting principles (GAAP) required by the Department of Finance and Administration (DFA). This double entry makes the recommendation appear larger than the actual expenditures.

BUDGET ISSUES:

The Construction Industry 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 qualified applicants, the division continuously has large vacancy savings. The division plans to implement continuous recruitment, request that the State Personnel Office perform a study of the inspector FTE classification series, and request a geographical pay scale differential for certain regions of the state.

In FY14, the Alcohol and Gaming Division issued 539 citations and resolved 440 of them. The resolution of these citations resulted in \$212.9 thousand in fines paid by liquor licensees for violations to the Liquor Control Act. Also, the division received and processed 400 liquor license applications and more than 4,000 liquor license renewal applications.

The Securities Division, formerly combined with the Financial Institutions Division, is now its own program. The division is comprised of Securities Industries and Securities Education and Training. The division administers the licensing of over 130,000 individuals and companies whose businesses involve the offering, selling, and purchasing of securities within the state. In FY14, the Investor Education Bureau conducted 191 community outreach events including seminars, presentations and workshops for seniors, civic groups, and women's organizations.

RLD proposed a plan to realign boards and commissions into five programs instead of 30 programs for each board or commission. The five new programs included occupational boards and commissions, services boards and commissions, medical boards and commissions, therapy boards and commissions, and wellness boards and commissions. LFC recommends the department realign the individual boards and commissions into one program instead of five. The following tables detail sources and uses and FTE for each board.

During the fall of 2014, the Legislative Finance Committee Sunset Subcommittee reviewed presentations from boards statutorily set for sunset in FY16. Generally, the subcommittee options are to extend the sunset date, remove the sunset date and make the board permanent, or allow the board to sunset. Members of the subcommittee recommended extending the sunset for nine boards and deferring action on seven boards. Members were concerned with the number of board members continuing to serve despite the expiration of their term, the number of vacant board member positions, fees assessed by the boards, and board fund balances.

The department is in the process of implementing Accela licensing software in the Construction Industry and Manufactured Housing Division. With new licensing software, the division will have permitting, inspections, and all licensing and compliance within 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.

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	7,989.8	8,647.0	7,987.1	8,337.1	-3.6
Other Transfers	215.0	250.0	250.0	250.0	0.0
Federal Revenues	17.5	5.9	17.5	17.5	196.6
Other Revenues	177.7	91.7	144.9	144.9	58.0
Fund Balance	0.0	41.3	80.8	80.8	95.6
SOURCES TOTAL	8,400.0	9,035.9	8,480.3	8,830.3	-2.3
USES					
Personal Services and Employee Benefits	6,459.4	7,391.0	6,812.9	7,162.9	-3.1
Contractual Services	184.1	234.1	234.1	234.1	0.0
Other	1,680.2	1,394.6	1,417.7	1,417.7	1.7
Other Financing Uses	8.5	16.2	15.6	15.6	-3.7
TOTAL USES	8,332.2	9,035.9	8,480.3	8,830.3	-2.3
FTE					
Permanent	110.0	112.0	114.0	114.0	1.8
Term	3.0	3.0	1.0	1.0	-66.7
TOTAL FTE POSITIONS	113.0	115.0	115.0	115.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Percent of consumer complaints against licensed contractors and investigations involving unlicensed contracting resolved out of the total number of complaints filed	95%	93%	95%	95%	95%
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request	100%	94%	100%	95%	100%
Outcome	Percent of commercial plans reviewed within ten working days	95%	84%	95%	85%	90%
Outcome	Percent of residential plans reviewed within five working days	95%	90%	95%	90%	95%
* Efficiency	Percent of all construction inspections performed within three days of inspection request	90%	89%	92%	90%	95%

FINANCIAL INSTITUTIONS AND SECURITIES

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

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,369.1	1,401.8	1,769.3	1,435.7	2.4
Other Transfers	350.0	350.0	0.0	0.0	-100.0
Other Revenues	1,648.2	668.5	891.6	878.4	31.4
Fund Balance	0.0	363.9	0.0	268.2	-26.3
SOURCES TOTAL	3,367.3	2,784.2	2,660.9	2,582.3	-7.3
USES					
Personal Services and Employee Benefits	1,486.9	2,117.8	2,247.6	2,189.0	3.4
Contractual Services	9.8	24.0	24.0	24.0	0.0
Other	226.4	235.5	317.8	297.8	26.5
Other Financing Uses	36.7	406.9	71.5	71.5	-82.4
TOTAL USES	1,759.8	2,784.2	2,660.9	2,582.3	-7.3
FTE					
Permanent	30.0	27.0	33.0	30.0	11.1
Term	0.0	3.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	30.0	30.0	33.0	30.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	92%	93%	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	73%	81%	95%	95%	90%
Outcome	Percent of investment adviser registrants examined annually	18%	50%	45%	50%	55%
Output	Percent of all administrative and criminal actions processed annually	New	New	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	New	75%	75%	75%	80%

SECURITIES DIVISIONBUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,177.0	1,156.4	1,397.5	1,340.0	15.9
Other Revenues	752.0	731.7	730.0	683.3	-6.6
Fund Balance	0.0	253.5	140.3	140.3	-44.7
SOURCES TOTAL	1,929.0	2,141.6	2,267.8	2,163.6	1.0
USES					
Personal Services and Employee Benefits	1,230.3	1,593.0	1,624.8	1,557.3	-2.2
Contractual Services	101.9	183.9	190.1	190.1	3.4
Other	252.5	295.2	358.5	321.8	9.0
Other Financing Uses	29.3	69.5	94.4	94.4	35.8
TOTAL USES	1,614.0	2,141.6	2,267.8	2,163.6	1.0
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of all completed applications for broker-dealer and investment adviser registrations processed within thirty days of receipt by the securities division	99%	99%	99%	99%	100%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	925.3	930.7	1,017.6	991.9	6.6
Other Transfers	41.2	0.0	0.0	0.0	
Federal Revenues	0.0	153.0	100.0	100.0	-34.6
SOURCES TOTAL	966.5	1,083.7	1,117.6	1,091.9	0.8
USES					
Personal Services and Employee Benefits	744.9	863.3	926.0	900.3	4.3
Contractual Services	27.4	167.6	110.9	110.9	-33.8
Other	143.0	52.8	80.7	80.7	52.8
TOTAL USES	915.3	1,083.7	1,117.6	1,091.9	0.8
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Temporary	0.0	0.0	0.5	0.0	
TOTAL FTE POSITIONS	15.0	15.0	15.5	15.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	80	118	75	125	100
* Output	Number of days to resolve an administrative citation that does not require a hearing	66	70	60	80	65
* Outcome	Number of days to issue a beer and wine liquor license	77	84	75	110	75

BOARDS AND COMMISSIONS

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	28.8	28.7	28.7	28.7	0.0
Other Transfers	25.0	25.0	3,264.9	25.0	0.0
Other Revenues	9,146.7	7,985.2	8,430.0	8,326.6	4.3
Fund Balance	45.1	600.7	561.4	511.6	-14.8
SOURCES TOTAL	9,245.6	8,639.6	12,285.0	8,891.9	2.9
USES					
Personal Services and Employee Benefits	4,407.4	5,336.0	5,561.0	5,476.8	2.6
Contractual Services	134.2	343.7	388.1	363.1	5.6
Other	933.2	1,349.9	1,469.9	1,383.8	2.5
Other Financing Uses	1,301.3	1,610.0	4,866.0	1,668.2	3.6
TOTAL USES	6,776.1	8,639.6	12,285.0	8,891.9	2.9
FTE					
Permanent	83.4	83.4	83.4	83.4	0.0
Temporary	0.0	0.0	2.0	0.0	
TOTAL FTE POSITIONS	83.4	83.4	85.4	83.4	0.0

Regulation and Licensing Department Boards and Commissions

BUDGET SUMMARY
(dollars in thousands)
FY 2014 - 2016

	FY14 Actual	FY15 Operating	FY16 Agency Request	FY16 LFC Recommendation
SOURCES				
General fund transfers	28.8	28.7	28.7	28.7
Other transfers	25	25.0	3,264.9	25.0
Federal revenues	0	0.0	0.0	0.0
Other revenues	9146.7	7,985.2	8,430.0	8,326.6
Fund balance	45.1	600.7	561.4	511.6
TOTAL REVENUE	\$9,245.6	\$8,639.6	\$12,285.0	\$8,891.9
USES				
New Mexico Public Accountancy Board	397.4	504.9	523.8	523.8
Board of Acupuncture and Oriental Medicine	172.5	229.0	236.3	236.3
New Mexico Athletic Commission	116.0	154.9	184.8	176.8
Athletic Trainer Practice Board	21.2	25.7	27.1	27.1
Board of Barbers and Cosmetologists	809.4	993.7	1,090.6	1,081.9
Chiropractic Board	115.7	149.6	149.1	149.1
Counseling and Therapy Practice Board	284.6	471.5	428.9	428.8
New Mexico Board of Dental Health Care	310.9	412.2	482.1	453.0
Interior Design Board	13.3	19.7	22.8	22.8
Board of Landscape Architects	18.8	23.6	26.9	26.9
Massage Therapy Board	198.6	251.2	246.9	246.9
Board of Nursing Home Administrators	20.6	32.1	46.7	41.7
Nutrition and Dietetics Practice Board	17.4	32.5	31.6	31.6
Board of Examiners for Occupational Therapy	66.8	101.1	91.9	91.9
Board of Optometry	61.1	92.1	108.5	103.7
Board of Osteopathic Medical Examiners	100.1	159.2	175.6	167.0
Board of Pharmacy	1,748.5	2,040.4	2,041.5	2,041.5
Physical Therapy Board	101.0	167.9	150.9	150.9
Board of Podiatry	27.0	39.7	49.9	47.9
Private Investigations Advisory Board	287.2	364.5	390.1	390.1
New Mexico State Board of Psychologist Examiners	154.2	217.4	202.5	202.5
Real Estate Appraisers Board	260.4	329.3	382.5	370.0
New Mexico Real Estate Commission	852.2	909.2	957.7	957.7
Advisory Board of Respiratory Care Practitioners	55.3	83.8	102.8	96.6
Board of Social Work Examiners	234.4	317.7	289.1	289.1
Speech Language Pathology, Audiology, and				
Hearing Aid Dispensing Practices Board	127.9	164.5	153.9	153.9
Board of Funeral Services	78.9	135.0	148.0	146.4
Animal Sheltering Services Board	34.4	88.0	96.3	94.7
Signed Language Interpreting Practice Board	78.7	129.2	141.3	141.3
Impaired Dentist	11.6	0.0	15.0	0.0
Real Estate Commission Recovery	0.0	0.0	50.0	0.0
Flow Through	0.0	0.0	3,239.9	0.0
TOTAL EXPENDITURES	\$6,776.1	\$8,639.6	\$12,285.0	\$8,891.9

Regulation and Licensing Department Boards and Commissions

FTE Summary

FY 2014 - 2016

	FY14 Actual	FY15 Authorized FTE	FY16 LFC Recommendation	FY15/FY16 Pct increase (decrease)
New Mexico Public Accountancy Board	5	5.0	5.0	0%
Board of Acupuncture and Oriental Medicine	2.7	2.7	2.6	-4%
New Mexico Athletic Commission	1.3	1.3	1.6	20%
Athletic Trainer Practice Board	0.2	0.2	0.3	30%
Board of Barbers and Cosmetologists	10.5	10.5	12.0	14%
Chiropractic Board	1.9	1.9	1.8	-7%
Counseling and Therapy Practice Board	5.4	5.4	4.8	-11%
New Mexico Board of Dental Health Care	4.2	4.2	4.7	11%
Interior Design Board	0.1	0.1	0.2	60%
Board of Landscape Architects	0.1	0.1	0.1	-10%
Massage Therapy Board	3.2	3.2	2.8	-12%
Board of Nursing Home Administrators	0.3	0.3	0.3	3%
Nutrition and Dietetics Practice Board	0.2	0.2	0.2	-15%
Board of Examiners for Occupational Therapy	1	1.0	0.9	-13%
Board of Optometry	0.9	0.9	1.0	14%
Board of Osteopathic Medical Examiners	1.6	1.6	1.9	16%
Board of Pharmacy	14	14.0	14.0	0%
Physical Therapy Board	1.3	1.3	1.1	-12%
Board of Podiatry	0.4	0.4	0.4	5%
Private Investigations Advisory Board	4.2	4.2	3.8	-10%
New Mexico State Board of Psychologist Examiners	2.4	2.4	2.2	-8%
Real Estate Appraisers Board	3.6	3.6	3.7	2%
New Mexico Real Estate Commission	9	9.0	9.0	0%
Advisory Board of Respiratory Care Practitioners	1.1	1.1	1.1	3%
Board of Social Work Examiners	3.6	3.6	3.1	-14%
Speech Language Pathology, Audiology, and Hearing Aid Dispensing Practices Board	1.7	1.7	1.5	-11%
Board of Funeral Services	1.6	1.6	1.6	-3%
Animal Sheltering Services Board	1	1.0	0.8	-20%
Signed Language Interpreting Practice Board	1	1.0	1.2	17%
	83.4	83.4	83.4	0%

PROGRAM SUPPORT

The purpose of program support is to provide leadership and centralized direction, financial management, information systems support and human resources support for all agency organizations in compliance with governing regulations, statutes and procedures so they can license qualified applicants, verify compliance with statutes and resolve or mediate consumer complaints.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,736.4	1,523.4	1,777.6	1,554.6	2.0
Other Transfers	412.5	1,797.6	1,934.1	1,934.1	7.6
SOURCES TOTAL	2,148.9	3,321.0	3,711.7	3,488.7	5.0
USES					
Personal Services and Employee Benefits	1,865.5	2,508.8	2,813.9	2,688.2	7.2
Contractual Services	342.6	347.6	280.8	284.9	-18.0
Other	1,119.5	464.6	617.0	515.6	11.0
TOTAL USES	3,327.6	3,321.0	3,711.7	3,488.7	5.0
FTE					
Permanent	32.0	32.0	33.0	33.0	3.0
Term	1.0	1.0	0.0	0.0	-100.0
Temporary	0.0	0.0	0.5	0.0	
TOTAL FTE POSITIONS	33.0	33.0	33.5	33.0	-0.1

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of prior-year audit findings resolved	40%	50%	75%	75%	75%
Output	Percent of payment vouchers the administrative services division submits to the department of finance administration without errors	99%	99%	99%	98%	99%
Output	Percent of information service support tasks completed within the timeframe requested	98%	93%	99%	90%	97%
Quality	Percent of accurate payroll and personnel information entered into human resource management system	98%	94%	99%	94%	99%
Quality	Percent of customers satisfied with information service internal support services	85%	85%	90%	90%	90%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	30	30	30	30

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>FY16 – 2015-2016</u>					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	7,588.9	7,852.6	9,333.8	7,898.8		0.6
Other Transfers	6,161.1	5,946.2	6,146.5	5,946.2		0.0
Federal Revenues	910.0	813.5	954.5	954.5		17.3
Other Revenues	5,643.3	5,791.3	5,940.8	5,740.5		-0.9
SOURCES TOTAL	20,303.3	20,403.6	22,375.6	20,540.0		0.7
USES						
Personal Services and Employee Benefits	10,729.2	11,835.4	13,049.0	12,022.6		1.6
Contractual Services	622.8	643.1	918.5	643.1		0.0
Other	1,963.6	2,133.8	2,467.3	2,133.8		0.0
Other Financing Uses	5,643.3	5,791.3	5,940.8	5,740.5		-0.9
TOTAL USES	18,958.9	20,403.6	22,375.6	20,540.0		0.7
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) faced a funding shortfall in FY14 due to the loss of insurance fund revenues in the Policy and Regulation Program and Program Support in the wake of the Insurance Division's departure into a standalone agency on July 1, 2013. Insurance funds covered a significant portion of PRC general administrative costs, and the commission was unable to reduce expenditures to a sufficient level to avoid furloughs without a supplemental appropriation. The Legislature provided a supplemental appropriation, but the agency filled vacancies and provided internal promotions at the end of FY14 to a level beyond what the FY15 operating budget would cover.

BUDGET ISSUES:

PRC placed itself in a position where it now faces an additional funding shortfall for FY15, and the agency plans again to ask the Legislature for a supplemental appropriation and additional budget adjustment request (BAR) program transfer authority. Agency budget projections show an anticipated shortfall of \$364 thousand by the end of FY15 if the agency continues to fill vacancies. The commission may force the Legislature to either provide the supplemental funding or BAR authority the agency wants or leave the original appropriation unaltered, potentially requiring furloughs or layoffs to remedy the shortfall.

PRC's FY16 request would fully fund all vacancies, increasing the personal services and employee benefits category by \$1.2 million above the FY15 operating budget. However, the agency now has more filled FTE in the Policy and Regulation Program and Program Support than in either of the last two years. When the Insurance Division broke away from PRC, reducing the agency's size by more than one-third, 5 FTE were transferred from Program Support to the new agency, leaving 81 percent of the administrative positions in place. This could indicate an excessive layer of management and administrative support given the agency's overall smaller size.

The agency shows no signs of efficiency gains after the departure of the Insurance Division; the Policy and Regulation Program docketed case backlog grew from 9 percent of case volume in FY13 to 21 percent in FY14, and the average number of days to reach a final order for a rate case increased from 215 to 278 days. PRC attributes the declining performance results entirely to vacancies; the agency implemented a hiring freeze for all but the most critical positions during the first half of FY14, and vacancy rates could contribute significantly to slower processing times. However, PRC hired 31 new people since January 2014, and now the agency is at a higher staffing level, performance results should improve in FY15.

The LFC recommendation includes \$1.3 million, or 12 percent, more funding than the FY14 expenditure level in the personal services and employee benefits category and keeps funding flat for the contractual services and other cost categories. The committee recommends the agency use vacancy savings and cost reductions to reduce or eliminate the current projected shortfall.

Reversions from the fire protection fund to the general fund are decreasing annually by a schedule set in statute, dropping from \$18.6 million at the end of FY13 to \$16.1 million at the end of FY14. The schedule gradually increases transfers to the fire protection grant fund, rising from \$43.2 million at the end of FY13 to \$45.7 million at the end of FY14. 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; however, the increased funding is not resulting in better insurance office ratings for the departments and districts, with performance ratings remaining relatively flat. The insurance office 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 the bottleneck and remains an issue across much of the state.

Regulatory Activities. PRC approved the purchase of New Mexico Gas Co. by Florida-based TECO Energy Inc. in September 2014 after an approval process lasting about a year. The buyout will result in lower bills for customers, at least temporarily, as TECO agreed to use some of the costs saved through operating efficiencies to reduce customers' bills. The overall savings of \$2 million during the first year of operations and \$4 million in the second year will be shared by more than 500 thousand customers across New Mexico. TECO agreed not to request rate increases until 2018 or later.

The commission held multiple hearings in 2014 regarding the ability of ride-sharing companies Lyft and Uber to operate in the state. The matter of state regulation of ride-sharing services is a pressing and often contentious topic across the country, including in New Mexico, as Uber and Lyft gain popularity and expand their presence nationwide. The Maryland Public Service Commission ruled the ride-sharing service Uber is a common carrier -- the first state officially to do so -- and subject to state regulation just as a traditional taxi service would be. Taxi companies and other critics oppose ride-sharing services because of the revenue losses for existing companies and concerns regarding vehicle safety and insurance coverage for passengers. Proponents of these services describe an enhanced customer experience, shorter passenger wait times, and opportunities for people to make extra money working part time as drivers.

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)						
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	6,115.2	6,470.7	7,779.4	6,657.9	2.9	
Other Transfers	1,033.6	569.5	569.5	569.5	0.0	
SOURCES TOTAL	7,148.8	7,040.2	8,348.9	7,227.4	2.7	
USES						
Personal Services and Employee Benefits	6,216.0	6,369.0	7,406.6	6,556.2	2.9	
Contractual Services	97.2	104.7	233.8	104.7	0.0	
Other	531.2	566.5	708.5	566.5	0.0	
TOTAL USES	6,844.4	7,040.2	8,348.9	7,227.4	2.7	
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of docketed cases closed in a fiscal year	91%	79%	91%	85%	91%
Output	Number of docketed cases completed	376	252	410	300	300
* Efficiency	Average number of days for a rate case to reach final order	215	278	<250	<270	<270
Efficiency	Percent of cases processed in less than the statutory time allowance	100%	100%	100%	100%	100%
* Outcome	Comparison of average commercial electric rates between major New Mexico utilities and selected utilities in regional western states	-2%	+1%	+/-4%	+/-8%	+/-4%
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$762	\$139	\$400	\$100	\$150
Explanatory	Number of docketed cases opened in a fiscal year	415	400	415	350	350
* Explanatory	Percent of kilowatt hours of renewable energy provided annually by New Mexico's electric utilities, measured as a percent of total retail kilowatt hours sold by New Mexico's electric utilities to New Mexico's retail electric utility customers	9%	12%	9%	15%	15%
* Explanatory	Comparison of average residential electric rates between major New Mexico utilities and selected utilities in regional western states	1.1%	0.1%	+/-3.0%	+/-8.0%	+/-4.0%
Efficiency	Kilowatt hours of electricity saved as a result of utility energy efficiency programs, in millions	109	126	105	126	126

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Transfers	4,677.0	4,944.2	5,144.5	4,803.2	-2.9
Federal Revenues	910.0	813.5	954.5	954.5	17.3
SOURCES TOTAL	5,587.0	5,757.7	6,099.0	5,757.7	0.0
USES					
Personal Services and Employee Benefits	3,178.1	3,879.3	4,003.2	3,879.3	0.0
Contractual Services	458.7	462.6	574.6	462.6	0.0
Other	1,101.5	1,415.8	1,521.2	1,415.8	0.0
TOTAL USES	4,738.3	5,757.7	6,099.0	5,757.7	0.0
FTE					
Permanent	52.3	52.3	52.3	52.3	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	53.3	53.3	53.3	53.3	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of inspection and audit hours performed by the state fire marshals office	7,329	5,418	7,300	7,000	7,300
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	146,766	137,908	140,000	126,200	138,000
* Output	Number of personnel completing training through the state firefighter training academy	4,224	4,218	4,000	3,500	4,200
Quality	Pass rate for state certification exams administered by the state firefighter academy	87%	88%	85%	85%	87%
Output	Percent of counties and municipalities participating in the arson task force or partnerships with the state fire marshal	76%	83%	77%	75%	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 office ratings of eight or better	63%	65%	66%	65%	65%
Explanatory	Number of fire districts statewide	368	367	368	367	367
Output	Number of inspection and audit hours performed by the pipeline safety bureau	4,235	12,784	4,200	10,000	10,000

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	1,473.7	1,381.9	1,554.4	1,240.9	-10.2
Other Transfers	450.5	432.5	432.5	573.5	32.6
SOURCES TOTAL	1,924.2	1,814.4	1,986.9	1,814.4	0.0
USES					
Personal Services and Employee Benefits	1,335.1	1,587.1	1,639.2	1,587.1	0.0
Contractual Services	66.9	75.8	110.1	75.8	0.0
Other	330.9	151.5	237.6	151.5	0.0
TOTAL USES	1,732.9	1,814.4	1,986.9	1,814.4	0.0
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <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	532,233	1,189,770	500,000	1,000,000	1,000,000
Outcome	Percent of prior-year audit findings eliminated	90%	80%	100%	90%	100%
Explanatory	Number of prior-year audit findings	2	2	1	1	1

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	5,643.3	5,791.3	5,940.8	5,740.5	-0.9
SOURCES TOTAL	5,643.3	5,791.3	5,940.8	5,740.5	-0.9
USES					
Other Financing Uses	5,643.3	5,791.3	5,940.8	5,740.5	-0.9
TOTAL USES	5,643.3	5,791.3	5,940.8	5,740.5	-0.9
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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	8,033.0	8,769.5	10,180.8	8,506.8	-3.0
Federal Revenues	187.7	1,491.4	1,552.5	1,552.5	4.1
Other Revenues	24,612.5	7,203.6	8,856.6	7,603.2	5.5
Fund Balance	16,124.7	16,690.8	18,287.8	18,287.8	9.6
SOURCES TOTAL	48,957.9	34,155.3	38,877.7	35,950.3	5.3
USES					
Personal Services and Employee Benefits	5,279.3	8,473.3	9,233.8	8,005.8	-5.5
Contractual Services	917.4	1,400.4	1,495.4	1,436.4	2.6
Other	18,105.4	16,412.9	18,488.8	18,101.8	10.3
Other Financing Uses	7,758.0	7,868.7	9,659.7	8,406.3	6.8
TOTAL USES	32,060.1	34,155.3	38,877.7	35,950.3	5.3
FTE					
Permanent	95.0	100.0	105.0	101.0	1.0
Term	9.0	22.0	17.5	17.5	-20.5
TOTAL FTE POSITIONS	104.0	122.0	122.5	118.5	-2.9

AT A GLANCE:

The Office of Superintendent of Insurance (OSI) requested a significant budget increase for FY16 from other state funds; however, OSI's funding impacts the general fund because funding for the Insurance Policy Program largely reverts to the general fund. Any balance in the insurance operations fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation reverts to the general fund; the remainder is kept as fund balance. The requested increase would fully fund personal services and employee benefits and pay for an additional 5 permanent FTE -- three for legal staffing, one for licensing, and one to assist in administration of the patient's compensation fund and the growing number of settlement awards affecting the fund. The LFC recommendation funds the request for the Patient's Compensation Fund Program and partially funds the requested increase for the Insurance Policy Program.

BUDGET ISSUES:

In addition to fully funding personal services and employee benefits, the OSI FY16 budget request also significantly increased the budget in the other cost category. The request increased this category in the Patient's Compensation Fund Program by nearly \$1.6 million from nonreverting fund balances to cover an increasing number of settlement awards paid from the fund. The request also increased this category in the Insurance Policy Program by \$508 thousand to pay for items such as employee training and education, information technology equipment, and furniture and fixtures; however, the agency currently has more than \$240 thousand available for these items in the operating budget -- a relatively high amount given the FTE level and high vacancy rate.

The LFC recommendation funds the request for the Patient's Compensation Fund Program and increases funding slightly for the Insurance Policy Program to cover rising risk rates, maintaining a funding level more than \$3.3 million, or 46 percent, more than FY14 expenditures. Due to the high current vacancy rate for the agency, the recommendation does not include any additional permanent FTE but includes sufficient funding for the 17.5 term positions and for an additional 14 vacant, permanent positions.

The Patient's Compensation Fund Program is a flow-through expenditure program that pays physician malpractice settlements for member physicians who pay premiums. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice coverage that caps the amount of damages awarded against the member healthcare providers. The program acts as a re-insurer over private market medical malpractice insurance. The number of settlement awards paid from the patient's compensation fund (PCF) increased over the last several years. However, the biennial actuarial study completed for PCF balances on June 30, 2014, indicates the fund is sound. The fund balance at the end of FY14 was \$34.7 million.

OSI hired a Financial Audit Bureau chief and a Fraud Bureau chief to improve revenue administration and to oversee audits of premium tax revenues. The agency is now 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. The agency also plans to implement an electronic revenue submission system developed by the National Association of Insurance Commissioners (NAIC), but it will take approximately one to two years before the agency can purchase and use the new software due to a significant software update from NAIC that is not yet complete.

The New Mexico Health Insurance Exchange (NMHIX) entered into a memorandum of understanding for OSI to support NMHIX through regulatory and quasi-regulatory activities related to implementation of the Affordable Care Act (ACA). OSI will receive a total grant of \$1.925 million for this assistance, covering activities from March 15, 2014, through December 31, 2015. The OSI FY15 operating budget contains \$1.1 million of this amount, and the FY16 request contained the remaining \$521 thousand. Because the agency built this temporary contract into the operating budget, the LFC recommendation for the Insurance Policy Program for FY16 appears lower due to the reduction in the contract funding.

The board of the New Mexico Medical Insurance Pool (NMMIP), a healthcare coverage option for high-risk patients created before the ACA and chaired by the superintendent of insurance, voted to approve an average 28.8 percent increase in rates for members of the pool for 2015. The increase will make the insurance exchange a more attractive option for insurance coverage, and the board hopes this move will depopulate the pool more quickly. Currently, rates for pool members are low enough that some members are paying less than they would on the exchange, creating an incentive to stay in the pool and receive continued rate subsidization from New Mexico taxpayers. The new rates will be higher than comparable exchange plans for people in most age brackets and in most geographical regions of the state.

New Mexico Mutual, the state's largest provider of workers' compensation insurance, ended the 2013 tax year with a net income of \$8 million, versus \$6 million in 2012, growing the total surplus to \$109 million -- an increase of 8 percent. Additionally, total cash and investments increased from \$282 thousand at the end of 2012 to \$305 thousand at the end of 2013. The company achieved a combined ratio, the ratio of policy losses to gains, of 100.8 percent in 2013, dropping from 103.3 percent in 2012 and outperforming the national average. The industry typically experiences greater losses than gains; New Mexico Mutual's combined ratio was significantly lower than the industry average and approached the breakeven point. The Legislature created New Mexico Mutual more than 20 years ago to enable a competitive market for employers to obtain workers' compensation insurance, and now the company is the largest of its type in the state, holding 31 percent of the voluntary market share. Claims frequency remained flat in 2013, but average claim size rose partly because of higher drug costs and increased injury severity, particularly for motor vehicle accidents. Company officials report both claims frequency and size rose during the first six months of 2014.

RECOMMENDED LANGUAGE:

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

INSURANCE POLICY

The purpose of the insurance policy program is to ensure easy public access to reliable insurance products that meet consumers' needs and are underwritten by dependable, reputable, financially sound companies that charge fair rates and are represented by trustworthy, qualified agents, while promoting a positive competitive business climate.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Transfers	8,033.0	8,769.5	10,180.8	8,506.8	-3.0
Federal Revenues	187.7	1,491.4	1,552.5	1,552.5	4.1
Fund Balance	0.0	187.5	0.0	0.0	-100.0
SOURCES TOTAL	8,220.7	10,448.4	11,733.3	10,059.3	-3.7
USES					
Personal Services and Employee Benefits	5,221.8	8,412.4	9,078.6	7,850.6	-6.7
Contractual Services	715.6	934.0	1,045.0	986.0	5.6
Other	1,236.1	1,102.0	1,609.7	1,222.7	11.0
TOTAL USES	7,173.5	10,448.4	11,733.3	10,059.3	-3.7
FTE					
Permanent	95.0	99.0	103.0	99.0	0.0
Term	8.0	22.0	17.5	17.5	-20.5
TOTAL FTE POSITIONS	103.0	121.0	120.5	116.5	-3.7

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Output	Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	95%	97%	98%	98%	98%
Output	Percent of producer applications, appointments and renewals processed within ten business days	100.0%	99.9%	99.0%	99.0%	99.9%
Output	Percent of domestic company examination reports adopted within eighteen months of the examination period	90%	88%	100%	100%	100%
Output	Percent of insurance division interventions conducted with domestic insurance companies when risk-based capital is less than two hundred percent	new	new	100%	100%	100%
Output	Percent of form and rate filings processed within ninety days within the life and health bureau	new	new	99%	97%	99%
Output	Percent of form and rate filings processed within ninety days within the property and casualty bureau	new	new	99%	99%	99%
Output	Number of managed healthcare outreach activities conducted annually	new	new	120	95	100
Efficiency	Percent of insurance fraud bureau complaints processed and recommended for either further criminal actions/prosecutions or closure within sixty days	66%	73%	88%	88%	88%

PATIENT'S COMPENSATION FUND

BUDGET SUMMARY (dollars in thousands)						
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	12,640.2	0.0	0.0	0.0		
Fund Balance	16,124.7	16,503.3	18,149.8	18,149.8	10.0	
SOURCES TOTAL	28,764.9	16,503.3	18,149.8	18,149.8	10.0	
USES						
Personal Services and Employee Benefits	57.5	60.9	155.2	155.2	154.8	
Contractual Services	201.8	466.4	450.4	450.4	-3.4	
Other	16,869.3	15,310.9	16,879.1	16,879.1	10.2	
Other Financing Uses	565.1	665.1	665.1	665.1	0.0	
TOTAL USES	17,693.7	16,503.3	18,149.8	18,149.8	10.0	
FTE						
Permanent	0.0	1.0	2.0	2.0	100.0	
Term	1.0	0.0	0.0	0.0		
TOTAL FTE POSITIONS	1.0	1.0	2.0	2.0	100.0	

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)						
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	11,972.3	7,203.6	8,856.6	7,603.2	5.5	
Fund Balance	0.0	0.0	138.0	138.0		
SOURCES TOTAL	11,972.3	7,203.6	8,994.6	7,741.2	7.5	
USES						
Other Financing Uses	7,192.9	7,203.6	8,994.6	7,741.2	7.5	
TOTAL USES	7,192.9	7,203.6	8,994.6	7,741.2	7.5	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0		

STATUTORY AUTHORITY:

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

In lieu of a possible licensure revocation, 258 physicians, 18 physician assistants, and two polysomnographic technologists participated in the board's monitored treatment program in FY14; 84 participants were treated voluntarily. Five individuals successfully completed the program.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
Other Revenues	2,016.4	1,766.0	1,776.9	1,776.9	0.6	
Fund Balance	0.0	120.0	100.0	100.0	-16.7	
SOURCES TOTAL	2,016.4	1,886.0	1,876.9	1,876.9	-0.5	
USES						
Personal Services and Employee Benefits	1,015.1	1,224.3	1,257.0	1,257.0	2.7	
Contractual Services	235.4	241.9	245.0	245.0	1.3	
Other	358.6	419.8	374.9	374.9	-10.7	
TOTAL USES	1,609.1	1,886.0	1,876.9	1,876.9	-0.5	
FTE						
Permanent	15.0	15.0	16.0	16.0	6.7	
TOTAL FTE POSITIONS	15.0	15.0	16.0	16.0	6.7	

AT A GLANCE:

For FY16, the board requested and the committee recommends a slight decrease from the FY15 operating budget, mostly attributed to a \$32 thousand decrease in the reporting and recording line of the other category. The board's projected fund balance at the end of FY16 is \$2.4 million.

The board requested and the committee recommends additional funds for a new FTE to assist with the day-to-day accounting and finance operations and increased contracted temporary support services.

The board is reviewing an expedited reciprocity licensure process to reduce the number of days it takes to issue a license to physicians from other states. Under the revised process, physicians licensed in a state with requirements that exceed New Mexico's could receive a physician license within a week of applying.

BASE EXPANSION:

The expansion request is for a full-time business operations specialist to assist with the accounts receivable, accounts payable, benefits, and time and labor duties of the agency. Funding for the expansion position will total \$59 thousand, most of which was funded with reprioritized budget savings. The committee recommends funding the expansion.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Business Operations Specialist</u>	<u>(P676)</u>	<u>50.9</u>	<u>50.9</u>
TOTAL			50.9	50.9

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	1,214,724	1,063,915	1,200,000	1,100,000	1,200,000
* Output	Number of triennial physician licenses issued or renewed	3,661	3,945	3,600	3,600	3,800
* Output	Number of biennial physician assistant licenses issued or renewed	398	436	375	375	430
Output	Number of biennial anesthesiologist assistant licenses issued or renewed	24	3	15	5	10
Output	Number of complaints resolved within twelve months	243	137	245	240	240
Output	Number of participants in monitored treatment programs	255	278	175	180	225
Outcome	Percent of participants who relapse	1.0%	.28%	1.5%	1.5%	1.5%
Outcome	Number of days to issue a physician license	72	49	70	60	55

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)					
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	2013-2014	2014-2015	Agency Request	LFC Recommendation	
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
Other Transfers	0.0	200.0	0.0	0.0	-100.0
Other Revenues	1,777.2	1,800.0	1,951.6	1,911.0	6.2
Fund Balance	404.9	489.8	461.4	445.9	-9.0
SOURCES TOTAL	2,182.1	2,489.8	2,413.0	2,356.9	-5.3
USES					
Personal Services and Employee Benefits	1,339.6	1,492.3	1,580.3	1,500.3	0.5
Contractual Services	173.5	172.1	171.8	174.8	1.6
Other	679.5	625.4	660.9	681.8	9.0
Other Financing Uses	0.0	200.0	0.0	0.0	-100.0
TOTAL USES	2,192.6	2,489.8	2,413.0	2,356.9	-5.3
FTE					
Permanent	19.0	19.0	19.0	19.0	0.0
TOTAL FTE POSITIONS	19.0	19.0	19.0	19.0	0.0

AT A GLANCE:

Even though the Board of Nursing requested an overall budget decrease, it requested an increase in funding for the personal services and employee benefits category to reclassify positions and the other category to fund grants to higher education institutions at levels consistent with FY14. Grants to higher education institutions help nursing schools in the state with recruitment and retention. The board's other financing use in FY15, a transfer from the nursing excellence fund to operating funds, will not be continued in FY16.

The committee recommendation fully funds the personal services and employee benefits category without any reclassifications and funds the contractual services category and the other category consistently with FY14 levels.

The board is reviewing the advanced practice registered nurse consensus model. Under the model, advanced practice nurses, such as nurse practitioners, would receive a compact license enabling them to practice in all the states participating in the compact. The board reports the number of licensed nurses declined 3.5 percent to 14,551 in FY14.

For FY15, the Legislature appropriated \$1.7 million to University of New Mexico's College of Nursing to increase the number of family nurse practitioner, nurse midwifery, and pediatric nurse practitioners students from 16 to 40.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	98%	98	98%	98%	100%
Output	Percent of complaints logged and processed within two days of receipt of written complaint, then investigated and presented to board of nursing for resolution of disciplinary matter within six months	68%	90%	90%	90%	90%
* Output	Number of licensed practical nurse, registered nurse, advanced practice nurse licenses and unlicensed assistive personnel certificates issued	15,081	14,551	15,000	16,000	16,000
Quality	Percent of nursing education programs in full compliance with rule requirements	100%	80%	100%	95%	100%
Quality	Number of public information announcements for board meetings, rules hearings and conferences	4	8	8	6	8
Quality	Number of quality assurance audits reviewed for continuing education for unlicensed assistive personnel, licensed practical nurses, registered nurses, and advanced practice nurses	174	174	180	185	185
Output	Number of unlicensed assistive personnel certificates issued			380	450	450
Quality	Number of current active nursing licenses	New	30,290	31,000	32,000	32,000
Output	Percent of unlicensed assistive personnel programs in full compliance with rule requirements.	98%	91%	98%	95%	100%
Output	Number of certificates issued per rule requirement of one month for certified medication aides and certified hemodialysis technicians	14	15	14	20	16
Efficiency	Percent of completed applications whose applicant is already licensed in another state or jurisdiction and determined to have met New Mexico state board qualifications issued a license to practice within five business days			New	95%	100%

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)		FY16 – 2015-2016		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	800.5	0.0	0.0	0.0	*
Other Revenues	11,470.1	11,799.7	11,950.0	11,970.0	1.4
Fund Balance	0.0	375.0	0.0	0.0	-100.0
SOURCES TOTAL	12,270.6	12,174.7	11,950.0	11,970.0	-1.7
USES					
Personal Services and Employee Benefits	5,382.0	5,507.4	5,492.3	5,492.3	-0.3
Contractual Services	2,918.7	2,857.7	3,144.6	3,144.6	10.0
Other	3,603.7	3,809.6	3,313.1	3,333.1	-12.5
TOTAL USES	11,904.4	12,174.7	11,950.0	11,970.0	-1.7
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Temporary	24.8	0.0	0.0	0.0	
TOTAL FTE POSITIONS	59.8	35.0	35.0	35.0	0.0

AT A GLANCE:

The New Mexico State Fair request for a budget decrease for FY16 is due to elimination of parimutuel revenues and related bond payments from the budget. The LFC recommendation funds the request.

The State Fair Commission met just once each year in 2012 and 2013, fulfilling its legal obligation to meet at least annually but providing little oversight for the agency. However, the commission met quarterly in 2014.

BUDGET ISSUES:

The 2013 audit contains eight findings and no material weaknesses, an improvement from the two prior years. The 2011 audit provided an unqualified opinion but contained 10 findings, including four material weaknesses. The 2012 audit also provided an unqualified opinion but contained 13 findings; however, it included just one material weakness. After reviewing the 2012 audit, the Office of the State Auditor issued a risk advisory for the State Fair.

The State Fair improved its financial condition, emerging from years of operating losses to generate net operating income of \$366 thousand in FY14, excluding depreciation. Additionally, the agency transitioned its financial accounting to SHARE in FY13 and FY14, increasing financial oversight by the Department of Finance and Administration. The State Fair had a cash balance of \$2.2 million at the end of FY14, down from \$2.4 million at the end of FY13 and \$2.7 million at the end of FY12, due to lower attendance at the 2013 fair and additional debt payments. The agency relies on the remaining cash balance to support operations until the next annual fair event, the agency's primary source of revenue.

Except for \$1.8 million owed to the Risk Management Division of the General Services Department (GSD) for insurance coverage, the State Fair has paid back the debt amassed during the years of insolvency. The State Fair is making payments to GSD for current insurance obligations, but internal revenues are insufficient to pay off this accumulated debt. The Legislature appropriated \$500 thousand of fund balance revenues to begin paying amounts owed to GSD; however, the agency does not intend to utilize the appropriation to repay a portion of this debt because of the reduction in cash balance compared to prior years.

Attendance Increase. Fair attendance was lower than previous years and dropped in FY14 by 3.7 percent from FY13 due to torrential rains during the first weekend of the fair. However, the State Fair reports preliminary figures for the FY15 event show higher attendance numbers than in any year since 2011 and a 16.9 percent improvement over FY14. Additionally, the FY15 opening weekend attendance could be a record once the numbers are finalized, potentially increasing revenues. 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. LFC encourages agency officials to review the revenues and use any increase to pay down the debt owed to GSD.

The agency changed the fee model for the 2012 and 2013 fairs, with free parking and moderately higher ticket prices to eliminate cash handling at parking lots with little oversight. However, the State Fair added a paid parking lot for the 2014 fair to increase revenues. The agency partnered with the University of New Mexico to use its online ticketing capabilities. In conjunction with advance ticket sales, the online ticketing increased non-cash ticket transactions for the fair and reduced cash handled by temporary employees.

In 2006, the Legislature appropriated \$1.6 million to build the African American Performing Arts Center (AAPAC) on the state fairgrounds. In 2011, the governor vetoed a \$349 thousand general fund appropriation supporting AAPAC. The veto curtailed AAPAC operations and placed an additional burden on the enterprise revenue that typically supports the State Fair; funding has not resumed since 2011. The facility now receives only moderate and variable use, and the State Fair is currently allowing 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, is to run a state facility. This is not only the appropriate method for a state-owned building; it is the proper approach in the private sector as well and will provide for continuity of operations if the current State Fair officials depart the agency.

LFC recommends the State Fair develop a formalized contract for AAPAC in conjunction with the General Services Department Facilities Management Division and Procurement Services Division, as well as the Office of African American Affairs and the Martin Luther King, Jr. Commission. The LFC recommendation includes a \$20 thousand increase in other state funds from the Martin Luther King, Jr. Commission to support AAPAC, and the committee recommends the State Fair coordinate with the Martin Luther King, Jr. Commission and the Office of African American Affairs to relocate the agencies into the performing arts center.

Deferred Maintenance and Capital Outlay. The state fairgrounds suffer from decades of neglect and deferred maintenance. However, over the last three years, the agency gradually addressed 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 as mandated by the U.S. Environmental Protection Agency. The agency's five most important capital needs are electrical infrastructure, sewage lines, roof repair and replacement, pavement repairs and resurfacing, and a variety of issues that arise throughout the year due to the deferred maintenance. The State Fair's total capital outlay request was \$11.1 million for FY16.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the New Mexico state fair in the other category includes twenty thousand dollars (\$20,000) for the African American performing arts center and exhibit hall for operations, administration, programs and services.

NEW MEXICO STATE FAIR

The purpose of the state fair program is to promote the New Mexico state fair as a year-round operation with venues, events and facilities that provide for greater use of the assets of the agency.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	91%	88%	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	377,123	361,700	400,000	400,000	400,000
* Output	Number of total attendees at annual state fair event	407,265	392,299	430,000	430,000	430,000

STATUTORY AUTHORITY:

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

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	983.8	793.5	886.2	795.8	0.3
Fund Balance	0.0	2.0	0.0	0.0	-100.0
SOURCES TOTAL	983.8	795.5	886.2	795.8	0.0
USES					
Personal Services and Employee Benefits	247.7	557.3	575.3	523.8	-6.0
Contractual Services	54.7	73.5	63.3	78.3	6.5
Other	107.3	164.7	215.9	162.0	-1.6
Other Financing Uses	0.0	0.0	31.7	31.7	
TOTAL USES	409.7	795.5	886.2	795.8	0.0
FTE					
Permanent	8.0	8.0	9.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	9.0	8.0	0.0

AT A GLANCE:

To regain its autonomy, the Board of Licensure for Engineers and Land Surveyors requested to relocate from the Toney Anaya Building to another location in Santa Fe. The relocation would require additional funding in the personal services and employee benefits category for a full time information technology manager and in the other category for lease payments and information technology equipment. The executive director position has been vacant since 2011 and overall the agency has maintained a 50 percent vacancy rate.

The committee recommends an appropriation that is flat with the FY15 operating budget. The recommended budget would provide adequate funding for the board to continue to operate from the Toney Anaya building.

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100%	100%	100%	100%
Output	Number of examinations administered	565	518	600	600	600
* Output	Number of licenses or certifications issued within one year	649	741	675	700	725
Efficiency	Percent of cases resolved through compliance or legal action within one year	93	95%	95%	95%	95%
Efficiency	The number of days, on receipt of a complaint, to process, investigate and present it to the respective professional committee of the board		3-6 mos	New	6 mos	6 mos

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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	5,577.9	5,724.5	6,242.7	5,897.4	3.0	
SOURCES TOTAL	5,577.9	5,724.5	6,242.7	5,897.4	3.0	
USES						
Personal Services and Employee Benefits	3,452.7	3,961.1	4,317.6	4,035.3	1.9	
Contractual Services	535.5	771.8	806.3	804.5	4.2	
Other	1,250.4	991.6	1,118.8	1,057.6	6.7	
TOTAL USES	5,238.6	5,724.5	6,242.7	5,897.4	3.0	
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 Gaming Control Board requested increases to fund all FTE, purchase computers and licensing software, and maintain the central monitoring system. The board is working to fill all vacant positions in the Audit Division. Also, the board is in the process of implementing an automated audit software program that will be used in tribal and nontribal gaming venues.

The committee recommendation provides additional funding in personal services and employee benefits to fill vacant positions but assumes a vacancy rate of 7 percent. The recommendation funds increased contract support for the central monitoring system and a new licensing software maintenance agreement with the Regulation and Licensing Department.

BUDGET ISSUES:

In FY14, the net win for racetracks was \$251.7 million and for tribal casinos it was \$750.9 million. Gaming taxes in FY14 included \$65.1 million from racetracks, \$861.2 thousand from manufacturers and distributors, and \$1 million from nonprofits. The tribes paid a total of \$68.7 million in revenue sharing to the state. The gaming machine count for FY14 is 2,886 at racetrack casinos, 688 at nonprofit operators, and approximately 15 thousand at tribal casinos.

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

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

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Quality	Percent of work permit and work permit renewals processed within fifteen business days	85%	86%	90%	90%	90%
Quality	Percent of incidents reported to the central monitoring system help desk closed within three calendar days	N/A	94%	95%	95%	95%
* Output	Percent of racetrack audit reports completed and mailed within thirty business days of field work completion	N/A	20%	93%	93%	93%
* Output	Percent of all tribal inspection reports completed and mailed within thirty business days of field work completion	N/A	0%	94%	94%	94%
Output	Percent increase in inspection rate of non-tribal gaming operators	New	New	New	<7%	<7%
Output	Percent decrease in citation rate of non-tribal gaming operators	New	New	New	>10%	>10%
Outcome	Percent increase in bingo and raffle inspection rate	New	New	New	<10%	<10%
Output	Percent decrease in bingo and raffle citation rate	New	New	New	>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)						
	<u>FY16 – 2015-2016</u>					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency Request	LFC Recommendation		
SOURCES						
General Fund Transfers	2,353.2	2,430.2	2,902.9	2,530.2	4.1	
Other Transfers	0.0	350.0	350.0	700.0	100.0	
Other Revenues	0.0	350.0	350.0	700.0	100.0	
SOURCES TOTAL	2,353.2	3,130.2	3,602.9	3,930.2	25.6	
USES						
Personal Services and Employee Benefits	1,136.6	1,392.2	1,421.2	1,400.0	0.6	
Contractual Services	891.7	1,271.4	1,576.0	1,671.6	31.5	
Other	146.1	116.6	255.7	158.6	36.0	
Other Financing Uses	0.0	350.0	350.0	700.0	100.0	
TOTAL USES	2,174.4	3,130.2	3,602.9	3,930.2	25.6	
FTE						
Permanent	17.3	19.3	20.3	19.3	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	19.7	21.7	22.7	21.7	0.0	

AT A GLANCE:

For FY16, the commission requested increases in the personal services and employee benefits category, the contractual services category, and the other category. The commission requested additional funding for a medication manager position that would oversee contracted veterinarians who perform equine testing. The large increase in contractual services would cover the cost of expanding equine testing and is partially funded by revenues from the racehorse testing fund. In the other category, the commission requested \$100 thousand in additional funding to lease office space. The \$350 thousand in other financing uses represents the transfer from the racehorse testing fund to the operating budget.

The LFC recommendation for the State Racing Commission supports increasing equine testing and maximizes the use of racehorse testing fund revenues. The committee does not recommend the medication manager position at this time. The recommendation increases funding in the other category to better align with FY14 expenditures, but does not support additional funding to lease office space. According to the fiscal impact report on Laws 2013, Chapter 102, (Senate Bill 72), the State Racing Commission can expect to receive \$700 thousand in the racehorse testing fund, but, the commission only requested \$350 thousand. The recommendation calls for the commission to transfer \$700 thousand from the racehorse testing fund to the operating budget for racehorse testing. The increased funding for additional equine testing should help the commission combat horse doping and ensure the integrity of horseracing in the state.

The LFC recommendation includes \$700 thousand twice in the budget due to generally accepted accounting principles (GAAP) required by the Department of Finance and Administration (DFA). This double entry makes the recommendation appear larger than the actual expenditures.

BUDGET ISSUES:

The State Racing Commission plans to significantly increase spending on equine testing for race meets and develop an out-of-competition testing program. The enactment of the provisions of Laws 2013, Chapter 102, (Senate Bill 72) created the racehorse testing fund to be administered by the State Racing Commission. The legislation takes effect in January 2015 and stipulates that 50 percent of the parimutuel tax collected from both class A and class B racetrack licensees will be transferred to the racehorse testing fund instead of the general fund. Money in the fund is appropriated to the commission for the handling and testing of urine and other specimens taken from racehorses pursuant to the Horse Racing Act. The legislation further amended the Horse Racing Act to require that the State Racing Commission contract only 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. The commission voted unanimously in the fall of 2014 to withdraw the equine testing request for proposal. LFC notes concerns over the commission's inability to create a competitive procurement for an independent equine testing laboratory.

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

RECOMMENDED LANGUAGE:

The seven hundred thousand dollar (\$700,000) other state fund appropriation, from the racehorse testing fund, for equine testing in the contractual services category is contingent on a competitive bid and selection of an international organization for standardization 17025 accredited equine testing laboratory and a vendor selected by July 1, 2016.

The general fund appropriation to the state racing commission in the contractual services category includes an additional one hundred thousand dollars (\$100,000) for two additional hearing officers and two contract attorneys.

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	0.03%	0.02%	0.03%	0.03%	0.02%
* Output	Total amount collected from parimutuel revenues, in millions	\$1.1	\$1.0	\$1.0	\$1.0	\$1.0
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,400	\$4,500	\$4,500	\$5,500	\$5,500
Output	Number of audit exceptions noted on annual financial statement	1	4	0	0	0
Outcome	Percent of prior-year audit findings resolved	99%	99%	100%	99%	100%
Outcome	Timely collections of penalty fees by licensee to the general fund	30	30	30	30	30
Outcome	Number of equine tests per live race	New	New	2	3	3
Efficiency	Average number of days to bring case to prosecution	New	New	30	30	30
Outcome	Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check	New	New	20	30	20
Efficiency	Average number of days to refer investigation cases for administrative	New	New	New	30	30

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)						
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	303.6	295.5	333.1	333.1	12.7	
Fund Balance	0.0	37.6	0.0	0.0	-100.0	
SOURCES TOTAL	303.6	333.1	333.1	333.1	0.0	
USES						
Personal Services and Employee Benefits	146.0	156.0	174.8	156.2	0.1	
Contractual Services	106.7	119.9	110.5	119.5	-0.3	
Other	47.6	57.2	47.8	57.4	0.3	
TOTAL USES	300.3	333.1	333.1	333.1	0.0	
FTE						
Permanent	3.0	3.0	3.0	3.0	0.0	
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0	

AT A GLANCE:

The board requested a budget flat compared with the FY15 operating budget. It increased funding for the personal services and employee benefits category and decreased funding for the contractual services category and the other category.

The committee recommendation is mostly flat compared with the FY15 operating budget.

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.

		FY13	FY14	FY15	FY16	FY16
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of facility licenses issued annually	307	309	300	305	305
Output	Number of facilities inspected annually	153	84	153	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	.001%	.01%	4%	2%	<1%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	.01%	.01%	1%	1%	<1%
Output	Number of registered veterinary technicians licenses issued annually	182	197	180	210	210
* Output	Number of veterinarian licenses issued annually	939	1,122	1,000	1,010	1,050
Output	Number of bovine artificial insemination or bovine pregnancy diagnosis permits issued annually	77	70	80	75	80
Outcome	Attrition rate of all licensees annually	3%	3%	4%	3%	3%
Outcome	Percent of formal complaints resolved without disciplinary action	92%	59%	93%	93%	93%
Output	Number of months to resolution of disciplinary matter	4	3	4	3	3
Outcome	Percent of complaints resolved through adjudication	1%	65%	1%	5%	5%

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	98.7	123.2	210.0	126.9	3.0
Other Revenues	3,472.1	3,691.5	4,241.9	4,291.3	16.2
SOURCES TOTAL	3,570.8	3,814.7	4,451.9	4,418.2	15.8
USES					
Personal Services and Employee Benefits	99.6	127.2	129.4	95.7	-24.8
Contractual Services	3,290.2	3,461.3	4,089.1	4,089.1	18.1
Other	181.0	226.2	233.4	233.4	3.2
TOTAL USES	3,570.8	3,814.7	4,451.9	4,418.2	15.8
FTE					
Permanent	2.0	2.1	2.0	2.0	-4.8
TOTAL FTE POSITIONS	2.0	2.1	2.0	2.0	-4.8

AT A GLANCE:

The FY16 budget request included an increase in the general fund appropriation to pay for increasing insurance premiums. The LFC recommendation increases general fund revenues to a lesser degree to pay for a portion of the insurance premium increase 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. Operating expenses over the last 10 years fluctuated considerably, depending on ridership, from a low of \$2.6 million to a high of \$3.8 million. In four of those 10 years, operating expenditures were greater than operating revenue, resulting in an operating shortfall, but the agency experienced small operating profits in FY13 and FY14. The agency's FY16 request included a significant increase in other revenues from a projected increase in ridership.

Ridership reached nearly 35 thousand passengers for FY14, compared with 30 thousand for FY13. Revenue per rider increased from \$90 in FY11 to \$124 in FY12 but dropped to \$114 in FY13 and \$96 in FY14. The commission's primary goal is to increase ridership to the pre-Lobato-Trestle-fire level of 40 thousand annual passengers by creating a comprehensive marketing plan. The commission also plans to add multiple special event trains to increase ridership and ticket revenue.

The Cumbres and Toltec Scenic Railroad has a total economic impact of \$14.8 million annually, according to a new study by BBC Research & Consulting, including a direct impact of \$10.6 million. The report estimates state and local tax revenue generation of nearly \$1.3 million annually. The study also estimates train operations and visitation support 147 full time equivalent jobs, including 37.5 FTE by the train operator and the commission, 16.1 FTE directly supported by state capital funding, and 93.4 FTE supported from visitor spending, outside support, and secondary impacts.

The railroad suffered from years of capital infrastructure neglect. Funding for capital infrastructure upgrades gradually increased from \$1 million for FY06, reaching nearly \$2 million in combined revenues from Colorado and New Mexico for FY14. However, the agency received no capital outlay from New Mexico for FY15, leading to a backlog in track upgrades and maintenance, rehabilitation of passenger cars and locomotive boilers, and phase two of the Cumbres Pavilion improvements. For FY15,

Colorado provided \$1.3 million for infrastructure needs and now consistently outspends New Mexico for capital improvements – a reversal of the two states’ appropriations for four of the five years prior to FY13. The LFC’s Volume III “Supplemental Tables and Charts” provides a combined and consolidated financial statement and capital outlay projection. The agency reports it needs enhanced track rehabilitation for two more years before expenditures can level out at \$250 thousand per state per year, and federally required maintenance after 1,472 days of service is required on one locomotive at a cost of about \$500 thousand.

For the 2013 and 2014 operating seasons, the commission successfully implemented a new operating model, which included incorporation of the Cumbres Toltec Operations (CTO) operating company to manage the railroad. The commission serves as the board of directors of CTO, eliminating what proved to be an unnecessary layer of management and saving significant funds previously paid to third-party operators to oversee operations. However, the executive director of the commission resigned in late 2013, the second director to resign within a year, creating discontinuity and additional work for the commissioners. Rather than hire a new director, the commission instead hired a financial manager for 2014. The agency’s audit for FY12 contained no findings, but the FY13 audit had one material weakness and three significant deficiencies, indicating the need for additional financial oversight.

Gift shops opened by the commission on each end of the railroad sparked controversy because the gift shops are directly competing with existing small businesses in Chama, New Mexico and Antonito, Colorado. Critics voiced concern over a state-supported entity competing with these small businesses. Proponents of the gift shops report they contribute to self-sufficiency of the railroad’s operations and note other state-supported entities compete with the private market, such as the State Fair competing for concerts and events. The commission agreed to remove all non-logo items from its gift shops in Chama and Antonito and continues to discuss these concerns with local stakeholders.

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Total number of passengers	31,138	34,504	37,000	40,000	37,000
* Output	Revenue generated from ticket sales, in millions	\$3.3	\$3.3	\$3.5	\$3.5	\$3.5

STATUTORY AUTHORITY:

The Office of Military Base Planning and Support was created in 2003 pursuant to the Office of Military Base Planning and Support Act, Section 9-15-48 NMSA 1978, and is administratively attached to the Economic Development Department. The director of the office is appointed by the governor's homeland security adviser.

BUDGET SUMMARY (dollars in thousands)						
<u>FY16 – 2015-2016</u>						
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <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	145.5	200.5	200.5	200.5	0.0	
SOURCES TOTAL	145.5	200.5	200.5	200.5	0.0	
USES						
Personal Services and Employee Benefits	112.5	112.4	112.4	112.4	0.0	
Contractual Services	19.2	74.4	74.4	74.4	0.0	
Other	11.4	13.7	13.7	13.7	0.0	
TOTAL USES	143.1	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 FY16 was flat compared with FY15. The LFC recommendation fully funds the request.

BUDGET ISSUES:

Like OMBPS, the Military Base Planning Commission (MBPC) is administratively attached to the Economic Development Department (EDD). The 17-member commission includes the lieutenant governor, the secretary of EDD, and 15 members from counties near New Mexico's four military bases appointed by the governor and approved by the Senate. The commission met three times in FY14.

The U.S. Department of Defense (DOD) proposed a round of base realignments and closures (BRAC) in 2015 due to excess infrastructure but recently revised the requested timeline to begin in 2017. Congress has not yet supported the BRAC request, which could further delay the start date. 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.

The agency is progressing on the purchase of land adjacent to the Cannon Air Force Base with funds remaining from the expansion of the Melrose Air Force Range, initially appropriated in 2006 and reauthorized in 2014. The director plans to finish the project and draw down the remaining \$1.4 million before another reauthorization would be required in 2016. The land would then be transferred to the Air Force to address issues such as encroachment, transportation access, force protection, and flight safety. Ongoing negotiations with landowners continue to delay the process on two potential parcels, but the director expects to close on a third parcel in the first half of FY15.

The director and the commission worked with White Sands Missile Range (WSMR) to resolve a dispute with SunZia over proposed installation of transmission lines across the northern extension area of the range. The land is used by WSMR for missile testing, and DOD 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 five miles of the transmission lines but keep SunZia's requested route intact.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	8	8
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)					Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>			
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	459.9	463.1	463.1	463.1	0.0	
Other Revenues	2,331.1	5,584.1	3,955.0	3,955.0	-29.2	
Fund Balance	0.0	0.0	2,482.6	2,482.6		
SOURCES TOTAL	2,791.0	6,047.2	6,900.7	6,900.7	14.1	
USES						
Personal Services and Employee Benefits	816.6	1,464.4	1,586.6	1,586.6	8.3	
Contractual Services	227.1	3,265.0	3,974.4	3,974.4	21.7	
Other	818.5	1,317.8	1,339.7	1,339.7	1.7	
TOTAL USES	1,862.2	6,047.2	6,900.7	6,900.7	14.1	
FTE						
Permanent	9.0	9.0	9.0	9.0	0.0	
Term	0.0	9.0	9.0	9.0	0.0	
TOTAL FTE POSITIONS	9.0	18.0	18.0	18.0	0.0	

AT A GLANCE:

The Spaceport Authority requested a budget increase for FY16 using fund balances remaining from tenant fees and other operational revenues, such as fees for automakers to rent the facilities for photography shoots. However, the agency projects this fund balance will approach zero during FY16 without additional launch fees and tourism-related revenues. The requested budget increase would almost fully fund the personal services and employee benefits category, reducing the vacancy rate from the FY15 operating budget, and expand contractual services to match projected expenditures. Because the agency ramped up operations in anticipation of Virgin Galactic flights, agency officials project the level of contractual services, including firefighting and security services, funded in the FY15 operating budget will be insufficient to maintain near-operational status. The LFC recommendation funds the request, keeping general fund revenue flat as the agency attempts to gain sufficient revenues from tenants and tourists to become self-sufficient.

BUDGET ISSUES:

SpaceX, a tenant at Spaceport America, 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, Elon Musk, said the new facility will be the world's first commercial launch complex designed specifically for orbital missions. Texas is providing 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.

Spaceport America's anchor tenant, Virgin Galactic, remains a few critical, and potentially lengthy, steps away from a commercial launch. The first step is additional test flights with a new fuel source. The company recently selected a different fuel after three powered test flights with its original fuel source, but the new propellant will require minor alterations to the SpaceShipTwo craft. The chief executive officer, George Whitesides, stated the hybrid motor will not require modification because it was designed to work with both fuel sources undergoing testing. However, significant testing remains for the craft itself, particularly after the fatal mid-air accident in October 2014. A Virgin Galactic engineer stated in 2013 SpaceShipTwo may require up to 20 powered test flights before it will be ready for commercial service. Other remaining steps include receiving a commercial license from the Federal Aviation Administration (FAA) and completing the ramp-up of its operations at Spaceport America.

Virgin Galactic's investment to date in Spaceport America of \$2.6 million in rent and fees represents a little more than 1 percent of New Mexico's investment in the facility. The company estimates the first commercial flight could take place in 2015, but Virgin Galactic continues to push back the launch date year after year due to the need for additional design and safety testing, leading to continued risk and uncertainty regarding launch revenues for the spaceport.

However, Spaceport America and Virgin Galactic cleared another regulatory hurdle with FAA, signing a joint agreement that defines parameters for how the space flights launched from the spaceport will transition into the national airspace system. The FAA Albuquerque Air Route Traffic Control Center will work with the Spaceport Authority and Virgin Galactic to clear airspace for the flights after the spacecraft leave the airspace of the White Sands Missile Range.

Virgin Galactic held a series of customer service training presentations across New Mexico to prepare the state for space tourism and to enhance the experience of visitors. The company focused on areas of the state expected to be hot spots for visitors coming to Spaceport America and emphasized training on how to deliver excellent service to seasoned, affluent, international travelers.

The Board of Finance authorized the Spaceport Authority to seek a loan of nearly \$21 million to construct the proposed visitor centers, but the agency was unable to secure a financing package of this magnitude. Without the visitor centers in place, and without the draw of launches from anchor tenant Virgin Galactic, visitor levels remain low. However, the Spaceport Authority is developing a 4,000 square-foot warehouse as a stopgap visitor center to house displays and exhibits. The agency requested \$6.9 million for FY16 in capital outlay to purchase land and construct an additional visitor center with museum-type displays and exhibits in Truth or Consequences. This second visitor center is potentially duplicative not only of the visitor center at the spaceport but also of the Museum of Space History in Alamogordo. The agency faces the issue of needing a visitor center to attract tourists and generate additional operational revenues; however, visitor levels likely will not increase substantially until Virgin Galactic begins commercial launches.

Additional delays for Virgin Galactic launches will reduce launch and visitor revenues in FY16, increasing the possibility of a budget shortfall. If the worst-case scenario occurs, and tourist levels remain near current low levels and Virgin Galactic launches late in FY16 (if at all), the agency might be hard-pressed to continue operations without layoffs, prolonged furloughs, or suspended contracts until launches begin. The Spaceport Authority projects a worst-case shortfall could be approximately \$3.6 million by the end of FY16 without such emergency measures, and this scenario is far more likely after the fatal accident and the ensuing testing delays.

Construction plans for the southern road leading from Interstate 25 north of Las Cruces to Spaceport America underwent design changes required by the U.S. Bureau of Land Management, and now additional surveys are needed for construction access on the sides of the road. Dona Ana County estimates it will release the request for proposals (RFP) for road construction in January 2015 and award the contract in April.

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>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY16</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of launch customers and tenants			new	4	5
Output	Number of events held			new	10	10
Quality	Total revenue generated from operations, in millions			new	\$5.5	\$5.5
Output	Number of visitors to spaceport	1,800	1,903	132,980	128,600	128,600
* Outcome	Annual number of jobs created due to New Mexico spaceport authority efforts	150	187	285	150	285

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 9-4A-18 NMSA 1978). The new law elevated the agency to cabinet status and elevated the individual museums in the Museum of New Mexico to division status, placing them on equal footing with other museums and facilities within DCA. In addition to the Cultural Affairs Department Act, divisions within DCA are authorized by the following statutes: Sections 18-2-1 through 18-2-23 NMSA 1978 (creating the Library Division); Sections 18-3-1 through 18-3-8 NMSA 1978 (establishing the Museum of New Mexico); Sections 18-3A-1 through 18-3A-9.1 NMSA 1978 (the Natural History and Science Museum Act); Section 18-5-1 through 18-5-7 NMSA 1978 (creating the Arts Division); Sections 18-6-1 through 18-6-23 NMSA 1978 (the Cultural Properties Act); Sections 18-7-1 through 18-7-4 NMSA 1978 (creating the Museum of Space History); Sections 18-11-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	29,044.7	30,373.3	31,715.6	31,123.6	2.5
Other Transfers	75.7	108.0	111.5	111.5	3.2
Federal Revenues	3,113.8	4,226.3	3,480.1	3,480.1	-17.7
Other Revenues	5,411.1	7,501.2	6,986.2	6,986.2	-6.9
Fund Balance	1,787.2	1,759.3	1,000.0	1,087.3	-38.2
SOURCES TOTAL	39,432.5	43,968.1	43,293.4	42,788.7	-2.7
USES					
Personal Services and Employee Benefits	25,472.2	29,746.0	28,389.0	28,353.6	-4.7
Contractual Services	3,305.1	4,901.1	4,738.6	4,419.8	-9.8
Other	9,413.4	9,321.0	10,165.8	10,015.3	7.4
TOTAL USES	38,190.7	43,968.1	43,293.4	42,788.7	-2.7
FTE					
Permanent	425.8	420.3	417.8	417.8	-0.6
Term	89.0	87.5	91.0	89.5	2.3
Temporary	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	514.8	507.8	509.8	508.3	0.1

AT A GLANCE:

The Cultural Affairs Department (DCA) submitted a budget request for FY16 that provides an overall budget decrease. However, the request for general fund revenues increases, using this source of funding to replace nearly depleted fund balance revenues. The budget request assumed a moderate vacancy rate reflective of the agency's struggle to fill vacant positions.

BUDGET ISSUES:

The FY16 budget request was \$43.3 million -- a decrease of \$675 thousand, or 1.5 percent, compared with the FY15 operating budget. The general fund request was \$31.7 million -- an increase of \$1.3 million, or 4.4 percent, compared with the FY15 operating budget.

The agency's request to reduce use of fund balance revenues from \$1.8 million to \$1 million is due to decreasing fund balances. 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. DCA reports the fund balances are decreasing rapidly, dropping from \$3.1 million at the end of FY14 to an estimated \$1.6 million at the end of FY15, and projected to be \$911 thousand by the end of FY16.

The FY16 request applied an average vacancy of 10.6 percent across programs, providing sufficient funding to fill 19.6 vacant positions, down from 41.4 vacant positions funded in the FY15 operating budget.

The LFC recommendation includes a total appropriation of \$42.8 million, including \$31.1 million of general fund revenues, and decreases fund balance revenues to nearly the level requested by DCA, allowing fund balances to taper off to a lower but sustainable level over the next couple of years. The recommendation applies a slightly higher vacancy rate but provides sufficient funding to fill approximately 19 vacant positions -- a difference of less than one from the request.

Slightly more than \$300 thousand of the increased general fund revenues in the FY16 request is due to increasing costs of operations, including property insurance, utilities, and fees assessed by the Department of Information Technology. The remaining \$1 million is made up of six new or expanding activities.

The first item is \$300 thousand for historic sites to upgrade exhibits and enhance marketing efforts. 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. The LFC recommendation includes \$250 thousand for exhibits and to market them. DCA should also focus on the cultivation of donors to provide private funding for updated exhibits, including more extensive efforts across museum and historic site programs to identify funding in cooperation with the Museum of New Mexico Foundation (MNMF), friends organizations, and other international, national, and state foundations. MNMF supports the museums and historic sites through fund development for exhibitions, education programs, financial management, and advocacy.

The second item is \$300 thousand for preventive maintenance at museums and historic sites, which suffer from significant levels of deferred maintenance that potentially threatens priceless collections, poses hazards to visitors, and inhibits the department's capacity to earn much-needed revenue. All historic sites confront funding shortfalls required for operations and maintenance. In many instances, structures of historic and cultural significance are disintegrating or collapsing due to a lack of funding for maintenance. Most of the state historic sites now rely on volunteers to staff facilities, give tours, take attendance, and repair buildings. The LFC recommendation includes the requested \$300 thousand for preventive maintenance, and the committee recommends the department avoid the acquisition of new properties.

The third item is \$100 thousand for marketing, and the department projects this funding will increase attendance at its facilities by 10 percent over a five-year period. The LFC recommendation funds this request, and the committee encourages DCA to continue to work closely with the Tourism Department on its advertising campaign.

The fourth item is \$125 thousand for an effort to strengthen economic development through cultural communities. The funding would increase arts and cultural grants by approximately 12.5 percent. The LFC recommendation does not fund this request, but the committee recommends the agency work with the Economic Development Department and related organizations to develop a cohesive brand to use existing funding to market the state's economic development assets, using the Tourism Department's successful branding campaign, now adopted by 30 communities across the state, as a model.

The fifth item is \$150 thousand for a mobile museum education program. The mobile museum is a recreational vehicle that carries items from the state's museums and historic sites to schools around the state. The LFC recommendation does not fund this request in the base budget.

The sixth item is \$75 thousand for library depository compliance. The State Library requires additional scanning and database capacity to meet its statutory obligations. The LFC recommendation funds this request through a combination of general fund and fund balance revenues.

DCA received no appropriation for capital outlay in 2014. The agency's 2015 request was \$24.5 million, composed of the following amounts: \$4.6 million for critical repairs to address safety issues, including a new fire suppression system at the Museum of Space History; \$8.9 million for lower-priority repairs, such as fixing damage caused by flooding at the Farm and Ranch Heritage Museum; \$4.1 million for exhibit upgrades; \$2.9 million for equipment; and \$4 million for planning and expansion. The department manages 191 buildings valued at \$650 million and houses art and artifacts valued at \$300 million.

Data provided by the department indicates attendance at the museums increased by 4.5 percent in FY14, but this is attributable primarily to attendance at three museums -- the Museum of Art, the Museum of Indian Arts and Culture, and the Farm and Ranch Heritage Museum. The Museum of Space History and the Museum of Natural History and Science saw smaller increases of 3.5 percent. Attendance at the historic sites increased by 6.1 percent in FY14 and represented the second highest attendance in the last six years. The increase was led by significant attendance gains at the Fort Stanton and Jemez historic sites, with smaller gains at the El Camino Real International Heritage Center and the Fort Sumner historic site.

DCA's Los Luceros historic property is underused, and the New Mexico State University (NMSU) submitted a cost analysis to transfer the majority of the property to the university, excluding the historic main house and other buildings. The property would be merged with 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 in transferring the property to make better use of this state asset.

The department hired the University of New Mexico Bureau of Business and Economic Research (BBER) to perform a study of the economic impact of arts and culture and the industry's ties to economic development. BBER estimated an economic impact of \$5.6 billion and determined the arts and culture industry represents 43 thousand jobs in the state using narrowly defined, national benchmark categories. If a wider definition is used, including categories such as cultural tourism, humanities education, and heritage agriculture, the number of jobs grows to nearly 77 thousand. BBER recommended ways to expand the arts and culture industry's impact in four categories: 1) support statewide development of creative businesses, 2) prioritize community-scale cultural capacity building, 3) develop culturally relevant education strategies, and 4) include creative industries in economic development policy.

DCA did not submit the audit for the year ending June 30, 2013, by the December 15 deadline. The audit was unqualified but indicated serious financial issues, listing 20 audit findings, including five material weaknesses and seven significant deficiencies. The agency hired a new Administrative Services Division director to remedy the financial reporting issues.

MUSEUMS AND HISTORIC SITES

The purpose of the museums and historic sites program is to develop and enhance the quality of state museums and historic sites 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)					Percent Incr (Decr)
	FY14	FY15	FY16 - 2015-2016			
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	19,208.5	19,930.2	20,792.9	20,592.9	3.3	
Other Transfers	75.7	108.0	111.5	111.5	3.2	
Federal Revenues	105.9	123.0	94.2	94.2	-23.4	
Other Revenues	3,793.6	4,002.5	4,222.1	4,222.1	5.5	
Fund Balance	1,538.1	1,142.8	400.0	500.0	-56.2	
SOURCES TOTAL	24,721.8	25,306.5	25,620.7	25,520.7	0.8	
USES						
Personal Services and Employee Benefits	16,136.2	18,279.1	17,721.5	17,721.5	-3.1	
Contractual Services	887.6	1,182.9	1,223.3	1,173.3	-0.8	
Other	6,323.7	5,844.5	6,675.9	6,625.9	13.4	
TOTAL USES	23,347.5	25,306.5	25,620.7	25,520.7	0.8	
FTE						
Permanent	300.8	299.8	298.3	298.3	-0.5	
Term	37.5	37.5	39.5	39.5	5.3	
Temporary	0.0	0.0	1.0	1.0		
TOTAL FTE POSITIONS	338.3	337.3	338.8	338.8	0.5	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Attendance to museum and historic site exhibitions, performances, films and other presenting programs	826,716	851,101	825,000	820,000	825,000
Output	Number of participants at off-site educational, outreach and special events related to museum missions	68,272	90,417	75,000	80,000	80,000
Output	Number of participants at on-site educational, outreach and special events related to museum missions	311,290	294,587	305,000	305,000	305,000
Output	Number of students taught through programming developed by the department of cultural affairs that meets state educational standards	new	new	new	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>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	539.3	661.1	731.4	686.2	3.8
Federal Revenues	1,074.0	2,156.5	1,289.2	1,289.2	-40.2
Other Revenues	1,513.9	3,412.0	2,685.4	2,685.4	-21.3
Fund Balance	83.1	90.3	100.0	145.2	60.8
SOURCES TOTAL	3,210.3	6,319.9	4,806.0	4,806.0	-24.0
USES					
Personal Services and Employee Benefits	2,914.1	3,753.4	3,553.3	3,553.3	-5.3
Contractual Services	257.7	1,443.0	569.7	569.7	-60.5
Other	497.9	1,123.5	683.0	683.0	-39.2
TOTAL USES	3,669.7	6,319.9	4,806.0	4,806.0	-24.0
FTE					
Permanent	28.0	23.0	23.0	23.0	0.0
Term	33.5	33.5	34.0	34.0	1.5
TOTAL FTE POSITIONS	61.5	56.5	57.0	57.0	0.9

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of participants in educational, outreach and special events related to preservation mission	24,150	22,872	22,000	22,500	23,000
* Output	Number of historic structures preservation projects completed annually using preservation tax credits	29	36	45	40	40
Output	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$28.3	\$30.0	\$8.5	\$8.5	\$28.5
Outcome	Percent of reviews of development projects completed within the standard thirty day period, excluding incomplete submittals or reviews when the parties have mutually agreed to extend the review	72%	86%	70%	90%	90%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
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	new	40	40	40
Output	Total dollars distributed from recurring appropriations for historic preservation projects	new	new	new	\$100,000	\$100,000

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,909.3	4,307.3	4,365.3	4,307.3	0.0
Federal Revenues	1,373.7	1,373.2	1,527.7	1,527.7	11.3
Other Revenues	47.6	35.0	47.0	47.0	34.3
Fund Balance	152.1	152.1	0.0	28.5	-81.3
SOURCES TOTAL	5,482.7	5,867.6	5,940.0	5,910.5	0.7
USES					
Personal Services and Employee Benefits	2,336.4	2,807.3	2,685.3	2,685.3	-4.3
Contractual Services	856.5	1,116.8	1,145.8	1,116.8	0.0
Other	2,025.1	1,943.5	2,108.9	2,108.4	8.5
TOTAL USES	5,218.0	5,867.6	5,940.0	5,910.5	0.7
FTE					
Permanent	34.0	33.5	33.5	33.5	0.0
Term	14.5	13.0	14.5	13.0	0.0
TOTAL FTE POSITIONS	48.5	46.5	48.0	46.5	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of participants in educational, outreach and special events related to library mission	20,981	19,416	23,000	20,000	20,000
Output	Number of searches in statewide informational databases provided by the state library	10,216,772	6,361,104	10,000,000	6,000,000	8,000,000
* Outcome	Percent of grant funds from recurring appropriations distributed to communities of fewer than twenty thousand people	new	new	new	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)						
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	1,386.4	1,432.7	1,768.9	1,480.1	3.3	
Federal Revenues	560.2	573.6	569.0	569.0	-0.8	
Other Revenues	15.0	0.0	0.0	0.0		
Fund Balance	13.9	63.6	0.0	13.6	-78.6	
SOURCES TOTAL	1,975.5	2,069.9	2,337.9	2,062.7	-0.3	
USES						
Personal Services and Employee Benefits	642.4	918.0	928.2	892.8	-2.7	
Contractual Services	1,095.0	987.6	1,220.7	980.9	-0.7	
Other	173.4	164.3	189.0	189.0	15.0	
TOTAL USES	1,910.8	2,069.9	2,337.9	2,062.7	-0.3	
FTE						
Permanent	10.0	11.0	11.0	11.0	0.0	
Term	3.5	3.5	3.0	3.0	-14.3	
TOTAL FTE POSITIONS	13.5	14.5	14.0	14.0	-3.4	

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of clients provided professional development training in arts industry	2,855	4,586	3,510	4,000	4,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	35%	36%	35%	32%	35%
Output	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	960,647	1,083,081	1,000,000	1,000,000	1,000,000
* Output	Number of participants in educational and outreach programs and workshops, including participants from rural areas	4,094	4,254	4,000	4,000	4,100

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)						
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
General Fund Transfers	4,001.2	4,042.0	4,057.1	4,057.1	0.4	
Other Revenues	41.0	51.7	31.7	31.7	-38.7	
Fund Balance	0.0	310.5	500.0	400.0	28.8	
SOURCES TOTAL	4,042.2	4,404.2	4,588.8	4,488.8	1.9	
USES						
Personal Services and Employee Benefits	3,443.1	3,988.2	3,500.7	3,500.7	-12.2	
Contractual Services	208.3	170.8	579.1	579.1	239.1	
Other	393.3	245.2	509.0	409.0	66.8	
TOTAL USES	4,044.7	4,404.2	4,588.8	4,488.8	1.9	
FTE						
Permanent	53.0	53.0	52.0	52.0	-1.9	
TOTAL FTE POSITIONS	53.0	53.0	52.0	52.0	-1.9	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of performance targets in the General Appropriation Act met, excluding this measure	67%	83%	90%	80%	80%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	45	90	20	30	30
* Output	Number of material weakness audit findings in the last available financial statement audit	0	5	new	0	0
Output	Number of significant deficiency audit findings in the last available financial statement audit	1	7	new	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)				
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	2013-2014	2014-2015	Agency	LFC	
<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>		
SOURCES					
General Fund Transfers	981.2	1,400.9	1,400.9	1,400.9	0.0
Federal Revenues	105.6	0.0	0.0	0.0	
Other Revenues	4,421.7	3,806.3	4,025.2	4,225.2	11.0
Fund Balance	0.0	710.4	710.4	600.6	-15.5
SOURCES TOTAL	5,508.5	5,917.6	6,136.5	6,226.7	5.2
USES					
Personal Services and Employee Benefits	3,886.5	4,524.1	4,649.6	4,539.8	0.3
Contractual Services	266.1	283.1	283.1	283.1	0.0
Other	1,074.8	1,110.4	1,203.8	1,403.8	26.4
TOTAL USES	5,227.4	5,917.6	6,136.5	6,226.7	5.2
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 Livestock Board request includes funding for salary increases for field staff and the implantation of a disaster recovery plan. Livestock inspectors are trained in law enforcement and emergency rapid response, as well as livestock inspection and investigation. The proposed plan will increase field staff salaries to a level more commensurate with the level of training required.

The committee recommendation provides adequate funding over the FY14 expenditure level for field staff salary increases and the implementation of a disaster recovery plan. The recovery plan includes a recurring expense to lease space for offsite data back-up and a nonrecurring expense to purchase servers. The committee recommends an additional \$200 thousand in other revenue over the FY16 request and that the additional revenue be used in the other category for replacement vehicles. The committee projects the special levy on cattle in FY16 will be comparable with the FY14 actual because cattle prices have continued to increase.

BUDGET ISSUES:

According to the National Weather Service, drought conditions in the state have improved but nearly two-thirds of the state is still in moderate to extreme drought. For the first six months of 2014, precipitation was below normal and that period was the 13th driest first-six month period on record. However, the seasonal outlook indicates drought conditions may improve for the state, and the drought might be over in some areas of the state by early 2015.

Drought conditions continue to affect herd sizes in New Mexico. According the Department of Agriculture, as of January 2014 the New Mexico inventory of beef cows was 387 thousand, a decrease of 1 percent from January 2013. The state's 2013 calf crop of 560 thousand is a decrease of nearly 17 thousand from 2012.

Animal cruelty and abandonment of livestock, especially horses, is a growing problem for the board. Inspectors have to spend an increasing amount of time on cruelty and abandonment cases. The board is responsible for housing, feeding, and veterinary care of seized or estray livestock, which can have a large impact on the budget and fund balance.

The board had an ending fund balance of \$1.8 million for FY14 and projects an ending fund balance of \$579 thousand at the end of FY16.

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Efficiency	Percent completion of investigation findings completed within one month, average	76%	65%	77%	75%	75%
* Output	Number of road stops per month	29	86.5	75	75	80
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	90	90	60	90	60
* Outcome	Number of livestock determined to be stolen per one thousand head inspected	0.005	0.013	0.010	1	0.010
* Outcome	Number of disease cases per one thousand head inspected	0.05	0.092	0.1	0.1	0.1
Output	Number of on-site verifications of animal health, disease control and movement	35,744	39,914	35,000	35,000	38,500
Outcome	Percent of vouchers processed within ten business days	60%	95%	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	New	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)

			<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	13,863.9	12,555.9	13,864.6	13,864.6	10.4
Other Revenues	25,117.4	25,172.1	24,464.8	24,378.9	-3.2
Fund Balance	215.8	1,342.6	841.2	841.2	-37.3
SOURCES TOTAL	39,197.1	39,070.6	39,170.6	39,084.7	0.0
USES					
Personal Services and Employee Benefits	17,704.9	20,724.5	20,824.5	20,725.0	0.0
Contractual Services	3,420.4	3,979.7	3,762.3	3,762.3	-5.5
Other	12,849.1	13,869.1	14,086.5	14,100.1	1.7
Other Financing Uses	462.2	497.3	497.3	497.3	0.0
TOTAL USES	34,436.6	39,070.6	39,170.6	39,084.7	0.0
FTE					
Permanent	296.0	296.0	296.0	296.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	309.0	309.0	309.0	309.0	0.0

AT A GLANCE:

The Department of Game and Fish has a two-year average vacancy rate of 25 percent in the field operations program. For FY16, the department is requesting additional funding for the personnel services and employee benefits category to increase starting salaries for game wardens. The department is working with the State Personnel Office on a pay adjustment proposal that would increase salaries for current and new game wardens to a level more in line with market wages. This plan will help the department recruit and retain game wardens.

The committee recommends a budget that is flat with the FY15 operating budget. The recommendation provides sufficient funding for the department's game warden salary adjustment proposal and supports the department's request for contractual services, other uses, and other financing uses.

BUDGET ISSUES:

The Legislature in 2013 appropriated \$8.7 million for capital outlay in 2014. As of September, the appropriation was mostly unspent due to a delay in the purchase of land for the northwest area office and high vacancies. The total capital outlay request for the legislature in 2015 is \$13.2 million. The department's capital priorities include four projects, dam safety rule compliance, design and construction of the northwest area office, fishery renovations, wildlife and riparian habitat restoration, and off-highway vehicle recreation parks. Funding for the projects includes \$700 thousand from the bond interest and retirement fund, \$200 thousand from the trail safety fund, \$8.3 million from the game protection fund, and \$4 million in federal assistance.

The game protection fund is the department's operating fund and its largest fund. It is nonreverting and receives revenue from license fees, federal funds, court fines and forfeitures, other penalties, crop sales, interest on investments, and land rental or lease income. The projected ending fund balance for FY16 is to be \$39.7 million.

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 FY14 was \$11.5 million but the department projects an increase to \$13.1 million at the end of FY16.

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)				
				FY16 - 2015-2016		
		FY14	FY15	Agency	LFC	Percent
		2013-2014	2014-2015	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Federal Revenues	212.4	213.1	213.1	213.1	0.0
	Other Revenues	7,751.2	7,505.0	7,751.2	7,731.4	3.0
	Fund Balance	0.0	559.5	287.3	287.3	-48.7
	SOURCES TOTAL	7,963.6	8,277.6	8,251.6	8,231.8	-0.6
USES						
	Personal Services and Employee Benefits	5,624.3	6,503.8	6,603.8	6,584.0	1.2
	Contractual Services	12.4	72.8	72.8	72.8	0.0
	Other	1,438.8	1,701.0	1,575.0	1,575.0	-7.4
	TOTAL USES	7,075.5	8,277.6	8,251.6	8,231.8	-0.6
FTE						
	Permanent	96.0	96.0	96.0	96.0	0.0
	TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		FY13	FY14	FY15	FY16	FY16
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of conservation officer hours spent in the field checking for compliance	31,096	33,570	31,000	31,000	33,000
* Output	Number of hunter and conservation education programs delivered by field staff	351	281	350	350	350
* Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators	137	157	130	130	145

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)				
				FY16 - 2015-2016		
		FY14	FY15	Agency	LFC	Percent
		2013-2014	2014-2015	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Federal Revenues	13,329.1	12,020.4	13,329.1	13,329.1	10.9
	Other Revenues	8,367.7	9,375.2	8,418.8	8,356.8	-10.9
	Fund Balance	0.0	360.0	166.1	166.1	-53.9
	SOURCES TOTAL	21,696.8	21,755.6	21,914.0	21,852.0	0.4
USES						
	Personal Services and Employee Benefits	8,826.0	9,817.9	9,919.6	9,857.0	0.4
	Contractual Services	2,606.3	3,157.8	3,057.8	3,057.8	-3.2
	Other	8,503.8	8,282.6	8,439.3	8,439.9	1.9
	Other Financing Uses	462.2	497.3	497.3	497.3	0.0
	TOTAL USES	20,398.3	21,755.6	21,914.0	21,852.0	0.4

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
FTE					
Permanent	144.0	144.0	144.0	144.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	157.0	157.0	157.0	157.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of recreational days of access provided by gaining access into nature project	153,510	118,715	150,000	150,000	150,000
Output	Number of state threatened and endangered species studied and conserved through recovery planning and the comprehensive wildlife conservation strategy for New Mexico	39	35	37	37	37
* Outcome	Number of days of elk hunting opportunity provided to New Mexico resident hunters on an annual basis	206,222	167,599	200,000	200,000	200,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	86%	87%	86%	86%	86%
* Output	Annual output of fish from the department's hatchery system, in pounds	621,721	634,779	600,000	600,000	620,000
Output	Number of mentored and youth hunting opportunities	4,770	4,416	4,800	4,800	4,800
Outcome	Percent of anglers satisfied with opportunity and success	82%	83%	83%	83%	83%
Output	Acres of accessible sportsperson opportunity through the open gate program	133,745	126,169	130,000	130,000	130,000

WILDLIFE DEPREDATION AND NUISANCE ABATEMENT

The purpose of the wildlife depredation and nuisance abatement program is to provide complaint administration and intervention processes to private landowners, leaseholders and other New Mexicans so they may be relieved of, and precluded from, property damage and annoyances or risks to public safety caused by protected wildlife.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,528.0	826.4	824.3	824.3	-0.3
Fund Balance	215.8	222.6	215.8	215.8	-3.1
SOURCES TOTAL	1,743.8	1,049.0	1,040.1	1,040.1	-0.8
USES					
Personal Services and Employee Benefits	258.5	289.0	289.0	289.0	0.0
Contractual Services	82.0	125.7	125.7	125.7	0.0
Other	180.7	634.3	625.4	625.4	-1.4
TOTAL USES	521.2	1,049.0	1,040.1	1,040.1	-0.8
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year time frame	97%	94%	95%	95%	95%
Output	Number of educational publications distributed with a message about minimizing potentially dangerous encounters with wildlife	708,000	351,200	600,000	600,000	600,000
Output	Number of wildlife complaints responded to	807	732	750	750	750

PROGRAM SUPPORT

The purpose of program support is to provide an adequate and flexible system of direction, oversight, accountability and support to all divisions so they may successfully attain planned outcomes for all department programs.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	322.4	322.4	322.4	322.4	0.0
Other Revenues	7,470.5	7,465.5	7,470.5	7,466.4	0.0
Fund Balance	0.0	200.5	172.0	172.0	-14.2
SOURCES TOTAL	7,792.9	7,988.4	7,964.9	7,960.8	-0.3
USES					
Personal Services and Employee Benefits	2,996.1	4,113.8	4,012.1	3,995.0	-2.9
Contractual Services	719.7	623.4	506.0	506.0	-18.8
Other	2,725.8	3,251.2	3,446.8	3,459.8	6.4
TOTAL USES	6,441.6	7,988.4	7,964.9	7,960.8	-0.3
FTE					
Permanent	52.0	52.0	52.0	52.0	0.0
TOTAL FTE POSITIONS	52.0	52.0	52.0	52.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of special hunt applications processed without error	99.9%	99.9%	99.8%	99.8%	100%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	45	30	20	20	20
Outcome	Average departmentwide vacancy rate for the fiscal year	New	New	New	15%	15%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	21,117.7	22,566.2	22,816.2	22,766.2	0.9
Other Transfers	4,308.9	4,253.9	3,828.9	3,828.9	-10.0
Federal Revenues	17,086.0	21,095.1	17,488.0	18,337.3	-13.1
Other Revenues	18,645.1	16,154.4	16,653.5	16,353.5	1.2
Fund Balance	1,238.8	2,231.8	4,215.5	4,465.5	100.1
SOURCES TOTAL	62,396.5	66,301.4	65,002.1	65,751.4	-0.8
USES					
Personal Services and Employee Benefits	27,401.5	30,729.4	32,050.8	32,050.8	4.3
Contractual Services	8,728.3	11,718.8	11,011.3	11,660.6	-0.5
Other	20,216.8	18,645.9	17,368.3	17,468.3	-6.3
Other Financing Uses	4,466.1	5,207.3	4,571.7	4,571.7	-12.2
TOTAL USES	60,812.7	66,301.4	65,002.1	65,751.4	-0.8
FTE					
Permanent	392.0	393.0	393.0	393.0	0.0
Term	36.0	37.0	46.0	46.0	24.3
Temporary	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	481.0	483.0	492.0	492.0	1.9

AT A GLANCE:

EMNRD requested a slight decrease from the FY15 operating budget, primarily due to a reduction in federal funding. The request swapped oil reclamation fund revenue for general fund revenue and transferred the general fund savings to other areas of the budget. The agency requested a general fund expansion to support increased operations and maintenance costs in State Parks and an expansion of inspection and compliance staff in the Oil Conservation Division (OCD) supported by the oil reclamation fund.

Like the agency's request, the LFC recommendation represents a slight decrease to the operating budget. However, it includes federal fund revenue that EMNRD expects to carry-over into FY16. The recommendation supports the revenue swap of oil reclamation fund revenue within OCD, but not to the extent requested due to concerns about the agency not achieving key performance targets, specifically the plugging of abandoned oil and gas wells, in FY14. The recommendation includes both of the requested expansions; however, it draws on the State Parks Division's (SPD) fund balance rather than general fund for increased maintenance costs.

BUDGET ISSUES:

The agency's overall FY16 request of \$65 million represented a \$1.3 million, or 2 percent, reduction from the FY15 operating budget. The general fund request totaled \$22.8 million, and included a \$250 thousand increase over FY15 levels to support the expansion request for SPD. The agency requested increased use of the oil reclamation fund balance revenue and severance tax revenues for OCD. The increased oil reclamation fund revenue allowed for a general fund savings, which was moved to other areas of the budget to reduce reliance on interagency transfers and declining fund balances. The request assumed an agencywide vacancy savings rate of 6.8 percent. The overall decrease in the agency request was due to the exclusion of \$3.3 million in federal funds the agency expects to carry-over at the end of FY15.

Due to concerns a reduced operating budget in FY16 may result in declining performance, the LFC recommendation supports revenue levels higher than requested but more in line with the FY15 operating budget and FY14 expenditure levels. The LFC recommendation of \$65.7 million is a decrease of \$550 thousand, or 0.8 percent, from the agency's FY15 operating budget. However, the recommendation includes a general fund increase of \$200 thousand, including some of the requested general fund reallocations to other programs.

Energy Conservation and Management. The recommendation for the Energy Conservation and Management Program totals nearly \$3 million, essentially flat with the FY15 operating budget and slightly higher than the agency's request for FY16. Information, obtained subsequent to the submission of the agency request, of an expected federal grant renewal allowed the recommendation to include \$250 thousand more than requested in federal fund revenue. The recommendation does not include the requested general fund transfer from OCD but supports the agency request to contract for increased compliance inspections related to state renewable energy tax credits, which continue to grow.

Healthy Forests. The FY16 recommendation for the Healthy Forests Program is \$10.2 million, slightly higher than the FY14 expenditure level but lower than the FY15 operating budget. While this is nearly \$600 thousand more than requested, the difference is primarily due to the inclusion of the expected carry-over of federal funds at the end of FY15. The recommendation supports the agency's reallocation of general fund to support forest thinning and watershed restoration.

For FY15, the Healthy Forests Program received a budget increase to establish firefighting crews composed of armed forces veterans and to ensure the crew members are trained, using the program's federal funds, to meet national firefighter standards. EMNRD also received a \$6.2 million capital outlay appropriation for forest thinning and watershed restoration beginning in FY15. Reflecting these increased resources, the LFC recommendation raises the performance targets related to the number of wildland firefighters trained and the number of acres treated in New Mexico's forests and watersheds. Additionally, the agency requested and LFC recommends a new performance measure to track the number of individuals employed under the veterans program beginning in FY16.

State Parks. State Parks continues to face challenges related to inclement weather, including drought and low water levels which have discouraged recreational activity. However, after the number of visitors to state parks dropped significantly in FY12 and FY13, park visitation increased to 4 million in FY14 and was strong in the first quarter of FY15. While self-generated revenue per visitor has remained flat, and below performance target levels, increased visitation should result in increased revenue.

The overall FY16 recommendation for State Parks is \$27.6 million, a \$235 thousand increase from the FY15 operating budget. Although park visitation increased slightly in FY14 compared with FY13, it is still well below levels from previous years. The recommendation includes a \$100 thousand general fund increase for contractual services to improve marketing efforts and improve agency performance on measures related to park visitation and revenue. The recommendation also includes a 10.2 percent increase in personal services and employee benefits over FY14 actual expenditures to fill critical vacant positions to ensure the safety of visitors to state parks and maximize revenue collection. The recommendation includes sufficient fund balance revenue to support SPD's expansion request to cover increased maintenance and repair costs at parks statewide.

The other revenues category recommendation for SPD totals \$9.8 million and includes \$5.1 million of governmental gross receipts tax, \$1.1 million from park admissions, \$2.1 million from campground rentals, and other park-related incomes. These other revenues, combined with \$1.3 million in fund balance, comprise 40 percent of the program's total revenue in FY16.

Mine Reclamation. The FY16 recommendation for the Mine Reclamation Program represents a \$61.9 thousand increase from the FY15 operating budget and includes the requested transfer of \$150 thousand in general fund revenue from OCD to support increased service levels and offset use of nearly depleted fund balance revenues in the operating budget. The recommendation is \$413.9 thousand, or 15 percent, higher in the personal services and benefits category than FY14 actual expenditures to fund increased workload due to renewed interest in exploration for hard rock minerals.

Oil and Gas Conservation. The FY16 recommendation for OCD is \$1.5 million more than the FY15 operating budget. The recommendation supports the request to reduce general fund revenue and increase revenue from the oil reclamation fund, albeit not to the extent requested, and the request to increase use of severance tax revenue to support OCD operations. With this increased use of fund balance, the recommendation transfers \$700 thousand in general fund savings to other areas of the budget. Inspections of oil and gas wells continued to increase in FY14, as oil production rose. The recommendation includes an increase in the personal services and employee benefits category by 20 percent over the FY14 operating budget.

In FY14, OCD's rate of progress on complying with the mandate to plug abandoned wells slowed by 43.9 percent, to 32 wells plugged compared with 57 wells plugged in FY13. However, the program continues to work with contractors to plug a significant number of wells and expects to meet the FY15 target of 50 wells plugged. Because of concerns of a reduced focus on plugging abandoned wells, the recommendation retains \$200 thousand of the requested \$1 million general fund reduction to improve mine plugging efforts in FY16. The agency requested and LFC recommends an increase of \$561 thousand from severance tax revenue to monitor the sink hole associated with the brine well site in Carlsbad.

Program Leadership and Support. The FY16 recommendation for Program Support is flat with the FY15 operating budget and includes the requested \$400 thousand general fund reallocated from OCD. This increase offsets a reduction in the use of fund balance from the Healthy Forests, State Parks, and Mine Reclamation programs.

BASE EXPANSION:

EMNRD requested a \$250 thousand expansion within the State Parks Division to cover increased operations and maintenance costs at Ute and Navajo Lake state parks, specifically for increased refuse disposal costs, propane heating infrastructure to replace a terminated natural gas line, and repairs necessary to keep parks open to the public. The agency also requested an expansion of \$529.7 from oil reclamation fund revenue for OCD to support an additional 9 term FTE, three each in the Aztec, Artesia, and Hobbs offices, to assist with the inspection and permitting of oil and gas facilities.

The LFC recommendation includes a \$250 thousand increase in use of State Parks Division fund balances, rather than general fund revenue, to support the requested expansion for state parks operations and maintenance. The recommendation fully funds the requested expansion within OCD to improve services. In light of these increased resources, the recommendation sets the performance target for inspections of oil and gas facilities at 40 thousand, 1,080 more inspections than the agency achieved in FY14.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Increased maintenance and operational costs	(P742)	250.0	250.0
2	<u>Inspection and application review - 9 FTE</u>	<u>(P744)</u>	<u>529.7</u>	<u>529.7</u>
TOTAL			779.7	779.7

RENEWABLE ENERGY AND ENERGY EFFICIENCY

The purpose of the renewable energy and energy efficiency program is to develop and implement clean energy programs to decrease per capita energy consumption, utilize New Mexico's substantial renewable energy resources, minimize local, regional and global air emissions, lessen dependence on foreign oil and reduce in-state water demands associated with fossil-fueled electrical generation.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	604.0	615.0	815.0	615.0	0.0
Federal Revenues	1,941.3	2,353.5	2,089.3	2,339.3	-0.6
Other Revenues	11.6	0.0	0.0	0.0	
SOURCES TOTAL	2,556.9	2,968.5	2,904.3	2,954.3	-0.5
USES					
Personal Services and Employee Benefits	1,078.2	1,089.8	1,095.5	1,095.5	0.5
Contractual Services	334.7	314.1	357.4	407.4	29.7
Other	182.3	179.5	251.5	251.5	40.1
Other Financing Uses	952.5	1,385.1	1,199.9	1,199.9	-13.4
TOTAL USES	2,547.7	2,968.5	2,904.3	2,954.3	-0.5
FTE					
Permanent	9.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	9.0	12.0	12.0	12.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>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	80	51	55	45	51
Output	Number of inventoried clean energy projects evaluated annually	55	66	55	55	66
Outcome	Percent of applications for clean energy tax credits reviewed within thirty days of receipt	99%	99%	99%	99%	99%
Outcome	Percent reduction in energy use in public facilities upgraded by clean energy projects	16%	11%	16%	10%	16%

HEALTHY FORESTS

The purpose of the healthy forests program is to promote the health of New Mexico's forest lands by managing wildfires, mitigating urban-interface fire threats and providing stewardship of private and state forest lands and associated watersheds.

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	3,017.6	3,991.5	4,241.5	4,241.5	6.3	
Federal Revenues	7,590.4	8,119.4	4,860.8	5,460.1	-32.8	
Other Revenues	372.2	403.9	408.4	408.4	1.1	
Fund Balance	79.1	82.8	126.6	126.6	52.9	
SOURCES TOTAL	11,059.3	12,597.6	9,637.3	10,236.6	-18.7	
USES						
Personal Services and Employee Benefits	4,601.1	5,366.5	5,472.5	5,472.5	2.0	
Contractual Services	502.4	1,532.6	392.2	991.5	-35.3	
Other	5,920.0	5,623.0	3,747.0	3,747.0	-33.4	
Other Financing Uses	28.0	75.5	25.6	25.6	-66.1	
TOTAL USES	11,051.5	12,597.6	9,637.3	10,236.6	-18.7	
FTE						
Permanent	58.0	70.0	70.0	70.0	0.0	
Term	10.0	10.0	10.0	10.0	0.0	
TOTAL FTE POSITIONS	68.0	80.0	80.0	80.0	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,687	2,074	1,700	1,700	2,074
* Output	Number of acres treated in New Mexico's forest and watersheds	18,669	12,277	20,000	18,000	20,000
Output	Number of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training	89	133	90	90	120
Outcome	Number of people employed under the veterans program	New	New	New	30	30

STATE PARKS

The purpose of the state parks program is to create the best recreational opportunities possible in state parks by preserving cultural and natural resources, continuously improving facilities and providing quality, fun activities and to do it all efficiently.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	10,823.4	11,092.4	11,342.4	11,192.4	0.9
Other Transfers	3,015.2	2,730.5	2,715.0	2,715.0	-0.6
Federal Revenues	2,484.9	2,568.3	2,453.3	2,453.3	-4.5
Other Revenues	11,746.7	10,155.0	9,764.8	9,764.8	-3.8
Fund Balance	1,013.7	851.2	1,256.9	1,506.9	77.0
SOURCES TOTAL	29,083.9	27,397.4	27,532.4	27,632.4	0.9
USES					
Personal Services and Employee Benefits	11,086.7	12,174.7	12,217.6	12,217.6	0.4
Contractual Services	965.0	700.6	585.6	585.6	-16.4
Other	12,856.3	11,392.4	11,902.5	12,002.5	5.4
Other Financing Uses	3,019.2	3,129.7	2,826.7	2,826.7	-9.7
TOTAL USES	27,927.2	27,397.4	27,532.4	27,632.4	0.9
FTE					
Permanent	204.0	188.0	188.0	188.0	0.0
Term	6.0	5.0	5.0	5.0	0.0
Temporary	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	263.0	246.0	246.0	246.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Explanatory	Number of visitors to state parks	3,785,332	3,983,417	3,800,000	3,700,000	4,000,000
* Explanatory	Self-generated revenue per visitor, in dollars	\$0.97	\$0.96	\$0.97	\$0.87	\$0.96
Output	Number of interpretive programs available to park visitors	2,566	2,358	2,500	2,000	2,500
Output	Number of persons who complete a certified New Mexico boating safety education course	772	712	775	600	775
Explanatory	Number of boating-related accidents	New	New	New	25	25

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	387.0	394.4	544.4	544.4	38.0
Other Transfers	60.8	100.0	97.0	97.0	-3.0
Federal Revenues	3,947.2	6,832.8	6,858.4	6,858.4	0.4
Other Revenues	681.2	750.6	680.3	680.3	-9.4
Fund Balance	146.0	97.5	57.1	57.1	-41.4
SOURCES TOTAL	5,222.2	8,175.3	8,237.2	8,237.2	0.8
USES					
Personal Services and Employee Benefits	2,691.7	2,923.9	3,105.6	3,105.6	6.2
Contractual Services	2,143.6	4,773.5	4,719.5	4,719.5	-1.1
Other	241.6	343.4	375.1	375.1	9.2
Other Financing Uses	116.2	134.5	37.0	37.0	-72.5
TOTAL USES	5,193.1	8,175.3	8,237.2	8,237.2	0.8
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
Term	15.0	17.0	17.0	17.0	0.0
TOTAL FTE POSITIONS	32.0	34.0	34.0	34.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	100%	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%

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)				
		FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
				Agency Request	LFC Recommendation	
SOURCES						
	General Fund Transfers	3,618.8	3,670.0	2,670.0	2,970.0	-19.1
	Other Transfers	55.0	0.0	0.0	0.0	
	Federal Revenues	261.6	344.5	341.2	341.2	-1.0
	Other Revenues	5,833.4	4,844.9	5,800.0	5,500.0	13.5
	Fund Balance	0.0	1,200.3	2,774.9	2,774.9	131.2
	SOURCES TOTAL	9,768.8	10,059.7	11,586.1	11,586.1	15.2
USES						
	Personal Services and Employee Benefits	3,919.2	4,632.4	5,587.3	5,587.3	20.6
	Contractual Services	4,591.2	4,241.4	4,803.0	4,803.0	13.2
	Other	566.6	703.4	713.3	713.3	1.4
	Other Financing Uses	350.2	482.5	482.5	482.5	0.0
	TOTAL USES	9,427.2	10,059.7	11,586.1	11,586.1	15.2
FTE						
	Permanent	56.0	56.0	56.0	56.0	0.0
	Term	5.0	5.0	14.0	14.0	180.0
	TOTAL FTE POSITIONS	61.0	61.0	70.0	70.0	14.8

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>	
*	Output	Number of inspections of oil and gas wells and associated facilities	37,707	38,920	37,500	37,500	40,000
	Output	Percent of application drill permits approved within ten business days of receipt	New	New	60%	60%	60%
	Outcome	Number of abandoned oil and gas wells properly plugged using reclamation fund monies	57	32	50	20	50
	Explanatory	Number of violations issued	New	New	New	TBD	TBD
	Explanatory	Number oil and gas well spills	New	New	New	> 10	> 10
	Explanatory	Size of oil and gas well spills, in gallons	New	New	New	> 42	> 42

PROGRAM 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)				
		FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
				Agency Request	LFC Recommendation	
SOURCES						
	General Fund Transfers	2,666.9	2,802.9	3,202.9	3,202.9	14.3
	Other Transfers	1,177.9	1,423.4	1,016.9	1,016.9	-28.6
	Federal Revenues	860.6	876.6	885.0	885.0	1.0
	SOURCES TOTAL	4,705.4	5,102.9	5,104.8	5,104.8	0.0
USES						
	Personal Services and Employee Benefits	4,024.6	4,542.1	4,572.3	4,572.3	0.7
	Contractual Services	191.4	156.6	153.6	153.6	-1.9
	Other	450.0	404.2	378.9	378.9	-6.3
	TOTAL USES	4,666.0	5,102.9	5,104.8	5,104.8	0.0

BUDGET SUMMARY
(dollars in thousands)

		<u>FY16 - 2015-2016</u>				Percent Incr (Decr)
		<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
FTE	Permanent	48.0	50.0	50.0	50.0	0.0
	TOTAL FTE POSITIONS	48.0	50.0	50.0	50.0	0.0

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	100%	100%
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn	14	30	30	30	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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	3,640.0	3,815.0	3,800.0	3,800.0	-0.4
Fund Balance	905.9	939.4	876.2	876.2	-6.7
SOURCES TOTAL	4,545.9	4,754.4	4,676.2	4,676.2	-1.6
USES					
Personal Services and Employee Benefits	161.2	168.4	171.1	171.1	1.6
Contractual Services	3,407.7	4,142.0	4,142.0	4,142.0	0.0
Other	193.6	94.0	113.1	113.1	20.3
Other Financing Uses	450.0	350.0	250.0	250.0	-28.6
TOTAL USES	4,212.5	4,754.4	4,676.2	4,676.2	-1.6
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

AT A GLANCE:

The Youth Conservation Corps (YCC) FY16 budget request represented a slight decrease from the FY15 operating budget. YCC is funded with government gross receipt tax revenues and fund balances from the youth conservation corps fund. In recent years, the agency budgeted the balance of the fund; however, for FY16, YCC requested more fund balance than it projected to be available at the end of FY15.

To allow YCC greater flexibility in the case that more revenue is received than projected, the LFC recommendation fully funds the request but notes that DFA should monitor YCC's fund balance to ensure expenditures do not outpace revenues.

BUDGET ISSUES:

For FY16, the agency request of \$4.7 million included \$4.1 million in the contractual services category for contracts with local governments, nonprofit organizations, and Native American tribes and pueblos. While budgeting the requested level of fund balance would leave the fund empty, expenditures generally fall short of the budgeted amount because grant awards are not usually fully expended. Still, the Youth Conservation Corps should demonstrate greater accountability in managing these award contracts to increase project effectiveness and oversight.

In FY14, YCC awarded funds for 40 projects employing 877 youth. Examples of projects funded in FY14 include acequia and ditch maintenance and repairs in Cuba, cultural site restoration on the Santa Clara Pueblo, improvements to community centers in Bernalillo County, and trail construction throughout New Mexico. Additionally, the Santa Fe County Fire Department hired corps members to thin forests at wildland and urban interfaces and train as qualified wildland firefighters.

YOUTH CONSERVATION CORPS

The purpose of the 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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
*	Output	807	877	800	800	875
	Outcome					
	Percent of grant awards used for wages for corps members	80%	76%	80%	75%	80%
	Outcome					
	Percent of projects completed within one year	95%	93%	95%	95%	95%

STATUTORY AUTHORITY:

The Intertribal Ceremonial Office was created pursuant to the Intertribal Ceremonial Act, Sections 9-15C-1 to 9-15C-5 NMSA 1978, and is administratively attached to the Tourism Department.

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	105.0	104.7	104.8	104.8	0.1	
SOURCES TOTAL	105.0	104.7	104.8	104.8	0.1	
USES						
Contractual Services	104.5	104.7	104.8	104.8	0.1	
TOTAL USES	104.5	104.7	104.8	104.8	0.1	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0		

AT A GLANCE:

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.

The agency request for FY16 was essentially flat with FY15. The LFC recommendation supports the agency request as the community works to increase local funding sources for the event.

ICO spent the FY14 appropriation on advertising, the state audit, and services for the ceremonial event, including catering, panels for the art exhibit, rodeo services, and a tent rental for performances.

Attendance at the FY13 ceremonial decreased significantly, down from nearly 8,000 tickets sold in FY12 to less than 5,000 in FY13. This was due in large part to the unexpected cancellation of the traditional three-day pow-wow, originally slated for the weekend of the ceremonial and responsible for bringing significant numbers of spectators and participants to the ceremonial. The FY14 ceremonial brought back the pow-wow, but ticket sales remained slightly depressed from the FY12 level at about 7,400.

INTERTRIBAL CEREMONIAL OFFICE

The purpose of the intertribal ceremonial office is to aid in the planning, coordination and development of a successful intertribal ceremonial event in coordination with the Native American population.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of intertribal ceremonial tickets sold	4,963	7,435	7,000	7,000	7,500
Output	Dollar value of sponsorships	\$185,636	\$161,583	\$170,000	\$170,000	\$170,000
Outcome	Percent of operating revenue from sources other than the general fund	83%	89%	94%	94%	94%
Output	Number of sponsorships	101	81	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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	19,569.4	14,778.3	15,637.5	15,130.4	2.4
SOURCES TOTAL	19,569.4	14,778.3	15,637.5	15,130.4	2.4
USES					
Personal Services and Employee Benefits	10,720.3	11,452.4	11,986.2	11,679.1	2.0
Contractual Services	559.5	884.8	1,744.8	1,544.8	74.6
Other	2,142.5	1,820.5	1,906.5	1,906.5	4.7
Other Financing Uses	505.8	620.6	0.0	0.0	-100.0
TOTAL USES	13,928.1	14,778.3	15,637.5	15,130.4	2.4
FTE					
Permanent	154.0	156.0	156.5	156.5	0.3
TOTAL FTE POSITIONS	154.0	156.0	156.5	156.5	0.3

AT A GLANCE:

With oil production surging in FY14, SLO earned record-setting revenues. The agency also made significant improvement in its royalty audit efforts, generating nearly seven times more revenue in FY14 than FY13. As such, SLO requested a slight increase for FY16 to cover increased personal services and employee benefit costs, further decrease vacancies, and increased operational costs.

The committee recommendation funds the request but applies a slightly higher budgeted vacancy rate, which reflects historical and current staffing levels.

BUDGET ISSUES:

SLO's FY16 request of \$15.6 million was an increase of \$859.2 thousand, or 5.8 percent, over the FY15 operating budget, and was funded solely from other program revenue from the land office maintenance fund. Surplus balances of the maintenance fund in excess of a budgetary reserve are transferred to beneficiaries, with the public schools distribution going to the general fund. The request included an expansion totaling \$200 thousand for hazardous fuel reduction and dump-site cleanup and a budgeted vacancy rate of 2 percent.

The committee recommendation of \$15.1 million is an increase of \$352.1 thousand, or 2.4 percent, over the FY15 operating budget and includes increases for health insurance and retirement costs, unemployment and employee liability insurance, and Department of Information Technology rates. The 74.6 percent increase in the contractual services category is due to a reclassification of expenditures from the other financing uses category to support the ONGARD Service Center.

In addition to earning record revenues of nearly \$817 million in FY14, SLO continued to make significant strides to reduce the agency's vacancy rate by reclassifying hard-to-recruit positions to ensure the agency has the ability to recruit qualified candidates. SLO also decreased hiring time by more than a month by assuming responsibility from the State Personnel Office to certify lists and post job listings on the state personnel information technology system, NEOGOV. Therefore, the FY16 recommendation applies a total vacancy rate of 4.5 percent, about half of the historical rate of 10 percent. The total recommendation for SLO is less than 2.6 percent of average annual revenue generated since FY09.

BASE EXPANSION:

SLO's request included \$200 thousand in contractual services for hazardous fuel reduction and dump-site cleanup on state lands. SLO manages 25 thousand acres in urban interface areas that need to be treated. Recognizing the sustained drought and heavy fuel loads continue to threaten communities near wildland urban interfaces with forest fires, and in response to a similar expansion request last year, the Legislature increased SLO's recurring budget by \$200 thousand in FY15 for the same requested purpose. Moreover, the Legislature appropriated \$6.2 million in severance tax bond funding for FY15 to the Energy, Minerals, and Natural Resources Department (EMNRD) for forest thinning and watershed restoration projects. SLO could potentially enter into an agreement with EMNRD to use these funds to achieve the agencies' shared goals. The LFC recommendation does not include the requested expansion at this time.

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
FY16 - 2015-2016**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Hazardous fuels and dump-site cleanup	(P615)	200.0	0.0
TOTAL			200.0	0.0

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Total trust revenue generated, in millions	\$577.5	\$817.0	\$612.1	\$800.0	\$800.0
* Outcome	Bonus income per leased acre from oil and gas activities, in dollars	\$433.00	\$472.53	\$500.00	\$333.00	\$450.00
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$1.0	\$6.9	\$2.0	\$2.4	\$2.4
* Output	Average income per acre from oil, natural gas and mineral activities, in dollars	\$189.00	\$272.98	\$189.00	\$250.00	\$250.00
Output	Percent of total trust revenue generated allocated to beneficiaries	98%	98%	98%	97%	98%
Output	Number of acres restored to desired condition for future sustainability	3,580	3,889	3,947	2,500	3,500
Output	Percent of active lease and attachment documents imaged	95%	99%	99%	99%	99%
Output	Percent of identified unauthorized uses on agricultural leases brought into compliance	n/a	100%	100%	100%	100%
Output	Annual income from renewable energy	n/a	\$615,782	\$700,000	\$800,000	\$800,000

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	15,651.2	18,707.5	24,190.9	20,082.5	7.3
Other Transfers	20,330.3	17,104.3	13,110.1	16,000.2	-6.5
Federal Revenues	247.8	123.5	166.7	166.7	35.0
Other Revenues	11,791.8	13,198.0	12,318.0	14,064.8	6.6
Fund Balance	5,335.1	7,583.3	4,735.1	5,878.4	-22.5
SOURCES TOTAL	53,356.2	56,716.6	54,520.8	56,192.6	-0.9
USES					
Personal Services and Employee Benefits	22,063.5	25,585.3	26,876.3	25,854.7	1.1
Contractual Services	6,121.2	7,813.2	7,739.0	7,626.7	-2.4
Other	5,068.7	5,786.1	6,367.7	6,283.3	8.6
Other Financing Uses	16,925.1	17,532.0	13,537.8	16,427.9	-6.3
TOTAL USES	50,178.5	56,716.6	54,520.8	56,192.6	-0.9
FTE					
Permanent	322.0	339.0	352.0	339.0	0.0
Term	5.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	327.0	341.0	354.0	341.0	0.0

AT A GLANCE:

As water rights applications continued to backlog and progress on adjudications remained slow, OSE fell short on some key performance measures in FY14. Recognizing these issues, the Legislature increased funding in the personal services and employee benefits category and increased FTE for FY15. The agency's FY16 request included additional increases to support these efforts. OSE also requested additional staff to better administer existing information technology resources and to apply new technologies to improve business processes.

From FY08 to FY13, the irrigation works construction fund (IWCF) was increasingly used to support OSE's operations, reducing fund balances significantly. The Legislature reduced use of the IWCF in FY14 and FY15, and the agency's FY16 request continued movement in that direction.

The LFC recommendation supports OSE's request to reduce vacancies in key areas to improve the agency's performance and to reduce reliance on fund balances, though not to the levels requested.

BUDGET ISSUES:

For FY16, OSE's request of \$54.5 million represented a \$2.2 million decrease from the FY15 operating budget of \$56.7 million. While the request increased the agency's expenditure authority, shifting away from use of fund balances results in an overall decrease in OSE's budget due to accounting methods required in Department of Finance and Administration budget instructions. The request included \$24.2 million from the general fund, an increase of \$5.5 million, or 29.4 percent, from FY15 levels primarily to reduce use of fund balances and lower vacancy rates. The increase from the general fund also included \$967.4 thousand for the agency's expansion request of 7 engineer FTE for the Water Resources Allocation Program (WRAP) and 6 information technology FTE for Program Support. The base request included an average vacancy savings rate of 8.7 percent.

The FY16 committee recommendation of \$56.2 million is a \$524 thousand decrease from the FY15 operating budget. The recommendation includes \$20.1 million from the general fund, a \$1.4 million, or 7.3 percent, increase from the FY15 level. Of this increase, \$1.1 million constitutes a substitution of general fund revenue for fund balance from the IWCF in the Litigation and Adjudication Program (LAP) and Program Support. Additionally, \$275 thousand of the general fund increase is to enable WRAP and ISC to address the growing water rights application backlog and improve water planning efforts.

The ongoing drought and high oil and gas production activity in the Permian Basin of southeastern New Mexico continue to contribute to a high workload for WRAP, which resulted in a backlog of 1,513 water rights applications at the end of FY14, a 13.6 percent increase over FY13 levels. Overall, the FY16 recommendation for the personal services and employee benefits category is \$3.8 million, or 17 percent, higher than FY14 actual expenditures to enable the agency to fill vacant positions. The recommendation includes an agencywide vacancy savings rate of 7.8 percent but provides funding to fill about 41 vacant FTE.

ISC has been successful in maintaining a positive credit in its water delivery requirements to Texas in both the Rio Grande and Pecos River compacts. With heavy summer precipitation in the Pecos Basin in 2013 and 2014, ISC projects it will not continue to pump groundwater from augmentation fields to meet delivery requirements of the Pecos River settlement in the near future.

The current vacancy rate in the Litigation and Adjudication Program (LAP) remains the highest of all OSE programs at 28.2 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with the private sector. The recommendation is flat with the FY15 operating budget but includes an increase of \$565 thousand, or 30.1 percent, from FY14 actual expenditures. LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contracts to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use. The recommendation for contractual services for LAP is \$1.4 million, flat with the FY15 operating budget.

Adjudications and Agency Performance. Litigation to establish the relative priority rights of water users has lasted decades. Currently, 12 adjudications are pending in New Mexico, including six in state court and six in federal court. At the current pace, LAP may be decades away from adjudicating all of the state's water rights. While OSE reported 55 percent of water rights were adjudicated at the end of FY14, this figure does not provide a clear view of progress because it only considers active and completed adjudications and does not include the middle Rio Grande and the Canadian River adjudications, which have not been initiated.

LAP's performance measures have not changed since 2000 and should be revised to provide greater insight on adjudication progress. In FY14, OSE informed the Legislature the bottleneck in the adjudication process stems from slow progress on hydrographic surveys. Accordingly, the Legislature included a \$600 thousand recurring appropriation in the 2014 General Appropriations Act for hydrographic survey staff to expedite adjudications. This appropriation was contingent on the agency submitting quarterly reports to the Department of Finance and Administration and the Legislative Finance Committee on the progress of water adjudications; however, the governor vetoed the contingency language. The LFC recommendation for FY16 again requires reporting by making a \$200 thousand general fund increase in the Water Resource Allocation Program's personal services and employee benefits budget contingent on quarterly reports on the progress of adjudications.

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 irrigation works construction fund 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.

Revenue to the irrigation works construction fund is projected to be \$8.6 million for FY16, and the LFC recommendation distributes \$13.2 million in revenues and fund balances from the irrigation works construction fund. At this rate of income and expenditure, LFC projects the FY17 year-end fund balance for the irrigation works construction fund will be \$3.5 million.

Revenue to the improvement of the Rio Grande income fund is estimated at \$1.8 million, with an estimated ending FY15 balance of \$6.3 million. The FY15 recommendation distributes \$2 million in revenues and balances from the Rio Grande income fund. The agency receives 10 percent of the water project fund's annual distribution. The recommendation for LAP includes \$3.1 million from the water project fund.

Capital Outlay Requests. The agency's FY16 capital projects request totaled \$16.7 million. Top ranked projects include Indian water rights settlements (\$15 million), the San Acacia Levee project (\$1.3 million), and efforts to recover federally listed endangered fish in the San Juan Basin (\$420 thousand). LFC's quarterly report on major capital projects shows approximately \$28 million unspent for a range of appropriations to OSE and ISC for dams, water rights, and levees. Over \$21 million of the unspent amount is for Indian water rights settlement projects.

BASE EXPANSION:

OSE requested an expansion of \$967.4 thousand from the general fund to support 7 engineer FTE for the Water Resources Allocation Program (WRAP) and 6 information technology FTE for Program Support. These FTE would work to address the water rights application backlog and to streamline agency business processes.

The recommendation does not support the expansion request at this time due to the high number of vacancies but provides \$200 thousand more than requested in WRAP's personal services and employee benefits category to hire more staff. The agency made progress in lowering vacancy rates in this program by working with the State Personnel Office to reclassify positions, adjust pay ranges, and provide appropriate compensation adjustments to enhance recruitment and retention.

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program:

The general fund appropriation to the water resource allocation program includes two hundred thousand dollars (\$200,000) to reduce vacant positions contingent on the office of the state engineer submitting quarterly reports to the department of finance and administration and the legislative finance committee on the progress of water adjudications.

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of Rio Grande income fund and one million eight hundred seventy-three thousand four hundred dollars (\$1,873,400) from the New Mexico irrigation works construction fund.

For the Interstate Stream Commission:

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million eight hundred nine thousand dollars (\$1,809,000) from the improvement of Rio Grande income fund and seven million nine hundred eighteen thousand three hundred dollars (\$7,918,300) from the irrigation works construction fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with state engineer use of the revenue is appropriated to the interstate stream commission for the conservation and recovery of the listed species in the middle Rio Grande basin, including optimizing middle Rio Grande conservancy district operations.

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer includes one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations. Any unexpended balances remaining at the end of fiscal year 2016 from this appropriation shall revert to the game protection fund.

The internal service funds/interagency transfer appropriation to the interstate stream compact compliance and water development program of the state engineer in the other category includes eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balances remaining at the end of fiscal year 2016 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) to (a) 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 irrigation works construction fund and provided that no more than two hundred fifty thousand dollars (\$250,000) shall be allocated to 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; and (c) up to three hundred thousand dollars (\$300,000) in contractual services may be used for engineering services for approved acequia or community ditch projects.

The interstate stream commission's authority to make loans for irrigation improvements includes five hundred thousand dollars (\$500,000) for loans to acequia, irrigation and conservancy districts. The interstate stream commission's authority also includes five hundred thousand dollars (\$500,000) for loans to irrigation districts, conservancy districts and soil and water conservation districts for re-loan to farmers for implementation of water conservation improvements.

The interstate stream commission's authority to make loans from the irrigation works construction fund includes two million dollars (\$2,000,000) for irrigation districts, acequias, conservancy districts and soil and water conservation districts for purchase and installation of meters and measuring equipment. The maximum loan term is five years.

For the Litigation and Adjudication Program:

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include two million four hundred fifty thousand nine hundred dollars (\$2,450,900) from the New Mexico irrigation works construction fund and three million one hundred fourteen thousand seven hundred dollars (\$3,114,700) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For Program Support:

The internal service funds/interagency transfers appropriations to the program support program of the state engineer include nine hundred seventy-five thousand four hundred dollars (\$975,400) from the New Mexico irrigation works construction fund.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
2	Engineers - 7 FTE	(P551)	567.4	0.0
1	Information Technology - 6 FTE	(P554)	400.0	0.0
TOTAL			967.4	0.0

IRRIGATION WORKS CONSTRUCTION FUND

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 Actuals	FY15 2014-2015 Budgeted	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Transfers	500.0	0.0	0.0	0.0	
Other Revenues	9,519.4	7,730.0	6,850.0	8,596.8	11.2
Fund Balance	4,646.1	6,588.0	3,477.9	4,621.2	-29.9
SOURCES TOTAL	14,665.5	14,318.0	10,327.9	13,218.0	-7.7
USES					
Other Financing Uses	14,665.5	14,318.0	10,327.9	13,218.0	-7.7
TOTAL USES	14,665.5	14,318.0	10,327.9	13,218.0	-7.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

IMPROVEMENT OF THE RIO GRANDE INCOME FUNDBUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	1,651.1	1,608.7	1,608.7	1,608.7	0.0
Fund Balance	0.0	347.9	347.9	347.9	0.0
SOURCES TOTAL	1,651.1	1,956.6	1,956.6	1,956.6	0.0
USES					
Other Financing Uses	1,570.6	1,956.6	1,956.6	1,956.6	0.0
TOTAL USES	1,570.6	1,956.6	1,956.6	1,956.6	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	9,960.7	11,975.7	12,543.1	12,175.7	1.7
Other Transfers	2,431.5	2,021.0	2,021.0	2,021.0	0.0
Federal Revenues	188.0	0.0	0.0	0.0	
Other Revenues	501.3	624.6	624.6	624.6	0.0
SOURCES TOTAL	13,081.5	14,621.3	15,188.7	14,821.3	1.4
USES					
Personal Services and Employee Benefits	10,664.3	12,556.4	13,084.0	12,762.4	1.6
Contractual Services	839.6	624.7	624.7	624.7	0.0
Other	1,577.3	1,440.2	1,480.0	1,434.2	-0.4
TOTAL USES	13,081.2	14,621.3	15,188.7	14,821.3	1.4
FTE					
Permanent	167.0	178.0	185.0	178.0	0.0
TOTAL FTE POSITIONS	167.0	178.0	185.0	178.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	32	76	65	65	70
* Explanatory	Number of unprotested and unaggravated water right applications backlogged	1,332	1,513	650	650	650
* Outcome	Number of dams inspected per year and notices delivered to owners notifying them of potential problems	93	116	100	100	100
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	98%	98%	100%	100%	100%
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	85%	85%	100%	100%	100%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	22,331	5,309	23,000	23,000	23,000
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	85%	90%	88%	88%	92%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,894.5	2,247.8	2,422.8	2,322.8	3.3
Other Transfers	10,641.7	10,557.0	10,552.9	10,552.9	0.0
Federal Revenues	59.8	123.5	166.7	166.7	35.0
Other Revenues	120.0	120.0	120.0	120.0	0.0
Fund Balance	689.0	647.4	909.3	909.3	40.5
SOURCES TOTAL	13,405.0	13,695.7	14,171.7	14,071.7	2.7
USES					
Personal Services and Employee Benefits	3,873.0	4,113.7	4,277.1	4,177.1	1.5
Contractual Services	3,736.0	5,502.6	5,316.1	5,316.1	-3.4
Other	2,478.4	3,432.0	3,935.2	3,935.2	14.7
Other Financing Uses	689.0	647.4	643.3	643.3	-0.6
TOTAL USES	10,776.4	13,695.7	14,171.7	14,071.7	2.7
FTE					
Permanent	44.0	47.0	47.0	47.0	0.0
Term	5.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	49.0	49.0	49.0	49.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	102,000	> 0	> 0	> 0
* Outcome	Rio Grande river compact accumulated delivery credit or deficit at end of calendar year, in acre-feet	3,000	62,400	> 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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	719.3	1,345.9	4,729.3	2,278.4	69.3
Other Transfers	5,732.5	3,383.4	0.0	2,450.9	-27.6
Other Revenues	0.0	3,114.7	3,114.7	3,114.7	0.0
SOURCES TOTAL	6,451.8	7,844.0	7,844.0	7,844.0	0.0
USES					
Personal Services and Employee Benefits	4,303.1	5,462.8	5,462.8	5,462.8	0.0
Contractual Services	1,404.6	1,435.8	1,435.8	1,435.8	0.0
Other	321.5	335.4	335.4	335.4	0.0
Other Financing Uses	0.0	610.0	610.0	610.0	0.0
TOTAL USES	6,029.2	7,844.0	7,844.0	7,844.0	0.0
FTE					
Permanent	68.0	71.0	71.0	71.0	0.0
TOTAL FTE POSITIONS	68.0	71.0	71.0	71.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Number of offers to defendants in adjudications	501	540	600	600	600
* Outcome	Percent of all water rights with judicial determinations	54%	55%	54%	54%	59%
* Efficiency	Objections resolved informally without referral to mediation	New	New	85%	85%	85%
* Efficiency	Percent of subfiles with proposed orders mailed to claimants in the lower Rio Grande basin	New	New	New	New	TBD
* Efficiency	Percent of subfiles with proposed orders mailed to claimants in the San Juan basin	New	New	New	New	TBD

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,076.7	3,138.1	4,495.7	3,305.6	5.3
Other Transfers	1,024.6	1,142.9	536.2	975.4	-14.7
SOURCES TOTAL	4,101.3	4,281.0	5,031.9	4,281.0	0.0
USES					
Personal Services and Employee Benefits	3,223.1	3,452.4	4,052.4	3,452.4	0.0
Contractual Services	141.0	250.1	362.4	250.1	0.0
Other	691.5	578.5	617.1	578.5	0.0
TOTAL USES	4,055.6	4,281.0	5,031.9	4,281.0	0.0
FTE					
Permanent	43.0	43.0	49.0	43.0	0.0
TOTAL FTE POSITIONS	43.0	43.0	49.0	43.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of department contracts that include performance measures	100%	n/a	100%	n/a	100%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	15	n/a	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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	704.1	809.1	825.6	825.6	2.0	
SOURCES TOTAL	704.1	809.1	825.6	825.6	2.0	
USES						
Personal Services and Employee Benefits	364.9	461.3	473.0	473.0	2.5	
Contractual Services	135.2	207.4	207.7	207.7	0.1	
Other	131.1	140.4	144.9	144.9	3.2	
TOTAL USES	631.2	809.1	825.6	825.6	2.0	
FTE						
Permanent	5.0	7.0	7.0	7.0	0.0	
Term	1.0	0.0	0.0	0.0		
TOTAL FTE POSITIONS	6.0	7.0	7.0	7.0	0.0	

AT A GLANCE:

In FY14, the Office of African American Affairs (OAAA) achieved nearly all performance targets, in spite of not spending 10 percent of the budget. The agency has full funding for 7 FTE, two of which are currently vacant and accounted for some of the reverted funding. However, in FY15 the agency is working to fill vacant FTE and begin a pilot program to address African American infant mortality and maternal health. To provide current services levels, the agency requested additional funding for increased Department of Information Technology (DoIT) and General Services Department (GSD) rates. The committee recommendation supports the base request.

PUBLIC AWARENESS

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

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of New Mexican African Americans recognized per year, statewide, for their achievements	50	53	50	50	50
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	19	20	20	20	20
Output	Number of informative meetings, documents and publications to increase awareness of health disparities that adversely affect the New Mexico African American community	6	10	5	5	7
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	20%	25%	75%	50%	50%
Output	Number of stakeholders receiving information from the agency	new	new	750	800	800
Output	Number of individuals and organizations recognized annually for their achievements in improving the quality of life for African Americans in the state of New Mexico	new	new	50	50	50

STATUTORY AUTHORITY:

Sections 28-11B-1 through 28-11B-4 and Sections 63-9F-1 through 63-9F-13 NMSA 1978 created the Commission for Deaf and Hard-of-Hearing Persons. The commission consists of seven members, a majority of whom are deaf or hard-of-hearing. Three members are ex officio and four are appointed by the governor without regard for party affiliation.

MISSION:

The commission is responsible for overseeing the New Mexico telecommunications relay network for deaf and hard-of-hearing citizens in government agencies, institutions, and businesses, as well as for hearing individuals affiliated with those who have a hearing loss. The commission operates a single program providing advocacy, outreach, referral, and educational services and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
<u>FY16 – 2015-2016</u>					
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <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	300.0	299.2	300.0	300.0	0.3
Other Transfers	2,780.0	2,952.6	2,800.0	2,800.0	-5.2
Fund Balance	0.0	517.6	668.1	668.1	29.1
SOURCES TOTAL	3,080.0	3,769.4	3,768.1	3,768.1	0.0
USES					
Personal Services and Employee Benefits	832.4	1,038.8	1,191.4	1,111.4	7.0
Contractual Services	1,481.5	1,848.9	1,832.5	1,832.5	-0.9
Other	250.1	390.7	353.2	333.2	-14.7
Other Financing Uses	491.0	491.0	391.0	491.0	0.0
TOTAL USES	3,055.0	3,769.4	3,768.1	3,768.1	0.0
FTE					
Permanent	15.0	15.0	17.0	16.0	6.7
TOTAL FTE POSITIONS	15.0	15.0	17.0	16.0	6.7

AT A GLANCE:

The FY16 recommendation for the Commission for Deaf and Hard-of-Hearing Persons is at the requested level for the base operating expenditures with an additional \$100 thousand in fund balance added for transfer to the Division of Vocational Rehabilitation to leverage federal funds as in previous years. The agency requested \$146.7 thousand for 2 expansion FTE for interpreting services and for additional community and social service support in Las Cruces. The expansion recommendation includes \$46.7 in fund balance to support the interpreter position.

BUDGET ISSUES:

The recommendation includes \$300 thousand from the general fund for deaf and deaf-blind support service provider programs. The recommendation also includes \$491 thousand in the other financing uses category to fund a \$466 thousand transfer to the Division of Vocational Rehabilitation to match with federal funds for deaf and hard-of-hearing rehabilitation services and \$25 thousand to transfer to the Signed Language Interpreting Practices Board to support licensure activities for interpreters. The transfer to the Division of Vocational Rehabilitation is consistent with prior years, although concerns remain about maintaining this level of fund balance transfer because revenues continue to decline in the telecommunications access fund.

Revenue for the commission comes from a surcharge of 0.33 percent on telephone services and New Mexico-based mobile phone accounts. In FY14, revenue from these charges into the telecommunications access (TRS) fund totaled near \$2.8 million. The agency requested \$2.8 million for FY16 in transfers from the TRS fund to support operations, a reduction of \$200 thousand compared with FY15. This reduction is offset by the base budget request for \$521 thousand in fund balances, an amount comparable with FY15. The TRS fund is nonreverting and had a balance of approximately \$1.5 million at the end of FY14. However, yearly collections have been mixed and over time the number of telephone land lines in service continues to decline, eroding the tax base. The commission is working with the Taxation and Revenue Department (TRD) to improve collection of revenue from land line and wireless carriers, or perhaps increase the surcharge. The commission notes a peak in TRS revenue of \$3.9 million occurred in FY11 when TRD audited several telecommunications carriers. This level of TRD oversight was not sustained, contributing to a loss of revenues.

BASE EXPANSION:

The agency requested \$83.5 thousand for an additional staff interpreter and \$63.2 thousand for a community and social service specialist position in Las Cruces. The recommendation includes a base expansion of \$46.7 thousand in fund balance to support an additional FTE to provide interpreting services as needed by commission staff throughout the state, to coordinate all requests for external interpreting services, and to manage billing from these external interpreters. The remainder of the \$8.1 thousand for the interpreter's personal services and employee benefits is recommended for funding from the agency's funded vacancy rate.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for the deaf and hard-of-hearing persons in the other financing uses category includes four hundred sixty-six thousand dollars (\$466,000) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide deaf and hard-of-hearing rehabilitation services.

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

The general fund appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the contractual services category includes three hundred thousand dollars (\$300,000) for deaf and deaf-blind support service provider program.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

<u>Agency Rank</u>	<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Staff interpreter-1 FTE	83.5	46.7
2	<u>Community and social service specialist-1 FTE</u>	<u>63.2</u>	<u>0.0</u>
TOTAL		146.7	46.7

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of workshops and training sessions conducted	125	121	100	100	120
Output	Number of outreach events coordinated	76	68	75	75	80
Output	Average number of relay calls per month	11,141	13,518	11,000	11,000	11,200
* Output	Number of accessible technology equipment distributions	956	1,349	1,000	1,300	1,300
Output	Staff hours devoted to reducing communication barriers	21,858	18,558	15,000	15,000	18,000
* Output	Number of clients provided assistance to reduce or eliminate communication barriers	465	751	800	800	800
Output	Number of information referral and outreach contacts	14,746	15,069	10,000	12,000	12,000
Output	Number of newly issued New Mexico community signed language interpreter licenses	12	11	15	15	15
Output	Number of signed language interpreters who participated in agency-sponsored professional development	New	New	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)						
	FY14 2013-2014	FY15 2014-2015	FY16 – 2015-2016		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	214.8	336.6	474.8	361.7	7.5	
SOURCES TOTAL	214.8	336.6	474.8	361.7	7.5	
USES						
Personal Services and Employee Benefits	108.8	176.4	209.2	177.8	0.8	
Contractual Services	18.3	12.7	12.7	32.7	157.5	
Other	87.4	147.5	252.9	151.2	2.5	
TOTAL USES	214.5	336.6	474.8	361.7	7.5	
FTE						
Permanent	2.0	3.0	4.0	3.0	0.0	
TOTAL FTE POSITIONS	2.0	3.0	4.0	3.0	0.0	

AT A GLANCE:

The Martin Luther King, Jr. Commission achieved nearly all performance measure targets in FY14. In FY15 the agency received an increased appropriation from the general fund for a new financial specialist and property lease costs. Currently, the commission is authorized 3 FTE and is fully staffed. For FY16, the agency requested a significant increase from the general fund for an additional receptionist FTE and to lease new office space and overhead costs.

LFC recommends a 7.5 percent increase over the FY15 appropriation level, including \$20 thousand for a civil rights exhibit at the African American Performing Arts Center and Exhibit Hall and an increase for General Services Department rates, Department of Information Technology rates, and audit costs.

RECOMMENDED LANGUAGE:

The general fund appropriation to the martin luther king, jr. commission in the contractual services category includes twenty thousand dollars (\$20,000) for a civil rights exhibit at the african american performing arts center and exhibit hall.

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of program objectives achieved	100%	100%	100%	100%	100%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	1	2	1	2	2
Output	Number of statewide holiday commemorative programs supported	10	10	10	10	10
Output	Number of youth anti-violence workshops conducted	12	9	12	12	12
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	new	new	30	30
Output	Number of stakeholder meetings held statewide	new	new	new	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)						
	FY14	FY15	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	2,061.1	2,089.8	2,157.9	2,154.4	3.1	
Other Transfers	0.0	80.0	0.0	0.0	-100.0	
Federal Revenues	5,212.9	5,668.9	5,579.0	5,579.0	-1.6	
Other Revenues	3,543.5	5,010.1	5,092.2	5,092.2	1.6	
SOURCES TOTAL	10,817.5	12,848.8	12,829.1	12,825.6	-0.2	
USES						
Personal Services and Employee Benefits	4,409.7	4,883.1	4,724.8	4,724.8	-3.2	
Contractual Services	144.3	158.1	147.9	147.9	-6.5	
Other	6,229.3	7,807.6	7,956.4	7,952.9	1.9	
TOTAL USES	10,783.3	12,848.8	12,829.1	12,825.6	-0.2	
FTE						
Permanent	92.5	92.5	94.0	92.5	0.0	
TOTAL FTE POSITIONS	92.5	92.5	94.0	92.5	0.0	

AT A GLANCE:

The FY16 budget recommendation for the Commission for the Blind increases general fund revenue to support the state share for risk premiums and information technology rates and provides funding for assistive technology for the agency's independent living consumers. The increase in state funds enables the commission to avoid a maintenance of effort penalty from the federal government, while managing increased food service needs for immigrant women and children detained at the Artesia Federal Law Enforcement Training Center.

BUDGET ISSUES:

The budget request and recommendation include \$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 contract also covers the immigrant women and children housed at the facility awaiting decisions on their immigration status. The Randolph Sheppard Act revenue also includes Business Enterprise Program (BEP) set-aside funding for blind persons to operate vending facilities in other locations.

As measured by the Rehabilitation Services Administration, the commission continues to be one of the nation’s leading rehabilitation agencies in its ability to place blind persons in well-paying positions, ranking 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 dropped from 34 in FY12 to 25 in FY14. The commission attributed this drop to a reduction in job opportunities at the federal, state, and municipal government levels. The average hourly wage for hires was \$16.98 in FY13, \$18.94 in FY14, but only targeted at \$13.50 for FY15.

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. Blind students between the ages of 14 and 21 are taught Braille, computer skills, personal management, and cooking. The center is also used to train seniors in blind skills. A total of 588 individuals were trained in independent living skills at seven locations across the state, including the residential facility in Alamogordo. The commission continues to note a discrepancy in federal support for independent living services in comparison with funding for vocational rehabilitation services, with approximately \$300 thousand of \$5.6 million in projected FY16 federal funds authorized for use in independent living.

RECOMMENDED LANGUAGE:

Any unexpended balances in the commission for the blind remaining at the end of fiscal year 2016 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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Average hourly wage for the blind or visually impaired person	\$16.98	\$18.94	\$13.50	\$13.50	\$16.98
* Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	19	25	25	28	28
* 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	568	588	600	570	578
Output	Percent of clients who rely on their own earnings exiting from vocational rehabilitation services	New	New	90%	80%	80%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,422.5	2,701.1	2,876.7	2,726.7	0.9
Other Transfers	249.3	249.3	249.3	249.3	0.0
Other Revenues	0.0	0.0	0.0	200.0	
SOURCES TOTAL	2,671.8	2,950.4	3,126.0	3,176.0	7.6
USES					
Personal Services and Employee Benefits	869.7	1,222.7	1,272.7	1,222.7	0.0
Contractual Services	598.0	764.6	884.6	984.6	28.8
Other	765.2	963.1	968.7	968.7	0.6
TOTAL USES	2,232.9	2,950.4	3,126.0	3,176.0	7.6
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:

As the Indian Affairs Department (IAD) prepares for FY16, an ongoing challenge continues to be maintaining the staff resources to effectively fulfill its broad objectives, including coordinating state-tribal relations, promoting economic development, and providing oversight for tribal infrastructure capital improvement projects.

The FY16 LFC recommendation fully funds personal services and employee benefits for the department's 15 FTE and provides a modest increase in contractual services funded by general fund revenues to support IAD staff oversight of tribal capital projects.

Additionally, the LFC recommendation includes an appropriation from the tribal infrastructure project fund to allow IAD to contract for professional services for direct costs associated with Tribal Infrastructure Act capital projects.

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, which also requires organizing an annual summit for tribal leaders and the executive branch. In addition to coordinating tribal relations, the current administration is emphasizing tribal economic development by dedicating one staff member and a portion of another FTE to help tribes, pueblos, and Indian nations leverage infrastructure-related capital outlay funding into the development of viable tribal commercial enterprises.

For FY16, the agency requested additional money to fully fund the annual state-tribal leadership summit, which is estimated to cost about \$44 thousand. However, IAD has \$25 thousand in its base budget for the summit and is encouraged to work with the Public Education Department (PED is also required to host an annual meeting with tribal leaders) and to seek federal grants for this purpose as it has done in the past.

The department also plays a major role in managing capital outlay projects and the tribal infrastructure fund (TIF). Beginning in 2012, 5 percent of annual severance tax bond (STB) funds were allocated to the TIF, and for FY14, the Tribal Infrastructure Board awarded \$14.2 million to 29 infrastructure projects for tribal entities. Of major concern to the department is ensuring adequate oversight of capital projects; currently, IAD has only 2 FTE (one accountant/auditor and one infrastructure manager) to oversee about \$20 million in TIF and capital projects. To assist with these duties, IAD entered into a memorandum of understanding for \$100 thousand with the Environment Department (NMED) for engineering services and site inspections to ensure compliance with approved budgets and scopes of work. IAD indicated to LFC that additional funding for the NMED

contract in 2016 would be helpful; the LFC recommendation adds \$20 thousand for this purpose. The department received \$200 thousand in new general fund monies in FY15 to help manage the TIF program — \$75 thousand in personal services and employee benefits and \$125 thousand in contractual services.

The TIF statute allows up to 5 percent of the amount available for project award to be allocated to project oversight; however, the Department of Finance and Administration (DFA) has not approved this allocation, indicating federal tax regulations do not allow STB funds to be used for indirect administration costs. The LFC recommendation includes \$200 thousand for contractual services from the tribal infrastructure fund for a contract with project professionals for direct management of TIF projects on behalf of the department. According to a memorandum of understanding (MOU) between the DFA and IAD for administration of TIF funds, money had been set aside for project administration; however, the money was never used by DFA or IAD for administration costs. According to the MOU, IAD is able to reallocate the \$300 thousand for additional projects. The TIF Board reportedly voted to use \$27 thousand to fulfill a request for additional funds for an existing Pueblo of Acoma 2013 TIF project for the waterless composting toilet facilities project that had an original award amount of \$1 million. The board reportedly voted to roll the remaining \$273 thousand into the 2014 funding cycle.

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 FY15 IAD awarded \$615 thousand through its competitive award process to such entities as the Pueblo of Jemez for a housing self-help construction pilot project (\$137 thousand) and to the Navajo Department of Emergency Management (NDEM) for community emergency response team (CERT) training (\$150 thousand).

Finally, IAD receives annual distributions for the Tribal Tobacco Cessation and Prevention Program through the state's Tobacco Use Prevention and Control Program. In FY15, nine Native American-serving entities received a total of \$249 thousand (individual awards ranged from \$19 thousand to \$42 thousand) for targeted smoking cessation programs. The department contracts with a consulting firm to evaluate program reporting and monitoring and promote best practices for the best use and management of the funds to address the health impacts of smoking in Native American Communities.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the Indian affairs program of the Indian affairs department 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.

The other state funds appropriation to the Indian affairs program of the Indian affairs department in the contractual services category includes two hundred thousand dollars (\$200,000) from the tribal infrastructure project fund for professional project managers, planners, engineers, architects, or other professionals performing direct project management of tribal infrastructure projects under the Tribal Infrastructure Act.

INDIAN AFFAIRS DEPARTMENT

The purpose of the Indian affairs program is to coordinate intergovernmental and interagency programs concerning tribal governments and the state.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of tribes, pueblos and Indian nations that have developed or enhanced tourism plans as a result of consultation and support provided by the department	n/a	12	11	12	12
Output	Number of capital outlay or tribal infrastructure project training sessions conducted	12	12	20	15	15
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	96%	91%	80%	80%	90%
Output	Number of cabinet-level agencies that have fully complied with the State-Tribal Collaboration Act	29	29	25	25	30
Outcome	Percent of capital and tribal infrastructure fund projects over fifty thousand dollars (\$50,000) completed and closed	69%	70%	75%	75%	75%
Output	Number of tribes, pueblos and Indian nations that have developed or enhanced economic development plans as a result of consultation and support provided by the department	n/a	15	11	12	12
Output	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical or economic infrastructure	n/a	90%	50%	65%	65%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD), the Traumatic Brain Injury (TBI) Program from the Department of Health (DOH), and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the health-related programs (D&E waiver, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

ALTSD is now composed of four programs: the Consumer and Elder Rights Program, which administers the Long-Term Care Ombudsman Program and the Aging and Disability Resource Center; the Aging Network Program, which administers the federal Older Americans' Act and encompasses the functions of the former Older Worker and Community Involvement programs; the Adult Protective Services Program, which investigates cases of elder neglect, abuse, and exploitation; and Program Support, which provides clerical, record-keeping and administrative support to the department in the areas of personnel, budget, procurement, and contracting.

MISSION:

The mission of the Aging and Long-Term Services Department is to provide accessible, integrated services to older adults, adults with disabilities, and caregivers to assist them in maintaining their independence, dignity, autonomy, health, safety and economic well-being, thereby empowering them to live on their own terms in their own communities as productively as possible.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	45,008.0	47,491.3	49,884.3	48,063.1	1.2
Other Transfers	2,855.7	3,128.3	3,098.6	3,098.6	-0.9
Federal Revenues	11,772.3	11,405.8	11,405.8	11,405.8	0.0
Other Revenues	136.3	129.0	129.0	129.0	0.0
SOURCES TOTAL	59,772.3	62,154.4	64,517.7	62,696.5	0.9
USES					
Personal Services and Employee Benefits	15,175.8	15,598.0	16,181.3	15,860.1	1.7
Contractual Services	3,932.1	4,458.8	4,738.8	4,438.8	-0.4
Other	40,507.7	42,097.6	43,597.6	42,397.6	0.7
TOTAL USES	59,615.6	62,154.4	64,517.7	62,696.5	0.9
FTE					
Permanent	227.5	227.5	228.5	227.5	0.0
Term	7.5	7.5	7.5	7.5	0.0
TOTAL FTE POSITIONS	235.0	235.0	236.0	235.0	0.0

AT A GLANCE:

The agency sought a substantial increase in its overall budget, with all the additional dollars coming from the general fund and much of it going to staff to improve services, particularly in the Adult Protective Services Program. The additional requested increase for the Aging Network was intended to address rising costs for fuel, food, guardianship services, and senior employment.

The committee recommendation provides an increase to support Aging Network Services and enhance adult protective services' investigations, but does not provide additional funding for fuel or positions that remain vacant.

BUDGET ISSUES:

The agency's FY16 total request of \$64.5 million reflected a 3.8 percent increase over the FY15 operating budget, all from the general fund. ALTSD requested an additional \$1.5 million for the Aging Network Program to maintain FY15 service levels based on projected increasing costs for food, fuel, and employee benefits, and to offset reductions in federal funding for tribal seniors programs. The requested Aging Network funding was intended to reduce waiting lists for kinship caregiver guardianship services and senior employment. The \$70 thousand increase requested for the Consumer and Elder Rights Program would allow for additional staffing at the Aging and Disability Resource Center. The \$693 thousand increase requested for the Adult Protective Services Program would provide more funding for contract home-care services and support increased staffing levels. Program Support also requested an increase of \$100 thousand to improve staffing levels. The requested number of 236 FTE included the addition of 1 FTE within the Adult Protective Services Program.

The FY16 budget recommendation for ALTSD is \$63 million and includes a 1.8 percent increase in general fund revenue over FY15. The recommendation includes additional funding for congregate and home-delivered meals, and staffing at the Aging and Disability Resource Center and for adult protective services' investigations. The recommendation applies an average 8 percent vacancy savings rate across programs.

Consumer and Elder Rights. The recommendation for the Consumer and Elder Rights Program is \$3.9 million. The recommended level for general fund revenue is \$2.2 million, an increase of 1.4 percent. The recommendation provides funding for additional staffing at the Aging and Disability Resource Center to assist seniors with Medicaid and Medicare program changes. In FY14, the Resource Center counseled 24,572 consumers on Medicaid and 28,894 consumers on Medicare. The Aging and Disability Resource Center is recognized nationally as an innovative single point of entry to assist people navigating the complex long-term services system. The center serves nearly 43 thousand people as a contact to report adult abuse, access home-delivered meals, obtain in-home and community-based care, or volunteer in a local community. The Medbank program assists seniors and others in obtaining prescription drugs by working with pharmaceutical companies to get free or reduced-price prescription drugs. The long-term care ombudsman ensures nursing home residents' rights are protected 24 hours a day, seven days a week, and assists residents who wish to re-integrate into communities. The ombudsman investigated over 4,400 complaints and provided more than 6,900 information and preventive consultations.

Aging Network. The Aging Network recommendation is \$40.6 million, with a general fund increase of \$600 thousand, or 2 percent, over FY15. The increase will provide approximately 100 thousand additional units of Aging Network program services, particularly as transportation and fuel costs are decreasing. The Aging Network delivers services to more than 100 thousand older adults throughout New Mexico, including in rural and tribal areas, and helps seniors maintain economic independence. The program is the safety net for New Mexico's elders and works to promote older adults residing in their homes and remaining active and valuable resources of their communities. In FY14, 50 thousand New Mexicans were served 3.7 million congregate and home-delivered meals in 33 counties and on all tribal lands, caregivers received 379 thousand hours of respite care, 45 percent of seniors served by agency employment programs were placed in jobs, and volunteers provided more than 1.5 million hours of services at an estimated value of \$30.2 million.

Adult Protective Services. The recommendation for the Adult Protective Services (APS) Program is \$13.9 million, with an increase in general fund support of 1.8 percent over the FY15 operating budget. The recommended \$200 thousand increase supports additional personal services and employee benefits to fill vacant investigator positions needed to provide additional investigations of seniors' abuse, neglect and exploitation. In FY15, the department received 11,804 reports of adult abuse, neglect, and exploitation, and conducted 6,665 investigations, higher than any previous year. In FY14, approximately 1,600 adults received short-term, in-home and community-based services to prevent continued abuse, neglect, or exploitation of adult victims and reduce the likelihood of premature institutionalization.

Administration and Oversight. The recommendation for Program Support is \$4.6 million, an increase of 1 percent over the FY15 operating budget for personal services and employee benefits. The agency's FY13 audit indicates the agency resolved two prior-year findings and had five findings regarding matching of reimbursable expense to revenues, research and resolution of account balances with implementation of SHARE, timely deposits, overdrafts and lack of internal controls of federal funds, and untimely reversions to the state general fund.

The 2014 LFC performance evaluation, *Aging and Long-Term Services Department - Resource Allocation, Cost, Availability and Effectiveness of Aging Network*, recommended the agency work with local governmental entities to determine the feasibility of a minimum threshold for local contributions through cash or in-kind donations and track service outcomes and report them as performance measures to give a better idea of the Aging Network's capacity and its adequacy in meeting the needs of the senior population. ALTSD reports in response to the LFC program evaluation, in FY16 the Aging Network will add two new performance measures to quantify evidence-based health promotion services and another measure focusing on training. The LFC recommends adding a performance measure for local contributions or in-kind donations.

RECOMMENDED LANGUAGE:

The general fund appropriation to the aging network program of the aging and long-term services department in the other category to supplement the federal Older Americans Act shall be contracted to the designated area agencies on aging.

Any unexpended balances remaining at the end of fiscal year 2016 in other state funds from conference registration fees shall not revert.

CONSUMER AND ELDER RIGHTS

The purpose of the consumer and elder rights program is to provide current information, assistance, counseling, education and support to older individuals and persons with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,986.2	2,187.0	2,287.0	2,216.7	1.4
Other Transfers	447.9	629.7	600.0	600.0	-4.7
Federal Revenues	1,632.5	1,073.4	1,073.4	1,073.4	0.0
SOURCES TOTAL	4,066.6	3,890.1	3,960.4	3,890.1	0.0
USES					
Personal Services and Employee Benefits	3,359.7	3,320.5	3,410.8	3,340.5	0.6
Contractual Services	202.0	197.0	177.0	177.0	-10.2
Other	474.1	372.6	372.6	372.6	0.0
TOTAL USES	4,035.8	3,890.1	3,960.4	3,890.1	0.0
FTE					
Permanent	41.5	41.5	41.5	41.5	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	47.5	47.5	47.5	47.5	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Quality	Percent of calls to the aging and disability resource center answered by a live operator	75%	87%	85%	85%	85%
* Outcome	Percent of ombudsman complaints resolved within sixty days	New	99%	90%	90%	95%
Quality	State ranking for the number of complaints received per nursing and assisted living facility beds	New	Top 25%	Top 25%	Top 25%	Top 25%
Quality	State ranking of New Mexico state health insurance assistance program	New	12th	12th	12th	12th
Outcome	Percent of uninsured medbank patients who are qualified to receive critical medication at low or zero cost	New	55%	47%	47%	55%
Outcome	Percent of clients appointed as legal guardians of kinship children in their care	New	95%	90%	90%	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	New	40%	90%	90%
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	New	90%	90%	90%
Outcome	Percent meeting 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	New	14%	14%	14%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Quality	Percent of resident-requested transitional services who were satisfied with the counseling, information and assistance received during the six month transitions service	New	New	New	90%	90%
Outcome	Percent of resident-requested short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	New	New	New	85%	85%

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and persons with disabilities so they can remain independent and involved in their communities and to provide training, education and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	28,607.5	30,173.1	31,673.1	30,473.1	1.0
Federal Revenues	9,539.9	9,707.6	9,707.6	9,707.6	0.0
Other Revenues	136.3	129.0	129.0	129.0	0.0
SOURCES TOTAL	38,283.7	40,009.7	41,509.7	40,309.7	0.7
USES					
Personal Services and Employee Benefits	105.7	125.9	125.9	125.9	0.0
Contractual Services	77.9	87.8	87.8	87.8	0.0
Other	38,034.5	39,796.0	41,296.0	40,096.0	0.8
TOTAL USES	38,218.1	40,009.7	41,509.7	40,309.7	0.7
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of individuals exiting the federal older worker program who obtain unsubsidized employment	36.4%	45.0%	33.0%	35.0%	45.0%
Outcome	Community service hours provided by the state older worker program as a percent of work hours budgeted	83.8%	95.0%	82.0%	84.0%	95.0%
Output	Number of one-way trips provided to eligible consumers for the purpose of accessing community services	656,493	693,949	750,000	750,000	750,000
* Output	Number of persons receiving aging network community services	90,055	101,021	95,000	95,500	100,000
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	60%	61%	62%	62%	62%
Output	Number of hours of service provided by senior volunteers, statewide	1,614,794	1,536,756	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	35%	45%	32%	35%	45%
Outcome	Number of hours of caregiver support provided	New	New	New	400,000	400,000

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of providers and consumers receiving training to build their knowledge and capacity with regard to aging network services	New	New	New	1,600	1,600
Output	Number of persons served through statewide health promotion events and classes	New	New	New	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,795.5	11,166.6	11,859.6	11,366.6	1.8
Other Transfers	2,407.8	2,498.6	2,498.6	2,498.6	0.0
SOURCES TOTAL	13,203.3	13,665.2	14,358.2	13,865.2	1.5
USES					
Personal Services and Employee Benefits	8,118.7	8,029.8	8,422.8	8,229.8	2.5
Contractual Services	3,537.2	4,045.7	4,345.7	4,045.7	0.0
Other	1,519.3	1,589.7	1,589.7	1,589.7	0.0
TOTAL USES	13,175.2	13,665.2	14,358.2	13,865.2	1.5
FTE					
Permanent	132.0	132.0	133.0	132.0	0.0
TOTAL FTE POSITIONS	132.0	132.0	133.0	132.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	1,311	1,533	1,250	1,250	1,500
* Outcome	Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	98%	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	96%	94%	95%	92%	95%
* Output	Number of adult protective services' investigations of abuse, neglect or exploitation	New	New	6,000	6,100	6,100
Outcome	Percent of senior centers within adult protective services jurisdiction receiving outreach visits	New	New	25%	30%	30%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,618.8	3,964.6	4,064.6	4,006.7	1.1
Federal Revenues	599.9	624.8	624.8	624.8	0.0
SOURCES TOTAL	4,218.7	4,589.4	4,689.4	4,631.5	0.9
USES					
Personal Services and Employee Benefits	3,591.7	4,121.8	4,221.8	4,163.9	1.0
Contractual Services	115.0	128.3	128.3	128.3	0.0
Other	479.8	339.3	339.3	339.3	0.0
TOTAL USES	4,186.5	4,589.4	4,689.4	4,631.5	0.9
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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of draws of federal funds that meet federal timeliness standards	New	New	90%	90%	90%
Outcome	Percent of vouchers accepted by the department of finance and administration without rejection	New	New	New	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)

	FY14		FY15		FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 Actuals	2014-2015 Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	1,036,615.3	1,012,947.9	1,054,458.5	1,015,602.6			0.3
Other Transfers	138,458.9	148,788.2	149,487.9	170,287.9			14.4
Federal Revenues	3,981,041.4	4,557,340.2	5,265,967.7	5,342,925.6			17.2
Other Revenues	121,318.7	96,968.5	103,045.5	94,508.5			-2.5
SOURCES TOTAL	5,277,434.3	5,816,044.8	6,572,959.6	6,623,324.6			13.9
USES							
Personal Services and Employee Benefits	104,378.8	110,932.5	113,311.4	110,941.4			0.0
Contractual Services	178,098.4	162,503.7	173,166.8	169,652.8			4.4
Other	4,917,054.8	5,482,270.7	6,224,967.4	6,267,016.4			14.3
Other Financing Uses	56,376.5	60,337.9	61,514.0	75,714.0			25.5
TOTAL USES	5,255,908.5	5,816,044.8	6,572,959.6	6,623,324.6			13.9
FTE							
Permanent	1,878.5	1,889.5	1,918.5	1,918.5			1.5
Term	74.0	67.0	34.0	34.0			-49.3
Temporary	50.0	50.0	100.0	100.0			100.0
TOTAL FTE POSITIONS	2,002.5	2,006.5	2,052.5	2,052.5			2.3

AT A GLANCE:

Fiscal year 2015 was the first full year of Medicaid expansion for low-income adults under the Patient Protection and Affordable Care Act (ACA). This continues to provide a number of challenges for the Human Services Department (HSD). New contracts with managed care organizations have exacerbated difficulties measuring performance due to lag times receiving performance data. Nevertheless, as a result of the expansion, Medicaid enrollment has exceeded early estimates and more New Mexicans than ever now have access to healthcare.

The committee recommendation for HSD funds much of the request except for some costs related to medical price inflation. The recommendation includes Temporary Assistance for Needy Families (TANF) funds to address workforce development for TANF recipients and increased cash assistance benefit amounts. Additionally, the recommendation supports behavioral health initiatives that include integrated health homes, behavioral health regional crisis stabilization units, and transitional and supportive housing.

BUDGET ISSUES:

HSD's FY16 budget request was \$6.57 billion from all revenue sources, a \$757 million, or 13 percent, increase compared with the FY15 operating budget. The requested FY16 general fund appropriation of \$1.054 billion represented a \$41.5 million increase, or 4.1 percent, compared with FY15. Reflecting updated financial forecasts for the Medicaid and Income Support programs, the committee recommendation provides \$6.62 billion in total funding, an increase of 13.8 percent compared with FY15, including \$1.016 billion from the general fund, and assumes \$20.8 million in additional tobacco settlement program fund revenue contingent on legislation passed in the 2015 legislative session authorizing the transfer.

The LFC recommendation for personal services and employee benefits remains essentially flat at \$111 million but includes a \$1 million increase in federal TANF funds and 50 temporary FTE to support the requested expansion of the department's wage study program, which provides TANF recipients the opportunity to obtain real-world work experience in HSD offices throughout the state.

Medicaid. Beginning January 1, 2014, all adult residents with incomes up to 138 percent of the federal poverty level (about \$16 thousand for a single person) became eligible for Medicaid under the Affordable Care Act (ACA). A year ago, HSD projected expansion-related enrollment of about 163 thousand, including newly eligible adults and transfers from the State Coverage Insurance program; however, by November 2014, the projection increased to 197 thousand. The federal government will cover 100 percent of the cost for new enrollees from 2014 through 2016, with the impact on the Medicaid budget projected to exceed \$1.16 billion and \$1.34 billion in federal funds in FY15 and FY16, respectively. Beginning in FY17, the federal government will begin paying 95 percent of the cost of new enrollees, tapering to 90 percent by FY21; LFC staff preliminary estimates show New Mexico's share of Medicaid for the newly eligible adults to be about \$41 million in FY17, rising to \$97 million in FY18.

The HSD request for state general fund revenues for Medicaid is a net increase of \$40 million in FY16, due primarily to increased enrollment growth, utilization of services, medical cost inflation, and revenue changes, such as less revenue from drug rebates. The increased costs are despite a higher federal match rate (FMAP) of 70.37 percent (finalized two months after the September FY16 budget request), which provided another \$11.5 million in general fund savings. Updated Medicaid projections in November resulted in a net increase in general fund need of about \$15.5 million, which the recommendation largely supports.

The general fund recommendation for Medical Assistance (not including Medicaid behavioral health) is \$801.5 million, a \$9.2 million, or 1.1 percent, decrease compared with FY15, partly due to additional \$20.8 million transfer from tobacco settlement fund revenues. The recommendation funds \$9.2 million of HSD's projected general fund shortfall resulting primarily from the so-called "woodwork effect," or the unexpected surge of approximately 15 thousand traditional Medicaid patients (not covered by 100 percent federal funds) who enrolled alongside the newly eligible adults. HSD's original \$18.4 million general fund request for the shortfall was subsequently revised to about \$13.1 million in November 2014 and may decline further.

The general fund recommendation supports \$1.8 million for primary care provider rate increases as an incentive to providers to accept Medicaid patients, \$1.2 million for implementation of integrated (physical and behavioral health) homes for beneficiaries diagnosed with a serious mental illness or serious emotional disturbances, and \$500 thousand for a limited Medicaid home-visiting program for families with infants. The governor vetoed \$500 thousand in the 2014 General Appropriation Act for FY15 for evidence-based home-visiting services. The committee has discussed home visiting extensively with HSD and again recommends the executive support a limited Medicaid waiver program for a small, targeted sub-group of the 80 percent of New Mexico children born with Medicaid coverage.

The recommendation funds most of the remaining general Medicaid request except for price increases, amounting to about \$10.8 million, which should reasonably be shared with providers or managed-care organizations. However, the recommendation does not support the request for \$1.4 million for performance and data analytics. LFC agrees the department must improve its ability to measure the program's performance and assure program expenditures achieve desired results; however, LFC recommends the department request funding for this project through the state's standard IT appropriation process, which includes vetting the request against a formal business case for the project subject to review by LFC, the Department of Finance and Administration, and the Department of Information Technology.

Medicaid Behavioral Health. The recommendation fully funds the department request for Medicaid Behavioral Health, including \$10.7 million in additional general fund revenues to support increased utilization and enrollment growth, and includes updated expenditure projections (submitted by HSD after the original budget request), including about \$13 million in additional federal fund revenue. Also included is \$1.25 million for support of behavioral health regional crisis stabilization units (SCU), which would be matched with federal dollars.

A Medicaid-eligible SCU would ideally be reimbursed for client services at both a per diem rate and at a designated incremental unit rate, such as for three or six hours. To implement a Medicaid-eligible SCU, HSD may be required to submit an amendment to its federally approved state Medicaid plan. Typically, law enforcement officers transport a person experiencing an acute

mental health crisis to a detention facility because of limited alternatives. This funding will support stabilization units that will provide a safe place where the person can be evaluated and stabilized rather than housed in a jail without needed mental health support. In November 2014, Bernalillo County residents voted to support a one-eighth percent tax increase to fund more behavioral health services, including mental health crisis centers, demonstrating increased understanding and support for addressing the state's mental health challenges.

Tobacco Settlement Revenue. As mentioned, the recommendation includes an additional \$20.8 million in tobacco settlement program funds for Medicaid (contingent on legislation passed in the 2015 legislative session authorizing the transfer), bringing the total to \$30 million; \$1.3 million is reserved for breast and cervical cancer treatment. Master settlement agreement (MSA) revenue decreased in FY14 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 \$39.9 million and \$40.1 million in FY15 and FY16, respectively. The forecast remains subject to uncertainty surrounding the nature and timing of any subsequent challenges by participating manufacturers of New Mexico's enforcement of the MSA. The General Appropriation Act of 2014 included contingency language to ensure programs funded with tobacco MSA funds were kept whole in the event of revenue reductions pursuant to a challenge. Any shortfall in MSA funds would be made up with a transfer from the tobacco settlement permanent fund.

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, problems surfaced with the methods counties used to provide the match for federal funds and the methodology used by HSD to calculate program payments. Additionally, a decrease in uncompensated care following Medicaid expansion reduced the need for the SCP. The SNC pool is projected at \$69 million, most of which is distributed to smaller hospitals, while a \$171 million rate increase for hospitals will benefit larger hospitals. Last year the Legislature approved \$9 million in general fund revenues to support the SNC program, which remains in the HSD base request for FY16. Additionally, counties are required to contribute the equivalent of 1/12th of gross receipts tax revenue, which amounts to about \$24.2 million statewide for the SNC. However, a projected \$9.8 million shortfall persists. (HSD filled the hole in FY15 with one-time savings.) The HSD request assumes the shortfall in state matching funds will be met by counties to support payments for uncompensated care costs for their hospitals. However, counties have already raised concerns about the mandatory contribution, noting they have other needs for indigent funds, particularly behavioral health and indigent care not covered by Medicaid.

Income Support Division. The total Income Support recommendation of \$911 million includes approximately \$14 million in TANF appropriations above the agency request (described below) and supports the program's \$1.4 million general fund reduction, reflecting savings realized from an increased federal match for efforts related to Medicaid eligibility determinations.

Temporary Assistance for Needy Families. In Income Support, TANF enrollment increased slightly to 14,160 cases, up 393, or 2.9 percent, from November 2013, yet still far below the recession high of well over 21,000. It is worrisome that TANF caseloads are near pre-recession levels when New Mexico's economy and job growth have not fully recovered. Major factors in the decline include a 15 percent reduction in cash benefits implemented in 2011, making the program less desirable; stronger enforcement of work-related requirements, and easier access to food stamp (SNAP) benefits. However, federal block grant funding continues at \$110 million annually and HSD projects the carryover balance will reach \$66.6 million at the end of FY15. The HSD request for TANF cash assistance for FY16 was \$49 million, \$4 million, or 7 percent, lower than the FY15 operating budget; as of August 2014, the department projected just \$47.4 million would be spent in FY15. The LFC recommendation for cash assistance is \$51 million and assumes a 5 percent increase in benefit rate to assist the state's neediest families, taking into account a potential uptick in enrollees that may result from the benefit increase. Additionally, the recommendation provides an additional \$1 million, for a total of \$2 million, to make clothing allowance a biannual event from the current once-per-year opportunity.

The LFC recommendation partially supports department initiatives to expand the Career Links program and HSD's wage subsidy program. Career Links is increased by \$2 million, for a total of \$3.7 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. Another \$1 million is added to the wage subsidy program to fund temporary employees in HSD offices across the state. The increase will double the current program by making available an additional 50 temporary positions for TANF participants. 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 be duplicative with other services.

Similar to FY15, TANF fund balance is recommended to provide additional support to early childhood initiatives at the Children, Youth and Families Department, including new funding of \$7.5 million for prekindergarten, \$2.5 million for home visiting, and \$700 thousand for long-term housing and services to families with a child identified as a victim of substantiated child maltreatment or a family member identified as having a substance dependency or mental illness. The \$2.5 million for home visiting should allow another 500 families to receive services. The \$30.5 million recommendation for child care remains flat with FY15. Finally, for FY16 the recommendation includes \$3.5 million for prekindergarten for the Public Education Department.

Supplemental Nutrition Assistance Program. The Income Support request reduces federal funds by \$41 million, due primarily to a reduction in SNAP caseloads, noting the department has seen a drop in caseload since the historical high in September of last year of 9,688 cases. HSD projected federal SNAP expenditures of \$56.1 million in December 2014, an increase of 8.5 percent from a year earlier. The recommendation supports the agency request, particularly given new work requirements for some SNAP recipients to take effect early 2015. The recommendation does not include the requested \$164 thousand to increase the SNAP senior supplement from \$25 per month to \$30 per month; this tracks with LFC budget guidelines to avoid expanding programs, particularly those not the responsibility of the state.

Finally, the recommendation supports the program's request to convert 29 Low-Income Home Energy Assistance Program (LIHEAP) term positions to permanent Income Support Division field office positions and allocated these positions to SNAP, TANF and Medicaid programs. The department recognizes a stronger need for eligibility workers and less reliance on LIHEAP staff.

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 OptumHealth. The contract with OptumHealth is reportedly being extended by the department through 2016. The request to decrease general fund support modestly by \$445 thousand reflects a further decline in non-Medicaid services as individuals become eligible for other Medicaid expansion or other health coverage.

The recommendation provides \$5.6 million for behavioral health initiatives. Included is \$2.5 million for the support of behavioral health regional crisis stabilization units (SCU), \$1.25 million in the Behavioral Health Services Division, and \$1.25 million in Medicaid Behavioral Health, which would be matched with federal dollars (see Medicaid Behavioral Health section for more information about SCUs).

Another \$1.5 million in additional funding supports HSD's programming for transitional and supportive housing to include additional rental assistance vouchers, support services, and transitional housing for households and families with severe mental illness. Research shows people suffering from mental illness have far more difficulty accessing or benefiting from mental health treatment if they are not relieved from the persistent stress of worrying about safe and reliable housing. The recommendation also supports the request for approximately \$400 thousand for promotion, outreach, and expansion of the program's crisis and access phone line. Health experts have noted New Mexico needs to do a better job of providing one emergency phone number for people with behavioral health concerns to access services and resources.

Finally, the recommendation supports HSD's request for \$1.2 million for implementation of health homes intended to coordinate physical and mental health treatment of the sickest patients, reducing costs and improving patient outcomes.

The Attorney General's Office continues to investigate 15 New Mexico behavioral healthcare providers suspected of fraud by HSD. To date, two provider reviews have been completed and both were cleared. Despite numerous reports of service disruptions following the reorganization, HSD reports a 30.8 percent increase in total behavioral health recipients in FY14 over FY13. However, HSD was not able to provide client- or provider-level detail. Individuals served by non-Medicaid funding represent 22 percent (25,095 persons) of all individuals served. Medicaid recipients make up 78 percent (89,219 persons) of people served.

Child Support Enforcement Division. CSED's \$7.9 million general fund request for FY16 is flat with FY15. 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, and it expects incentive funding of \$2.5 million in FY16, \$1.1 million more than the estimated amount for FY15. For FY14, CSED reported record child support collections of \$137 million, nearly 4 percent higher than FY13 and 5.4 percent higher than FY12.

Program Support. For Program Support, the recommendation of \$51.7 million is virtually flat with FY15 but supports about \$400 thousand of the \$1.4 million in general fund revenue requested for the HSD automated system program and eligibility network (ASPEN) information technology benefit system. In FY15, the program was appropriated \$4.6 million in general fund revenue to support the system's maintenance and operations, bringing the program's general fund appropriations 31.4 percent above the FY14 operating budget; the FY15 increases remain in the base for FY16. The recommendation for personal services and employee benefits is \$18 million with an average 18 percent vacancy savings rate. The program's vacancy rate for the past two years has been about 23 percent.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include one million three hundred twelve thousand four hundred dollars (\$1,312,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and twenty-eight million seven hundred seven thousand three hundred dollars (\$28,707,300) from the tobacco settlement program fund for medicaid programs. Twenty million eight hundred thousand dollars (\$20,800,000) of the appropriation to the medical assistance program of the human services department is contingent on legislation passed in the 2015 legislative session authorizing sufficient tobacco settlement revenue distribution from the tobacco settlement permanent fund.

The general fund appropriation to the medical assistance program of the human services department in the other category includes nine million dollars (\$9,000,000) for safety net care pool payments for hospitals.

The general fund appropriation to the medical assistance program of the human services department in the other category includes five hundred thousand dollars (\$500,000) for a centennial care or other managed care waiver to include evidence-based home visiting services for pregnant women and families of children under two years of age identified as high risk by the department.

The appropriations to the medical assistance program of the human services department assume the state will receive a federal medical assistance percentage (FMAP) rate of 100 percent for those enrolled in the new adult category through fiscal year 2016, including those currently enrolled in the state coverage insurance program, beginning January 1, 2014 as provided for in the federal Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Should the federal government reduce or rescind the FMAP rates established by the Affordable Care Act, the human services department shall reduce or rescind eligibility for the new adult category.

The general fund appropriation to the medical assistance program of the human services department in the contractual services category includes one hundred thousand dollars (\$100,000) to contract with a consortium of primary care training programs.

The general fund appropriation to the medical assistance program of the human services department in the contractual services category includes one million two hundred thousand dollars (\$1,200,000) to support implementation of integrated health homes.

The general fund appropriation to the medical assistance program of the human services department in the other category includes two hundred thousand dollars (\$200,000) to match federal funds to create primary care residency slots through the federally qualified health care centers teaching health center program.

The general fund appropriation to the medical assistance program of the human services department in the other category includes five million dollars (\$5,000,000) for a rate increase for personal care option and nursing homes providers.

The general fund appropriation to the medicaid behavioral health program of the human services department in the contractual services category includes one million two hundred fifty thousand (\$1,250,000) for support of behavioral health regional crisis stabilization units.

No less than fifteen percent and no more than twenty-five percent of the federal funds for the low-income home energy assistance program shall be used for weatherization programs.

The federal funds appropriations to the income support program of the human services department include eleven million five hundred seven thousand seven hundred dollars (\$11,507,700) from the federal temporary assistance for needy families block grant for administration of the New Mexico Works Act.

The appropriations to the income support program of the human services department include eighty-seven thousand one hundred dollars (\$87,100) from the general fund and fifty-six million dollars (\$56,000,000) 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, clothing allowances, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include nine million seven hundred thousand dollars (\$9,700,000) from the federal temporary assistance for needy families block grant for job training and placement and job-related transportation services, seven hundred thousand dollars (\$700,000) for employment-related costs, one million seven hundred fifty thousand dollars (\$1,750,000) for a substance abuse treatment program and three million seven hundred one thousand dollars (\$3,701,000) 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, ten million one hundred thousand dollars (\$10,100,000) 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 includes 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 one hundred twenty-seven thousand three hundred dollars (\$7,127,300) from the general fund and two million eight hundred fifteen thousand three hundred dollars (\$2,815,300) from other state funds for general assistance. Any unexpended balances remaining at the end of fiscal year 2016 from the other state funds appropriation derived from reimbursements received from the social security administration for the general assistance program shall not revert.

The general fund appropriations to the income support program of the human services department include two hundred ten thousand nine hundred dollars (\$210,900) for the Navajo sovereign temporary assistance for needy families program.

The general fund appropriations to the income support program of the human services department include thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The general fund appropriation to the behavioral health services program of the human services department in the contractual services category includes one million two hundred fifty thousand dollars (\$1,250,000) for support of regional crisis stabilization units and one million four hundred fifty thousand dollars (\$1,450,000) for transitional and supportive housing programs.

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	820,098.2	810,713.1	839,786.4	801,495.9	-1.1
Other Transfers	138,458.9	148,788.2	149,487.9	170,287.9	14.4
Federal Revenues	2,876,028.5	3,299,139.4	3,976,886.2	4,030,427.1	22.2
Other Revenues	111,578.3	84,174.7	89,342.7	80,805.7	-4.0
SOURCES TOTAL	3,946,163.9	4,342,815.4	5,055,503.2	5,083,016.6	17.0
USES					
Personal Services and Employee Benefits	12,606.8	13,123.5	13,123.5	13,123.5	0.0
Contractual Services	53,702.5	53,954.8	56,112.3	56,112.3	4.0
Other	3,834,769.2	4,254,807.8	4,964,272.5	4,991,785.9	17.3
Other Financing Uses	27,914.4	20,929.3	21,994.9	21,994.9	5.1
TOTAL USES	3,928,992.9	4,342,815.4	5,055,503.2	5,083,016.6	17.0

BUDGET SUMMARY
(dollars in thousands)

FTE		FY14		FY15		FY16 - 2015-2016		Percent Incr (Decr)
		2013-2014 <u>Actuals</u>		2014-2015 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
	Permanent	178.5		180.5		180.5	180.5	0.0
	Term	11.0		11.0		11.0	11.0	0.0
	TOTAL FTE POSITIONS	189.5		191.5		191.5	191.5	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of long-term care recipients who receive services within ninety days of eligibility determination	90%	94%	94%	94%	94%
* Outcome	Percent of children ages two to twenty-one years enrolled in medicaid managed care who had at least one dental visit during the measurement year	65%	62%	72%	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%	72%	66%	66%
* 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%	83%	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%	50%	86%	86%	86%
* Outcome	Percent of children in medicaid managed care ages five to eleven years who are identified as having persistent asthma and who were appropriately prescribed medication during the measurement year	92%	68%	89%	92%	92%
Output	Number of consumers who transition from nursing facilities who are served and maintained with community-based services for six months	168	n/a	150	150	150
* Outcome	Number of emergency room visits per one thousand medicaid member months	39	35	50	40	40
Outcome	Percent hospital readmissions for children ages two to seventeen years, within thirty days of discharge	8%	7%	10%	7%	7%
* Outcome	Percent hospital readmissions for adults eighteen and over, within thirty days of discharge	13%	11%	10%	10%	10%
Outcome	Rate of return on investments for medicaid recoveries	\$6.15	\$4.09	\$3.00	\$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	new	85%	85%	85%	85%
Output	Expenditures for children and youth receiving services through medicaid school-based service programs, in millions	new	new	14.0	14.5	14.5
Outcome	Number of persons age sixty-five and older identified at risk for falls who have been asked at least annually about the occurrence of falls and the number of members who were treated for related risks	new	new	n/a	n/a	n/a
Quality	Percent of members reporting satisfaction with centennial care services	new	new	new	66%	66%

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	105,370.0	93,930.0	105,205.0	105,205.0	12.0
Federal Revenues	237,902.0	299,907.0	366,848.0	380,048.0	26.7
SOURCES TOTAL	343,272.0	393,837.0	472,053.0	485,253.0	23.2
USES					
Contractual Services	17,850.0	0.0	0.0	0.0	
Other	325,422.0	393,837.0	472,053.0	485,253.0	23.2
TOTAL USES	343,272.0	393,837.0	472,053.0	485,253.0	23.2
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	7%	3%	7%	8%	8%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative and medicaid programs	87,723	114,314	103,000	103,000	115,000

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	47,845.0	45,771.6	44,495.6	44,331.2	-3.1
Federal Revenues	795,149.8	884,579.4	848,288.5	862,988.5	-2.4
Other Revenues	2,572.9	3,512.2	3,512.2	3,512.2	0.0
SOURCES TOTAL	845,567.7	933,863.2	896,296.3	910,831.9	-2.5
USES					
Personal Services and Employee Benefits	55,622.4	55,515.0	56,515.0	56,515.0	1.8
Contractual Services	22,015.4	28,630.5	33,491.6	32,491.6	13.5
Other	738,244.4	810,735.4	767,196.9	768,532.5	-5.2
Other Financing Uses	27,428.8	38,982.3	39,092.8	53,292.8	36.7
TOTAL USES	843,311.0	933,863.2	896,296.3	910,831.9	-2.5
FTE					
Permanent	1,031.0	1,031.0	1,060.0	1,060.0	2.8
Term	54.0	44.0	15.0	15.0	-65.9
Temporary	50.0	50.0	100.0	100.0	100.0
TOTAL FTE POSITIONS	1,135.0	1,125.0	1,175.0	1,175.0	4.4

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	48%	39%	50%	55%	55%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	72%	45%	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	85%	84%	88%	88%	88%
Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	99%	82%	98%	99%	99%
* Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	55%	51%	50%	52%	52%
Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	99%	90%	98%	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)**

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	42,422.9	38,495.6	39,495.6	40,934.6	6.3
Federal Revenues	18,946.2	22,360.0	18,291.1	18,252.1	-18.4
Other Revenues	21.0	21.0	21.0	21.0	0.0
SOURCES TOTAL	61,390.1	60,876.6	57,807.7	59,207.7	-2.7
USES					
Personal Services and Employee Benefits	2,012.6	3,120.4	2,916.6	2,616.6	-16.1
Contractual Services	57,413.5	56,774.4	53,909.3	55,609.3	-2.1
Other	528.7	555.5	555.5	555.5	0.0
Other Financing Uses	1,033.3	426.3	426.3	426.3	0.0
TOTAL USES	60,988.1	60,876.6	57,807.7	59,207.7	-2.7
FTE					
Permanent	28.0	33.0	33.0	33.0	0.0
Term	9.0	12.0	8.0	8.0	-33.3
TOTAL FTE POSITIONS	37.0	45.0	41.0	41.0	-8.9

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of youth on probation who were served by the behavioral health collaborative and medicaid programs	57%	59%	55%	54%	54%
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the alcohol domain	80%	80%	90%	90%	90%
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the drug domain	71%	80%	80%	80%	80%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	74%	70%	75%	70%	70%
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	39.6%	25.9%	45%	45%	45%
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	59%	53%	65%	65%	65%
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age appropriate proficiency scores in math (eighth grade)	4.4%	15.7%	12.5%	9.7%	9.7%
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)	5.7%	1.7%	10%	7.2%	7.2%
Output	Increase in the number of persons served through telehealth in rural and frontier counties	new	1,330	1,350	1,500	1,500
Outcome	Percent of children served who demonstrate improved functioning as measured by the child and adolescent functional assessment scale	30%	40%	60%	n/a	n/a
Output	Number of health homes established statewide	new	0	2	2	4
* 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	new	25%	30%	30%
Outcome	Number of adults diagnosed with major depression who receive continuous treatment with an antidepressant medication	new	new	350	375	375
* Explanatory	Number of suicides among youth served by the behavioral health collaborative and medicaid programs	new	new	2	2	2
Quality	Percent of members reporting satisfaction with behavioral health services	new	new	84%	85%	85%

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)**

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,633.1	7,946.6	7,946.6	7,946.6	0.0
Federal Revenues	19,583.9	20,063.6	19,423.7	19,423.7	-3.2
Other Revenues	3,424.2	5,229.6	5,869.5	5,869.5	12.2
SOURCES TOTAL	31,641.2	33,239.8	33,239.8	33,239.8	0.0
USES					
Personal Services and Employee Benefits	18,787.4	20,692.6	20,692.6	20,692.6	0.0
Contractual Services	6,168.5	7,329.3	7,329.3	7,329.3	0.0
Other	4,989.2	5,217.9	5,217.9	5,217.9	0.0
TOTAL USES	29,945.1	33,239.8	33,239.8	33,239.8	0.0

BUDGET SUMMARY
(dollars in thousands)

		<u>FY16 - 2015-2016</u>				
		FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of cases having current support due and for which support is collected	55.8%	56.3%	60%	62%	62%
* Outcome	Amount of child support collected, in millions	\$132.2	\$137.1	\$135	\$140	\$140
* Outcome	Percent of current support owed that is collected	56%	56%	60%	62%	62%
* Outcome	Percent of cases with support orders	84%	79%	80%	85%	85%
* Outcome	Percent of children born out of wedlock with paternity establishment in child support cases	102.7%	101%	90%	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>FY16 - 2015-2016</u>				
		FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	12,246.1	16,091.0	17,529.3	15,689.3	-2.5
	Federal Revenues	33,431.0	31,290.8	36,230.2	31,786.2	1.6
	Other Revenues	3,722.3	4,031.0	4,300.1	4,300.1	6.7
	SOURCES TOTAL	49,399.4	51,412.8	58,059.6	51,775.6	0.7
USES						
	Personal Services and Employee Benefits	15,349.6	18,481.0	20,063.7	17,993.7	-2.6
	Contractual Services	20,948.5	15,814.7	22,324.3	18,110.3	14.5
	Other	13,101.3	17,117.1	15,671.6	15,671.6	-8.4
	TOTAL USES	49,399.4	51,412.8	58,059.6	51,775.6	0.7
FTE						
	Permanent	258.0	262.0	262.0	262.0	0.0
	TOTAL FTE POSITIONS	258.0	262.0	262.0	262.0	0.0

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</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	85%	100%	90%	90%	90%
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 for turnaround time associated with the expenditure of federal funds and the request for reimbursement for expenditures from federal treasury	84%	95%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date	100%	98%	100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau	11%	32%	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,507.4	11,389.0	14,706.4	11,564.0	1.5
Other Transfers	5,290.1	11,570.6	4,727.3	7,548.7	-34.8
Federal Revenues	49,333.7	58,729.8	51,961.0	51,961.0	-11.5
Other Revenues	11,282.0	0.0	0.0	0.0	
Fund Balance	4,390.1	10,670.6	4,727.3	6,348.7	-40.5
SOURCES TOTAL	73,803.3	92,360.0	76,122.0	77,422.4	-16.2
USES					
Personal Services and Employee Benefits	26,711.1	33,486.1	28,044.7	28,044.7	-16.2
Contractual Services	10,907.8	15,121.0	14,500.3	14,253.4	-5.7
Other	20,512.3	33,082.3	28,849.7	28,775.6	-13.1
Other Financing Uses	4,390.1	10,670.6	4,727.3	6,348.7	-40.5
TOTAL USES	62,521.3	92,360.0	76,122.0	77,422.4	-16.2
FTE					
Permanent	419.0	423.0	422.0	392.0	-7.3
Term	140.0	137.0	131.0	128.0	-6.6
TOTAL FTE POSITIONS	559.0	560.0	553.0	520.0	-7.2

AT A GLANCE:

The Workforce Solutions Department (WSD) continues to struggle with declining federal funds and high demand for services. To offset declining federal revenues, for FY15 the agency was appropriated \$11.4 million from the general fund, an increase of 223 percent, over FY14 levels. A majority of the increase funded continued maintenance of the online unemployment insurance (UI) modernization project. Additionally, the agency is using \$4.8 Employment Security Department (ESD) penalty and interest fund balance in FY15. Continuing with this trend, the FY16 budget request included an almost 30 percent increase from the general fund to replace federal revenues.

The LFC recommendation includes fully funding the agency personal services and employee benefits (PS&EB) request from other transfers and fund balances and increases for apprenticeship assistance and economic research and analysis. The LFC recommendation includes \$1.6 million twice in the budget due to generally accepted accounting principles (GAAP) required by the Department of Finance and Administration (DFA). This double entry makes the recommendation appear larger than the actual expenditures.

BUDGET ISSUES:

In FY16, the agency is projecting a continued decline in federal revenues of almost \$6.8 million, or 11 percent below the FY15 operating budget. The greatest federal revenue decrease is from the U.S. Department of Labor's (DOL) emergency unemployment compensation (EUC) fund. The WSD budget request also included a total expenditure reduction of \$16.2 million, or 17.6 percent, which aligns the FY16 budget request with FY14 actual expenditures. A majority of the \$3.3 million requested general fund increase replaced federal funds and the transfer of Workers' Compensation Administration (WCA) cash balances. Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1 million for operations of WSD.

Even though the department received a significant general fund increase in FY15 for the Workforce Technology Division (WTD) to manage the UI system, the toll-free number, and other miscellaneous IT expenditures, the FY16 request included an additional \$317.9 thousand from the general fund for IT maintenance. LFC does not recommend any additional general fund for WTD; however, the recommendation includes \$1.8 million of revenues above FY14 actual expenditures.

The FY16 request also included a reorganization of the agency to better align division services. The reorganized structure would include the Unemployment Insurance Division, Employment Services Division, Workforce Technology Division, Labor Relations Division, and Program Support. Historically, about 80 percent of personal services and employees benefits (PS&EB) for the agency have been federally funded. However, in recent fiscal years, general fund and fund balances support for PS&EB has increased. A majority of the FY16 requested general fund increase was to replace deferral funds for PS&EB and operations in the unemployment insurance (UI) division. Additionally, the agency request for the UI division included a vacancy savings rate of 19 percent and is very close to FY14 actual expenditures. LFC recommends fully funding the agency request for PS&EB for the UI division; however, other transfers and fund balance revenues offset some of the increased general fund need.

The FY16 request in the Labor Relation program also included \$415 thousand from the general fund to return the Apprenticeship Assistance Act program to the FY10 funding level. The program supports businesses in training employees, including on-the-job training and other related formal instruction through wage reimbursements. Reimbursements to businesses range between \$1 and \$1.60 per hour. According to the agency, an apprenticeship usually lasts about four years depending on the trade but may range from one to five years. During this time, apprentices are trained under experienced workers known as journey workers. Under the journey worker's guidance, the apprentice gradually learns the mechanics of the trade and performs the work under less and less supervision. An apprentice's pay starts out at about 45 percent to 50 percent of a journey worker's wages and increases periodically throughout the apprenticeship. In FY15, the agency expects to serve about 680 individuals in the apprenticeship program. The FY16 increase would allow the agency to serve an additional 720 individuals, or about 1,400 apprentices in total. The LFC recommends the additional \$415 thousand from the general fund for apprenticeship assistance.

The FY16 request also included \$150 thousand from the general fund for economic research and analysis of workforce trends. WSD reports this executive initiative would provide critical statistical analysis monthly for New Mexico businesses and local, state, and federal policymakers. Currently, the general fund does not support any of the agency's economic research and analysis. The agency plans to use the funding to provide more locally centered information to economic development officials, employers and residents, including job vacancy surveys and skill gap analysis. Due to federal restrictions, current federal funding cannot support this type of localized analysis. LFC recommends \$100 thousand from the general fund for localized economic research and analysis of workforce trends.

LFC recommends using Employment Security Department (ESD) penalty and interest fund balance in the amount of \$5 million throughout the department. The ESD fund balance is projected to be \$4.7 million after FY16 appropriations. WSD reported the continued use of ESD fund balance will cause the fund to be mostly depleted, resulting in another possible substantial increase of general fund revenues requested in FY17. LFC also recommends using \$645 thousand from the labor enforcement fund (LEF) in the Labor Relations Division and \$1.2 million transfer from WCA throughout the agency.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the labor relations program and the unemployment insurance program of the workforce solutions department include one million two hundred thousand dollars (\$1,200,000) from the worker's compensation administration fund.

The general fund appropriation to the program support division of the workforce solutions department includes seventy five thousand dollars (\$75,000) to pilot a career transition initiative.

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)

	FY14		FY15		FY16 - 2015-2016		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>		2014-2015 <u>Budgeted</u>		Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES							
General Fund Transfers	174.4		364.4		1,950.0	364.4	0.0
Other Transfers	1,439.4		4,844.6		1,950.0	3,535.6	-27.0
Federal Revenues	9,208.2		8,036.9		6,780.2	6,780.2	-15.6
SOURCES TOTAL	10,822.0		13,245.9		10,680.2	10,680.2	-19.4
USES							
Personal Services and Employee Benefits	8,689.2		10,701.9		8,801.2	8,801.2	-17.8
Contractual Services	300.9		442.4		363.6	363.6	-17.8
Other	1,831.9		2,101.6		1,515.4	1,515.4	-27.9
TOTAL USES	10,822.0		13,245.9		10,680.2	10,680.2	-19.4
FTE							
Permanent	133.0		134.0		137.3	117.2	-12.5
Term	69.0		70.0		66.6	66.6	-4.9
TOTAL FTE POSITIONS	202.0		204.0		203.9	183.8	-9.9

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new employer accounts completed within ninety days	85%	87%	86%	70%	86%
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	66%	79%	75%	80%	80%
* Output	Percent of all first payments made within fourteen days after the waiting week	new	83.7%	85%	87%	85%
Output	Percent accuracy rate of claimant separation determinations	new	88%	75%	75%	80%
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a new unemployment insurance claim	new	new	new	15 min	15 min
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification	new	new	new	15 min	15 min

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,299.5	1,566.8	2,544.9	1,566.8	0.0
Other Transfers	2,060.2	2,165.5	1,002.3	1,902.3	-12.2
Federal Revenues	239.2	179.0	230.0	230.0	28.5
SOURCES TOTAL	3,598.9	3,911.3	3,777.2	3,699.1	-5.4
USES					
Personal Services and Employee Benefits	2,083.4	2,013.0	2,122.2	2,122.2	5.4
Contractual Services	38.4	64.9	44.0	40.0	-38.4
Other	1,477.1	1,833.4	1,611.0	1,536.9	-16.2
TOTAL USES	3,598.9	3,911.3	3,777.2	3,699.1	-5.4
FTE					
Permanent	34.0	34.0	33.4	33.4	-1.9
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	35.4	35.4	-1.8

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Number of backlogged human rights commission hearings pending each quarter	0	0	0	0	0
Outcome	Percent of wage claims investigated and resolved within ninety days	91%	91%	91%	91%	91%
* Output	Number of targeted public works inspections completed	1,730	1,618	1,600	1,600	1,600
Output	Average number of days to investigate and issue a determination on a charge of discrimination	new	new	new	180	180
Outcome	Number of apprentices registered and in training	new	new	new	1,320	1,320
Output	Number of compliance reviews and quality assessments on registered apprenticeship programs	new	new	new	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	613.4	7,982.1	8,300.0	7,982.1	0.0
Other Transfers	517.1	1,840.5	1,000.0	1,000.0	-45.7
Federal Revenues	11,516.9	7,724.9	5,419.6	5,419.6	-29.8
SOURCES TOTAL	12,647.4	17,547.5	14,719.6	14,401.7	-17.9
USES					
Personal Services and Employee Benefits	3,270.6	3,483.2	3,328.9	3,328.9	-4.4
Contractual Services	7,770.9	9,451.4	8,124.2	7,806.3	-17.4
Other	1,605.9	4,612.9	3,266.5	3,266.5	-29.2
TOTAL USES	12,647.4	17,547.5	14,719.6	14,401.7	-17.9
FTE					
Permanent	33.0	33.0	42.0	42.0	27.3
Term	6.0	6.0	7.0	7.0	16.7
TOTAL FTE POSITIONS	39.0	39.0	49.0	49.0	25.6

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of time the unemployment framework for automated claims and tax services applications are available during scheduled uptime	100%	100%	100%	100%	100%
Outcome	Response time from system outage to restoration of service on unemployment framework for automated claims and tax services in minutes	13 min	63 min	20 min	20 min	30 min
Outcome	Percent of time unemployment insurance benefits are paid within two business days of claimant certification	100%	94%	100%	100%	95%

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 are responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,253.7	1,361.5	1,361.5	1,361.5	0.0
Other Transfers	417.1	64.6	125.0	125.0	93.5
Federal Revenues	10,857.2	17,641.6	15,481.6	15,481.6	-12.2
SOURCES TOTAL	12,528.0	19,067.7	16,968.1	16,968.1	-11.0
USES					
Personal Services and Employee Benefits	6,878.4	8,506.1	6,995.8	6,995.8	-17.8
Contractual Services	2,386.1	4,146.8	4,906.0	4,906.0	18.3
Other	3,263.5	6,414.8	5,066.3	5,066.3	-21.0
TOTAL USES	12,528.0	19,067.7	16,968.1	16,968.1	-11.0
FTE					
Permanent	118.0	115.0	112.5	102.5	-10.9
Term	42.0	41.0	39.4	39.4	-3.9
TOTAL FTE POSITIONS	160.0	156.0	151.9	141.9	-9.1

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of employers sampled reporting customer satisfaction	98%	99%	99%	99%	99%
* Output	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services	110,069	126,296	75,000	75,000	120,000
Output	Number of youth receiving workforce investment act services as administered and directed by the local area workforce board	new	new	new	800	800
Outcome	Percent of youth who entered employment or are enrolled in post-secondary education or advanced training after receiving workforce investment act services as administered and directed by the local area workforce board	new	new	new	57%	57%
Outcome	Average six-month earnings of persons entering employment after receiving Wagner Peyser employment services	new	\$13,122	\$12,500	\$12,500	\$12,500
Output	Number of adults and dislocated workers receiving Workforce Investment Act services	2,603	2,193	2,600	2,000	2,200
Outcome	Percent of recently separated veterans entering employment	45%	48%	55%	65%	55%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	39%	42%	45%	43%	43%
* Output	Total number of individuals receiving Wagner-Peyser employment services	new	121,727	150,000	140,000	130,000
Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	new	54%	51%	51%	51%
Outcome	Percent of those who received Wagner-Peyser employment services retaining employment after six months	new	75%	70%	70%	73%
Outcome	Percent of recently separated veterans retaining employment after six months	new	71%	65%	65%	65%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Average six-month earnings of people entering employment after receiving veterans' services	new	\$16,522	\$16,000	\$16,000	\$16,500
* Outcome	Percent of individuals who enter employment after receiving Workforce Investment Act services	new	67%	65%	65%	67%
* Output	Percent of individuals who receive Workforce Investment Act services that retain employment	new	87%	85%	85%	87%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	166.4	114.2	550.0	289.2	153.2
Other Transfers	856.3	2,655.4	650.0	985.8	-62.9
Federal Revenues	17,512.2	25,147.4	24,049.6	24,049.6	-4.4
SOURCES TOTAL	18,534.9	27,917.0	25,249.6	25,324.6	-9.3
USES					
Personal Services and Employee Benefits	5,789.5	8,781.9	6,796.6	6,796.6	-22.6
Contractual Services	411.5	1,015.5	1,062.5	1,137.5	12.0
Other	12,333.9	18,119.6	17,390.5	17,390.5	-4.1
TOTAL USES	18,534.9	27,917.0	25,249.6	25,324.6	-9.3
FTE					
Permanent	101.0	107.0	97.0	97.0	-9.4
Term	21.0	18.0	16.0	13.0	-27.8
TOTAL FTE POSITIONS	122.0	125.0	113.0	110.0	-12.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	69%	86%	70%	67%	75%
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	5	1.5	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

SPECIAL REVENUE

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr <u>(Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,282.0	0.0	0.0	0.0	
Fund Balance	4,390.1	10,670.6	4,727.3	6,348.7	-40.5
SOURCES TOTAL	15,672.1	10,670.6	4,727.3	6,348.7	-40.5
USES					
Other Financing Uses	4,390.1	10,670.6	4,727.3	6,348.7	-40.5
TOTAL USES	4,390.1	10,670.6	4,727.3	6,348.7	-40.5
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)						
	FY14	FY15	FY16 – 2015-2016		Percent Incr (Decr)	
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>		
SOURCES						
Other Revenues	12,264.5	11,742.6	11,698.2	12,206.0	3.9	
Fund Balance	0.0	178.3	0.0	436.4	144.8	
SOURCES TOTAL	12,264.5	11,920.9	11,698.2	12,642.4	6.1	
USES						
Personal Services and Employee Benefits	7,902.2	8,177.2	8,567.0	8,436.2	3.2	
Contractual Services	298.0	410.0	535.7	535.7	30.7	
Other	1,927.8	2,433.7	2,595.5	2,470.5	1.5	
Other Financing Uses	900.0	900.0	0.0	1,200.0	33.3	
TOTAL USES	11,028.0	11,920.9	11,698.2	12,642.4	6.1	
FTE						
Permanent	123.0	123.0	123.0	123.0	0.0	
TOTAL FTE POSITIONS	123.0	123.0	123.0	123.0	0.0	

AT A GLANCE:

In FY14, WCA struggled to meet several performance measures. Despite the 9 percent reversion in the prior year, the agency requested additional personal services and employee benefits (PS&EB) funding in FY16 to improve performance. Importantly, the request did not include the transfer to the Workforce Solutions Department (WSD) for FY16 as was included in the operating budget for previous years. LFC recommends the transfer to WSD continue and increases the amount to \$1.2 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 FY16 will be \$9.5 million.

The agency's FY16 request included an almost \$400 thousand, or 4.7 percent, budget increase for the personal services and employee benefits category. The request includes 123 FTE and a 2.7 percent vacancy savings rate. Currently, there are 12 vacant positions being actively recruited. However, the agency maintained an average vacancy rate of 11 percent for the previous two years. Given this history, LFC recommends an increase of 3.2 percent in the personal services and employee benefits category.

The agency request for the contractual services category included an increase of about \$125.7 thousand increase over the FY15 operating budget. A majority of the increase was for a study of the workers' compensation system. The LFC recommendation includes funding for the study. LFC recommends an increase of 31 percent in the contractual services category above the FY15 appropriation.

In FY14, the agency received almost \$12.3 million in revenues. WCA is projecting similar revenues but only requested spending \$11.7 million for FY16. The LFC recommendation assumes revenues continue at the FY14 level. Since 2007, WCA has transferred funds to the Workforce Solutions Department (WSD) for the Labor Relations Program. Workers' compensation fees have consistently provided more than adequate funding for the WCA's operating budget and, therefore, the committee recommends the transfer of \$1.2 million to WSD. With the transfer, cash balances ending in FY16 will still be about \$8 million.

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	11,367.1	10,531.9	10,426.8	10,934.6	3.8
Fund Balance	0.0	177.8	0.0	436.4	145.4
SOURCES TOTAL	11,367.1	10,709.7	10,426.8	11,371.0	6.2
USES					
Personal Services and Employee Benefits	7,710.0	7,868.7	8,249.0	8,118.2	3.2
Contractual Services	290.0	360.0	485.7	485.7	34.9
Other	1,442.6	1,581.0	1,692.1	1,567.1	-0.9
Other Financing Uses	900.0	900.0	0.0	1,200.0	33.3
TOTAL USES	10,342.6	10,709.7	10,426.8	11,371.0	6.2
FTE					
Permanent	120.0	119.0	119.0	119.0	0.0
TOTAL FTE POSITIONS	120.0	119.0	119.0	119.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of formal claims resolved without trial	96%	96%	90%	90%	95%
Output	Number of reviews of employers to ensure the employer has workers' compensation insurance	4,556	4,986	3,000	3,000	4,900
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.58	0.57	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	72%	91%	85%	85%	85%
Efficiency	Average entry time for first reports of injury, in days	1	1	0	1	1
Outcome	Percent of data entry and coding accuracy	95%	96%	95%	95%	95%
* Output	Number of first reports of injury processed	28,738	26,704	37,200	33,000	27,000
Output	Number of employers that had a workplace safety inspection or consultation performed by the workers compensation administrations safety specialists	new	new	new	125	125
Outcome	Percent of employers in the extra hazardous programs that pass the follow up inspections	new	new	new	85%	85%
Output	Number of formal complaints and applications resolved within six months of filing	new	new	new	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	new	36%	36%

UNINSURED EMPLOYERS FUND

		BUDGET SUMMARY (dollars in thousands)				
				<u>FY16 - 2015-2016</u>		
		FY14	FY15	Agency	LFC	Percent
		2013-2014	2014-2015	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Revenues	897.4	1,210.7	1,271.4	1,271.4	5.0
	Fund Balance	0.0	0.5	0.0	0.0	-100.0
	SOURCES TOTAL	897.4	1,211.2	1,271.4	1,271.4	5.0
USES						
	Personal Services and Employee Benefits	192.2	308.5	318.0	318.0	3.1
	Contractual Services	8.0	50.0	50.0	50.0	0.0
	Other	485.2	852.7	903.4	903.4	5.9
	TOTAL USES	685.4	1,211.2	1,271.4	1,271.4	5.0
FTE						
	Permanent	3.0	4.0	4.0	4.0	0.0
	TOTAL FTE POSITIONS	3.0	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,636.0	5,800.1	5,800.1	5,700.1	-1.7
Other Transfers	466.0	466.0	466.0	466.0	0.0
Federal Revenues	26,554.7	40,584.9	40,762.1	40,762.1	0.4
Other Revenues	306.7	0.0	0.0	0.0	
Fund Balance	0.0	200.0	200.0	300.0	50.0
SOURCES TOTAL	32,963.4	47,051.0	47,228.2	47,228.2	0.4
USES					
Personal Services and Employee Benefits	14,963.9	18,921.7	19,053.6	19,053.6	0.7
Contractual Services	584.4	1,178.9	1,339.4	1,339.4	13.6
Other	16,963.3	26,950.4	26,835.2	26,835.2	-0.4
TOTAL USES	32,511.6	47,051.0	47,228.2	47,228.2	0.4
FTE					
Permanent	277.0	277.0	297.0	297.0	7.2
Term	20.0	20.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	297.0	297.0	297.0	297.0	0.0

AT A GLANCE:

The recommendation supports the agency's request to maintain the same funding level as FY15. The recommendation includes converting 20 term positions to permanent status because these positions were initially funded by federal demonstration and research grants; however, these grants have ended and the agency has picked up the positions and integrated the personnel into its regular service programs.

BUDGET ISSUES:

The LFC recommendation of \$47.2 million represents a 0.4 percent increase over FY15 but is a 45 percent increase over FY14 actual expenditures. The increase is attributable to federal funding for rehabilitation and disability services. DVR has struggled to maintain staffing levels sufficient to provide services to clients and actually obtain the full federal match for which the state is eligible. Actual agency spending for personal services and employee benefits in FY14 was \$15 million, 20 percent under the FY14 appropriation for this category. The agency reports it is working to fill vacancies, but little progress has been made, with 50 positions vacant and a 17 percent vacancy rate in September 2014 similar to the previous year. Spending in the care and support line item, which funds services for clients, was only \$12.7 million in FY14, well under the appropriated budget of \$21 million. Although there is no longer a waiting list for vocational rehabilitation services, only 39 percent of clients obtained suitable employment outcomes in FY13. The recommendation assumes additional staff will be hired to increase the number of clients served and increase the use of federal funds for clients.

The primary program for the agency is the Rehabilitation Services Program, and the recommendation includes flat funding of \$28.6 million as requested for the program. The agency reports fund balance available of approximately \$2.4 million and requested the use of \$200 thousand of this balance; the recommendation uses \$100 thousand more fund balance in lieu of general fund revenue. The program receives federal grant funding at a 78.7 percent federal to 21.3 percent state match rate. The recommendation supports the request to convert 14 FTE from term to permanent status and includes an unfunded vacancy rate of 6.3 percent and a large funded vacancy rate.

The recommendation for the Rehabilitation Services Program includes a transfer of \$466 thousand from the Commission for Deaf and Hard-of-Hearing Persons to provide vocational training for hearing-disabled individuals. These funds qualify as state matching funds for the Division of Vocational Rehabilitation (DVR) and contribute to DVR's maintenance of effort required for federal funding. However, the Commission for Deaf and Hard-of-Hearing Persons requested the transfer for FY16 be reduced by \$100 thousand to retain these funds at that agency for operational funding given the continued decline in revenue from the telecommunication access fund, which is the source of the transferred revenue. It is recommended these two agencies collaborate on a joint consensus policy for use of this revenue in FY17.

The Independent Living Services Program contracts with five centers throughout the state to provide independent living services and supports to people with disabilities in their communities. The committee's recommendation provides \$1.2 million in general fund support, flat with FY15.

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. DVR reports it processed approximately 34,147 claims in FY14. The recommendation supports the request at \$17.1 million, a 1 percent increase over FY15. Vacancies remain a concern in the Disability Determination Program. The program's average vacancy rate over the past two fiscal years was 20 percent, 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.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other category includes four hundred sixty-six thousand dollars (\$466,000) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

REHABILITATION SERVICES

The purpose of the rehabilitation services program is to promote opportunities for people with disabilities to become more independent and productive by empowering individuals with disabilities so they may maximize their employment, economic self-sufficiency, independence and inclusion and integration into society.

BUDGET SUMMARY (dollars in thousands)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	4,429.4	4,515.9	4,515.9	4,415.9	-2.2	
Other Transfers	466.0	466.0	466.0	466.0	0.0	
Federal Revenues	16,993.4	23,383.7	23,383.6	23,383.6	0.0	
Other Revenues	304.6	0.0	0.0	0.0		
Fund Balance	0.0	200.0	200.0	300.0	50.0	
SOURCES TOTAL	22,193.4	28,565.6	28,565.5	28,565.5	0.0	
USES						
Personal Services and Employee Benefits	10,702.3	12,547.6	12,662.6	12,662.6	0.9	
Contractual Services	305.1	776.5	787.0	787.0	1.4	
Other	10,880.5	15,241.5	15,115.9	15,115.9	-0.8	
TOTAL USES	21,887.9	28,565.6	28,565.5	28,565.5	0.0	
FTE						
Permanent	186.5	186.5	200.5	200.5	7.5	
Term	14.0	14.0	0.0	0.0	-100.0	
TOTAL FTE POSITIONS	200.5	200.5	200.5	200.5	0.0	

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	706	720	850	900	900
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	42%	39%	56%	56%	56%
Outcome	Percent of clients achieving suitable employment outcomes who are competitively employed or self-employed	97%	98%	97%	97%	98%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	97%	99%	95%	97%	99%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	3	3	3	3	3
Outcome	Number of working days between disbursements of federal funds from federal treasury to deposit of such funds into state treasury	1	1	1	1	1

INDEPENDENT LIVING SERVICES

The purpose of the independent living services program is to increase access for individuals with disabilities to technologies and services needed for various applications in learning, working and home management.

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,206.6	1,284.2	1,284.2	1,284.2	0.0
Federal Revenues	247.2	256.1	256.1	256.1	0.0
Other Revenues	0.3	0.0	0.0	0.0	
SOURCES TOTAL	1,454.1	1,540.3	1,540.3	1,540.3	0.0
USES					
Personal Services and Employee Benefits	40.1	36.3	44.5	44.5	22.6
Other	1,290.0	1,504.0	1,495.8	1,495.8	-0.5
TOTAL USES	1,330.1	1,540.3	1,540.3	1,540.3	0.0
FTE					
Permanent	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	0.5	0.5	0.5	0.5	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of independent living plans developed	700	779	875	800	800
* Output	Number of individuals served for independent living	1,055	996	1,000	1,000	1,050

DISABILITY DETERMINATION

The purpose of the disability determination program is to produce accurate and timely eligibility determinations to social security disability applicants so they may receive benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	9,314.1	16,945.1	17,122.4	17,122.4	1.0
Other Revenues	1.8	0.0	0.0	0.0	
SOURCES TOTAL	9,315.9	16,945.1	17,122.4	17,122.4	1.0
USES					
Personal Services and Employee Benefits	4,221.5	6,337.8	6,346.5	6,346.5	0.1
Contractual Services	279.3	402.4	552.4	552.4	37.3
Other	4,792.8	10,204.9	10,223.5	10,223.5	0.2
TOTAL USES	9,293.6	16,945.1	17,122.4	17,122.4	1.0
FTE					
Permanent	90.0	90.0	96.0	96.0	6.7
Term	6.0	6.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim		95	90	109	109
* Quality	Percent of initial disability determinations completed accurately		95.9%	98.8%	97.0%	97.0%

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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	1,042.7	1,323.0	1,393.8	1,322.3	-0.1	
Other Transfers	1,131.3	0.0	0.0	0.0		
Federal Revenues	432.6	432.6	434.4	434.4	0.4	
Fund Balance	50.0	100.0	100.0	100.0	0.0	
SOURCES TOTAL	2,656.6	1,855.6	1,928.2	1,856.7	0.1	
USES						
Personal Services and Employee Benefits	734.9	973.0	1,124.1	1,057.7	8.7	
Contractual Services	1,175.4	382.2	330.3	330.3	-13.6	
Other	436.9	500.4	473.8	468.7	-6.3	
TOTAL USES	2,347.2	1,855.6	1,928.2	1,856.7	0.1	
FTE						
Permanent	9.0	10.0	11.0	10.0	0.0	
Term	4.0	4.0	4.0	4.0	0.0	
TOTAL FTE POSITIONS	13.0	14.0	15.0	14.0	0.0	

AT A GLANCE:

The FY16 budget recommendation of \$1.86 million funds the agency's base budget request. In lieu of adding expansion FTE, the LFC recommendation lowers the vacancy savings rate to allow the agency to hire an additional FTE. The LFC recommendation for personal services and employee benefits is \$323 thousand, or 44 percent greater than actual FY14 expenditures.

BUDGET ISSUES:

The Governor's Commission on Disability's (GCD) budget request of \$1.9 million included an expansion request for 1 FTE and \$71.5 thousand. The request for general fund revenue of \$1.4 million is a \$421.7 thousand, or 17 percent, increase compared with FY15.

The FY16 request and recommendation include \$434.4 thousand in federal funds and 4 FTE for the Technology Assistance Program (TAP), previously transferred from the Division of Vocational Rehabilitation (DVR). TAP loans assistive technology devices to the disabled and assists with the financing for equipment purchases and home and vehicle modifications. The FY16 request and recommendation also included \$221.7 thousand in general fund support and 1 FTE for the Brain Injury Advisory Council, transferred to the commission from the Developmental Disabilities Planning Council.

The recommendation fully funds the GCD's \$100 thousand request 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 \$130 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 commission requested \$71.5 thousand for an architectural access specialist position to conduct site inspections and enforce accessibility code compliance. The LFC recommendation includes sufficient funding to reclassify an existing previously unfunded position to an architectural access specialist.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Architectural access specialist-1 FTE	71.5	0.0
TOTAL		71.5	0.0

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability is to promote policies and programs that focus on common issues faced by New Mexicans with disabilities, regardless of type of disability, age or other factors. The commission educates state administrators, legislators and the general public on the issues facing New Mexicans with disabilities, especially as they relate to Americans with Disabilities Act directives, building codes, disability technologies and disability culture so they can improve the quality of life of New Mexicans with disabilities.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	926.2	1,101.3	1,172.1	1,100.6	-0.1
Other Transfers	1,131.3	0.0	0.0	0.0	
Federal Revenues	432.6	432.6	434.4	434.4	0.4
Fund Balance	50.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	2,540.1	1,633.9	1,706.5	1,635.0	0.1
USES					
Personal Services and Employee Benefits	667.9	903.9	1,047.6	981.2	8.6
Contractual Services	1,161.0	248.4	247.3	247.3	-0.4
Other	401.8	481.6	411.6	406.5	-15.6
TOTAL USES	2,230.7	1,633.9	1,706.5	1,635.0	0.1
FTE					
Permanent	8.0	9.0	10.0	9.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	12.0	13.0	14.0	13.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of requested architectural plan reviews and site inspection completed	90%	79%	80%	90%	90%
Output	Number of technology assistance program devices loaned statewide	New	116	100	100	116
Output	Number of technology assistance program outreach presentations, trainings and events	New	45	25	25	45
Output	Number of New Mexicans informed about disability issues and recommended systems improvements through collaborative partnerships, presentations, events and public forums	New	New	New	500	500
Outcome	Percent of constituent calls related to the Americans with Disabilities Act and services for individuals with disabilities for which the constituent is provided with information and referral	New	New	New	100	100

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	116.5	221.7	221.7	221.7	0.0
SOURCES TOTAL	116.5	221.7	221.7	221.7	0.0
USES					
Personal Services and Employee Benefits	67.0	69.1	76.5	76.5	10.7
Contractual Services	14.4	133.8	83.0	83.0	-38.0
Other	35.1	18.8	62.2	62.2	230.9
TOTAL USES	116.5	221.7	221.7	221.7	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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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%	100%	95%	95%	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)

			<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	4,837.6	5,207.8	6,956.8	5,399.0	3.7
Other Transfers	535.0	539.0	535.0	535.0	-0.7
Federal Revenues	479.0	479.4	480.3	480.3	0.2
Fund Balance	250.0	0.0	0.0	0.0	
SOURCES TOTAL	6,101.6	6,226.2	7,972.1	6,414.3	3.0
USES					
Personal Services and Employee Benefits	794.7	972.6	1,135.4	1,010.4	3.9
Contractual Services	3,965.3	4,777.2	6,290.3	4,900.7	2.6
Other	626.7	476.4	546.4	503.2	5.6
TOTAL USES	5,386.7	6,226.2	7,972.1	6,414.3	3.0
FTE					
Permanent	13.0	13.0	15.0	13.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	16.0	14.0	0.0

AT A GLANCE:

The number of clients receiving guardianship services continues to grow since the program was transferred 10 years ago from the Attorney General's office. The FY16 LFC recommendation funds the agency's base request for personal services and employee benefits and funds approximately 4 percent of the almost 10 percent increase requested for guardianship contracts.

BUDGET ISSUES:

The recommendation of \$6.4 million for the Developmental Disabilities Planning Council (DDPC) includes \$5.4 million from the general fund, \$480 thousand in federal funds, and \$535 thousand in Medicaid revenue. The Human Services Department (HSD) transfers Medicaid funds to DDPC based on a capped agreement instead of actual numbers of served Medicaid clients. LFC recommends the two agencies amend their agreement to more accurately reflect the funding necessary to provide guardianship services for Medicaid-eligible clients.

The recommendation funds the agency's request for personal services and employee benefits but not the expansion FTE within the Office of Guardianship. In FY14, the agency experienced extensive management and staff turnover. It is expected under the new director the agency will stabilize its staffing, eliminate vacancies, and ensure contracts are executed and payments disbursed in a timely manner for guardianship services. The recommendation for the Office of Guardianship funds the agency's base request for personal services and employee benefits but does not fund the expansion request for 2 FTE for guardianship service intake and contract compliance. Contractual services are recommended at \$4.6 million, an increase of almost 4 percent over FY15. The recommendation includes \$4.2 million for corporate and mental health treatment guardianship contracts, which represents an increase of \$600 thousand over FY14 actual expenditures for guardianship services and \$108 thousand over FY15. The agency projected a total need of \$4.5 million to fund guardianship services and address waiting lists but also requested additional funds for a rate increase for guardianship contractors, for a total request of \$6 million. The recommendation funds much of the base request for guardianship services but does not fund a rate increase for contractors.

The recommendation for the DDPC Program funds personal services and employee benefits as requested and funds operations near current operating levels. In FY14, the agency consolidated its Santa Fe and Albuquerque offices to a single location in Albuquerque, but instead of moving into a state-owned space and reducing lease costs as recommended by the LFC, the agency doubled its lease costs. The recommendation provides near the requested level of lease funding, but LFC requests the agency move to state-owned space.

Guardianship legal services should be provided by the in-house legal staff or legal staff at HSD, and expansion of pro-bono legal services is encouraged to reduce the \$315 thousand in annual legal contract expenditures. The agency should also consider coordinating legal services with the Veterans' Services Department or Senior Citizens Law Office and researching and emulating other states' approaches to funding overall guardianship services. The Office of Guardianship should consider seeking sources of funding other than general fund revenue, such as additional Medicaid funds, donations, and contributions.

For the Office of Guardianship, the number of clients receiving corporate guardianship at the end of FY14 was 1,113, an increase of 74 clients from FY13, or 7 percent. DDPC projects client growth at approximately 125 per year. Since the guardianship program was transferred from the Attorney General's Office in 2004, the program has doubled in size. Requests and court orders for state guardianship services "of last resort" are increasing faster than growth in revenues to support them, resulting in the need for the Office of Guardianship to enhance its fiscal management and oversight of the guardianship program.

In FY14, DDPC failed to meet its performance targets for the Office of Guardianship. The agency reports this failure was due to large staff turnover that resulted in the failure to complete performance satisfaction surveys or the annual technical compliance audit. DDPC's FY13 annual external audit contains no findings but remains under review by the state auditor's office and has not been released. The agency's previous audits contained findings based on inadequate internal financial controls. The agency should add additional performance measures for the Office of Guardianship other than relying solely on client satisfaction surveys.

The recommendation includes language authorizing the nonreversion of unexpended general fund revenue within the Office of Guardianship. The agency should request additional budget adjustment authority to add fund balance revenues to the Office of Guardianship Program for FY15.

BASE EXPANSION:

The agency requested \$123 thousand in general fund revenue for 2 expansion FTE within the Office of Guardianship for contract compliance and intake coordination. The recommendation does not include funding for these services because they are part of the base program and do not represent a service expansion.

RECOMMENDED LANGUAGE:

Any unexpended balance in the office of guardianship of the developmental disabilities planning council remaining at the end of fiscal year 2016 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Compliance officer-1 FTE	(P737)	65.4	0.0
2	Intake coordinator-1 FTE	(P737)	57.7	0.0
TOTAL			123.1	0.0

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for people with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	702.6	770.8	814.0	779.3	1.1
Other Transfers	75.0	75.0	75.0	75.0	0.0
Federal Revenues	479.0	479.4	480.3	480.3	0.2
SOURCES TOTAL	1,256.6	1,325.2	1,369.3	1,334.6	0.7
USES					
Personal Services and Employee Benefits	545.2	607.4	629.2	629.0	3.6
Contractual Services	310.6	329.5	286.5	285.6	-13.3
Other	301.5	388.3	453.6	420.0	8.2
TOTAL USES	1,157.3	1,325.2	1,369.3	1,334.6	0.7
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	9.0	9.0	9.0	9.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of client contacts to assist on health, housing, transportation, education, child care, medicaid services and other programs	8,681	14,056	8,900	8,900	14,000
Output	Number of individuals trained on self-advocacy and disability-related issues	1,630	2,694	1,800	1,800	2,500
Output	Number of trainings conducted annually on self-advocacy and disability-related issues	120	77	130	130	130
Outcome	Percent of participants satisfied with trainings and delivery of services, as evidenced by satisfactory survey ratings	98%	98%	98%	98%	98%
Outcome	Percent of participant knowledge gained through education or training on self-advocacy and disability-related issues as evidenced by training tests	82%	96%	82%	82%	90%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who have received leadership and advocacy skill training	5%	8%	5%	5%	6%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who are active on governmental and nonprofit boards, councils, committees and work groups	5%	3%	5%	5%	5%
Outcome	Percent increase in the annual number of individuals with developmental disabilities and their family members who participate in the legislative process	5%	2%	5%	5%	5%

OFFICE OF GUARDIANSHIP

The purpose of the office of guardianship is to enter into, monitor and enforce guardianship contracts for income-eligible people 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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	4,135.0	4,437.0	6,142.8	4,619.7	4.1
Other Transfers	460.0	464.0	460.0	460.0	-0.9
Fund Balance	250.0	0.0	0.0	0.0	
SOURCES TOTAL	4,845.0	4,901.0	6,602.8	5,079.7	3.6
USES					
Personal Services and Employee Benefits	249.5	365.2	506.2	381.4	4.4
Contractual Services	3,654.7	4,447.7	6,003.8	4,615.1	3.8
Other	325.2	88.1	92.8	83.2	-5.6
TOTAL USES	4,229.4	4,901.0	6,602.8	5,079.7	3.6
FTE					
Permanent	5.0	5.0	7.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	7.0	5.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Quality	Percent of protected people provided with legal assistance satisfied with services, as evidenced by an annual satisfaction survey	91%	0%	92%	92%	92%
* Outcome	Percent of protected people properly served with the least restrictive means, as evidenced by an annual technical compliance audit	98%	0%	98%	98%	98%
Quality	Percent of protected people properly served by professional guardianship providers satisfied with services, as evidenced by an annual satisfaction survey	90%	0%	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 non-reverting.

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>FY16 – 2015-2016</u>		Percent Incr (Decr)
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	5,976.3	6,040.9	6,200.0	6,000.0	-0.7
Federal Revenues	216.9	324.0	475.0	475.0	46.6
Other Revenues	20,849.6	21,890.0	22,529.5	22,329.5	2.0
Fund Balance	2,308.0	240.9	3,526.9	3,526.9	1,364.1
SOURCES TOTAL	29,350.8	28,495.8	32,731.4	32,331.4	13.5
USES					
Personal Services and Employee Benefits	13,772.2	12,725.8	16,306.1	16,106.1	26.6
Contractual Services	4,665.3	3,926.0	4,222.0	4,222.0	7.5
Other	4,937.0	5,803.1	6,003.3	6,003.3	3.4
Other Financing Uses	5,976.3	6,040.9	6,200.0	6,000.0	-0.7
TOTAL USES	29,350.8	28,495.8	32,731.4	32,331.4	13.5
FTE					
Permanent	210.5	210.5	210.5	210.5	0.0
Term	13.5	13.5	13.5	13.5	0.0
Temporary	0.0	0.0	40.8	0.0	
TOTAL FTE POSITIONS	224.0	224.0	264.8	224.0	0.0

AT A GLANCE:

The Miners' Hospital of New Mexico is developing a comprehensive primary and specialty care program, including behavioral health, modeled on evidence-based care designed to meet customers' health and wellness needs. The hospital requested a substantial increase that relied on funding from fund balance and supported 40 temporary positions.

The LFC recommended FY16 funding level is slightly less than requested, with \$200 thousand less from the miners' trust income fund. The recommendation includes increased compensation funding to assist the facility in competing regionally for the recruitment, employment, and retention of additional healthcare professionals. The State Personnel Office is collaborating with the hospital to create alternative pay bands that provide market rates for physicians, nurses, and other allied health professionals.

BUDGET ISSUES:

The majority of the requested and recommended increased funding supports the personal services and employee benefits category, including additional funding for temporary personnel. Vacant positions are recommended near requested levels with little additional vacancy savings applied over the agency requested rate of 21 percent. The recommendation provides additional funding to reduce the number of unfunded positions, and the hospital has 50 vacant FTE that can be reclassified as temporary FTE as needed. For FY15, the agency requested a reduction in personal services and employee benefits because of the difficulty in recruiting and retaining personnel in the northeast region of the state. However, in FY14, the agency submitted budget adjustment requests that added \$1.6 million to the personal services and employee benefits category and \$1.6 million to the contractual services category to provide funding for healthcare professionals.

For FY16, the request and recommendation for the personal services and employee benefits category are higher than previous years to allow the hospital to compete for the recruitment, employment, and retention of qualified healthcare staff. The agency has worked with the State Personnel Office to create an alternative pay band for physicians, which allowed the hospital to recruit several new providers in FY14 and to date in FY15. 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 driven up the contractual services costs because the hospital is forced to contract for nursing care.

Increases in the other category are related to price increases for medical supplies and pharmaceuticals. Hospital debt and interest payments are included in the recommendation at \$1.26 million. The recommendation reduces the other financing uses category below requested levels, ensuring the agency manages its budget and operations within projected revenue levels for the miners' trust fund.

The hospital administration recruited surgeons and other healthcare professionals to provide needed care and maximize use of the facilities. However, the inpatient census has been declining over the last two years. The long-term care facility's occupancy rate was 70 percent in FY14, and the acute care facility's occupancy rate was 23 percent. The hospital's infection rate has also been increasing from below 1 percent in FY13 to 1.9 percent in FY14. However, the percent of emergency room patients returning with the same or similar diagnosis dropped to less than 1 percent.

The agency received a capital outlay appropriation for \$3.2 million in FY14 from other state funds to build a new rural healthcare clinic. The agency secured other funds to build the clinic through bond refinancing and will seek reauthorization of these capital outlay funds to build a behavioral health clinic instead.

The medical center's FY13 audit had no findings and cleared up the previous findings on electronic records security and the disposition of long-term care residents' funds.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the healthcare program of miners' hospital of New Mexico in the other financing uses category includes six million dollars (\$6,000,000) from the miners' trust fund.

HEALTHCARE

The purpose of the healthcare program is to provide quality acute care, long-term care and related health services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region so they can maintain optimal health and quality of life.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of budgeted revenue collected	90%	95%	100%	100%	100%
* Outcome	Annual percent of healthcare-associated infections	0.08%	1.9%	<1.5%	<1.5%	<1.5%
Outcome	Average patient length of stay, in days, for the acute care facility	2.9	2.8	3.0	3.0	3.0
* Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	6.7%	6.0%	<5.0%	<5.0%	<5.0%
Output	Number of outpatient visits	9,360	9,337	12,000	13,000	13,000
Output	Number of visits to the outreach clinic	229	266	500	350	350
Output	Number of surgeries performed	600	1,196	800	1,300	1,300
Outcome	Percent of occupancy at nursing home based on licensed beds	70%	70%	85%	85%	85%
Efficiency	Gross number of days in accounts receivable	38	138	50	50	50
* Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	5.5%	0.04%	<5%	<5%	<5%
Quality	Percent of time provider fails to respond to emergency room patient within required timeframes	27.0%	19.0%	<15.0%	<15.0%	<15.0%
Quality	Percent of emergency room patients returning to the emergency room with same or similar diagnosis within seventy-two hours of their initial visit	1.6%	0.01%	<1.0%	<1.0%	<1.0%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated	86.0%	88.4%	>=80.0%	>=80.0%	>=80.0%
Quality	Rate of medication errors per one thousand medications administered	1.7%	0.01%	<=2.0%	<=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	29.0%	30.5%	50.0%	50.0%	50.0%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds	25%	na	85%	85%	85%
Output	Percent occupancy in acute care facility based on number of licensed beds	29%	23%	40%	40%	40%

STATUTORY AUTHORITY:

The Department of Health (DOH) was created by Sections 9-1-7 through 9-7-15 NMSA 1978 to serve the citizens of New Mexico through programs designed to prevent disease and disability, promote health, and prevent or treat problems of mental health, substance abuse, developmental disabilities, and chronic disease. The agency licenses health and long-term care facilities and operates seven treatment centers, the state scientific laboratory, and public health offices in all counties. The department currently has eight programs: Public Health; Epidemiology and Response; Laboratory Services; Facilities Management; Developmental Disabilities Support; Health Certification, Licensing and Oversight; Administration; and Medical Cannabis.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Veterans' Home in Truth or Consequences, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

	BUDGET SUMMARY (dollars in thousands)				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	302,270.6	307,971.0	314,621.0	309,000.0	0.3
Other Transfers	24,493.4	28,451.2	28,626.2	28,626.2	0.6
Federal Revenues	88,958.0	101,302.0	100,369.5	100,369.5	-0.9
Other Revenues	108,686.9	117,049.4	113,233.5	115,374.6	-1.4
Fund Balance	0.0	250.0	0.0	0.0	-100.0
SOURCES TOTAL	524,408.9	555,023.6	556,850.2	553,370.3	-0.3
USES					
Personal Services and Employee Benefits	203,080.1	207,958.6	209,486.6	209,325.5	0.7
Contractual Services	84,012.8	84,178.7	89,429.8	86,394.4	2.6
Other	140,700.2	150,901.9	145,938.8	145,055.4	-3.9
Other Financing Uses	95,367.1	111,984.4	111,995.0	112,595.0	0.5
TOTAL USES	523,160.2	555,023.6	556,850.2	553,370.3	-0.3
FTE					
Permanent	2,787.5	2,784.0	2,785.0	2,777.0	-0.3
Term	982.5	977.5	975.5	970.5	-0.7
Temporary	21.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	3,791.0	3,776.5	3,775.5	3,762.5	-0.4

AT A GLANCE:

The Department of Health's (DOH) overall request was virtually flat with FY15; however, it requested a 2.1 percent increase in general fund support over FY15 to support the Facilities Management Program, which is losing revenue partly due to flat or declining facility occupancy rates while concurrently increasing spending for high cost healthcare provider contractors. The LFC recommends an overall 0.3 percent decrease from FY15 and a 0.3 percent increase in general fund support. The recommendation supports an increase for nurses' salaries in the Public Health and Facilities Management Programs to enhance recruitment and retention, an increase in general fund revenue and contracts within the Facilities Management Program to maintain the state's safety net hospitals, funding to reduce the waiting list for services under the developmental disabilities (DD) Medicaid waiver, and a rate increase for providers in the DD waiver and Family, Infant, Toddler Programs.

BUDGET ISSUES:

The department's FY16 total budget request of \$556.9 million reflected a 0.3 percent overall increase over FY15 but included a larger increase for general fund revenue of \$6.7 million, or 2.1 percent. DOH requested approximately \$3 million in general fund support be allocated to the Facilities Management Program to offset declining revenues and nearly \$4 million be added to fund growing contract and provider agreement costs for healthcare providers. The department also requested to transfer from the Administration Program to the Epidemiology and Response Program \$2.9 million for the Sexual Assault Treatment Program and \$3.3 million for the state's Trauma System Fund Program.

The FY16 LFC budget recommendation for DOH is \$553.4 million and includes a \$1 million increase in general fund revenue over FY15. The recommendation includes \$200 thousand to be matched with other revenue for nurse salary increases in the Public Health Program and \$318 thousand for increases for nurses' salaries within the Facilities Management Programs to enhance recruitment and retention and reduce reliance on contract healthcare providers. Concurrently, the recommendation provides an increase of \$1.4 million in general fund revenue for contract healthcare providers within the Facilities Management Program to enhance occupancy rates at the state's safety net hospitals and \$800 thousand to offset uncollected other revenues. The recommendation includes \$1 million in general fund support to reduce the waiting list for services under the developmental disabilities (DD) Medicaid waiver and \$600 thousand for provider rate increases for the DD waiver and Family, Infant, Toddler programs.

DOH is the largest state agency, with 3,776.5 FTE authorized in FY15, and has maintained a 15 percent to 17 percent vacancy rate during the past year. The total FY16 request for personal services and employee benefits was \$209.5 million, an increase of \$1.5 million, or 0.7 percent. However, the department's FY14 actual expenditure for personal services and employee benefits was \$203.1 million. Given the relatively high vacancy rates and large amounts of funding transferred from the personal services and employee benefits category, the recommendation eliminates 14 unfunded vacant FTE and reduces an additional \$679 thousand from the request for personal services and employee benefits.

Public Health. The recommendation for the Public Health Program is near the requested funding level at \$181.7 million, a decrease of \$3.8 million, or 2.1 percent, from the FY15 operating budget. The general fund appropriation is recommended at \$64.8 million, a reduction of 0.8 percent from FY15. The department requested, and the recommendation includes, deletion of 6 vacant FTE and a 13 percent vacancy savings rate, but the FY16 recommended funding for personal services and employee benefits still represents a 2.9 percent increase over FY15. In addition, the recommendation adds \$200 thousand in general fund revenue to the personal services and employee benefits category to be matched with other revenue to provide a 3 percent salary increase for public health nurses. The recommendation includes \$6.8 million in tobacco settlement program funds, maintaining the same program funding levels as FY15. LFC recommends a \$500 thousand reduction in general fund support down to \$11 million for rural primary care contracts offset by increased Medicaid revenue due to enrollment growth, and a \$250 thousand reduction in immunization and public health administrative contracts.

For FY14, DOH reports New Mexico spent approximately \$79.60 per person for public health, down from \$90.55 per person in FY13. Of this amount, 38 percent came from federal funds. Federal funding for public health continues to decrease with the continued implementation of the Affordable Care Act. The Public Health Program should continue to increase its Medicaid collections to offset any potential loss of federal revenues and grants and to maximize revenue within rural primary care clinics. DOH's Public Health Program spends \$14.7 million on contracts with primary care providers, of which a substantial amount is spent on undocumented individuals living in the state and people with limited access to care, and for recruitment and retention of healthcare professionals in rural areas. Other challenges for the program include rising pharmaceutical and supply costs, regulation changes for clinical laboratories and other facilities, and changes in the federal vaccination requirements for children.

Epidemiology and Laboratory Services. The recommendation for the Epidemiology and Response Program is \$29.9 million and supports the department's request to eliminate an FTE and transfer the Sexual Assault Treatment Program and the statutorily mandated trauma system nonreverting fund program from the Administration Program. The transfer adds \$2.9 million in general fund revenue for sexual assault treatment and \$3.3 million in trauma system program funds to the Epidemiology and Response Program. The recommendation reduces \$446 thousand from the requested level of personal services and employee benefits by increasing the agency applied savings an additional percent.

The recommendation fully funds the request for the Laboratory Services Program at \$13.1 million, equal to the FY15 operating level. The budget recommendation and request support eliminating a vacant unfunded FTE and a vacancy rate of less than 9 percent to ensure the laboratory maintains its improved timelines for analysis, testing, and reporting of driving-while-intoxicated and other samples. The state's scientific laboratory achieved certification by the federal government as eligible to sample and test for ebola.

Healthcare Facilities. The recommendation for the Facilities Management Program is \$138.4 million, a 1 percent increase over the FY15 operating budget. The general fund transfers are recommended at \$61.9 million, a 3.7 percent increase above the previous year. As requested, the recommendation deletes \$302 thousand and 7 FTE from the program's personal services and employee benefits category. In FY13, the program reverted \$4 million, in addition to transferring \$5.6 million out of personal services and employee benefits to the contractual services and other costs categories. In FY14, the program transferred \$6.5 million out of personal services and benefits including \$4 million for the union settlement. At the start of December 2014, the program had transferred \$4.8 million out of the personal services and employee benefits category, placing the category's budget 4 percent below FY14 actual expenditures.

The recommendation for personal services and employee benefits for the Facilities Management Program is slightly higher than the FY14 actual expenditure level and includes \$318 thousand to be matched with other revenue to provide a 3 percent salary increase for nurse positions in an effort to recruit and keep nurses. The recommendation also adds \$600 thousand for contract healthcare providers and \$844 thousand in the other costs category to support provider agreements for healthcare services. The recommendation supplants other revenue with \$800 thousand of general fund revenue, a recognition that low occupancy rates at facilities are driving down revenue collections, and with the expectation that the department will implement management practices to fully maximize other revenue billing and collections while improving occupancy rates.

DOH reports the occupancy rate for staffed beds was 81 percent at the end of FY14. However, the occupancy rate for all licensed beds was 57 percent at the end of the fiscal year. The occupancy rate ranged from highs of 87 percent at the State Veterans' Center and 85 percent at the Behavioral Health Institute's long-term care program, to lows of 30 percent at the Turquoise Lodge substance abuse treatment center's adolescent unit and 40 percent at the New Mexico Rehabilitation Center's medical rehabilitation unit. Concurrently, the Facilities Management Program is reporting rising uncompensated care levels while the state's overall rate of uninsured is declining. For example, DOH's FY15 first-quarter performance report indicated 41 percent of patients in the department's hospital facilities were receiving uncompensated care, compared with approximately 25 percent in FY12. This is when more patients should have health insurance coverage in New Mexico either under Medicaid, Medicare or private health insurance.

The Facilities Management Program is projecting its other revenues, Medicaid, Medicare, and private insurance, will decline by more than \$3 million in FY16. The projection is driven by low occupancy rates, difficulty with billing and collections, and financial management practices at the hospitals. Despite less than optimum occupancy, the Facilities Management Program continues to have considerable overtime costs, particularly at the Los Lunas Community Program (LLCP). Total overtime for the Facilities Management Program continues to grow and was \$10.7 million in FY14, with \$2.2 million attributed to LLCP. Overtime accounts for 16 percent of LLCP's personal services and employee benefits costs. Budgeted overtime at the Behavioral Health Institute was \$4.4 million in FY14 and is requested at \$4.2 million for FY16.

In FY15, the State Veterans' Center received approval from the federal Veterans' Administration to fund construction of a new Alzheimer's and skilled nursing unit despite the state appropriating matching capital outlay funds some years prior for the same project. In the same year, DOH reported the backup electricity generator at the State Veterans' Center failed during a review by the federal Veterans' Administration, resulting in the facility being placed on "immediate jeopardy of closure" status. Although the facility has been faced with challenges, it remains an important part of the state's system of long-term care, as does Fort Bayard Medical Center.

Behavioral Health Facilities. DOH compiled demographic data regarding substance abuse in New Mexico indicating the state's drug overdose death rate is the highest in the nation, prescription drug overdose deaths are more common than illicit drug overdose deaths, high substance abuse rates are distributed throughout the state, and the prescription opioid sales rate is greater than that of the other states. To address these alarming statistics, LFC recommends the department review the mission of its three chemical dependency treatment units at Turquoise Lodge, New Mexico Rehabilitation Center in Roswell, and Fort Bayard Medical Center and determine if together these three facilities could provide a continuum of behavioral health treatment services for the many people in the state needing public assistance with behavioral health treatment, outpatient, and wraparound services. Turquoise Lodge substance abuse treatment center in Albuquerque has dropped to occupancy rates of 70 percent while the facility's adolescent substance abuse treatment unit's average census is 30 percent. Fort Bayard Medical Center has reported initial plans to construct a new 40- to 50-bed substance abuse treatment center with medical detoxification capability and convert the current Yucca Lodge into a hospice unit. Given the state's need for substance abuse treatment, all of DOH's four chemical dependency units need to be fully used and coordinating service needs with the Behavioral Health Collaborative.

The Children, Youth and Families Department (CYFD) conducted a survey of the Sequoyah Adolescent Residential Treatment Center in Albuquerque and identified deficiencies regarding medication errors, improper use of seclusion and restraints, improper and unsafe discharge of children, and potential abuse and neglect. DOH removed a physician at the facility who was overmedicating clients, stopped the excessive physical restraint, is investing in facility renovations to mitigate its deficiencies, is creating a restraint-free environment, and is further educating staff on appropriate procedures, including implementation of a new treatment initiative. However, the facility's census remains below 50 percent, even though boys from CYFD's juvenile probation and other locations are waiting for admittance to the residential treatment center. At interim legislative hearings in 2014, concerns were raised that the facility is not admitting the violently mentally ill as stipulated in the facility's statute, and length of stays remain excessive. The facility continues to pay high costs for contract psychiatrists because the University of New Mexico's Department of Psychiatry is no longer collaborating with the facility as was previously the case. Staff turnover at the facility has been high over the last two years and the center has operated at a financial deficit. This facility, along with the Behavioral Health Institute in Las Vegas, are integral to the state's continuum of behavioral health care.

Services for People with Developmental Disabilities. The recommendation for the Developmental Disabilities (DD) Support Program is \$163.2 million, a 0.2 percent increase over the FY15 operating budget. The general fund transfers are recommended at \$149 million, a 0.1 percent increase from the previous year. The recommendation adds \$1 million in general fund revenue for the DD Medicaid waiver program to reduce the waiting list by approximately 50 clients, and applies the new federal Medicaid match rate for a savings of \$1 million, resulting in no net dollar change for the DD waiver program. The recommendation also includes \$300 thousand each for the DD waiver and the Family, Infant, Toddler (FIT) programs. The recommendation adds the requested FTE and transfers \$500 thousand in general fund support for contracts for the DD flexible supports model to the DD waiver to leverage federal funds and serve more people. In FY14, DOH reverted approximately \$7 million to the general fund, with \$5 million of the reversion from the Developmental Disabilities Support Program due to timing with the rollout of individual service plans for clients added to the DD waiver.

At the close of FY14, 4,403 clients were receiving services under the DD waiver, an increase of 574 individuals from FY13. This increase in individuals served denotes a significant improvement, and reflects the declining cost per client from \$85 thousand annually per client in FY10, to \$69 thousand annually per client in FY15. However, 6,133 individuals remained on the DD waiver waiting list at the end of FY14, an increase of 38 individuals over FY13.

The Jackson lawsuit, filed in 1987, involves the state's obligation to provide services to DD clients in an integrated setting, as opposed to a state facility. A 2013 hearing indicated DOH was noncompliant with certain disengagement activities but also made progress in several areas. The department indicates disengagement from the Jackson lawsuit is forthcoming.

DOH's restructuring of the DD waiver continues to provoke opposition by providers concerned with initial rate reductions and changes in client mix, and by clients concerned about the application of the supports intensity scale (SIS) assessment tool and their resulting ranking and the impact on individual supports and budget. Several families with members receiving services through the DD waiver have sued the Human Services Department over DOH's application of the supports intensity scale (SIS) assessment tool to determine a client's level of need and, in turn, the services the client receives. Under a stipulated interim agreement, the agencies have extended services to certain transitional clients and expanded services for other clients.

Health Safety Oversight and Administration. The recommendation for the Health Certification, Licensing and Oversight Program is \$12.7 million, a decrease of 3.1 percent. Transfers from the general fund are recommended at \$4.5 million, a 3.2 percent decrease. The recommendation applies an additional 1 percent over the requested 13 percent vacancy rate for a savings of \$150 thousand and does not recommend the requested addition of 9 FTE because the program maintains 22 vacant FTE and FTE were increased in FY15 to assist with Jackson lawsuit oversight. The program is experiencing an increase in abuse, neglect, and exploitation complaint investigations, and because these investigations are labor-intensive (the average length of each facility survey is 46.2 hours), it is difficult for the program to hire and retain appropriately trained and credentialed staff. The program is using contractors to augment surveyor and hearing staff. The program has found it increasingly difficult to complete all required provider surveys and incident investigations within specified timelines and its performance remains below target. The program should consider raising licensing fees and using these additional revenues to address turnover and retention issues.

DOH is statutorily mandated to administer a program for regulating and ensuring access to medical cannabis for persons suffering from certain health conditions. For FY16, the department requested, and LFC is recommending, 7 FTE and \$1.4 million in revenue generated from producer and client fees, an increase of 83 percent over the FY15 operating budget. The medical cannabis program continues to grow by more than 2,000 new, qualified patients annually.

The recommendation for the Administration Program is \$12.6 million and supports the request to transfer more than \$6 million in general fund support to the Epidemiology and Response Program for the Sexual Assault Treatment and Trauma System Fund programs. The recommendation does not include the requested addition of 4 FTE and \$233 thousand in personal services and employee benefits and adjusts the audit rate downward by \$50 thousand to match the level recommended for the agency by the Department of Finance and Administration (DFA). The department's FY13 annual audit contained seven findings, including noncompliance with rules for monthly reconciliations and financial close and reporting, untimely reversion to the general fund, travel and per diem, capital assets disposal, gas card control, and payroll approved pay rates. A significant deficiency finding indicated the Los Lunas Community Program was investigated by the Attorney General's Office regarding a Medicaid double billing complaint for \$1.8 million related to employment and day rehabilitation services. DOH identified unsupported clinical documentation for client billings and has entered into a settlement agreement to repay \$446 thousand.

The department reports on relatively few performance measures directly relating to its strategic and mission objectives. The agency should include more meaningful outcome measures, more national benchmark measures, and more efficiency measures denoting average cost per client, particularly for the Public Health, Developmental Disabilities Support and Facilities Management programs. LFC and DFA requested DOH add population health performance measures for FY16, including measures on rates of teen pregnancy, birth weight, child obesity, adult immunization, suicide, and alcohol-attributable death, but DOH declined to comply with the request.

RECOMMENDED LANGUAGE:

Any unexpended balances in the public health program of the department of health in the contractual services category from appropriations made from the county-supported medicaid fund for the support of primary healthcare services related to the Rural Primary Health Care Act remaining at the end of fiscal year 2016 shall not revert.

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million six hundred eighty-two thousand dollars (\$5,682,000) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred forty-eight thousand dollars (\$748,000) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred twenty-eight thousand six hundred dollars (\$128,600) from the tobacco settlement program fund for breast and cervical cancer screening.

The general fund appropriation to the public health program of the department of health in the personal services and employee benefits category includes sufficient funds to provide a three percent salary increase for the range of nurse positions and an increase for other healthcare direct service provider positions.

The general fund appropriation to the facilities management program of the department of health in the personal services and employee benefits category includes sufficient funds to provide a three percent salary increase for the range of nurse positions and an increase for other healthcare direct service provider positions.

The general fund appropriation to the developmental disabilities support program of the department of health in the other financing uses category includes three hundred thousand dollars (\$300,000) for developmental disabilities medicaid waiver program provider rate increases, three hundred thousand dollars (\$300,000) for family, infant, toddler program provider rate increases, one hundred three million two hundred ninety-two thousand seven hundred dollars (\$103,292,700) for medicaid waiver services in local communities: one million two hundred sixty-one thousand five hundred dollars (\$1,261,500) for medically fragile services and one hundred two million thirty-one thousand two hundred dollars (\$102,031,200) for services to the developmentally disabled.

PUBLIC HEALTH

The purpose of the public health program is to provide a coordinated system of community-based public health services focusing on disease prevention and health promotion to improve health status, reduce disparities and ensure timely access to quality, culturally competent health care.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	64,820.1	65,307.6	65,307.6	64,757.6	-0.8
Other Transfers	12,217.8	13,002.5	12,882.5	12,882.5	-0.9
Federal Revenues	65,346.7	74,907.0	72,883.5	72,883.5	-2.7
Other Revenues	28,053.8	32,321.2	31,167.5	31,167.5	-3.6
SOURCES TOTAL	170,438.4	185,538.3	182,241.1	181,691.1	-2.1
USES					
Personal Services and Employee Benefits	50,939.3	51,078.8	52,340.1	52,540.1	2.9
Contractual Services	43,782.1	47,300.5	49,494.2	48,744.2	3.1
Other	75,679.6	86,609.3	79,846.5	79,846.5	-7.8
Other Financing Uses	602.6	549.7	560.3	560.3	1.9
TOTAL USES	171,003.6	185,538.3	182,241.1	181,691.1	-2.1
FTE					
Permanent	323.5	318.5	317.5	317.5	-0.3
Term	596.5	581.5	576.5	576.5	-0.9
TOTAL FTE POSITIONS	920.0	900.0	894.0	894.0	-0.7

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Quality	Percent of quit now enrollees who successfully quit using tobacco at seven-month follow-up	New	32%	33%	33%	33%
Outcome	Percent of third grade students in community transformation grant communities who are obese	New	New	New	22.4%	22.4%
Outcome	Percent of diabetic patients at agency-supported primary care clinics whose HbA1c levels are less than 9 percent	New	New	New	70%	70%
Outcome	Percent of women, infant and children program recipients that initiate breastfeeding	New	New	New	85%	85%
Output	Number of teens ages fifteen to seventeen receiving family planning services in agency-funded clinics	New	New	New	2,900	5,650
Quality	Percent of female clients ages fifteen to seventeen who are given effective contraceptives in public health offices	New	New	New	66%	66%
* Output	Percent of preschoolers (ages nineteen to thirty-five months) fully immunized	80%	72%	85%	85%	85%
Outcome	Percent of elementary school students in community transformation grant communities participating in classroom fruit and vegetable tastings	New	New	40%	40%	40%
Outcome	Percent of elementary school students in community transformation grant communities participating in walk and roll to school	New	New	14%	14%	14%
* Quality	Percent of students using school-based health centers who receive a comprehensive well exam	New	New	35%	38%	38%
* Outcome	Percent of teens participating in pregnancy prevention programs who report not being pregnant, or being responsible for getting someone pregnant, during the school year following participation at the end of the school year	New	New	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	8,352.6	8,517.0	15,087.2	14,640.9	71.9
Other Transfers	501.9	439.8	424.6	424.6	-3.5
Federal Revenues	11,471.0	12,747.3	13,337.9	13,337.9	4.6
Other Revenues	1,249.0	1,252.2	1,515.7	1,515.7	21.0
Fund Balance	0.0	250.0	0.0	0.0	-100.0
SOURCES TOTAL	21,574.5	23,206.3	30,365.4	29,919.1	28.9
USES					
Personal Services and Employee Benefits	11,158.0	12,490.5	13,036.8	12,590.5	0.8
Contractual Services	4,011.3	4,225.2	7,620.1	7,620.1	80.3
Other	6,621.8	6,490.6	9,708.5	9,708.5	49.6
TOTAL USES	21,791.1	23,206.3	30,365.4	29,919.1	28.9
FTE					
Permanent	43.0	48.0	48.0	48.0	0.0
Term	123.0	129.0	128.0	128.0	-0.8
TOTAL FTE POSITIONS	166.0	177.0	176.0	176.0	-0.6

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Quality	Percent of acute care hospitals reporting stroke data into approved national registry	New	New	13.6%	13.6%	13.6%
Quality	Percent of acute care hospitals reporting heart attack data into approved national registry	New	New	18.2%	13.6%	13.6%
Efficiency	Percent of hospitals reporting bed availability in the healthcare emergency preparedness bed reporting system within four hours of request	New	New	75%	75%	75%
Outcome	Percent of vital records customers who are satisfied with the service they received	New	New	85%	85%	85%
* Outcome	Ratio of infant pertussis cases to total pertussis cases of all ages	New	New	1:15	1:15	1:15
Outcome	Number of naloxone kits provided in conjunction with prescription opioids	New	New	New	500	500
Outcome	Percent of counties with documented implementation plans for developing a regionalized emergency medical services response	New	New	New	27%	27%

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>FY16 - 2015-2016</u>		Percent Incr (Decr)
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	7,444.1	8,482.5	8,482.5	8,482.5	0.0
Federal Revenues	2,257.8	2,138.7	2,138.7	2,138.7	0.0
Other Revenues	2,678.2	2,531.3	2,531.3	2,531.3	0.0
SOURCES TOTAL	12,380.1	13,152.5	13,152.5	13,152.5	0.0
USES					
Personal Services and Employee Benefits	7,704.0	8,175.7	8,175.7	8,175.7	0.0
Contractual Services	246.5	190.4	212.9	212.9	11.8
Other	4,462.0	4,786.4	4,763.9	4,763.9	-0.5
TOTAL USES	12,412.5	13,152.5	13,152.5	13,152.5	0.0
FTE					
Permanent	84.0	87.0	87.0	87.0	0.0
Term	49.0	49.0	48.0	48.0	-2.0
TOTAL FTE POSITIONS	133.0	136.0	135.0	135.0	-0.7

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen business days	New	New	90%	90%	90%
* Efficiency	Percent of office of medical investigator cause-of-death toxicology cases that are completed and reported to the office of medical investigator within sixty business days	New	New	90%	90%	90%
Efficiency	Percent of public health threat samples for communicable diseases and other threatening illnesses that are completed and reported to the submitting agency within published turnaround times	New	New	95%	95%	95%
Efficiency	Percent of environmental samples for chemical contamination that are completed and reported to the submitting agency within sixty business days	New	New	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	65,356.8	59,712.4	66,362.4	61,920.3	3.7
Other Transfers	782.6	716.0	716.0	716.0	0.0
Other Revenues	71,484.7	76,560.5	73,619.4	75,760.5	-1.0
SOURCES TOTAL	137,624.1	136,988.9	140,697.8	138,396.8	1.0
USES					
Personal Services and Employee Benefits	102,926.8	103,346.6	103,044.4	103,362.4	0.0
Contractual Services	12,716.7	10,679.0	13,006.7	11,271.1	5.5
Other	23,958.1	22,963.3	24,646.7	23,763.3	3.5
TOTAL USES	139,601.6	136,988.9	140,697.8	138,396.8	1.0
FTE					
Permanent	2,093.0	2,067.5	2,060.5	2,060.5	-0.3
Term	5.0	5.0	5.0	5.0	0.0
Temporary	21.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	2,119.0	2,087.5	2,080.5	2,080.5	-0.3

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Efficiency	Percent of eligible third-party revenue collected at all agency facilities	57%	91%	60%	90%	91%
* Output	Percent of staffed beds filled at all agency facilities	New	New	90%	90%	90%
* Explanatory	Percent of patient costs at agency facilities that are uncompensatable	New	New	25.0%	44.7%	27.0%
Outcome	Percent of long-term care residents with healthcare-acquired pressure ulcers	New	New	6.4%	6.4%	6.4%
* Outcome	Percent of long-term care patients experiencing one or more falls with injury	New	New	3.3%	3.3%	3.3%
Efficiency	Percent of behavioral health patient medical records transmitted to the next level of care within five calendar days	New	New	80%	80%	80%
Quality	Percent of adolescent behavioral health patients for whom the use of seclusion or restraint is necessary	New	New	New	0%	0%

DEVELOPMENTAL DISABILITIES SUPPORT

The purpose of the developmental disabilities support program is to administer a statewide system of community-based services and support to improve the quality of life and increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	139,660.4	148,908.0	148,908.0	149,008.0	0.1
Other Transfers	7,131.5	10,030.3	10,214.6	10,214.6	1.8
Federal Revenues	3,577.5	2,820.4	2,820.4	2,820.4	0.0
Other Revenues	1,847.4	1,200.0	1,200.0	1,200.0	0.0
SOURCES TOTAL	152,216.8	162,958.7	163,143.0	163,243.0	0.2
USES					
Personal Services and Employee Benefits	11,379.0	12,080.6	12,080.6	12,080.6	0.0
Contractual Services	18,472.3	16,875.6	16,576.6	16,076.6	-4.7
Other	22,062.8	22,567.8	23,051.1	23,051.1	2.1
Other Financing Uses	94,764.5	111,434.7	111,434.7	112,034.7	0.5
TOTAL USES	146,678.6	162,958.7	163,143.0	163,243.0	0.2
FTE					
Permanent	72.0	84.0	85.0	85.0	1.2
Term	97.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	169.0	181.0	182.0	182.0	0.6

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <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	83%	75%	95%	93%	95%
* Explanatory	Number of individuals on the developmental disabilities waiver receiving services	3,829	4,403	4,500	4,000	4,600
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	6,248	6,133	6,100	6,330	6,200
Outcome	Percent of adults receiving community inclusion services through the developmental disabilities waiver who receive employment services	New	New	New	33%	35%
Quality	Percent of children served through the family, infant, toddler program who receive all early intervention services on their individualized family service plan within thirty days	New	New	New	97%	97%

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,472.8	4,676.5	4,676.5	4,526.5	-3.2
Other Transfers	3,258.1	3,659.1	3,820.6	3,820.6	4.4
Federal Revenues	2,727.1	2,428.1	2,649.8	2,649.8	9.1
Other Revenues	2,407.8	2,350.8	1,710.8	1,710.8	-27.2
SOURCES TOTAL	12,865.8	13,114.5	12,857.7	12,707.7	-3.1
USES					
Personal Services and Employee Benefits	8,704.4	10,193.1	9,779.5	9,629.5	-5.5
Contractual Services	1,048.5	486.3	1,062.6	1,062.6	118.5
Other	2,552.8	2,435.1	2,015.6	2,015.6	-17.2
TOTAL USES	12,305.7	13,114.5	12,857.7	12,707.7	-3.1
FTE					
Permanent	44.0	50.0	55.0	50.0	0.0
Term	100.0	104.0	108.0	104.0	0.0
TOTAL FTE POSITIONS	144.0	154.0	163.0	154.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Percent of abuse, neglect and exploitation incidents for community-based programs investigated within forty-five days	New	New	96%	95%	95%
Quality	Percent of reported findings transmitted to provider within twenty business days of exit survey	New	New	90%	95%	95%

MEDICAL CANNABIS

The purpose of the medical cannabis program is to provide qualified patients with the means to legally and beneficially consume medical cannabis in a regulated system for alleviating symptoms caused by debilitating medical conditions and their medical treatments and to regulate a system of production and distribution of medical cannabis to ensure an adequate supply.

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	772.2	777.3	1,426.2	1,426.2	83.5
SOURCES TOTAL	772.2	777.3	1,426.2	1,426.2	83.5
USES					
Personal Services and Employee Benefits	524.0	603.7	607.1	607.1	0.6
Contractual Services	98.2	90.1	242.9	242.9	169.6
Other	69.7	83.5	576.2	576.2	590.1
TOTAL USES	691.9	777.3	1,426.2	1,426.2	83.5
FTE					
Term	7.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	7.0	7.0	7.0	7.0	0.0

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Quality	Percent of complete medical cannabis client applications approved or denied within thirty calendar days of receipt	New	New	90%	95%	95%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,163.8	12,367.0	5,796.8	5,664.2	-54.2
Other Transfers	601.5	603.5	567.9	567.9	-5.9
Federal Revenues	3,577.9	6,260.5	6,539.2	6,539.2	4.5
Other Revenues	193.8	56.1	62.6	62.6	11.6
SOURCES TOTAL	16,537.0	19,287.1	12,966.5	12,833.9	-33.5
USES					
Personal Services and Employee Benefits	9,744.6	9,989.6	10,422.4	10,339.6	3.5
Contractual Services	3,637.2	4,331.6	1,213.8	1,164.0	-73.1
Other	5,293.4	4,965.9	1,330.3	1,330.3	-73.2
TOTAL USES	18,675.2	19,287.1	12,966.5	12,833.9	-33.5
FTE					
Permanent	128.0	129.0	132.0	129.0	0.0
Term	5.0	5.0	6.0	5.0	0.0
TOTAL FTE POSITIONS	133.0	134.0	138.0	134.0	0.0

STATUTORY AUTHORITY:

The New Mexico Department of Environment (NMED) is established by Sections 9-7A-1 through 9-7A-15 NMSA 1978. It is responsible for administration of federal and state laws and regulations related to air quality, surface- and groundwater quality, solid waste disposal, underground storage tanks, radioactive materials, radiologic technology, occupational safety, and food safety. The department administers rural water and wastewater infrastructure loans and monitors federal Department of Energy and Department of Defense facilities within New Mexico for nonradioactive hazardous materials.

MISSION:

The Department of Environment (NMED) preserves and protects surface- and groundwater, air quality, and land in New Mexico. The department also protects the safety and health of the state's citizens by regulating, monitoring, and inspecting public facilities and establishments.

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,542.8	12,757.8	14,181.7	13,358.1	4.7
Other Transfers	35,240.1	35,521.2	32,223.0	32,223.0	-9.3
Federal Revenues	21,334.2	19,701.1	23,553.3	23,553.3	19.6
Other Revenues	42,723.1	38,330.8	39,082.5	39,082.5	2.0
Fund Balance	1,661.2	13,791.6	11,901.4	11,901.4	-13.7
SOURCES TOTAL	112,501.4	120,102.5	120,941.9	120,118.3	0.0
USES					
Personal Services and Employee Benefits	41,321.8	49,209.1	50,788.9	50,251.4	2.1
Contractual Services	9,948.8	13,702.7	15,386.4	15,386.4	12.3
Other	15,812.3	24,714.8	22,983.7	22,697.6	-8.2
Other Financing Uses	26,580.5	32,475.9	31,782.9	31,782.9	-2.1
TOTAL USES	93,663.4	120,102.5	120,941.9	120,118.3	0.0
FTE					
Permanent	297.0	297.0	297.0	297.0	0.0
Term	363.5	363.5	363.5	363.5	0.0
TOTAL FTE POSITIONS	660.5	660.5	660.5	660.5	0.0

AT A GLANCE:

While the New Mexico Department of Environment (NMED) met nearly all of its FY14 performance targets, high vacancy rates persisted and resulted in lower service levels than expected – particularly in permitting, compliance, and remediation programs. The department requested increased personal services and employee benefits funding for FY16 to reduce vacancies.

The committee recommendation is a slight increase from FY15 operating levels. The recommendation increases the personal services and employee benefits category over FY15 levels to allow more positions to be filled, and fully funds NMED's requested increase in the contractual services category. The recommendation includes a significant increase for other costs over FY14 expenditures but a slight decrease from the FY15 operational budget.

BUDGET ISSUES:

For FY16, NMED's base request of \$120.9 million represented an \$839.4 thousand, or 0.7 percent, increase over the FY15 operating budget. The FY16 general fund request of \$14.2 million included an increase of \$1.4 million, or 11.2 percent, from the FY15 level. The FY16 request for federal funds increased by \$3.9 million from the FY15 operating budget. However, changes to how transfer funds will be classified in FY16 drive this increase. Previously, funds transferred from the New Mexico Finance Authority were reported as inter-agency transfers, but, under new guidelines, will be considered federal funds.

The FY16 LFC recommendation of \$120.1 million is an increase of \$15.8 thousand from the FY15 operating budget. While this appears to be only a slight increase due to the requested reduction in the other financing uses category, the recommendation represents an increase of \$708.8 thousand in NMED's expenditure authority from the FY15 operating budget. Moreover, the recommendation includes an increase of \$21.2 million, or 31.7 percent, in expenditure authority over FY14 actual expenditures. The recommendation also includes an increase of \$600.3 thousand, or 4.7 percent, over FY15 levels from the general fund to reduce vacancies agencywide, to aid in remediation and cleanup efforts at the Waste Isolation Pilot Plant (WIPP) and Kirtland Air Force Base, and to provide matching funds for a federal indoor radon testing grant.

The agency requested to transfer several FTE to the Resource Management Program's Office of Information Technology. The FY16 request included a budgeted vacancy rate of 3.6 percent for the Resource Management, Environmental Health, and Environmental Protection programs but did not include a budgeted vacancy rate for the Resource Protection Program, which had an agency reported average vacancy rate of 16.6 percent in FY14.

Vacancy rates averaged 17 percent in FY14 and resulted in reduced service levels, particularly in permitting, compliance, and remediation programs. The agency attributes most underperformance to difficulty filling positions because of competition with the private sector in some classifications, such as engineers. The agency also noted the persistent high vacancy rates are due in part to the internal promotion of employees. NMED requested an increase of \$600 thousand to reduce vacancies in the Resource Protection Program, specifically within the Ground Water Quality Bureau, which continues to see a backlog of permit applications.

Targeting these vacancies, the FY16 recommendation funds 65.2 vacant FTE and represents an \$8.9 million increase over FY14 actual expenditures in the personal services and employee benefits category. With this increase, and in collaboration with the State Personnel Office, NMED should develop a human resource plan to increase salary ranges to hire and retain employees. The majority of this increase is concentrated in the Resource Protection Program to reduce vacancies and application backlogs within the Ground Water Quality Bureau.

The agency relies on special revenues for its operations across all four programs, and the recommendation includes \$50.5 million from these sources, including various types of application, certification, and permitting fees. This includes \$23.4 million from the corrective action fund; \$3 million in revenue from air quality construction and emission permit fees charged to producers of air contaminants; \$4.4 million in revenue from hazardous waste permit fees charged to operators of facilities that treat, store or dispose of hazardous waste; \$3.1 million in revenue from water conservation fees charged to public water systems; and \$1.7 million in revenue from permit fees charged to food service establishments. Through its regulatory role, NMED collects a significant number of civil penalties and fines, some of which are deposited into funds controlled by the agency, but most of which are transferred to the general fund.

As the agency continues to identify options to streamline and improve operations, it is considering an internal reorganization of programs to better align bureaus with similar purposes and functions for FY17.

Water Issues. High cash balances in the wastewater facility construction loan fund (clean water state revolving fund) managed by NMED continue to be a concern. The clean water state revolving fund's cash balance totaled \$124 million as of October 2014, of which \$48 million is committed via signed loan agreements with communities across New Mexico. Additionally, loan agreements in process total another \$28 million and other communities were working on loans totaling \$23 million. These obligations total \$98 million, or 79 percent, of the cash balance.

Also of concern, the New Mexico drinking water state revolving fund (DWSRF) has the highest percentage of federal grant balances for unspent water project funds in the nation, according to a 2013 unliquidated obligation report from the U.S. Environmental Protection Agency. The report shows \$37 million, or 32 percent, of the grants remain unspent. A U.S. Environmental Protection Agency Office of Inspector General (OIG) audit on the pace of expenditures in New Mexico's DWSRF program found the process was improved by changing from an annual to a quarterly review and approval process that requires loans be issued within three months for projects on the fundable list. The process improvements also included developing a cash flow model to anticipate resources available for loans and estimate the value of projects that need to be in the pipeline.

A November 2013 LFC program evaluation found New Mexico's multiple application processes complicate water project funding, which may contribute to duplication of effort because funding agencies overlap. The report recommended a centralized process for statewide water project funding, increased efforts to assist smaller utilities in developing asset management and increasing technical and managerial capacity, a single, interagency committee responsible for coordinating all water funding programs, and a centralized reporting process to measure effectiveness. Now, NMED is leading a "water infrastructure team" to develop a plan to address critical water system needs. Participants include representatives from executive and legislative agencies, county and municipal governments, and nonprofit community assistance organizations. The team is focusing on four key goals: 1) a priority list of statewide needs; 2) an annual budget for water projects; 3) a plan to provide technical capacity to participating entities; and 4) a process for communities to implement asset management plans. Outcomes of the team's work will be presented to the Legislature during the 2015 legislative session.

Waste Isolation Pilot Plant. In February 2014, a 55 gallon drum of nuclear waste from the Los Alamos National Laboratory (LANL) shipped to the Waste Isolation Pilot Plant (WIPP), in Carlsbad, cracked and leaked radiation causing the facility to shut down. The federal Department of Energy's activity at LANL is regulated under an NMED permit requiring agency inspectors to conduct annual audits of the lab. However, in 2012 and 2013, NMED staff was warned to stay out of the waste handling facility because they did not have appropriate training. Moreover, NMED has expressed frustration over LANL's reluctance to share details on the contents of the drum that may have caused it to leak at WIPP. Federal officials estimate a yearslong recovery plan to reopen WIPP will cost at least \$500 million.

SPECIAL REVENUES

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	42,648.1	38,230.8	38,615.4	38,615.4	1.0
Fund Balance	1,661.2	13,791.6	11,901.4	11,901.4	-13.7
SOURCES TOTAL	44,309.3	52,022.4	50,516.8	50,516.8	-2.9
USES					
Contractual Services	2,087.0	3,000.0	3,500.0	3,500.0	16.7
Other	8,643.5	16,646.5	15,233.9	15,233.9	-8.5
Other Financing Uses	26,358.8	32,375.9	31,782.9	31,782.9	-1.8
TOTAL USES	37,089.3	52,022.4	50,516.8	50,516.8	-2.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

ENVIRONMENTAL HEALTH

The purpose of the environmental health program is to protect public health and the environment through specific programs that provide regulatory oversight over food service and food processing facilities, compliance with the Safe Drinking Water Act, regulation of on-site treatment and disposal of liquid wastes, regulation of public swimming pools and baths, application of the mosquito abatement regulation and oversight of the waste isolation pilot plant transportation.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY16 - 2015-2016</u>					Percent Incr (Decr)
	<u>FY14</u> 2013-2014 <u>Actuals</u>	<u>FY15</u> 2014-2015 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>		
SOURCES						
General Fund Transfers	5,160.6	5,499.4	5,661.4	5,499.4	0.0	
Other Transfers	11,251.2	16,204.1	13,119.1	13,119.1	-19.0	
Federal Revenues	1,423.6	2,092.0	5,586.5	5,586.5	167.0	
Other Revenues	0.0	0.0	100.0	100.0		
SOURCES TOTAL	17,835.4	23,795.5	24,467.0	24,305.0	2.1	
USES						
Personal Services and Employee Benefits	14,325.5	17,444.3	17,817.0	17,757.1	1.8	
Contractual Services	2,333.8	3,786.3	4,137.2	4,137.2	9.3	
Other	2,351.9	2,564.9	2,512.8	2,410.7	-6.0	
TOTAL USES	19,011.2	23,795.5	24,467.0	24,305.0	2.1	
FTE						
Permanent	129.0	135.5	135.5	135.5	0.0	
Term	64.0	106.0	105.0	105.0	-0.9	
TOTAL FTE POSITIONS	193.0	241.5	240.5	240.5	-0.4	

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of homeowners with contaminated wells advised on how to eliminate or reduce health risks	100%	100%	100%	100%	100%
Output	Percent of new, modified or registered liquid waste systems granted final operating approval inspected by New Mexico Environment Department with photographic documentation submitted by an authorized installer	n/a	100%	100%	100%	100%
Output	Percent of annual permitted food establishments inspected within timeframe due	n/a	99.6%	100%	100%	100%
* Outcome	Percent of high-risk food-related violations issued to permitted commercial food establishments that are corrected within the timeframes noted on the inspection report	92%	99.3%	100%	100%	100%
Outcome	Percent of swimming pool and spa inspections completed within timeframe due	n/a	99.9%	100%	100%	100%
Outcome	Number and location of boil-water advisories issued to consumers when a water system violates the bacteria standard	3	12	≤10	≤10	≤10
Efficiency	Percent of the population served by community water systems that meet all applicable health-based drinking water standards	n/a	94.5%	100%	95%	100%
Output	Number of assistance actions provided to public water systems to ensure compliance with federal safe drinking water act regulations	489/3,303	250/4,565	500/3,500	3,500	3,500
* Output	Percent of public water systems surveyed to ensure compliance with drinking water regulations	95.4%	93.4	96%	92%	95%
Output	Percent of community water systems that have a sanitary survey to ensure compliance with drinking water regulations	95%	93.4%	96%	92%	95%
Output	Percent of community water systems that have a sanitary survey conducted within required timeframes	95%	93.4%	95%	92%	95%

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Explanatory	Percent of project interest processed for water, wastewater and solid waste projects	100%	100%	100%	100%	100%
Outcome	Percent of environmental protection agency clean water state revolving fund capitalization grant and matching state funds committed to New Mexico communities for wastewater infrastructure development in the state fiscal year following receipt of an environmental protection agency award	84%	354%	84%	84%	84%
* Efficiency	Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health	100%	100%	100%	100%	100%
Output	Percent of cases in which sandia national laboratories and Los Alamos national laboratory are notified of agency action on document submittals within the timeframe specified in the executed consent orders	100%	100%	95%	95%	95%
Output	Percent of active hazardous waste generator facilities that have never been inspected	26.1%	24.4%	3.5%	3.5%	3.5%
* Output	Percent of large quantity hazardous waste generators inspected	24%	27.7%	24%	24%	25%
Output	Percent of enforcement actions brought within one year of discovery of noncompliance with Los Alamos national laboratory and sandia national laboratories consent orders	100%	100%	100%	100%	100%
Efficiency	Percent of department of energy generator site audits for the waste isolation pilot project on which agency action will be taken within forty-five days	86%	100%	88%	88%	88%
Explanatory	Total dollar amount of new loans made from the clean water state revolving loan fund program, in millions	New	New	New	≥\$20.0	≥\$20.0
Explanatory	Total dollar amount of new loans made from the rural infrastructure revolving loan program, in millions	New	New	New	≥\$20.0	≥\$20.0
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	New	95%	95%

RESOURCE PROTECTION

The purpose of the resource protection program is to protect the quality of New Mexico's ground- and surface-water resources to ensure clean and safe water supplies are available now and in the future to support domestic, agricultural, economic and recreational activities and provide healthy habitat for fish, plants and wildlife and to ensure that hazardous waste generation, storage, treatment and disposal are conducted in a manner protective of public health and environmental quality.

BUDGET SUMMARY
(dollars in thousands)

	FY16 - 2015-2016				
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,940.6	2,621.6	3,144.6	2,809.6	7.2
Other Transfers	10,804.4	6,127.0	6,248.1	6,248.1	2.0
Federal Revenues	14,287.1	11,639.9	11,581.1	11,581.1	-0.5
Other Revenues	0.0	0.0	200.2	200.2	
SOURCES TOTAL	27,032.1	20,388.5	21,174.0	20,839.0	2.2
USES					
Personal Services and Employee Benefits	11,035.8	13,354.6	14,184.9	13,983.8	4.7
Contractual Services	4,186.5	4,734.6	4,978.6	4,978.6	5.2
Other	1,742.3	2,199.3	2,010.5	1,876.6	-14.7
Other Financing Uses	221.7	100.0	0.0	0.0	-100.0
TOTAL USES	17,186.3	20,388.5	21,174.0	20,839.0	2.2
FTE					
Permanent	51.0	44.0	44.0	44.0	0.0
Term	178.5	136.5	133.5	133.5	-2.2
TOTAL FTE POSITIONS	229.5	180.5	177.5	177.5	-1.7

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Output	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations	52%	68%	52%	52%	55%
* Outcome	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	71%	70%	72%	72%	72%
Outcome	Number of petroleum storage tank release sites that achieved no further action status	n/a	18	30	30	30
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	60%	83%	70%	70%	75%
Outcome	Number of petroleum storage tank release sites where corrective action has been initiated	n/a	n/a	10	10	10
Explanatory	Unobligated balance of the corrective action fund at time of fund certification	n/a	n/a	\$3.0M	\$3.0M	\$3.0M
Output	Percentage of perennial stream miles monitored annually to determine if surface water quality is impaired in surveyed watershed	New	New	New	90%	90%
Output	Percentage of lake acres monitored annually to determine if surface water quality is impaired in surveyed watershed	New	New	New	90%	90%
Outcome	Number of miles of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act Section 319 projects	New	New	New	100	100

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Number of acres of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act Section 319 projects	New	New	New	100	100
Outcome	Number of new utility operator certifications	New	New	New	32,000	32,000
Outcome	Number of utility operator continuing education hours	New	New	New	300	300
Outcome	Number of utility operator certifications renewed	New	New	New	1,000	1,000

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to regulate medical radiation and radiological technologist certification, provide public outreach about radon in homes and public buildings, ensure solid waste is handled and disposed without harming natural resources, ensure New Mexicans breathe healthy air and ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,014.6	2,044.9	2,224.9	2,144.9	4.9
Other Transfers	9,849.3	10,104.6	9,957.9	9,957.9	-1.5
Federal Revenues	3,401.3	3,572.8	3,683.9	3,683.9	3.1
Other Revenues	0.0	0.0	69.9	69.9	
SOURCES TOTAL	15,265.2	15,722.3	15,936.6	15,856.6	0.9
USES					
Personal Services and Employee Benefits	10,246.4	12,079.9	11,999.4	11,969.5	-0.9
Contractual Services	593.8	1,378.6	1,623.3	1,623.3	17.7
Other	2,285.9	2,263.8	2,313.9	2,263.8	0.0
TOTAL USES	13,126.1	15,722.3	15,936.6	15,856.6	0.9
FTE					
Permanent	71.0	71.5	70.5	70.5	-1.4
Term	90.0	89.0	88.0	88.0	-1.1
TOTAL FTE POSITIONS	161.0	160.5	158.5	158.5	-1.2

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Annual statewide greenhouse gas emissions	None	None	48.6MMt	None	48.6MMt
Outcome	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	97%	95.9%	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	New	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	93.1%	95.9%	95%	95%	95%
Output	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days	93.6%	95.8%	95%	95%	95%
* Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules	82%	87%	85%	85%	85%

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of landfills compliant with groundwater sampling and reporting requirements	100%	96%	100%	90%	100%
Explanatory	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	102	59	60	60	60
Output	Percent of licensed radioactive material facility inspections completed within the timeframes identified in radiation control bureau policies	99%	100%	100%	100%	100%
* Output	Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies	99%	98%	100%	100%	100%
Outcome	Percent of radioactive material licensees and x-ray registrants inspected and issued a notice of violation that come into compliance within the timeframe specified	100%	100%	100%	100%	100%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to programs to operate in the most knowledgeable, efficient and cost-effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14 2013-2014 Actuals</u>	<u>FY15 2014-2015 Budgeted</u>	<u>FY16 - 2015-2016</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,427.0	2,591.9	3,150.8	2,904.2	12.0
Other Transfers	3,335.2	3,085.5	2,897.9	2,897.9	-6.1
Federal Revenues	2,222.2	2,396.4	2,701.8	2,701.8	12.7
Other Revenues	75.0	100.0	97.0	97.0	-3.0
SOURCES TOTAL	8,059.4	8,173.8	8,847.5	8,600.9	5.2
USES					
Personal Services and Employee Benefits	5,714.1	6,330.3	6,787.6	6,541.0	3.3
Contractual Services	747.7	803.2	1,147.3	1,147.3	42.8
Other	788.7	1,040.3	912.6	912.6	-12.3
TOTAL USES	7,250.5	8,173.8	8,847.5	8,600.9	5.2
FTE					
Permanent	46.0	46.0	47.0	47.0	2.2
Term	31.0	32.0	37.0	37.0	15.6
TOTAL FTE POSITIONS	77.0	78.0	84.0	84.0	7.7

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of budgets reviewed and analyzed quarterly from the program level to the lowest program level	100%	100%	100%	100%	100%
Output	Number of prior-year audit findings, identified as material weaknesses, resolved	TBD	100%	100%	100%	100%
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	96%	93%	96%	96%	96%
Output	Average number of working days from the time federal funds are expended until the agency requests direct federal reimbursement	New	New	New	15	15

STATUTORY AUTHORITY:

The Office of the Natural Resources Trustee (ONRT) was created by Sections 75-7-1 through 75-7-5 NMSA 1978. To carry out the statutorily required responsibilities, ONRT is authorized to assess natural resource damages throughout the state, negotiate and settle damage claims without legal intervention, and manage natural resource restoration plans. Settlements paid by responsible parties into the natural resources trustee fund are used to fund the costs of natural resource damage assessments and the costs of natural resource restoration activities. The natural resources trustee fund is also used as the repository for settlement monies reimbursed to the agency for actual costs incurred by the agency in the investigation, recovery, and settlement process. ONRT is administratively attached to the Environment Department.

MISSION:

The Office of the Natural Resources Trustee is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or by oil discharges into water. Natural resources include air, surface water, groundwater, and biological and geological resources.

	BUDGET SUMMARY					Percent Incr (Decr)
	(dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>			
		Agency Request	LFC Recommendation			
SOURCES						
General Fund Transfers	87.3	277.7	280.2	277.7	0.0	
Fund Balance	2,204.9	2,025.4	2,025.4	2,025.4	0.0	
SOURCES TOTAL	2,292.2	2,303.1	2,305.6	2,303.1	0.0	
USES						
Personal Services and Employee Benefits	257.2	266.4	270.6	269.9	1.3	
Contractual Services	2,794.1	1,992.2	1,992.2	1,992.2	0.0	
Other	41.4	44.5	42.8	41.0	-7.9	
TOTAL USES	3,092.7	2,303.1	2,305.6	2,303.1	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:

Cost recovery funds supplemented the Office of Natural Resources Trustee's (ONRT) operating expenses in recent years, but those funds are being depleted, requiring a \$190 thousand increase in general fund revenue in FY15. ONRT's FY16 general fund request included a slight increase for health insurance and an additional work day in the year. The agency is quickly spending down its fund balance for restoration projects.

The committee recommendation maintains a flat budget for ONRT in FY16, which fully funds the agency's request for personnel costs and decreases other costs to FY14 expenditure levels.

BUDGET ISSUES:

ONRT issued the wildlife and wildlife habitat restoration plan and environmental assessment for the Chino, Cobre, and Tyrone mines, which proposes a suite of habitat protection and restoration projects to be implemented with a \$5.5 million natural resource damage settlement with Freeport-McMoRan Copper and Gold Inc., awarded in FY12. Additionally, ONRT reached a preliminary "agreement-in-principle" for natural resource damages with the U.S. Army, Navajo Nation and the Pueblo of Zuni for the Fort Wingate Army depot in Gallup. The agency is currently engaged in a cooperative natural resource damage assessment with Los Alamos National Laboratory.

ONRT will continue to implement the following restoration projects in FY15: enhancing bird and wildlife habitat in the Burro Cienega and Mimbres River watersheds; removing hazardous substances at the San Vicente Creek Mill in Silver City; construction to prevent contamination of Santa Clara's groundwater; improving Santa Clara's main sewer line to prevent re-occurrence of sewage spills into Cameron Creek and associated groundwater; extending a municipal wastewater line to Silver City residents to eliminate use of faulty septic systems threatening groundwater supplies; developing water reuse infrastructure in Bayard to enable groundwater conservation; replacing failing clay pipes in Hurley; cleaning up an abandoned nitrate plume in

Albuquerque's South Valley; stabilizing exposed toxic mine tailings at the ASARCO Blackhawk Mine impoundment in Grant County; and preserving 1,000 acres of playa lakes in Curry County. An October 2014 budget adjustment transferred \$5.4 million from the natural resources trustee fund for these projects, reducing the fund balance to \$5.2 million. Although the agency projects the fund balance from restoration settlement funds at the end of FY16 to be \$3.2 million, the balance is restricted by federal law and court orders for restoration projects.

NATURAL RESOURCES 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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Number of acres of habitat restoration	975	975	750	750	975
* Outcome	Number of acre-feet of water conserved through restoration	1,126	1,072	750	850	1,072

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,177.0	3,360.0	4,023.1	3,460.0	3.0
Federal Revenues	306.0	318.0	314.6	314.6	-1.1
Fund Balance	56.8	71.9	99.9	99.9	38.9
SOURCES TOTAL	3,539.8	3,749.9	4,437.6	3,874.5	3.3
USES					
Personal Services and Employee Benefits	2,015.1	2,349.8	2,836.5	2,373.4	1.0
Contractual Services	577.8	991.5	881.6	931.6	-6.0
Other	537.0	408.6	719.5	569.5	39.4
TOTAL USES	3,129.9	3,749.9	4,437.6	3,874.5	3.3
FTE					
Permanent	36.0	36.0	46.0	36.0	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	52.0	42.0	0.0

AT A GLANCE:

The department's general fund base request was flat compared with FY15 but included an expansion request to support the operations of four new state-run rural veteran cemeteries. Funding for design and construction of the cemeteries was primarily from federal sources but also, an FY15 state capital outlay appropriation.

The committee recommendation supports the department's base request and start up funding for contract and operational expenses of the veteran cemetery.

BUDGET ISSUES:

To keep the base budget request flat, the department reduced contracts for homeless veteran outreach, post traumatic stress disorder outreach, transportation services, women's veteran outreach, and veteran referral services by a total of \$100 thousand. In prior years, due to decreased use, the department cut the contractual services category to meet expenditures.

Federal guidelines suggest no additional national cemeteries will be built in the United States and by 2025 the national cemetery in Santa Fe will stop accepting new burials. To address the need for added burial space for New Mexico veterans, the department received grant money from the federal government along with a capital outlay appropriation in FY15 for new state operated cemeteries. Construction of the cemeteries was originally 100 percent federally funded, but the department recently requested \$750 thousand in capital outlay to construct an access road to the Fort Stanton cemetery. The department has begun planning to open new state operated cemeteries at Fort Stanton, Gallup, Carlsbad, and Angel Fire – expecting at least 100 burials at each cemetery annually once operations ramp up.

The department continues to support approximately 180 thousand veterans throughout the state by improving access and dissemination of information. Outreach is primarily provided by 19 field offices, although contractors provide outreach to Native American, rural residents, and women veterans. The agency continues to administer the Military Honors Program to ensure deceased veterans are provided a military funeral complete with bugler and flag ceremony.

The department met only one of its six FY14 performance goals for the number of homeless veterans provided overnight shelter for a period of two weeks or more. The department cited elevated turnover for veteran service officers. As of September, the department had 10 vacancies, an increase from eight vacancies a year earlier.

Most of the department's performance measures are outputs and could be improved by adding more outcomes. For example, the department's measure for homeless veterans receiving overnight shelter does not capture the long-term impact on reducing the number of homeless veterans. Outcome measures would focus on the number of referrals to evidence-based services proven to reduce chronic homelessness and reducing the number of homeless veterans in New Mexico.

BASE EXPANSION:

The department's \$663.1 thousand expansion request would amount to a 19.7 percent increase in general fund revenue. The expansion would add a statewide program manager, a program assistant, and a senior and junior maintenance worker at each of the four new cemeteries. The federal National Cemetery Administration (NCA) of the Department of Veterans' Affairs recommends 1.8 FTE for each cemetery based on the number of expected burials. Subsequent to the submission of the budget request, the department was notified by NCA that only one of the four proposed cemeteries, the one in Gallup, was approved for construction, with an expected completion by the start of FY16.

The committee recommendation includes \$50 thousand for contracted maintenance and \$50 thousand for operational expenses for the cemetery in Gallup. It is not expected that FTE will be required to maintain the veteran's cemetery in Gallup the first year. Currently, the department has a \$50 thousand contract to oversee the construction of the new cemeteries. The committee recommends the department continue this contract and transition to a full-time cemetery administrator once the cemetery is fully operational.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	State veteran cemetery program	663.1	100.0
TOTAL		663.1	100.0

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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of veterans served by veterans' services department field offices	28,121	23,018	36,000	32,000	32,000
Output	Number of referrals from veterans' services officers to contract veterans' organizations	14,962	12,901	19,000	18,000	16,000
Output	Number of homeless veterans provided overnight shelter for a period of two weeks or more	132	360	160	200	200
Output	Compensation received by New Mexico veterans as a result of the department's contracts with veterans' organizations, in millions	\$182	\$117	\$140	\$130	\$130
Output	Number of property tax waiver and exemption certificates issued to New Mexico veterans	4,854	4,717	8,000	5,000	5,000
Outcome	Percent of New Mexico veterans impacted by department programs	20%	14%	22%	21%	22%
Output	Number of compliance survey visits completed to ensure education facilities meet all regulatory requirements	52	42	40	36	42

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	219,966.3	232,393.6	249,604.4	244,995.0	5.4
Other Transfers	32,581.1	50,513.0	50,582.5	63,282.5	25.3
Federal Revenues	121,330.5	150,000.9	152,460.2	152,460.2	1.6
Other Revenues	5,309.4	5,115.3	4,368.3	4,968.1	-2.9
Fund Balance	2,695.0	1,250.8	1,250.8	1,250.8	0.0
SOURCES TOTAL	381,882.3	439,273.6	458,266.2	466,956.6	6.3
USES					
Personal Services and Employee Benefits	129,472.6	130,482.2	141,232.8	136,894.1	4.9
Contractual Services	65,966.4	97,118.0	100,083.8	113,466.6	16.8
Other	181,151.5	208,934.9	214,211.1	213,857.4	2.4
Other Financing Uses	2,519.3	2,738.5	2,738.5	2,738.5	0.0
TOTAL USES	379,109.8	439,273.6	458,266.2	466,956.6	6.3
FTE					
Permanent	2,078.6	2,107.6	2,240.6	2,192.6	4.0
Term	68.0	62.0	54.0	60.0	-3.2
TOTAL FTE POSITIONS	2,146.6	2,169.6	2,294.6	2,252.6	3.8

AT A GLANCE:

The Children, Youth and Families Department (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 at a crossroads and beginning to provide some preventive services so families can manage crises. Additionally, the division is struggling with oversized caseloads. Due to the growing need for services, the Protective Services Program requested a significant increase from the general fund for additional FTE, foster care and support, and funding to pilot several family support services and child advocacy sites statewide. More than half of the department's overall requested increase was for Protective Services. The committee recommends \$13.2 million, or 10 percent from the FY15 appropriation level.

Despite ranking near the bottom of national child well-being in 2014, the state has continued to increase investment in early child well-being services to improve outcomes. The Early Childhood Services (ECS) Program 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 FY16, CYFD did not request any additional funding for ECS. The committee recommends \$12.6 million or 6.3 percent from the FY15 appropriation level.

BUDGET ISSUES:

The general fund request for FY16 from CYFD was a significant increase. In total the agency requested \$458.3 million, of which \$249.6 million is from the general fund, an increase of \$17.2 million, or 7.4 percent from the FY15 appropriation level. A majority of the increase supports growth in the Protective Services Program. The agency average vacancy rate over the last two years was 13 percent, with higher than average vacancy rates in the Juvenile Justice Facilities and Protective Services programs at around 15 percent. These programs are crucial to ensuring the safety and well-being of vulnerable children in New Mexico.

Exacerbating the vacancy problem are rising caseloads and increasingly severe maltreatment, leading to increased staff burnout and turnover. In FY14, CYFD submitted more than \$4 million in budget adjustment requests (BARs), transferring available funding to the personal services and employee benefits category (PS&EB) to assist in covering the cost of the union settlement. Also in FY14, CYFD was able to boost pay for direct service employees of the Protective Services and Juvenile Justice Facilities programs an average of 6 percent.

Juvenile Justice Services. As of November 2014, only 199 of the 286 available beds in secure facilities were used by committed youths (see "Volume III"). Clients in custody decreased 8 percent between 2013 and 2014, the continuation of trend that started in FY12. The Juvenile Justice Facilities (JJF) request included \$1.6 million to reduce the division staff vacancy rate from 11.2 percent to 9.8 percent; however, the two-year average vacancy rate was 16 percent. The request also included \$500 thousand for increased overtime consistent with FY14 expenditures. However, due to decreasing juvenile populations, LFC recommends less than the requested amount. The recommendation includes \$600 thousand to reduce vacancies and \$100 thousand for overtime, both from the general fund. LFC analysis indicates fewer vacancies should reduce the need for overtime expenditures.

JJF also requested an expansion of \$800 thousand and 12 FTE for an additional reintegration center in the southwest area of the state to complete the Cambiar regionalization model. The additional non secured 12-bed facility will provide services for JJF clients on probation and supervised release. Currently, the agency operates three reintegration centers in Eagles Nest, Albuquerque, and Carlsbad for boys and a facility in Albuquerque for girls. However, due to the continued decrease in caseloads, LFC does not recommend the expansion.

Child Protective Services. The FY16 budget request for Protective Services included a base general fund increase of \$3 million for care and support for children in custody. Additionally, the request included \$1 million for increased overtime consistent with FY14 expenditures and \$150 thousand for domestic violence programs. Expansions in the FY16 request included \$5 million to support 93 new FTE, \$2.2 million to pilot child advocacy and family support services centers, \$500 thousand for respite care, and \$700 thousand for a supportive housing pilot program to assist families with stable housing. The agency reported the increased cost for care and support is a result of a 17 percent increase in caseload and the increasing 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. Currently, the average monthly caseload is 21.8 for permanency planners and 14.5 for investigators. The Child Welfare League of America recommends permanency planning workers have an average of 12 to 15 case, and conduct 12 investigations per month. The FTE expansion would decrease the average monthly caseload to 15.4 for permanency planners and 10.4 for investigators. While the expansion request aligns caseloads with best practices, the program continues to have difficulty with recruitment and retention of new FTE and the number of vacant FTE.

The Protective Services Program has a two-year average vacancy rate of 15 percent and budgeted vacancy of 10 percent, or an average of 40 funded vacant FTE. Additionally, the agency reported an average of 62 days to fill positions from the date of advertisement to start date and an average turnover rate of 10 percent during the first quarter of FY15. Due to the significant number of funded vacant FTE, turnover rates, and considerable time to fill FTE, LFC recommends an additional \$3.5 million and 60 additional FTE, and \$800 thousand for increased overtime expenditure. The LFC recommendation also supports \$3 million from the general fund for reimbursement rates and respite care for foster families.

Additionally, neglect and abuse affect a child's emotional, physiological, and behavioral health. In FY14, the agency reported an increase in the number of children subjected to repeat maltreatment. An LFC evaluation found 36 percent of children who are the victim of a substantiated case of maltreatment will be abused or neglected again before they are 18. The report found CYFD dedicated little resources for preventive services to reduce repeat maltreatment. Moreover, a recent LFC report found, of the 33 thousand referrals to CYFD alleging child maltreatment in FY12, about 55 percent were reviewed and received a response through investigation, resulting in 6.5 thousand substantiated cases of maltreatment. This variation highlights the extensive needs for alternative services to stabilize families and prevent future crisis. In response, Protective Services requested an increase from the general fund to pilot several preventive service programs, including several child advocacy and family support service centers. These centers may help support the increasing number of families referred to the agencies whose cases of maltreatment are not substantiated but who are in need of assistance.

Child advocacy centers house a variety of partners supporting children who have been victims of abuse, including law enforcement officers, child forensic interviewers, sexual assault nurse examiners, various social service organizations, and caseworkers. In September 2014, CYFD opened a pilot Child Advocacy Center in Valencia County. Valencia County was chosen because the county has a high per capita rate of child abuse or neglect investigations, and the agency identified the county as one of the highest-risk and highest-need areas in the state for child welfare services. The agency requested \$1.2 million from the general fund to pilot seven additional sites statewide.

Family Support Services (FFS) centers will assist families who have come to the attention of the agency to connect them with recommended services. The centers will target children with three or more referrals and will be a short-term intervention program engaging families for 90 days or less. Prevention services to reduce maltreatment could improve outcomes for children and reduce placement in foster care. 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 \$1 million from the general fund to pilot five sites statewide. FFS centers seem to represent the increased preventive services recommended by LFC.

The agency expansion request also included \$700 thousand to pilot Keeping Families Together, a supportive housing initiative. The pilot would provide long-term supportive housing and services to families who lack secure housing and have a child identified as a victim of substantiated child maltreatment or a family member identified as having a substance dependency or mental illness. The supportive housing pilot will include assistance in locating long-term housing, assistance with rent, utilities and deposits, and family services, including behavioral health services, parenting skills training, and employment assistance. The LFC recommendation supports \$2.9 million for preventive services requested by the agency, including \$700 thousand from the Temporary Assistance for Needy Families (TANF) block grant.

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, including \$20 million from FY14 to FY15. In FY15, the Legislature substantially increased targeted appropriations to the Early Childhood Services Program for paraprofessional home visits to families with young children, prekindergarten, and childcare assistance. However, even though additional appropriations should have expanded the programs, some caseloads have declined. Between 2013 and 2014 the average caseload for childcare assistance declined by over 1,600, or 8.6 percent. CYFD reported the decline in caseload was due to cost-containment measures, implemented in 2012, such as a requirement for single parents to register with the Child Support Enforcement Division. The decline in caseload resulted in the state not drawing several million of dollars in federal revenues.

Additionally, the caseload decline created a surplus of other funds in FY13 and FY14, which provided the opportunity to adequately fund a basic level of childcare services, increase provider reimbursement rates, and invest in quality childcare programs. The department used the savings for several initiatives, including increasing metro and rural provider market rates to the 75th percentile for infants and toddlers, establishing monthly differential rates for providers in the tiered-quality Focus program to increase quality and program implementation, increasing funding for extended-day prekindergarten, and increasing Training and Technical Assistance Program (TTAP) support for childcare workers. Additionally, the agency will be piloting early prekindergarten for 3-year-olds.

Childcare Quality. Childcare assistance not only exists so that low-income families can work or go to school, it also provides an opportunity to enhance children's healthy cognitive, emotional, social, and physical development. Studies show quality early care and education programs increase school readiness. In 2012, New Mexico was awarded a federal four-year, \$37.5 million grant during the second phase of the Race to the Top-Early Learning Challenge (RTT-ELC). The grant is a federal initiative to help states focus early learning and development systems for children from birth to age 5 and build unified approaches to supporting young children and families. The New Mexico RTT-ELC grant focuses on improving early childhood care quality and staffing professional development programs. One key element of the state's reform agenda includes implementing Focus, a tiered quality rating and improvement system (TQRIS). Focus is New Mexico's third-generation TQRIS. 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. Key components also include reduced teacher-to-child ratios, increased site director and teacher qualifications, and additional child health and developmental screenings.

Additionally, during the 2014 legislative interim, a group of stakeholders convened to discuss possible legislation for childcare assistance to improve quality. Stakeholders included CYFD, childcare providers, nonprofits, advocates, national experts, legislators, and LFC staff. As the largest early childhood services system, legislation for childcare assistance would address the dual purpose of child care while supporting CYFD's continued effort to improve quality and school readiness outcomes. In addition to licensed care centers, CYFD also manages registered homes providers, who do not meet the licensed quality rating standards. Registered home providers serve 19 percent of the childcare population and are more likely to be administered by family members or caregivers with little formal training or education in early childhood development. However, the operators of many registered homes have expressed a desire for training in early development and quality care. Legislation would support quality improvement for registered providers who serve a significant portion of children statewide. Currently, a majority of the quality improvement initiatives led by CYFD are targeted at licensed providers.

Early Childhood Services 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 \$300 thousand to support provider training and education advancement.

Prekindergarten. A recent LFC evaluation indicates prekindergarten positively impacts student achievement. Prior to FY15, 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. Additionally, extended-day prekindergarten was widely supported by both providers and families leading to requests for funding well beyond appropriations. The LFC recommendation includes an additional \$5.5 million from the Temporary Assistance for Needy Families (TANF) block grant for additional prekindergarten slots. Additionally, prekindergarten services have historically only been provided to 4-year-olds; however, national trends for increasing school readiness outcomes are expanding prekindergarten services to 3-year-olds. In FY15, ECS will reinvest \$2 million to pilot early prekindergarten, while LFC recommends an additional \$2 million in TANF for additional early prekindergarten slots.

Home Visiting. Home-visiting programs are available to expectant parents and families with new babies and young children. The program assists in addressing maternal and child health issues, supports positive parenting practices, and provides access to support services. Home visiting is an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home visiting provides the first opportunity to address risk factors that may limit a child's development. On average, the cost for home visiting is \$3.5 thousand per family. The LFC recommendation includes an additional \$1.5 million from the general fund and \$2.5 million in TANF to expand home-visiting programs statewide and serve an additional 1,200 families.

In addition, the LFC recommendation for the Human Services Department includes \$500 thousand from the general fund in the Medicaid program that would leverage an additional \$1.1 million from federal funds for evidence-based home-visiting services.

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 request includes an increase of \$790 thousand from the general fund to increase provider rates for shelter care and \$58 thousand from the general fund for safe house interviews. Safe house interviews are also known as forensic interviews and are a mandatory service for the state. Forensic interviews are provided to children who may have experienced abuse or who have witnessed a crime or other violent act. The primary aim of forensic services is to aid in ensuring the safety of the child as well as other children in the community. The current average provider rate per interview is \$375, and the request would increase the average rate by approximately \$25, raising the total average provider rate to \$400. However, the agency is currently reviewing the actual average cost and believes the cost to be closer to \$600. According to CYFD, the last provider rate increase for forensic interviews was more than 20 years ago. Shelter care provides services to youth in crisis and is also a mandatory service. The average current provider rate is \$125 per child, and the request increased the average rate by approximately \$25, raising the total average provider rate to \$150. The LFC recommendation includes more than \$600 thousand for shelter care and \$58 thousand for safe house interviews from the general fund.

Program Support. Program Support consists of the office of the secretary, administrative services, and information technology. General fund increases for Program Support include \$120.3 thousand and 2 FTE for human resource and recruitment support for Protective Services, \$118.9 thousand and 2 FTE for the training academy, \$136.1 thousand and 2 FTE for legal assistance for families, and \$536.7 thousand for an IT system to allow the agency to interface with law enforcement. The request for an IT interface system will allow state police and local municipalities to access the CYFD data system regarding family referral history. The FTE expansion for legal assistance is intended to focus on families in need of court-ordered services in collaboration with the preventive services provided by the pilot family support services centers. The LFC recommendation includes \$59.3 thousand and 1 FTE for human resource and recruitment support for Protective Services and the IT law enforcement interface program, \$89.8 thousand and 1 FTE for legal assistance, and \$59.3 thousand and 1 FTE for the training academy.

BASE EXPANSION:

The request included 10 general funded expansion items: \$800 thousand and 12 FTE for an additional JJF reintegration center, \$5 million and 93 FTE for additional Protective Services, \$1.2 million to pilot child advocacy center, \$1 million to pilot family support service centers, \$500 thousand for respite care for foster families, \$700 thousand to pilot a supportive housing program, \$120.3 thousand and 2 FTE for human resource and recruitment support for Protective Services, \$536.7 thousand and 7 FTE for an IT system to allow the agency to interface with law enforcement, \$136.1 thousand and 2 FTE for legal assistance for families, and \$118.9 thousand and 2 FTE for the training academy in Program Support.

LFC recommends \$3.5 million and 60 FTE for Protective Services, \$1.2 million to pilot child advocacy center, \$1 million to pilot family support service centers, \$500 thousand for respite care for foster families, \$700 thousand to pilot a supportive housing program, \$59.3 thousand and 1FTE for human resource and recruitment support for Protective Services, \$536.7 thousand and 7 FTE for an IT system to allow the agency to interface with law enforcement, \$89.8 thousand and 1 FTE for legal assistance for families, and \$59.3 thousand and 1 FTE for the training academy in Program Support.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include forty-eight million six hundred twenty-seven thousand five hundred dollars (\$48,627,500) for childcare programs, prekindergarten, and home visiting from the temporary assistance for needy families block grant to New Mexico.

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 three hundred thousand dollars (\$300,000) for provider education programs and one million five hundred thousand dollars (\$1,500,000) for home visiting programs.

The general fund appropriations to the early childhood services program of the children, youth and families department include sufficient funds for five hundred thousand dollars (\$500,000) for high-quality early childhood development center planning grants.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Human resource staff-2 FTE	(P576)	120.3	59.3
2	IT staff-7 FTE	(P576)	536.7	536.7
3	Families in need of court ordered services	(P576)	136.1	89.9
4	Training academy staff-2 FTE	(P576)	118.9	59.3
1	Southwest reintegration center	(P577)	800.0	0.0
1	Expansion to increase retention	(P578)	5,797.3	3,806.1
2	Additional children's advocacy sites	(P578)	1,200.0	1,200.0
3	Family support services sites	(P578)	1,000.0	1,000.0
4	Additional day of respite per month	(P578)	500.0	500.0
5	Keeping families together	(P578)	700.0	700.0
6	Conversion 6.0 Term to Perm FTE	(P578)	0.0	0.0
1	Convert unauthorized general funded positions	(P782)	0.0	0.0
1	<u>Covert term to perm FTE</u>	<u>(P800)</u>	<u>0.0</u>	<u>0.0</u>
TOTAL			10,909.3	7,951.3

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	67,809.0	68,317.2	71,403.8	68,336.5	0.0
Other Transfers	841.1	1,391.1	975.5	975.5	-29.9
Federal Revenues	780.3	632.9	573.3	573.3	-9.4
Other Revenues	1,710.7	1,513.5	1,516.5	2,116.3	39.8
Fund Balance	2,695.0	1,250.8	1,250.8	1,250.8	0.0
SOURCES TOTAL	73,836.1	73,105.5	75,719.9	73,252.4	0.2
USES					
Personal Services and Employee Benefits	55,585.3	55,369.3	58,238.8	56,255.9	1.6
Contractual Services	9,603.1	11,091.5	10,831.5	10,599.2	-4.4
Other	7,376.5	6,644.7	6,649.6	6,397.3	-3.7
TOTAL USES	72,564.9	73,105.5	75,719.9	73,252.4	0.2
FTE					
Permanent	939.3	938.3	953.3	941.3	0.3
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	942.3	941.3	956.3	944.3	0.3

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Turnover rate for youth care specialists	15%	14%	15%	15%	15%
Outcome	Percent of clients readjudicated within two years of previous adjudication	5.8%	6.0%	5.8%	5.8%	5.8%
* Outcome	Percent of clients who successfully complete formal probation	new	new	70%	70%	70%
Output	Number of client-to-staff battery incidents	new	new	<600	<600	<600
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	new	new	32.7%	32.7%	32.7%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	2.0%	2.2%	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	9.0%	10.0%	9.0%	9.0%	9.0%
* Outcome	Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility	6.0%	7.1%	6.0%	6.0%	6.0%
Outcome	Percent of clients with improvement in reading on standardized pre- and post testing	52.4%	n/a	54.5%	54.5%	54.5%
Outcome	Percent of clients with improvement in math on standardized pre- and post testing	77.8%	n/a	70%	60%	70%
* Output	Number of physical assaults in juvenile justice facilities	249	270	<260	<260	<260
Outcome	Percent of clients successfully completing term of supervised release	92%	93%	92%	54%	93%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	73,808.8	77,332.8	89,864.3	86,929.3	12.4
Other Transfers	1,108.4	1,400.0	1,400.0	2,100.0	50.0
Federal Revenues	52,709.5	50,832.0	53,772.3	53,772.3	5.8
Other Revenues	2,819.7	2,851.8	2,851.8	2,851.8	0.0
SOURCES TOTAL	130,446.4	132,416.6	147,888.4	145,653.4	10.0
USES					
Personal Services and Employee Benefits	50,879.6	52,235.1	59,068.3	56,877.3	8.9
Contractual Services	19,779.7	22,668.1	25,075.4	25,040.5	10.5
Other	56,294.1	54,774.9	61,006.2	60,997.1	11.4
Other Financing Uses	2,519.3	2,738.5	2,738.5	2,738.5	0.0
TOTAL USES	129,472.7	132,416.6	147,888.4	145,653.4	10.0
FTE					
Permanent	845.8	855.8	954.8	921.8	7.7
Term	6.0	6.0	0.0	6.0	0.0
TOTAL FTE POSITIONS	851.8	861.8	954.8	927.8	7.7

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of children in foster care for twelve months with no more than two placements	76.6%	76.8%	80.0%	77.4%	80.0%
Outcome	Percent of children adopted within twenty-four months from entry into foster care	31.3%	31.8%	32.0%	35.4%	32.0%
Outcome	Percent of children in foster care who have at least one monthly visit with their caseworker	new	97%	95%	95%	95%
* Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	92%	92%	93%	93%	93%
Outcome	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services	88%	87%	90%	90%	87%
* Output	Turnover rate for protective service workers	new	26%	25%	21%	21%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	91.3%	88.8%	93.0%	91.7%	93.0%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	62.4%	59.4%	65.0%	64.7%	65.0%
* Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.7%	99.9%	99.7%	99.7%	99.7%
Output	Percent of children reentering foster care in less than twelve months	9.8%	11.7%	9.0%	9.2%	9.2%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	53,679.5	60,591.2	59,900.8	61,670.8	1.8
Other Transfers	29,792.5	46,938.4	47,423.5	59,423.5	26.6
Federal Revenues	60,982.0	92,575.0	92,369.4	92,369.4	-0.2
Other Revenues	779.0	750.0	0.0	0.0	-100.0
SOURCES TOTAL	145,233.0	200,854.6	199,693.7	213,463.7	6.3
USES					
Personal Services and Employee Benefits	8,985.9	8,215.7	8,414.1	8,414.1	2.4
Contractual Services	23,774.2	50,474.3	50,294.3	64,094.3	27.0
Other	111,997.3	142,164.6	140,985.3	140,955.3	-0.9
TOTAL USES	144,757.4	200,854.6	199,693.7	213,463.7	6.3
FTE					
Permanent	101.5	121.5	127.5	127.5	4.9
Term	50.0	44.0	44.0	44.0	0.0
TOTAL FTE POSITIONS	151.5	165.5	171.5	171.5	3.6

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of children receiving state subsidy in stars/aim high programs level three through five or with national accreditation	39%	41%	35%	35%	40%
* Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditations	32%	32%	30%	20%	32%
* Outcome	Percent of children in state-funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	91%	90%	92%	92%	90%
* Outcome	Percent of infants on schedule to be fully immunized by age two	new	new	new	85%	85%
* Outcome	Percent of parents who demonstrate progress in practicing positive parent-child interactions	new	new	new	20%	20%
Outcome	Percent of families at risk for domestic violence who have a safety plan in place	new	new	new	30%	30%
Outcome	Percent of mothers who initiate breastfeeding	new	new	new	75%	75%
* Outcome	Percent of licensed childcare providers participating in focus, levels three through five	new	new	new	15%	15%
* Outcome	Percent of children receiving state subsidy in focus program, levels three through five	new	new	new	10%	10%

BEHAVIORAL HEALTH SERVICES

**BUDGET SUMMARY
(dollars in thousands)**

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	12,888.9	14,168.7	14,004.7	8.7
Other Transfers	0.0	712.0	712.0	712.0	0.0
Federal Revenues	0.0	415.0	0.0	0.0	-100.0
SOURCES TOTAL	0.0	14,015.9	14,880.7	14,716.7	5.0
USES					
Personal Services and Employee Benefits	0.0	2,505.4	2,360.6	2,360.6	-5.8
Contractual Services	0.0	10,954.7	12,011.7	11,861.7	8.3
Other	0.0	555.8	508.4	494.4	-11.0
TOTAL USES	0.0	14,015.9	14,880.7	14,716.7	5.0
FTE					
Permanent	0.0	31.0	30.0	30.0	-3.2
Term	0.0	5.0	3.0	3.0	-40.0
TOTAL FTE POSITIONS	0.0	36.0	33.0	33.0	-8.3

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	new	50%	50%	50%
* Outcome	Percent of youth who show improvement in the substance disorder domain of the global assessment of individual need short screen	new	new	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	new	75%	75%

PROGRAM SUPPORT

The purpose of program support is to provide the direct services divisions with functional and administrative support so they may provide client services consistent with the department's mission and also to support the development and professionalism of employees.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	24,669.0	13,263.5	14,266.8	14,053.7	6.0
Other Transfers	839.1	71.5	71.5	71.5	0.0
Federal Revenues	6,858.7	5,546.0	5,745.2	5,745.2	3.6
SOURCES TOTAL	32,366.8	18,881.0	20,083.5	19,870.4	5.2
USES					
Personal Services and Employee Benefits	14,021.8	12,156.7	13,151.0	12,986.2	6.8
Contractual Services	12,809.4	1,929.4	1,870.9	1,870.9	-3.0
Other	5,483.6	4,794.9	5,061.6	5,013.3	4.6
TOTAL USES	32,314.8	18,881.0	20,083.5	19,870.4	5.2
FTE					
Permanent	192.0	161.0	175.0	172.0	6.8
Term	9.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	201.0	165.0	179.0	176.0	6.7

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of contractors that receive an onsite financial visit	new	new	8%	8%	8%
Outcome	Percent of contracts that receive a desktop audit	new	new	20%	20%	20%
* Efficiency	Average number of days to fill positions from the advertisement close date to candidate start date	new	new	65	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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,843.7	7,073.7	7,446.5	7,215.1	2.0
Other Transfers	92.3	120.0	120.0	120.0	0.0
Federal Revenues	12,064.9	14,958.8	15,013.9	15,013.9	0.4
Other Revenues	74.5	81.4	101.6	101.6	24.8
SOURCES TOTAL	19,075.4	22,233.9	22,682.0	22,450.6	1.0
USES					
Personal Services and Employee Benefits	6,274.4	8,118.4	9,036.1	8,804.7	8.5
Contractual Services	3,362.2	4,085.2	3,824.2	3,824.2	-6.4
Other	9,351.2	10,030.3	9,821.7	9,821.7	-2.1
TOTAL USES	18,987.8	22,233.9	22,682.0	22,450.6	1.0
FTE					
Permanent	29.0	29.0	29.0	29.0	0.0
Term	86.0	111.0	111.0	111.0	0.0
TOTAL FTE POSITIONS	115.0	140.0	140.0	140.0	0.0

AT A GLANCE:

The department's request included increases for formula adjustments for the New Mexico Youth Challenge Academy, the Employer Support of the Guard and Reserve program, and General Services Department rates. The department's request for personal services and employee benefits was 40.1 percent above FY14 actual expenditures.

The committee recommendation supports the department's request but applied a vacancy savings rate due to historically high vacancy, including FTE funded by the general fund, not expected to be filled.

BUDGET ISSUES:

The National Guard recently changed the funding formula for the New Mexico Youth Challenge Academy (NMYCA), increasing the cost per cadet from \$14 thousand to \$16 thousand for 200 cadets annually. The program is funded 75 percent from federal funds and 25 percent from the state general fund, amounting to a \$100 thousand increase in general fund support for the academy.

Rates for employee liability and property insurance increased by a total of \$376.3 thousand, but due to federal support, the department's request for these items from the general fund increased only \$262.8 thousand. Additionally, the department requested a \$10 thousand increase for employer support of the Guard and Reserve Program to educate employers of National Guard and Reserve members in rural areas of the state.

The committee supports the department's request, but due to roughly 30 vacant FTE funded through the department's request and no agency applied vacancy savings, the LFC recommendation applies \$231.4 thousand in additional savings.

In FY14, the department received an appropriation increase of \$280 thousand to increase the number of cadets graduating from NMYCA annually from 75 to 200. Since then, the department has been ramping up operations but has been struggling with high turnover rates for academy instructors, and currently has 10 vacancies in the academy.

Despite these setbacks, the academy started its most recent biannual class with 125 cadets and expects to graduate about 90. Furthermore, the department increased the number of cadets earning their high school equivalency from 45 in FY13 to 73 in FY14 and is expected to increase these numbers as operations continue to ramp up.

Performance data indicates NMYCA is successful with at-risk juveniles. Of the 60 percent of cadets who had contact with the legal system prior to attending the academy, only 2 percent had contact with the legal system afterward. The state's cost per participant is \$4,000 for a 22-week academy. In comparison, a 22-week stay at the Children, Youth and Family Department's Youth Diagnostic Development Center (YDDC) costs the state almost \$70 thousand. Diverting teens before they get to a juvenile justice facility could slow the growth of facility populations and reduce the need to build new juvenile detention facilities.

NATIONAL GUARD SUPPORT

The purpose of the national guard support program is to provide administrative, fiscal, personnel, facility construction and maintenance support to the New Mexico national guard in maintaining a high degree of readiness to respond to state and federal missions and to supply an experienced force to protect the public, provide direction for youth and improve the quality of life for New Mexicans.

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Outcome	Rate of attrition of the New Mexico army national guard	14%	8%	14%	14%	14%
Outcome	Percent of strength of the New Mexico national guard	97%	93%	97%	97%	97%
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	45	73	110	100	105
Output	The number of square feet of armory or readiness centers that are assessed as having major deficiencies on the infrastructure status report.	New	New	91,000	91,000	91,000
Outcome	Percent of cadets successfully graduating from the youth challenge academy	100%	79%	97%	94%	94%

STATUTORY AUTHORITY:

The Parole Board Act (Section 31-21-22 NMSA 1978) created the 15-member Parole Board and administratively attached it to the Corrections Department. Even though the Parole Board is administratively attached to the Corrections Department, it functions as an independent state agency responsible for paroling adults incarcerated by the Corrections Department. The Probation and Parole Act (Section 31-21-3 through 31-21-19 NMSA 1978) further outlines the responsibilities of the Parole Board.

MISSION:

The Parole Board grants, denies, or revokes parole, conducts investigations, summons witnesses, and adopts rules and regulations for the effective discharge of board duties. The Parole Board also provides recommendations to the governor on applications for executive clemency.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	495.3	493.5	490.6	490.6	-0.6
SOURCES TOTAL	495.3	493.5	490.6	490.6	-0.6
USES					
Personal Services and Employee Benefits	325.1	351.7	340.9	340.9	-3.1
Contractual Services	7.7	7.7	7.8	7.8	1.3
Other	113.7	134.1	141.9	141.9	5.8
TOTAL USES	446.5	493.5	490.6	490.6	-0.6
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 all over the state conducting hearings. In addition, there are 6 FTE, including an appointed director, charged with ensuring parole hearings run smoothly. In FY14, the Adult Parole Board conducted a total of 3,722 parole hearings, a 5.8 percent increase over FY13.

For the second year in a row, the board requested a slight decrease from the prior year's operating budget and does not have any vacancies. The committee recommendation is in line with the board's request.

ADULT PAROLE

The purpose of the adult parole program is to provide and establish parole conditions and guidelines for inmates and parolees so they may reintegrate back into the community as law-abiding citizens.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	34	41	34	34	34
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	95.8%	94%	95%	95%	95%
Outcome	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1 update	1 update	1 update	1 update	1 update
Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	92.3%	98.7%	95%	95%	95%

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)						
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
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	4.5	5.0	4.9	4.9	-2.0	
Other	10.0	10.0	10.1	10.1	1.0	
TOTAL USES	14.5	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 is flat compared with FY15 appropriations. The board asked to move \$100 from the contractual services category to the other category to adjust for the published rate for audit costs in FY16. The board may have up to seven members at any time but currently only has two and has never had more than four.

The committee recommends the budget as requested.

JUVENILE PUBLIC SAFETY ADVISORY BOARD

The purpose of the juvenile public safety advisory board is to monitor each youth's rehabilitative process through therapy and support services to assure a low risk for reoffending or re-victimizing the community.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of clients reviewed at forty days	100%	81%	98%	98%	90%
Outcome	Percent of clients successfully completing term of supervised release	92%	93%	92%	55%	93%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	270,283.4	279,465.1	296,042.0	291,633.9	4.4
Other Transfers	488.6	482.9	489.2	489.2	1.3
Federal Revenues	476.1	171.2	0.0	0.0	-100.0
Other Revenues	23,846.9	19,451.8	27,764.9	27,764.9	42.7
Fund Balance	4,641.7	1,601.0	612.7	612.7	-61.7
SOURCES TOTAL	299,736.7	301,172.0	324,908.8	320,500.7	6.4
USES					
Personal Services and Employee Benefits	131,123.3	138,041.3	138,643.7	138,053.7	0.0
Contractual Services	44,243.8	45,441.4	47,695.4	46,925.1	3.3
Other	123,198.0	117,689.3	138,569.7	135,521.9	15.2
TOTAL USES	298,565.1	301,172.0	324,908.8	320,500.7	6.4
FTE					
Permanent	2,412.0	2,412.0	2,412.0	2,362.0	-2.1
Term	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	2,447.0	2,447.0	2,447.0	2,397.0	-2.0

AT A GLANCE:

In FY14, the New Mexico Corrections Department overspent its budget and is requesting appropriations for FY14, FY15, and FY16 to shore up the base. Requested FY16 appropriations would amount to an 7.8 percent increase over the department's FY15 operating budget. With nearly 10 percent of public prison beds empty, the department has significant budget flexibility and a range of policy options to control prison costs. The department also requested increases to expand the Office of Security Threat Management, expand recidivism reduction initiatives in prison, increase the inmate medical care contract, expand the Corrections Industries Program to provide inmate food services, and increase Behavioral Health Collaborative administrative fees.

The LFC recommendation assumes lower men's prison growth than in the request and uses monthly inmate population projections to estimate funding levels. Additionally, LFC applied modest vacancy savings, grew the Office of Security Threat Management, funded job training and education for inmates in prison, and funded transitional living services.

BUDGET ISSUES:

Inmate Population. Since the 1980s, New Mexico's inmate population has trended upwards with inmate populations multiplying nearly six times over 35 years. More recently, between 2002 and 2014 the total inmate population increased by nearly 20 percent. Unless something changes, the population is expected to increase by 13 percent over the next 10 years. Even with this growth, the department has nearly 10 percent excess capacity in men's publicly operated facilities and additional capacity in private prisons, which should allow the department sufficient flexibility to manage inmate populations and avoid cost overruns.

With the women's inmate population at over 95 percent of capacity and expected to reach full capacity by the end of FY16, the department issued a request for proposals to increase capacity for women. The women's inmate population outpaced forecasts by up to 5 percent in FY14 and by November had outpaced projections for FY15. The larger than expected increases are due to lengths of stay increasing for women, an increased number of women serving time for drug trafficking, and increased rates of recidivism.

Prison Cost Overruns. With \$7.8 million transferred between programs and categories within the department, and another \$937.1 thousand requested to close the gap in FY14, the total cost of prison budget overruns in FY14 was about \$8.1 million. The New Mexico Corrections Department (NMCD) ended FY14 with an operating budget shortfall and requested two deficiency appropriations to clear the department's books. The first deficiency request, for \$4.8 million would cover the remaining cost of the union lawsuit settlement. The other, for \$937.1 thousand, would cover a shortfall due to a larger number of inmates than originally budgeted.

To bridge the gap between the FY14 shortfall and a projected FY15 shortfall, the department requested a \$7 million FY15 supplemental appropriation. The department has a range of options for managing inmate populations and controlling costs, including using the excess capacity to reduce private prison costs, revisiting the department's 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, and ensuring inmates stay out of prison once released by increasing community-based resources for parolees.

Requested Budget. The majority of the department's requested \$21.9 million increase stemmed from the department's \$8.1 million FY14 shortfall and the department's subsequent efforts to shore up the base with an FY15 \$7 million supplemental appropriation request and an FY16 \$9.9 million base increase for prison population growth. Another requested increase for \$7.8 million in enterprise revenues, generated by the Corrections Industries Program, would allow the department to end its outside contract with food vendors and allow the department to provide food services in-house. Other requested increases included \$1.2 million to expand the office of security threat management, \$1 million to expand recidivism reduction initiatives in prison, \$1.6 million for the inmate medical care contract, \$824.9 thousand for behavioral health collaborative administrative fees, and increases for several other miscellaneous items.

To project prison costs in FY16, the department referenced the New Mexico Sentencing Commission's (NMSC) annual *Prison Population Forecast* and calculated an annual cost for each prison. More accurately, LFC's recommendation used NMSC's month-to-month projections and calculated a monthly cost per prison. The committee recommended \$820.7 thousand less than the department requested for private prison population increases. The total LFC recommendation for private prisons is \$83.4 million, a 9.3 percent increase over the FY15 operating budget, taking into account reductions in the number of release eligible inmates and subsequent reductions in the inmate population.

Following the FY14 experience, with \$4 million transferred from the personal services and employee benefits category, \$1 million transferred from Program Support, and \$1 million transferred from the Community Offender Management program – all to support private prison growth – LFC recommends creating a new Private Prisons Program. The new Private Prison Program will better ensure expenditures are consistent with legislative expectations, increase transparency of private prison costs, and allow the Legislature to monitor performance.

The department's request included an additional \$1.6 million for the medical care contract, a 3.7 percent increase. The contract with the medical care provider, Corizon Inc., includes an upward 0.75 percent adjustment in compensation for each of four performance benchmarks met, amounting to 3 percent total. The performance benchmarks Corizon must meet to receive upward compensation adjustments include maintaining staffing levels at 90 percent, achieving American Correctional Association accreditation, and maintaining therapeutic levels for patients with diabetes or liver diseases. LFC recommends \$44.5 million for the inmate medical care contract, a 2 percent increase. LFC also recommends the department consider renegotiating the contract, adding better performance measures, to ensure high-quality contractor performance. To ensure high quality medical care, a 2007 LFC evaluation of the department recommended the department also include downward adjustments in the contract for performance benchmarks not met, which the committee continues to support.

In FY14, the department used budget adjustment authority to increase the Corrections Industries (CI) budget by \$2 million, using enterprise funds, and so far in FY15 increased the budget by \$4 million for a new program where CI will begin providing all meals to inmates and no longer contract with an outside vendor for food services. Subsequently, the department's request for CI increased \$8.8 million from enterprise revenue, or 293 percent over the FY15 operating budget. By FY16 the department is expecting to be able to provide all food services to all inmates in the publicly operated facilities. The department is expecting the food services program to break even and provide inmates with work skills proven to reduce recidivism.

The department also requested \$824.9 thousand in administrative fees related to the behavioral health purchasing collaborative and the statewide contract. LFC recommends the department study whether dropping out of the collaborative and purchasing these services independently would be cost-effective.

Additionally, the department requested a \$300.1 thousand increase for Department of Information Technology telecom services. The department did not justify the requested increase and LFC did not recommend it. The LFC recommendation applied modest vacancy savings and, with more than 200 unfunded vacancies, LFC reduced the number of FTE in Inmate Management and Control by 50. Additionally, the department requested an \$822.4 thousand increase for equipment supplies and uniforms. LFC recommended less growth for these items.

Inmate Management Options. To better manage inmate populations the department should consider revisiting controlled release policies. NMSC recently published its annual report, *Estimated Number of Offenders in New Mexico Corrections Department Facilities in October Eligible for Controlled Release*. Section 33-93-5 (B) NMSA 1978 grants NMCD authority to use money from the community corrections grant fund to place criminal offenders within 12 months of eligibility for parole in community-based settings, provided that the criminal offender has never been convicted of a felony offense involving the use of a firearm. According to the NMSC report, 363 inmates – 90 women and 273 men – are eligible for controlled release.

A portion of the inmates eligible for controlled release, including nonviolent women, could be released into less expensive community-based settings. The department is working to implement an evidence-based risk-needs assessment tool and could use the tool to identify risks associated with releasing inmates within one year of eligibility for parole and placing them in community based settings. LFC recommends the department revisit controlled-release policies and evaluate whether the pressure to build an additional women's facility could safely be alleviated, while reducing recidivism, given new tools to assess risk and meet specific parolee needs.

To further contain inmate growth, the department should evaluate reducing the number of security classifications from the current six levels to three or four – as federal prisons and many other states do – allowing existing facilities to be used for a wider variety of inmates. With a minimum, medium, and maximum-custody regime, the department might be able to reduce costs. Additionally, the department should re-evaluate inmate classifications to ensure inmates housed in level three private prisons are not over-classified and move them to level two facilities if warranted.

Transitional Living. In FY14, roughly 290 inmates at any given time were eligible for release but were spending their parole sentences in prison. These release-eligible inmates (REI) cost the state an estimated \$10.3 million in FY14. The leading causes for REIs are 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.

Since late FY14, the department reduced the number of REIs by approximately 100 by reducing administrative errors in the parole process. Roughly 180 inmates remain eligible for release, but a large portion of them lack a community placement option. To further reduce remaining REIs, the department requested \$2 million through a special appropriation for startup funding to expand community-based services for parolees. This startup funding would allow the department to decrease the number of REIs further by providing community placement in accordance with parole conditions set by the Adult Parole Board.

The requested amount includes nonrecurring renovation costs and would allow for a pilot for a transitional living program consisting of 19 beds for women with the potential for expansion up to 90 women in the future. The appropriation would also allow the department to fill 78 transitional beds, currently empty, at the Men's Recovery Academy in Los Lunas.

Over time, transitional living programs will allow the department to reduce recidivism by providing a structured environment for parolees transitioning into the community. With 97 percent of inmates expected to be released at some point in the future and rates of recidivism approaching 50 percent, this recidivism-reducing transitional living program will have considerable budgetary impacts in the future.

With transitional living, the department should reduce the number of REIs by about 100 and reduce prison costs by at least \$1.9 million. In the base, LFC recommends \$500 thousand for transitional living services for women in the community.

BASE EXPANSION:

The department requested \$1.2 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 \$6.1 thousand to \$923.6 thousand. LFC recommends \$4.8 million in total for OSTM, a \$983.2 thousand, or a 25.8 percent increase.

The department also requested an expansion for recidivism reduction initiatives in the Inmate Management and Control Program. In the 2014 General Appropriations Act, the department received an appropriation for \$1.5 million to expand education services in prison but did not implement the language. Education in prison and vocational education, at a relatively low cost per participant, have been proven to reduce recidivism by 11 percent and 12 percent, respectively. A June 2012 LFC evaluation of the department found that reducing recidivism by 10 percent could save \$8.3 million in prison costs and that victimization costs could be reduced by as much as \$40 million. LFC recommends \$1.3 million to expand education in prison and vocational education in prison.

RECOMMENDED LANGUAGE:

The general fund appropriations to the inmate management and control program of the corrections department include an additional one million three hundred eleven thousand dollars (\$1,311,000) to expand education services and vocational education services for inmates in prison.

The general fund appropriation to the community offender management program of the corrections department include an additional five hundred thousand dollars (\$500,000) to expand community based transitional living services for women.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Office of Security Threat Management	(P531)	1,283.2	983.2
2	<u>Recidivism Reduction</u>	<u>(P531)</u>	<u>1,000.0</u>	<u>1,311.0</u>
TOTAL			2,283.2	2,294.2

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	146,466.5	159,377.3	164,247.3	162,687.0	2.1
Other Transfers	244.9	233.1	233.1	233.1	0.0
Federal Revenues	471.2	171.2	0.0	0.0	-100.0
Other Revenues	16,138.2	13,630.9	13,399.1	13,399.1	-1.7
Fund Balance	739.5	0.0	0.0	0.0	
SOURCES TOTAL	164,060.3	173,412.5	177,879.5	176,319.2	1.7
USES					
Personal Services and Employee Benefits	100,636.5	105,975.4	106,577.8	106,287.8	0.3
Contractual Services	43,340.3	44,293.9	45,869.4	45,099.1	1.8
Other	23,831.6	23,143.2	25,432.3	24,932.3	7.7
TOTAL USES	167,808.4	173,412.5	177,879.5	176,319.2	1.7
FTE					
Permanent	1,838.0	1,852.0	1,854.0	1,804.0	-2.6
Term	32.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	1,870.0	1,885.0	1,887.0	1,837.0	-2.5

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Outcome	Percent of prisoners reincarcerated within thirty-six months due to technical parole violations	21%	21%	20%	20%	20%
* Output	Percent of eligible inmates who earn a general equivalency diploma	76%	54%	95%	70%	95%
Output	Percent of participating inmates who have completed adult basic education	34%	33%	50%	50%	50%
* Outcome	Percent of prisoners reincarcerated within thirty-six months due to new charges or pending charges	24%	25%	20%	20%	20%
* Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	new	9%	35%	35%	15%
* Output	Number of inmate-on-inmate assaults with serious injury	16	9	15	15	10
* Output	Number of inmate-on-staff assaults with serious injury	5	5	4	4	4
Output	Number of escapes from a publicly run corrections department facility	0	0	0	0	0
Output	Number of escapes from a secure, privately operated corrections department facility	0	0	0	0	0
* Outcome	Percent of standard healthcare requirements met by medical contract vendor	100%	87%	100%	100%	100%
Output	Percent of inmate grievances resolved informally	56%	58%	85%	85%	85%
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release of the previous sex offense conviction	new	new	new	15%	15%
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	new	<1.5%	<1.5%
Outcome	Percent of release-eligible female inmates still incarcerated past their scheduled release date	new	new	new	10%	10%
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	new	new	new	75%	75%
* Outcome	Percent of inmates pre-enrolled in Medicaid at the time of release	new	new	new	65%	95%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	150.0	0.0	0.0	0.0	
Other Revenues	4,600.1	3,016.5	11,866.0	11,866.0	293.4
Fund Balance	2,589.5	988.3	0.0	0.0	-100.0
SOURCES TOTAL	7,339.6	4,004.8	11,866.0	11,866.0	196.3
USES					
Personal Services and Employee Benefits	1,004.4	1,573.7	1,573.7	1,573.7	0.0
Contractual Services	75.3	25.4	735.9	735.9	2,797.2
Other	3,374.7	2,405.7	9,556.4	9,556.4	297.2
TOTAL USES	4,454.4	4,004.8	11,866.0	11,866.0	196.3
FTE					
Permanent	27.0	27.0	30.0	30.0	11.1
Term	3.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	30.0	29.0	32.0	32.0	10.3

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of inmates receiving vocational or educational training assigned to corrections industries	new	6%	>20%	>20%	>20%
Outcome	Percent of inmate hours lost due to security issues	new	5%	<10%	<10%	<10%

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	30,268.0	30,556.8	31,943.0	32,142.9	5.2
Federal Revenues	4.9	0.0	0.0	0.0	
Other Revenues	2,713.1	2,037.8	2,037.8	2,037.8	0.0
Fund Balance	1,312.7	612.7	612.7	612.7	0.0
SOURCES TOTAL	34,298.7	33,207.3	34,593.5	34,793.4	4.8
USES					
Personal Services and Employee Benefits	19,707.3	19,904.4	19,904.4	19,904.4	0.0
Contractual Services	113.8	59.2	158.0	158.0	166.9
Other	13,578.1	13,243.7	14,531.1	14,731.0	11.2
TOTAL USES	33,399.2	33,207.3	34,593.5	34,793.4	4.8
FTE					
Permanent	392.0	376.0	376.0	376.0	0.0
TOTAL FTE POSITIONS	392.0	376.0	376.0	376.0	0.0

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	92%	83%	92%	90%	90%
* Quality	Average standard caseload per probation and parole officer	108	105	90	95	95
Output	Average community corrections program caseload per probation and parole officer	32	35	28	32	32
Output	Percent of absconders apprehended	13%	12%	26%	26%	26%
Output	Number of offenders on the waiting list for intensive or high-risk supervision	new	65	<50	<50	<50
* Output	Percent of male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	new	new	new	25%	25%
Output	Percent of female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	new	new	new	25%	25%

PRIVATE PRISONS

The purpose of the private prison program is to augment New Mexico's publicly-run prison system with correctional services in a private-prison setting.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	79,873.5	76,316.4	86,224.3	83,476.6	9.4
SOURCES TOTAL	79,873.5	76,316.4	86,224.3	83,476.6	9.4
USES					
Other	79,873.5	76,316.4	86,224.3	83,476.6	9.4
TOTAL USES	79,873.5	76,316.4	86,224.3	83,476.6	9.4
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PROGRAM SUPPORT

The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,525.4	13,214.6	13,627.4	13,327.4	0.9
Other Transfers	243.7	249.8	256.1	256.1	2.5
Other Revenues	395.5	766.6	462.0	462.0	-39.7
SOURCES TOTAL	14,164.6	14,231.0	14,345.5	14,045.5	-1.3
USES					
Personal Services and Employee Benefits	9,775.1	10,587.8	10,587.8	10,287.8	-2.8
Contractual Services	714.4	1,062.9	932.1	932.1	-12.3
Other	2,540.1	2,580.3	2,825.6	2,825.6	9.5
TOTAL USES	13,029.6	14,231.0	14,345.5	14,045.5	-1.3
FTE					
Permanent	155.0	157.0	152.0	152.0	-3.2
TOTAL FTE POSITIONS	155.0	157.0	152.0	152.0	-3.2

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent turnover of probation and parole officers	15%	14%	10%	10%	10%
* Outcome	Percent turnover of correctional officers in public facilities	13%	10%	10%	10%	10%
Output	Graduation rate of correctional officer cadets from the corrections department training academy	81%	86.6%	90%	85%	90%
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	new	75%	75%	75%

STATUTORY AUTHORITY:

The Crime Victims Reparation Commission was created by Section 31-22-4 NMSA 1978 to protect the citizens of New Mexico from the impact of crime and to promote a stronger criminal justice system through the encouragement of all citizens to cooperate with law enforcement efforts. Eligibility for reparation awards, limits on the award per victim, and required deductions for payments received from collateral sources are specified in the law. The commission board is made up of five gubernatorial appointees.

MISSION:

The mission of the Crime Victims Reparation Commission is to assist victims of violent crime by providing reimbursement for certain eligible expenses related to the crime and by making distributions of federal grants for victims' assistance in accordance with federal guidelines.

BUDGET SUMMARY (dollars in thousands)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,844.3	1,879.9	2,771.2	2,398.4	27.6
Federal Revenues	5,210.7	5,275.9	5,297.0	5,297.0	0.4
Other Revenues	490.1	499.5	456.0	490.0	-1.9
Fund Balance	97.2	80.0	80.0	97.2	21.5
SOURCES TOTAL	7,642.3	7,735.3	8,604.2	8,282.6	7.1
USES					
Personal Services and Employee Benefits	1,015.2	1,216.0	1,287.2	1,287.2	5.9
Contractual Services	240.3	241.8	239.8	239.8	-0.8
Other	5,781.2	5,623.8	7,077.2	6,755.6	20.1
Other Financing Uses	603.5	653.7	0.0	0.0	-100.0
TOTAL USES	7,640.2	7,735.3	8,604.2	8,282.6	7.1
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	20.0	20.0	20.0	20.0	0.0

AT A GLANCE:

A provision in the Affordable Care Act requires the Crime Victims Reparations Commission to pay more Native American reparations than before, resulting in higher expenditure requirements. Subsequently, the commission reduced victim payments to providers from 75 percent to 65 percent and the commission will request a supplemental appropriation for FY15 to bring provider payments back to the 75 percent level.

The committee recommendation brings amounts allocated from the general fund to just above pre-recession levels.

BUDGET ISSUES:

In addition to Affordable Care Act changes, LFC analysis indicates expenses paid for items like mental health, hospital stays, and ambulance rides increased from \$1.7 million in FY13 to \$2.2 million in FY14, a 24.1 percent increase. Elevated expenses are expected to continue through FY15 and FY16. The committee recommendation increases allocations for victim expenses by \$420.1 thousand and increases the allocation for expenses related to changes in federal IHS regulations by \$149.6 thousand.

With no staff vacancies, the recommendation increases allocations to the personal services and employee benefits category by \$67.7 thousand. Because actual fund balances and revenue from the New Mexico Corrections Department in FY14 were higher than appropriated – the committee recommendation increased the use of fund balance from the FY15 operating level. In FY14, the victim advocate position was vacant for much of the year, explaining poor performance.

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	1,844.3	1,879.9	2,771.2	2,398.4	27.6
Other Revenues	490.1	499.5	456.0	490.0	-1.9
Fund Balance	97.2	80.0	80.0	97.2	21.5
SOURCES TOTAL	2,431.6	2,459.4	3,307.2	2,985.6	21.4
USES					
Personal Services and Employee Benefits	832.2	960.8	1,028.5	1,028.5	7.0
Contractual Services	212.3	213.8	214.8	214.8	0.5
Other	1,385.0	1,284.8	2,063.9	1,742.3	35.6
TOTAL USES	2,429.5	2,459.4	3,307.2	2,985.6	21.4
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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of formal trainings conducted annually	8	9	8	8	8
Output	Number of formal internal staff trainings conducted annually	3	6	6	6	6
Outcome	Percent increase in number of reparation applications received	-6%	2%	2%	2%	2%
* Efficiency	Average number of days to process applications	102	99	<105	<105	<102
Efficiency	Percent of payment vouchers for care and support sent to the department of finance and administration within two working days of the receipt of payment list	90%	90%	90%	90%	90%
* Outcome	Percent of victims receiving direct advocacy	85%	85%	90%	90%	90%
Output	Number of victims receiving direct advocacy	1,361	252	1,600	300	300
Outcome	Percent of payment for care and support paid to providers			New	65%	65%
Outcome	Percent of payment for care and support paid to individual victims			New	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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	5,210.7	5,275.9	5,297.0	5,297.0	0.4
SOURCES TOTAL	5,210.7	5,275.9	5,297.0	5,297.0	0.4
USES					
Personal Services and Employee Benefits	183.0	255.2	258.7	258.7	1.4
Contractual Services	28.0	28.0	25.0	25.0	-10.7
Other	4,396.2	4,339.0	5,013.3	5,013.3	15.5
Other Financing Uses	603.5	653.7	0.0	0.0	-100.0
TOTAL USES	5,210.7	5,275.9	5,297.0	5,297.0	0.4
FTE					
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Efficiency	Percent of sub-grantees that receive compliance monitoring via desk audits	85%	85%	85%	85%	85%
Output	Number of training workshops conducted for sub-grantees	10	15	10	12	12
* Efficiency	Percent of site visits conducted	26%	30%	30%	30%	50%
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 sub-grantees sent to department of finance and administration within two working days of the receipt of payment list			90%	90%	90%
* Outcome	Percent of monitored sub-grantees in compliance with grants rules to provide effective services to victims of crime			New	85%	85%

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of the DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the New Mexico State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to DPS. Laws 2007, Chapter 291, removed the Emergency Management and Homeland Security Support Program and created the Homeland Security and Emergency Management Department.

MISSION:

The mission of the Department of Public Safety is to provide the best and most efficient law enforcement, support, and emergency services available to protect and secure the people of New Mexico in their lives, homes, and communities. DPS's areas of focus are drunken driving, drug crime, violent crime, and traffic safety.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	97,395.5	109,113.8	119,512.3	114,358.5	4.8
Other Transfers	12,506.8	8,179.3	12,442.1	12,442.1	52.1
Federal Revenues	6,198.9	11,592.4	11,431.6	11,431.6	-1.4
Other Revenues	6,808.4	13,517.6	8,948.5	8,948.5	-33.8
Fund Balance	515.4	1,640.0	2,280.0	2,280.0	39.0
SOURCES TOTAL	123,425.0	144,043.1	154,614.5	149,460.7	3.8
USES					
Personal Services and Employee Benefits	82,594.5	94,647.5	103,643.1	99,749.3	5.4
Contractual Services	4,506.0	6,334.4	5,981.1	5,980.8	-5.6
Other	29,657.9	36,256.2	38,080.3	36,820.6	1.6
Other Financing Uses	2,083.9	6,805.0	6,910.0	6,910.0	1.5
TOTAL USES	118,842.3	144,043.1	154,614.5	149,460.7	3.8
FTE					
Permanent	1,126.5	1,126.5	1,123.5	1,141.5	1.3
Term	107.0	107.0	106.0	107.0	0.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	1,257.7	1,257.7	1,253.7	1,272.7	1.2

AT A GLANCE:

The department has been struggling with hiring due to uncompetitive pay. To implement phase two of the \$10.8 million officer pay plan overhaul the committee recommends a 5 percent average salary increase for officers, bringing the total amount allocated for salary increases between FY15 and FY16 to \$6.3 million. The committee recommends reevaluating next year whether phase three will be required for the remaining \$4.5 million.

In addition to the pay plan, the department requested large increases for personal services and employee benefits assuming large manpower increases across the department. Due to differing manpower growth rate and vacancy savings assumptions, LFC projects less growth and a smaller increase.

BUDGET ISSUES:

In September 2013, LFC published a program evaluation on the Motor Transportation Division (MTD) pointing out that most other states do not completely separate Motor Transportation police and State Police as New Mexico does. Responding to this, the department requested to consolidate MTD and the Law Enforcement Program. LFC does not recommend the consolidation as requested but continuing to ensure MTD maintains a clear focus on the division's commercial motor vehicle mission. In the 2014 legislative session, a bill to consolidate MTD and the State Police failed to pass and the committee recommends the department ensure similar legislation is introduced again before consolidating the two programs.

The department has been unable to recruit and retain law enforcement officers due to an uncompetitive pay structure. During the 2013 interim, the department presented a \$10.8 million plan to overhaul the law enforcement officer salary structure by moving Motor Transportation Division (MTD) officers to the revised state police pay plan and moving officers into their proper step placement based on years of service over a period of three years. In FY15, in addition to the 3 percent salary increase for all state employees, the department received a \$3 million appropriation to increase officer pay and to bring pay equity between Motor Transportation Division officers and State Police officers, representing the first phase of the salary structure overhaul. This first phase moved the State Police from ranking 11th and Motor Transportation Police from ranking 12th to both ranking 10th in the New Mexico law enforcement personnel market.

To date, there is no sign the FY15 salary increases bolstered State Police ranks; for example, the number of State Police patrolmen and sergeants available for patrol has decreased 10 percent since September 2012. The staffing studies conducted by the New Mexico Sentencing Commission in 2012 and earlier this year suggested 439 State Police officers are required to patrol New Mexico's highways and interstate miles and 243 MTD officers are required to ensure the safety of New Mexico's commercial transportation. With 340 State Police officers on patrol and 119 MTD officers overseeing commercial traffic, there continue to be significant gaps in New Mexico's public safety staffing.

To implement phase two of the salary overhaul, the committee recommends \$3.3 million for a 5 percent salary increase. Phase two should allow the department to begin attracting experienced officers through lateral transfers and more highly qualified recruits. Upon implementation, the state should reevaluate officer salaries to see if implementing phase three, or the remaining \$4.5 million of the total \$10.8 million pay plan, is warranted.

In FY14 the department transferred almost \$3 million from the personnel services and employee benefits category and purchased a variety of items, including patrol vehicles, field laptops, building repairs, site security, ammunition, and software. For FY16 the department requested \$20 million, or a 24 percent increase, in personal services and employee benefits over FY14 expenditure levels. The department's request would fund 151 vacant FTE in addition to a request of \$4 million for the phase two salary increase. The committee recommendation applies a total \$3.2 million, or a 4.7 percent vacancy savings rate.

Additionally, during FY14 the department conducted two recruit schools with a total of 53 graduates. For FY15, the department claims they do not have enough funding for a second recruit school and, through FY15 supplemental appropriation requests, is proposing an expanded recruit school and a lateral officer school with 30 and 25 graduates respectively.

In addition, the department requested a total of \$4.8 million for new recruit salaries including \$1.7 million for officer salaries graduating from the additional FY16 recruit school, \$2.1 million for officer salaries graduating from the lateral recruit class in FY15, and \$1 million for officer salaries graduating from the proposed expanded recruit class in FY15.

LFC analysis indicates there will be little to no increase in manpower in FY16. The State Police Academy regularly starts classes with 40-55 recruits, but due to attrition and the demanding police academy environment many do not graduate; for example, the recruit class that ended in December 2013 started with 54 cadets and graduated only 29. The proposed expanded class would start with six more cadets and it is uncertain how many would actually graduate. Due to the low graduation rate and normal officer attrition rates, LFC analysis projects little if any increase in manpower; therefore, the committee recommended \$1.9 million for new recruit salaries and the additional recruit school in FY16 and \$1 million for officer salaries graduating from the lateral officer school. The committee also recommends the department reevaluate the amount of turnover and the number of recruits graduating from the academy and submit a supplemental request during the 2016 legislative session if warranted.

In addition, the department requested \$1.8 million for a second recruit school in FY16. The department should be able to accommodate additional recruits in FY16 with allocations already in the base. The committee also recommends the department use vacancy savings in FY16 if increases in manpower actually occur given uncertain rates of turnover.

The department requested and the committee recommends \$843 thousand for dispatch and communications center staff. Recently the number of emergency 911 calls never answered because dispatchers were too busy, has increased to unacceptable rates. For example, over the last 18 months the Las Cruces communications center's call abandonment rate ranged from 6 percent to as high as 16 percent each month. The Las Vegas abandonment rate has been as high as 25 percent, and Espanola's dispatch workload increased almost 60 percent since FY12.

The department requested and the committee recommends \$150 thousand to provide one additional basic police officer training class and one additional public safety telecommunicator class annually. These classes are offered to local law enforcement agencies and the appropriation supports relatively small local governments.

Due to high vacancies among forensic scientist positions, the Statewide Law Enforcement Support program has been struggling with large forensic science case backlogs. For example, since FY07 forensic science caseloads have increased 73 percent and case backlogs have increased 318 percent. The department requested and the committee recommends \$423.8 thousand to reduce vacancies among forensic scientists and reduce backlogs.

The department's request also included miscellaneous increases for fuel, maintenance services, and field supplies. The committee recommends less growth for these and other miscellaneous items.

In addition, a 2013 LFC evaluation and a New Mexico Sentencing Commission report revealed a significant compliance problem and large amounts of forgone revenue from the weight-distance tax and oversize overweight permits. 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, such as DOT using a \$1 million federal grant to increase the number of fee collectors at Motor Transportation Division ports of entry. LFC also recommends the department consider increasing the compliance penalty to ensure compliance.

RECOMMENDED LANGUAGE:

The general fund appropriation to the law enforcement program of the department of public safety in the personal services and employee benefits category includes sufficient funding to give all department of public safety officers a five percent salary increase.

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)				
	FY14	FY15	FY16 - 2015-2016		Percent Incr (Decr)
	2013-2014 <u>Actuals</u>	2014-2015 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	73,757.3	78,626.0	102,516.7	79,726.3	1.4
Other Transfers	3,941.8	4,805.0	8,706.9	6,314.2	31.4
Federal Revenues	1,221.1	2,169.3	6,768.4	1,604.9	-26.0
Other Revenues	4,543.0	9,013.9	4,253.5	4,053.5	-55.0
Fund Balance	449.5	790.0	1,250.0	1,250.0	58.2
SOURCES TOTAL	83,912.7	95,404.2	123,495.5	92,948.9	-2.6
USES					
Personal Services and Employee Benefits	56,900.4	64,397.9	88,464.9	66,273.8	2.9
Contractual Services	1,125.8	2,617.6	3,216.9	1,041.5	-60.2
Other	19,829.1	23,583.7	28,528.7	22,348.6	-5.2
Other Financing Uses	1,939.9	4,805.0	3,285.0	3,285.0	-31.6
TOTAL USES	79,795.2	95,404.2	123,495.5	92,948.9	-2.6
FTE					
Permanent	774.0	773.0	985.5	768.0	-0.6
Term	4.0	4.0	58.0	3.0	-25.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	802.2	801.2	1,067.7	795.2	-0.7

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Output	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties	95	360	150	150	350
* Output	Number of traffic-related enforcement projects held	1,209	1,692	1,250	1,500	1,700
* Output	Number of driving-while-intoxicated checkpoints and saturation patrols conducted	1,117	915	1,175	1,175	1,175
Output	Number of driving-while-intoxicated arrests per patrol officer	7	8	12	9	9
Output	Number of minor compliance and underage enforcement operations conducted annually per agent assigned to alcohol enforcement duties	new	new	new	24	24
* Output	Number of criminal investigations conducted by agents assigned to criminal investigative and impact positions in the investigations bureau.	new	new	new	15	15
* Output	Number of drug-related investigations conducted per agent assigned to narcotics investigative positions in the investigations bureau	new	new	new	12	12
Output	Number of enforcement operations for sales to intoxicated persons	new	new	new	50	50
Output	Number of tobacco outlets visited during tobacco sales enforcement operations	new	new	new	500	500
Output	Number of alcohol-source investigations conducted statewide	new	new	new	12	12
Output	Number of community-based alcohol awareness meetings attended	new	new	new	50	50
Output	Number of technical support requests provided by commissioned and civilian personnel assigned to computer forensic and investigative positions in the investigations bureau	new	new	new	24	24
Output	Number of crime scenes investigated or processed statewide	new	new	new	150	150
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	new	90%	90%
Output	Number of educational interactions with liquor licensees	new	new	40	200	200
* Outcome	Number of data-driven crime and traffic initiatives conducted	new	new	500	750	750

MOTOR TRANSPORTATION

The purpose of the motor transportation program is to provide the highest quality of commercial motor vehicle enforcement services to the public and ensure a safer state.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	10,473.7	16,947.8	0.0	17,854.4	5.3
Other Transfers	8,225.6	1,265.9	0.0	2,392.7	89.0
Federal Revenues	2,840.1	5,029.5	0.0	5,163.5	2.7
Other Revenues	51.7	1,379.5	0.0	200.0	-85.5
SOURCES TOTAL	21,591.1	24,622.7	0.0	25,610.6	4.0
USES					
Personal Services and Employee Benefits	14,705.7	17,619.7	0.0	18,515.1	5.1
Contractual Services	2,117.3	2,244.2	0.0	2,175.1	-3.1
Other	4,628.7	4,758.8	0.0	4,920.4	3.4
TOTAL USES	21,451.7	24,622.7	0.0	25,610.6	4.0
FTE					
Permanent	217.5	217.5	0.0	217.5	0.0
Term	55.0	55.0	0.0	55.0	0.0
TOTAL FTE POSITIONS	272.5	272.5	0.0	272.5	0.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Output	Number of motor carrier safety trainings completed	51	43	50	48	48
Output	Number of driving-while-intoxicated arrests per motor transportation division patrol officer	new	0.6	2.0	0.1	0.7
* Output	Number of commercial motor vehicle citations issued per filled full time equivalent assigned to enforcement duties.	new	new	new	522	522
* Output	Number of commercial motor vehicle safety inspections conducted per filled full-time-equivalent position assigned to inspection duties	new	new	new	397	397
* Output	Number of noncommercial motor vehicle citations issued per filled full-time-equivalent position assigned to enforcement duties	new	new	new	175	175
* Output	Number of out-of-service commercial motor vehicle citations issued per filled full-time-equivalent position assigned to enforcement duties	new	new	new	100	100

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,405.8	8,776.5	11,987.2	11,769.4	34.1
Other Transfers	335.8	2,000.0	3,625.0	3,625.0	81.3
Federal Revenues	470.6	1,388.8	1,318.3	1,318.3	-5.1
Other Revenues	2,212.2	3,124.2	4,695.0	4,695.0	50.3
Fund Balance	65.9	850.0	1,030.0	1,030.0	21.2
SOURCES TOTAL	11,490.3	16,139.5	22,655.5	22,437.7	39.0
USES					
Personal Services and Employee Benefits	7,221.9	8,486.8	10,733.1	10,515.3	23.9
Contractual Services	1,125.8	1,333.2	2,633.9	2,633.9	97.6
Other	2,693.2	4,319.5	5,663.5	5,663.5	31.1
Other Financing Uses	144.0	2,000.0	3,625.0	3,625.0	81.3
TOTAL USES	11,184.9	16,139.5	22,655.5	22,437.7	39.0
FTE					
Permanent	83.0	84.0	85.0	103.0	22.6
Term	40.0	40.0	40.0	41.0	2.5
TOTAL FTE POSITIONS	123.0	124.0	125.0	144.0	16.1

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of forensic biology and deoxyribonucleic acid (DNA) cases completed per filled full-time-equivalent position within thirty working days	38%	34%	45%	35%	35%
* Outcome	Percent of forensic latent fingerprint cases completed per filled full-time-equivalent position within thirty working days	74%	12%	70%	45%	50%
* Outcome	Percent of forensic firearm or toolmark cases completed per filled full-time-equivalent position within thirty working days	42%	46%	45%	50%	50%
Outcome	Percent of forensic chemistry cases completed per filled full-time-equivalent position within thirty working days	67%	49%	80%	50%	55%
Output	Number of finger and palm prints entered into the automated fingerprint identification system	1,304	605	1,350	2,400	1,300
Output	Increase in the number of live scan and fingerprint end-users trained in law enforcement and correctional facilities throughout the state	233	190	250	75	75
Explanatory	Percent increase in the average number of incoming New Mexico law enforcement telecommunications system transactions per day	11%	4.9%	10%	10%	5%
Outcome	Percent of service requests received from statewide criminal justice entities resolved within forty-eight hours of receipt	93%	74%	95%	90%	90%
Outcome	Percent increase in the number of criminal justice employees using the law enforcement automated data services system, per quarter	84%	30%	5%	5%	5%
Outcome	Average turnaround time to issue a concealed carry permit from the date the application is received to the date it is complete, in days	63	27	40	21	21

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
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	new	4	4
Explanatory	Number of civil fingerprint submissions processed through the automated fingerprint identification system	new	new	new	15,000	15,000
Outcome	Percent of desktop or mobile service requests received from statewide criminal justice entities resolved within five business days	new	new	new	80%	80%
Outcome	Percent of complaint cases reviewed and adjudicated annually	70%	27%	85%	70%	70%

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 - 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,758.7	4,763.5	5,008.4	5,008.4	5.1
Other Transfers	3.6	108.4	110.2	110.2	1.7
Federal Revenues	1,667.1	3,004.8	3,344.9	3,344.9	11.3
Other Revenues	1.5	0.0	0.0	0.0	
SOURCES TOTAL	6,430.9	7,876.7	8,463.5	8,463.5	7.4
USES					
Personal Services and Employee Benefits	3,766.5	4,143.1	4,445.1	4,445.1	7.3
Contractual Services	137.1	139.4	130.3	130.3	-6.5
Other	2,506.9	3,594.2	3,888.1	3,888.1	8.2
TOTAL USES	6,410.5	7,876.7	8,463.5	8,463.5	7.4
FTE					
Permanent	52.0	52.0	53.0	53.0	1.9
Term	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	61.0	61.0	1.7

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	65	65	60	60	60
Outcome	Percent of audit findings resolved from the prior fiscal years' annual external audit	new	new	new	90%	90%
Output	Number of site visits made to sub-grantees per filled full-time-equivalent position assigned to conduct site visits	new	new	new	6	6

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA (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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,248.8	2,523.0	3,084.7	2,523.0	0.0
Other Transfers	85.2	157.1	154.8	154.8	-1.5
Federal Revenues	27,239.7	38,418.6	39,630.4	39,630.4	3.2
Other Revenues	0.0	110.0	110.0	110.0	0.0
SOURCES TOTAL	30,573.7	41,208.7	42,979.9	42,418.2	2.9
USES					
Personal Services and Employee Benefits	2,556.7	4,732.6	4,972.1	4,910.4	3.8
Contractual Services	923.5	1,417.2	1,311.0	1,311.0	-7.5
Other	21,129.5	35,058.9	36,696.8	36,196.8	3.2
TOTAL USES	24,609.7	41,208.7	42,979.9	42,418.2	2.9
FTE					
Permanent	15.0	15.0	16.0	15.0	0.0
Term	45.0	45.0	45.0	45.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	61.0	60.0	0.0

AT A GLANCE:

The department's FY16 base request for general fund revenue was flat and included an expansion request for 1 additional FTE and \$500 thousand to purchase software for a statewide mass notification system.

The committee recommendation supports the department's base budget request but does not support the department's expansion request for additional FTE and the mass notification system due to the department not demonstrating how the system would increase the department's performance.

BUDGET ISSUES:

The committee recommendation supports the department's flat base request for general fund revenue. With a 25 percent vacancy rate and 5 vacant but funded FTE in the base, the committee's recommendation allows sufficient flexibility to fill positions.

The department's FY14 performance measures were largely centered on federal objectives and did not capture performance goals and measures important to the state. The department missed four of the five performance targets set for FY14. To improve performance and capture and report on measures important to the state, the department and LFC staff agreed to add several measures for FY16. One added measure, "semi-annual monitoring of disaster grant applicants," will ensure federal emergency grant applicants are in compliance with federal guidelines and reduce the state's liability in cases of non-compliance.

Additionally, the department's FY12 financial audit included several significant findings, one of which was held over from prior years; however, all of these findings were resolved by the time the department's FY13 financial audit was conducted.

BASE EXPANSION:

The committee did not recommend the requested expansion due to the department not demonstrating how the creation of a statewide mass notification and warning system would increase the department's performance, fit within the department's strategic plan, or not duplicate other existing systems. Further, the department did not show how the department obtained cost estimates for the system such as issuing a request for proposals. The department also did not include the request in their information technology plan or request the expansion through the information technology request process.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	<u>Statewide mass notification system</u>	<u>(P759)</u>	<u>561.7</u>	<u>0.0</u>
TOTAL			561.7	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

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Number of exercises conducted annually in compliance with federal guidelines	87	57	90	60	60
Output	Number of training courses instructed annually	new	new	new	98	100
Output	Number of students trained annually	new	new	new	2,170	2,170
Outcome	Number of program and administrative team compliance visits conducted each year on all grants	42	30	45	45	45
Outcome	Number of local emergency operation plans current within three years	32	19	35	25	25
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	30	15	15	15	15
Output	Number of training courses facilitated annually	new	new	new	72	72
* Output	Semi-annually monitoring of disaster grant applications	new	new	new	50%	100%

STATUTORY AUTHORITY:

Sections 67-1-1 through 67-16-14 NMSA 1978 codify laws pertaining to the New Mexico Department of Transportation (NMDOT), the State Transportation Commission, and highways and transportation in general. Article V, Section 14, of the Constitution of New Mexico establishes the State Transportation Commission. Each of the six governor-appointed commissioners represents a highway district. The department is administered in accordance with the policies established by the commission and all applicable federal and state laws and regulations.

MISSION:

The department and the commission maintain responsibility for creating a comprehensive program of design, construction, and maintenance of the state's highway system. The department's mission is to use its personnel and technical and financial resources to facilitate a high-quality, multi-modal state transportation network.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 – 2015-2016		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	415,219.1	408,612.5	408,612.4	408,612.4	0.0
Other Revenues	422,592.0	418,578.5	426,346.1	426,346.1	1.9
Fund Balance	701.3	34,883.4	2,775.4	7,775.4	-77.7
SOURCES TOTAL	838,512.4	862,074.4	837,733.9	842,733.9	-2.2
USES					
Personal Services and Employee Benefits	140,075.4	148,985.3	154,531.0	153,031.0	2.7
Contractual Services	207,630.6	389,147.1	384,843.3	384,843.3	-1.1
Other	274,464.7	323,942.0	298,359.6	304,859.6	-5.9
Other Financing Uses	7,134.7	0.0	0.0	0.0	
TOTAL USES	629,305.4	862,074.4	837,733.9	842,733.9	-2.2
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 of the New Mexico Department of Transportation (NMDOT) consists primarily of two funding sources: state road fund and federal funding awards. Federal Highway Administration (FHWA) awards have been relatively stable though decreasing for the past several years. In general, FHWA revenue is used in the Programs and Infrastructure Program, which funds construction-related expenses. The Transportation and Highway Operations Program receives the majority of the state road fund (SRF) and uses it to perform highway maintenance activities. NMDOT anticipates FY16 road fund revenue to increase by \$7.6 million, or 2 percent over FY15 levels, though lower gas prices may lead to a slight increase in state road fund revenue collection.

The DOT budget request increased the personal services and employee benefits category by \$5.5 million and the contractual services category by \$2.1 million. NMDOT proposed to hire additional staff to lower the vacancy rate to 10 percent. The funding increase in the contractual services category would provide matching funds for federal grant programs.

The LFC recommendation supports all of the priorities laid out by the department but directs more revenues to reduce the maintenance funding gap estimated at \$116 million. In the Programs and Infrastructure Program, which oversees planning and construction, LFC recommends reducing the personal services and employee benefits category by \$500 thousand relative to the request and transfers this savings to the Transportation and Highway Operations Program, responsible for maintenance activities, including repaving, guardrail repair, and snow removal. Additionally, LFC recommends increasing the use of SRF balance by \$4 million and reducing personal services and employee benefits by \$1 million to provide a \$5.5 million increase over the requested budget for road maintenance.

BUDGET ISSUES:

The New Mexico Department of Transportation (NMDOT) receives revenue from the Federal Highway Administration (FHWA), apportioned annually to states; those distributions have remained relatively stable over the past several years despite political instability. Revenue from the state road fund (SRF) is generated through a number of taxes and fees imposed on drivers. The largest contributors to the SRF are the gas tax, \$108 million; special fuels (diesel) tax, \$94.8 million; weight-distance commercial trucking tax, \$75.9 million; and vehicle registration fees, \$74.9 million.

Revenue Projections. NMDOT projects that state road fund revenues from all sources will experience slight increases, with the exception of a \$100 thousand decrease in trip tax assessed on truckers. The FY16 forecast shows SRF growth of \$7.6 million, or 2 percent, from the FY15 operating budget. The growth in the SRF is attributable to projected increases in revenues from special fuels tax, weight-distance tax, and vehicle registrations. Of note in the forecast, the special fuels and weight-distance taxes are closely related to the growth in the national economy. The gas tax and vehicle registration revenues are more closely related to the New Mexico economy. The increase in the gas tax is expected to be \$500 thousand, or 0.5 percent. The slow growth in gas tax revenue comes as fuel efficiency in passenger vehicles is not off-set by population growth. NMDOT assumes that gas tax revenues have plateaued. Vehicle registration increases are anticipated to increase with population growth, forecast at around 1 percent per year.

Federal Revenues. Federal revenue remained relatively stable, though decreasing, over the past three fiscal years. From FY12, the peak federal funding year, to FY14, federal revenues decreased by \$17.5 million, or 4 percent. The NMDOT revenue projection anticipates another decrease of 1.5 percent from FY14 to FY15 and holds FY16 revenue flat against the FY15 operating budget. While it is impossible to know what will happen in Washington, D.C., history suggests that any change in federal revenue disbursements will be small enough for the department to adjust without significant interruptions to operations.

While decreases in federal revenue adversely impact NMDOT, LFC remains more concerned with the debt service payments on infrastructure bonds. Currently, NMDOT has \$1.44 billion in principal outstanding. The FY15 debt service payment will be \$157.3 million. 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 estimates that since 1999 the purchasing power of the road fund has diminished by approximately 30 percent when accounting for debt service and inflation. While NMDOT achieved savings from lower interest rates and refinancing, the department projects spending an average of \$152 million per year out of the Programs and Infrastructure Program through FY23 on debt service.

State Revenues. NMDOT's request budgeted all of the estimated SRF revenue, \$387.8 million for FY16. The requested budget for SRF maintains the Programs and Infrastructure Program and the Business Support Program flat at FY15 operating budget levels. The request increased the Transportation and Highway Operations Program by \$5.1 million, or 2.3 percent.

A 2013 LFC evaluation and a 2014 study by the New Mexico Sentencing Commission revealed compliance problems and foregone revenue from weight-distance tax and oversize overweight permit collection on commercial truckers. In response, the NMDOT is working with the Department of Public Safety and the Taxation and Revenue Department to increase compliance. To this end, NMDOT secured a \$1 million federal grant to hire additional staff at ports of entry. While the effect on revenue collection is unknown, it is likely the efforts will have a positive impact on the SRF.

Road Maintenance Needs. NMDOT recently completed the first automated, systemwide condition assessment of New Mexico roadways. The assessment rated the condition of 21 thousand lane miles out of 30 thousand systemwide lane miles, or 70 percent, as "good." The department previously estimated 84 percent of system wide lane miles were in good condition. The difference in road condition is significant as maintenance costs that vary dramatically based on pavement condition: preventive maintenance averages \$15 thousand per lane mile per year, preservation activities and minor pavement rehabilitation costs average \$180 thousand per lane mile, and major rehabilitation and reconstruction may cost between \$500 thousand and \$1.2 million per lane mile. Because the cost of postponing maintenance increases as the pavement quality deteriorates, increasing expenditures for maintenance now will likely lead to significant out-year savings.

NMDOT estimates that the annual cost to maintain all state road ways to be an additional \$115 million per year. NMDOT states that, with this additional funding, the department would be able to move all road ways onto a 30-year maintenance schedule and keep 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.

The LFC recommendation prioritizes funding in the Transportation and Highway Operations Program to narrow the maintenance gap and attempt to create long-term cost savings. The LFC recommendation fully funds the agency request for SRF and FHWA funding and included an additional \$4 million from fund balances to increase maintenance activities. Additionally, if the price of oil remains low, the program will realize savings on fuel and field supplies, such as emulsion and hot-mix asphalt.

Operations and Personnel. NMDOT's overall budget request represented a decrease of \$24.3 million, or 2.8 percent, relative to the FY15 operating budget. The decrease occurred as a result of the NMDOT not budgeting any fund balance in FY16, despite reporting an available balance of approximately \$40 million as of November 2014. Despite not budgeting more available funds, NMDOT's budget request would reduce the overall vacancy rate from 14.1 percent to 10 percent. NMDOT officials have stressed the need to increase hiring to maintain construction, maintenance, and administrative activities.

In the Programs and Infrastructure Program, LFC recommends a vacancy rate of 11.6 percent, or 1.6 percent over the requested vacancy rate, though well below the average vacancy rate of over 17 percent. The recommendation fully funds the contractual services and other costs categories at the agency-requested level.

In the Transportation and Highway Operations Program, LFC recommends an increase of \$6.5 million over the agency request in the other costs category. The additional funding will be used for maintenance activities and supported by an additional \$4 million budgeted from fund balance and a reduction in the personal services and employee benefits category of \$1 million. The LFC recommendation imposes a 10.5 percent vacancy rate on the program, which experienced a historic vacancy rate of 12.8 percent.

In the Business Support program, the LFC recommendation fully funds the agency request. Overall program expenses are projected to increase by \$182 thousand, or 0.4 percent relative to FY15. NMDOT decreased the personal services and employee benefits category and applied a 9.8 percent vacancy rate to provide additional funding for the contractual services and other categories. The increase in the contractual services category is due to an increase in the IT services related to SHARE, the statewide finance and human resource system, as well as software and disaster recovery and remote access services. The increase in the other category is related IT hardware purchases and employee training.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Paragraph (1) of Subsection B of Section 6-21-6.8 NMSA 1978 or other substantive law to the contrary, any funds received by the New Mexico finance authority from the department of transportation in fiscal year 2015 as an annual administrative fee for issuing state transportation bonds pursuant to Sections 67-3-59.3 NMSA 1978 and 67-3-59.4 NMSA 1978 shall not be deposited into the local transportation infrastructure fund. The state transportation commission shall report to the legislature and the legislative finance committee the progress of publishing a fee schedule to reflect fair market value and charging and collecting fees pursuant to the fee schedule from a utility that places equipment along, across, over or under public highways over which the state transportation commission or department controls the rights-of-way.

PROGRAMS AND INFRASTRUCTURE

The purpose of the programs and infrastructure program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Federal Revenues	412,219.1	405,612.5	405,612.4	405,612.4	0.0
Other Revenues	133,038.6	159,323.2	161,779.4	160,279.4	0.6
Fund Balance	701.3	28,924.4	2,775.4	3,775.4	-86.9
SOURCES TOTAL	545,959.0	593,860.1	570,167.2	569,667.2	-4.1
USES					
Personal Services and Employee Benefits	23,966.5	26,362.3	27,421.0	26,921.0	2.1
Contractual Services	160,234.2	332,508.1	333,706.5	333,706.5	0.4
Other	173,052.4	234,989.7	209,039.7	209,039.7	-11.0
Other Financing Uses	1,290.4	0.0	0.0	0.0	
TOTAL USES	358,543.5	593,860.1	570,167.2	569,667.2	-4.1
FTE					
Permanent	359.0	369.0	367.0	367.0	-0.5
Term	38.0	38.0	36.0	36.0	-5.3
TOTAL FTE POSITIONS	397.0	407.0	403.0	403.0	-1.0

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Explanatory	Annual number of riders on park and ride	312,320	315,738	>300,000	>300,000	>325,000
Explanatory	Annual number of riders on the rail runner, in millions	1.1	1.1	>1.2	>1.0	>1.2
* Outcome	Number of traffic fatalities	304	343	<345	<350	<345
* Outcome	Number of alcohol-related traffic fatalities	120	137	<130	<130	<130
Outcome	Number of non-alcohol-related traffic fatalities	184	206	<215	<220	<200
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	114	140	<150	<150	<140
Outcome	Number of crashes in established safety corridors	N/A	N/A	<600		
* Outcome	Percent of projects in production let as scheduled	63%	70%	>70%	>75%	>75%
Outcome	Percent of airport runways in satisfactory or better condition	66%	50%	>60%	>50%	>60%
Quality	Ride quality index for new construction	4.2	4.2	<4.0	>4.0	>4.0
Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	3.5%	1%	<3.0%	<2.5%	<2.5%
Outcome	Number of pedestrian fatalities	54	58	<45	<50	<45
Outcome	Number of rural traffic fatalities	211	245	<235	<245	<235
Outcome	Number of urban traffic fatalities	92	99	<110	<105	<105
Outcome	Number of rural alcohol-related traffic fatalities	82	96	<85	<85	<85
Outcome	Number of urban alcohol-related traffic fatalities	38	41	<45	<45	<45
* Outcome	Percent of bridges in fair condition or better, based on deck area	93%	94%	>75%	>85%	>85%
* Outcome	Percent of projects completed according to schedule		91%	>75%	>75%	>80%
Outcome	Number of head-on crashes		N/A	<900	<950	<900

TRANSPORTATION AND HIGHWAY OPERATIONS

The purpose of the transportation and highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Federal Revenues	3,000.0	3,000.0	3,000.0	3,000.0	0.0
Other Revenues	245,819.1	216,479.2	221,607.9	223,107.9	3.1
Fund Balance	0.0	5,959.0	0.0	4,000.0	-32.9
SOURCES TOTAL	248,819.1	225,438.2	224,607.9	230,107.9	2.1
USES					
Personal Services and Employee Benefits	93,127.4	96,123.9	101,252.6	100,252.6	4.3
Contractual Services	44,794.0	52,603.6	46,644.6	46,644.6	-11.3
Other	89,106.2	76,710.7	76,710.7	83,210.7	8.5
TOTAL USES	227,027.6	225,438.2	224,607.9	230,107.9	2.1
FTE					
Permanent	1,822.0	1,820.0	1,834.0	1,834.0	0.8
Term	16.7	16.7	16.7	16.7	0.0
TOTAL FTE POSITIONS	1,838.7	1,836.7	1,850.7	1,850.7	0.8

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
*	Output	Number of statewide pavement preservation lane miles	3,139	2,889	>2,750	>2,750
*	Outcome	Percent of non-interstate lane miles rated good	70%	TBD	>85%	>70%
	Output	Amount of litter collected from department roads, in tons	6,825	6,201	>11,000	>8,000
	Outcome	Percent of interstate lane miles rated good	94%	TBD	>95%	>92%
	Quality	Customer satisfaction levels at rest areas	99%	99%	>98%	>98%
*	Outcome	Number of combined systemwide miles in deficient condition	8,128	TBD	<3,500	<8,000
	Output	Number of damage claims submitted each year	N/A	378	<20	<380
	Output	Number of damage claims paid each year	N/A	N/A	20	200
	Outcome	Percent of national highway system lane miles rated good	90%	TBD	>85%	>85%
	Outcome	Percent of non-national highway system lane miles rated good	63%	TBD	>80%	>65%
	Outcome	Number of interstate miles in deficient condition	241	TBD	<500	<400
	Outcome	Number of non-interstate miles in deficient condition	7,887	TBD	<3,000	<7,500

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 management of construction and maintenance projects.

BUDGET SUMMARY
(dollars in thousands)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
Other Revenues	43,734.3	42,776.1	42,958.8	42,958.8	0.4
SOURCES TOTAL	43,734.3	42,776.1	42,958.8	42,958.8	0.4
USES					
Personal Services and Employee Benefits	22,981.5	26,499.1	25,857.4	25,857.4	-2.4
Contractual Services	2,602.4	4,035.4	4,492.2	4,492.2	11.3
Other	12,306.1	12,241.6	12,609.2	12,609.2	3.0
Other Financing Uses	5,844.3	0.0	0.0	0.0	
TOTAL USES	43,734.3	42,776.1	42,958.8	42,958.8	0.4
FTE					
Permanent	250.0	242.0	230.0	230.0	-5.0
Term	1.8	1.8	3.8	3.8	111.1
TOTAL FTE POSITIONS	251.8	243.8	233.8	233.8	-4.1

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Quality	Number of external audit findings	5	0	<6	<5	<5
Quality	Percent of prior-year audit findings resolved	75%	100%	>80%	>90%	>90%
Efficiency	Percent of invoices paid within thirty days	86%	89%	>90%	>90%	>90%
* Outcome	Vacancy rate in all programs	16%	14%	<13%	<14%	<12%
* Output	Number of employee injuries	81	106	<90	<95	<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 work zones	30	28	<50	<45	<45

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)					
	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	<u>FY16 – 2015-2016</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,786.1	11,969.2	11,969.2	11,969.2	0.0
Other Transfers	2.3	36.0	36.0	36.0	0.0
Federal Revenues	26,540.9	27,994.5	27,994.5	27,994.5	0.0
Other Revenues	4,051.2	3,808.0	3,808.0	4,185.7	9.9
SOURCES TOTAL	42,380.5	43,807.7	43,807.7	44,185.4	0.9
USES					
Personal Services and Employee Benefits	16,127.3	19,380.7	19,235.7	19,499.0	0.6
Contractual Services	19,928.6	21,919.0	20,344.0	20,458.4	-6.7
Other	4,619.1	2,508.0	4,228.0	4,228.0	68.6
TOTAL USES	40,675.0	43,807.7	43,807.7	44,185.4	0.9
FTE					
Permanent	148.8	145.9	158.2	145.9	0.0
Term	97.5	93.9	120.5	93.9	0.0
Temporary	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	247.3	240.8	279.7	240.8	0.0

AT A GLANCE:

PED's request for FY16 was flat compared with the department's FY15 operating budget and shifted minimal employee salary funding to the contracts and other categories. The request also shifted federal special education funding historically budgeted in the contractual services category to the other category to allow PED to award funding to school districts, consistent with FY14 expenditures and a budget adjustment in FY15. The LFC recommendation is an increase from the FY15 operating budget and the agency's request to more accurately reflect revenues to be received by PED for the 2 percent charter set aside funding. These funds will allow the department to provide increased oversight of charter schools, addressing findings in past audits and concerns noted by the State Auditor.

The department continues to improve financial operations; however, areas of concern still exist. PED continues to focus on controlling an increasing amount of public education funding rather than rely on the funding formula to allocate resources among school districts and charter schools. While department initiatives have merit, department allocations to school districts and charter schools tend to disqualify funding. A significant share of funding for PED's initiatives is allocated to indirect costs rather than the classroom. Many significant FY15 appropriations remain unallocated as of December 6, 2014.

Implementation of the new educator evaluation system in FY14 was not without concern; however, PED worked to address stakeholders concerns to make the process smoother in the future. The department is defending the state in two lawsuits challenging education funding levels and is seeking a waiver from federal special education maintenance of effort requirements for FY11. These two issues are unlikely to be resolved soon and could be costly into the future.

BUDGET ISSUES:

The Public Education Department (PED) budget request for FY16 was flat compared with the department's FY15 operating budget. The request represented a 7.7 percent increase over FY14 expenditures. The request shifted \$1.5 million in federal special education funds from the contracts category to the other category. For FY15, these funds have already been moved to the other category through a budget adjustment. PED reverted \$323 thousand in general fund revenues in FY14, approximately 2.7 percent of the FY14 general fund appropriation.

The LFC recommendation for FY16 totals \$44.2 million, an increase of \$377.7 thousand, or 0.9 percent over the FY15 operating budget, and \$3.5 million, or 8.6 percent over FY14 expenditures. The committee recommends flat general fund revenues in FY15 consistent with PED's request. 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. PED's Charter Schools Division has been unstable with multiple changes in leadership since 2010. The recommendation increases other revenues to more accurately reflect the 2 percent of charter funding set-aside for PED to provide additional oversight and financial management of charter schools.

PED's request for personal services and employee benefits funding totaled \$19.2 million, an overall decrease of less than 0.7 percent from the department's FY15 operating budget and a 19.3 percent increase over FY14 expenditures. The requested number of FTE, 279.7, is significantly higher than assumed by the Legislature in 2014, resulting in an inflated unfunded vacancy rate. Funding levels appropriated by the Legislature in 2014 assumed 240.8 FTE. PED committed to work with the State Personnel Office to eliminate long vacant positions and clean up the department's organizational listing; to date, it does not appear this has happened. The department's request imposed an 11.2 percent vacancy savings rate. PED continues to experience high turn-over and significant vacancies, although 22 vacant positions have been filled since November 2013. Based on the number of FTE assumed by the Legislature in 2014, PED has an average vacancy rate of 10 percent in FY15, down from 18 percent in FY14. Despite ongoing staffing concerns, PED reverted a total of \$272.4 thousand, or 2.8 percent, in general fund revenues allocated for employee salaries and benefits in FY14.

The LFC recommendation for personal services and employee benefits totals \$19.5 million, an increase of \$118.3 thousand, or 0.6 percent from the FY15 operating budget, and \$3.4 million, or 20.9 percent, over FY14 expenditures. The recommendation modestly decreases the agency's self-imposed vacancy savings rate. The agency consistently has a large number of positions advertised and in the process of recruitment. The recommendation authorizes 240.87 FTE.

Continuing Concerns. While concerns still exist, PED continues to improve 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. Increased oversight and focus on financial operations of school districts and charter schools has resulted in increased formula-based state equalization guarantee (SEG) dollars being budgeted for instructional expenses. 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. Of additional concern is the limited progress the department has made on funding formula and program compliance audits – PED has only completed two since the third quarter of FY13. PED has filled six audit staff positions and plans on implementing a full audit schedule for FY15. Accurate data collection and reporting should be a focus of the department to ensure equitable distribution of SEG and other categorical grant funding.

PED has not addressed department-related findings of a 2011 joint evaluation by LFC and the Legislative Education Study Committee (LESC), especially items that do not require legislative action, such as defining job classes eligible to include in the training and experience index calculation, providing clear guidance on how to classify D-level special education students, and establishing caseload minimums for ancillary service providers. Many of these findings lead to inequitable distribution of formula funding to school districts and charter schools.

PED continues to request increased funding for department-managed initiatives rather than relying on the public education funding formula and the budget approval process. 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 FY15 aimed at improving teacher and school leader preparation programs and rewarding effective teachers. However, funding is not always targeted to improve student achievement. For example, early literacy funding is not targeted to the state's lowest proficient students nor are per-student allocations uniform across the state. Very little of some appropriations are directed to classroom programs, including

appropriations for the parent portal, incentive pay, teacher and school leader preparation programs, and the educator evaluation system. The allocation of funding often is not timely – awards for the incentive pay pilot and teacher and school leader preparation programs had not been made as of December 6, 2014. Lastly, in some instances PED does not adhere to the intended purpose of some appropriations. In FY14, PED allocated a portion of funding intended for Teach for America to Santa Fe Public Schools and the Native American Community Charter, despite language in the General Appropriation Act limiting distribution to a nonprofit organization. Despite some of these issues, targeted professional development is being provided for educators statewide in a consistent manner, resulting in better use of data, improved understanding of initiatives, and the importance of early literacy, school leadership, and dropout prevention. While many of the department'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. During FY14, PED fully implemented the new educator evaluation system. While the evaluation system was designed to ultimately improve student outcomes, implementation during the first year was problematic. Educators statewide raised concerns about data collection, reporting and accuracy; the calculation of teacher attendance when included as a multiple measure; the use of student test scores and how “value-added” scores are calculated; the effect the first year will have on professional growth plans and movement through the licensure system; and how evaluation procedures are adapted for special education teachers. Generally, educators have voiced support for the observation portion of the evaluation; however, they are concerned the evaluation weights student test scores too heavily. Legislative agencies have not been provided access to evaluation data, despite requests, making it impossible to validate the system or evaluation results. Additionally, others have attempted to recreate calculation of evaluation results with little success. PED acknowledged these issues and addressed a number of school district and charter school concerns, including establishing a liaison for each school district and charter school, providing ongoing training on the evaluation system, creating a teacher-student roster verification system to ensure student test scores are correctly assigned to teachers, allowing certain data to be reported throughout the year, and developing a report dashboard. Despite these concerns, department-reported evaluation ratings of ineffective and minimally effective for the 2014-2015 school year will be considered when licensure advancement decisions are made, likely affecting the ability of some teachers to continue teaching. Student growth as measured by test scores still accounts for 50 percent of the evaluation. PED is encouraged to continue working with school districts and charter schools and to consider granting legislative agencies access to evaluation data.

Legal and Administrative Challenges. Two current legal matters involving PED may prove to be costly over the next few years. First, two lawsuits 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, brought by the Santa Fe Public School Board and multiple parents on behalf of their minor children, allege overall public education funding levels are insufficient, funding directed to meet the educational needs 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 suits have been filed nationally and have had mixed results in other states. Sufficiency lawsuits have stretched on for more than 20 years, draining significant human and capital resources. PED anticipates hiring contract attorneys and has requested a special appropriation to cover estimated FY15 and FY16 costs. It is still unclear whether the judiciary has the constitutional authority to force the Legislature to appropriate more money or change statute to direct funds differently.

Second, PED is still engaged in administrative proceedings with the U.S. Department of Education (DE) 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 an initial decision on a preliminary matter was made by the DE in May. PED has currently executed a \$270 thousand contract with a legal firm in Washington D.C. to handle the case. While it is unclear what the outcome of the cases will be it is likely significant resources will be spent before the issues are resolved.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public education department includes seven hundred fifty thousand dollars (\$750,000) for operating and maintaining the operating budget management system and student teacher accountability reporting system contingent on the public education department granting access to these systems to the legislative finance committee and the legislative education study committee.

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of teachers passing all strands of professional dossiers on the first submittal	84.0%	79.5%	80.0%	80.0%	80.0%
Outcome	Percent change from the preliminary unit value to the final unit value	0.1%	0.0%	2.0%	2.0%	<2.0%
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices	22.0	21.8	24.0	24.0	21.0
Outcome	Average processing time for school district budget adjustment requests for direct grants, in days	3.0	2.8	7.0	7.0	3.0
Outcome	Percent of federal funds received by the state for public education reverting annually	0.7%	0.0%	<1.0%	<1.0%	<1.0%
Explanatory	Percent of eligible children served in state-funded prekindergarten	17.5%	23.4%	TBD	TBD	TBD
* Explanatory	Number of eligible children served in state-funded prekindergarten	5,068	6,808	TBD	TBD	TBD
Explanatory	Number of school districts and charter schools that failed to submit an annual audit within ninety days of the due date	9	2	TBD	TBD	TBD
Explanatory	Number of new audit findings from most recent audit		new	TBD	TBD	TBD
Explanatory	Change in the number of school district and charter school required reports for state and federal reporting	new	-71	TBD	TBD	TBD
Explanatory	Number of charter amendments approved by local authorizers in the current fiscal year		new	TBD	TBD	TBD
Explanatory	Number of charter school renewals denied by the public education commission in the current fiscal year	new	2	TBD	TBD	TBD
Outcome	Average processing time for school district federal budget adjustment requests processed, in days	13.0	9.8	14.0	14.0	10.0
Outcome	Percent of prior-year audit findings resolved	70%	50%	80%	80%	80%
Explanatory	Percent of elementary schools participating in the state-funded elementary school breakfast after the bell program	34.9%	43.3%	TBD	TBD	TBD
Explanatory	Number of elementary schools participating in the state-funded elementary school breakfast after the bell program	159	181	TBD	TBD	TBD
Outcome	Average number of days to process a request for information, from date of receipt	52	14	30	30	14
Explanatory	Number of charter schools authorized by local school boards in the current fiscal year	new	0	TBD	TBD	TBD
Explanatory	Number of charter schools authorized by the public education commission in the current fiscal year	new	4	TBD	TBD	TBD
Explanatory	Number of elementary students participating in the state-funded elementary school breakfast after the bell program	44,266	70,574	TBD	TBD	TBD

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Explanatory	Number of charter amendments approved by the public education commission in the current fiscal year	14	45	TBD	TBD	TBD
Outcome	Percent of school grades accurately reported to the public not less than two weeks before the first day of school	100%	100%	100%	100%	100%
* Outcome	Average number of days to process a request for proposal, from date of receipt	88	75	60	75	60
Explanatory	Percent of elementary students participating in the state-funded elementary school breakfast after the bell program	73.7%	42.8%	TBD	TBD	TBD
Explanatory	Number of charter school renewals denied by local authorizers in the current fiscal year	new	≠ reported	TBD	TBD	TBD
Explanatory	Percent change in the data elements required for state and federal reporting	-18.6%	0.0%	TBD	TBD	TBD
Outcome	Percent of state appropriated funds for public education reverting annually	4.4%	TBD	<1.0%	<1.0%	<1.0%
Explanatory	Total amount of private funding received for public education, in millions	\$1.1	\$1.0	\$1.5	\$1.0	>\$1.0
* Output	Number of local education agencies audited for funding formula components and program compliance annually	new	1	35	35	35
Outcome	Percent of fourth through tenth grade students participating in state-funded short-cycle assessments in reading	new	new	95%	75%	95%
Outcome	Percent of fourth through tenth grade students participating in state-funded short-cycle assessments in mathematics	new	new	95%	75%	95%
Explanatory	Number of charter amendments approved by local school boards in the current fiscal year	new	≠ reported	TBD	TBD	TBD
Output	Percent of school district and charter school budget adjustment requests processed in fewer than thirty days	100%	100%	100%	100%	100%
Outcome	Change in percent of students on early reading benchmark at the beginning of year to end of year in kindergarten through third grade	new	13.3%	20.0%	20.0%	20.0%
Outcome	Percent of public education department contracts issued retroactively	2%	0%	0%	0%	0%
Explanatory	Total amount of federal competitive funding received for public education, in millions	\$3.4	\$1.5	\$4.0	TBD	TBD

Statutory Authority:

The Regional Cooperative Education Act, Sections 22-2B-1 to 22-2B-6 NMSA 1978, provides for the formation of regional education cooperatives (RECs) among local school boards or other state-supported educational institutions to provide education-related services. These services may include technical assistance, staff development, cooperative purchasing, fiscal management, and the administration of federal programs, among others. The Public Education Department (PED) is authorized to approve the existence and operation of RECs, classified as individual state agencies administratively attached to the PED and exempt from the provisions of the State Personnel Act. An REC is governed by a regional education coordinating council (RECC) composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

At a Glance:

Historically flat funded, RECs receive most of their revenue from federal grants and state-directed activities. A minimal amount of RECs' budgets are received through a transfer from PED. LFC recommends flat funding for FY16; however, the RECs are considering expanding their reach and involvement, including providing Public Education Department (PED) trainings and serving as an intermediary between PED and school districts and charter schools. Until changes are enacted, there is no need to increase funding.

Budget Issues:

RECs receive most of their revenue from special education services (including federal Idea-B grants), federal Title I funds, and state-directed activities. The appropriation is intended to alleviate cash flow issues.

During the 2014 interim, regional education cooperative directors discussed possible programmatic and infrastructure changes and requests from some member school districts to expand REC services. RECs are considering changing to "regional education service cooperatives." The proposed change would include the addition of a cooperative in the northwest corner of the state, a region not currently served by an REC, as well as expanding the reach of the RECs to include all school districts, with a variety of membership levels available. Other proposed changes include providing PED-backed teacher training to more rural districts and providing additional instructional coaches and other supplemental support for schools for PED initiatives.

RECs submitted an initial proposal to PED to expand the allocation for each REC, including full funding for three professional education specialists and partial funding for administrative support staff (director, business manager, and administrative assistant) and operational costs. The initial proposal included an annual FY16 allocation of \$541 thousand for each REC, funded from both general fund and transfers from PED. The request covers 75 percent of administrative and operational costs; the remainder would be covered through cost sharing with member school districts. The request is a significant increase from the current per-REC distribution of \$104 thousand.

RECs assert that, as regional distribution centers, they can assist PED with effectively transmitting information, keeping contact lists current, and providing training at the local level, which has historically been difficult for the PED to manage with chronically low staffing levels. Additionally, RECs seek support to coordinate services from other agencies, such as the Children, Youth and Families Department (CYFD), the Higher Education Department (HED), and institutions of higher education, and to provide technical assistance in support of programs.

For FY15, PED received a flow-through appropriation of \$935.6 thousand to distribute to RECs that adequately justify a need for the allocation, have submitted timely quarterly financial reports, are in compliance with state and federal financial reporting requirements, and are otherwise financially stable. For FY15, all RECs applied for an initial allocation. PED distributed half of the appropriation equally among the nine RECs. All RECs will have to apply for a second allocation in January 2015. PED appears to conduct very limited administrative oversight of RECs. Further, REC unrestricted fund balances varied widely from \$186.3 thousand to \$2.3 million in FY13.

LFC recommends \$935.6 thousand of general fund support to be appropriated to PED for transfer to RECs for FY16. This assumes PED will engage in more robust oversight of RECs and allocate funding based on need and performance.

Recommended Language:

Recommended language for public education department flow-through appropriation.

A regional education cooperative may submit an application to the public education department for an allocation from the nine hundred thirty-five thousand six hundred dollar (\$935,600) appropriation.

REGIONAL EDUCATION COOPERATIVES										
Cooperative	FY15 Appropriation					FY16 LFC Recommendation				
	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	Total	General Fund	Other State Funds	Inter-Agency Transfer	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$670.0	\$0.0	\$0.0	\$670.0	\$0.0	\$768.4	\$0.0	\$0.0	\$768.4
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$2,660.0	\$0.0	\$350.0	\$3,010.0	\$0.0	\$2,431.0	\$0.0	\$300.0	\$2,731.0
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$400.0	\$0.0	\$1,410.0	\$1,810.0	\$0.0	\$422.0	\$0.0	\$1,304.0	\$1,726.0
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$2,230.0	\$0.0	\$410.0	\$2,640.0	\$0.0	\$3,992.0	\$0.0	\$1,082.0	\$5,074.0
Regional Education Cooperative #6 (Clovis)	\$0.0	\$1,160.0	\$0.0	\$28.0	\$1,188.0	\$0.0	\$308.6	\$0.0	\$520.1	\$828.7
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$530.0	\$0.0	\$360.0	\$890.0	\$0.0	\$550.0	\$0.0	\$523.4	\$1,073.4
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,500.0	\$0.0	\$590.0	\$2,090.0	\$0.0	\$1,050.0	\$0.0	\$200.0	\$1,250.0
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$3,430.0	\$0.0	\$1,180.0	\$4,610.0	\$0.0	\$3,820.0	\$0.0	\$1,150.0	\$4,970.0
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$1,270.0	\$0.0	\$0.0	\$1,270.0	\$0.0	\$51.1	\$0.0	\$0.0	\$51.1
TOTAL	\$0.0	\$13,850.0	\$0.0	\$4,328.0	\$18,178.0	\$0.0	\$13,393.1	\$0.0	\$5,079.5	\$18,472.6

¹No general fund support was directly appropriated to RECs in FY15. A flow-through appropriation of \$935.6 thousand was made to the PED. All RECs applied to the PED for an allotment; to date all RECs have received equal allocations of almost \$52 thousand each. The PED intends to distribute the remaining balance in January 2015.

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)				
	FY14	FY15	<u>FY16 – 2015-2016</u>		
	2013-2014	2014-2015	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	5,594.0	5,805.4	6,524.2	6,157.1	6.1
SOURCES TOTAL	5,594.0	5,805.4	6,524.2	6,157.1	6.1
USES					
Personal Services and Employee Benefits	3,741.1	4,394.5	5,002.3	4,742.4	7.9
Contractual Services	154.5	179.5	179.5	172.3	-4.0
Other	1,207.7	1,231.4	1,342.4	1,242.4	0.9
TOTAL USES	5,103.3	5,805.4	6,524.2	6,157.1	6.1
FTE					
Permanent	50.0	53.0	53.0	53.0	0.0
Term	0.0	0.0	5.0	3.0	
TOTAL FTE POSITIONS	50.0	53.0	58.0	56.0	5.7

AT A GLANCE:

PSFA requested a significant expansion of 5 term FTE and related costs for FY16 for the broadband deficiency correction program (BDCP). PSFA has maintained consistently high vacancy rates in recent years and received three expansion positions in FY15, one of which is still vacant. Despite high vacancies, LFC recommends three of the requested positions because technology readiness is recognized as an important step for school districts in the coming years.

BUDGET ISSUES:

PSFA funds its operational costs from balances in the public school capital outlay fund (PSCOF), which derives its revenue from supplemental severance tax bonds (SSTB) proceeds. PSCOF is nonreverting and any unexpended funds from appropriations revert to the fund at the end of the fiscal year. Agency operational expenses, both core and field oversight, are authorized to be paid from the PSCOF and are limited to 5 percent of the three-year average annual grant assistance. Historically, the agency maintained operational expenses below 3 percent of annual awards. In recent years, the expense ratio has increased as a result of several years of modest awards.

For FY16, PSFA's request totaled \$6.5 million, including \$583 thousand for five expansions. PSFA's request was a 12 percent increase from the FY15 operating budget and a 33.7 percent increase from FY14 expenditures. In that year, PSFA reverted \$233 thousand budgeted for salaries and benefits. For FY14, the average vacancy rate was 12 percent, or six positions, consistent with prior years. The agency's base request imposes a 3.3 percent vacancy rate but includes a 3 percent base salary increase for all employees from FY14 levels.

The LFC recommendation for FY16 totals nearly \$6.2 million, a 6.1 percent increase over FY15. The recommendation includes funding for three term positions for the BDCP. The staff recommendation concurs with the agency's base funding request, with a few technical adjustments. One of the expansion positions approved for FY15, the attorney position, has remained vacant with the savings being used to fund the BDCP manager position for FY15. While LFC staff do not recommend funding for all 5 term FTE, given consistently high vacancy rates and high reversions in the personal services category, PSFA should have sufficient funding to fill five term positions in FY16.

Between FY05 through FY14, PSCOC awarded approximately \$2.1 billion to fund 1,174 lease assistance, deficiency-correction, and standards-based projects in school districts, charter schools, and the New Mexico School for the Blind and Visually Impaired and the New Mexico School for the Deaf (special schools). As a result, the state made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings. Since its inception, the statewide average facility condition index (FCI) has improved from 70.0 percent to 35.5 percent. The FCI reflects a ratio of the cost of repair and improvement against the value of the facility so that a lower number reflects a building in better condition. The state, using nine weighted categories to establish the weighted New Mexico condition index (wNMCI) rating of every facility, ranks every facility in terms of relative need, from greatest to least. The wNMCI measures both the condition of the building and the facility's educational usefulness as measured by adequacy standards. The average wNMCI has improved from 163 percent to 19 percent. 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.

Policymakers are concerned about the amount of funds reverted to the severance tax permanent fund now that school facilities are not in such deficient conditions statewide. However, the Zuni lawsuit is still active and Gallup McKinley County Schools (GMCS) requested a status hearing to determine whether the program is meeting constitutional adequacy requirements. GMCS is primarily concerned that, because of the district's low bonding capacity and high capital needs, the district is unable to afford school construction above adequacy for facilities such as teacherages, auxiliary gyms and additional playing fields. The district is in preliminary discussions with Public School Capital Outlay Oversight task force and PSCOC members to address their concerns without court intervention. Expansion of the definition of adequate facilities may have significant financial consequences to the program and should be carefully reviewed before statutory or regulatory changes are made.

The PSCOC approach of funding only planning and design until a project is ready to bid and only then awarding construction funding has resulted in a significant reduction in the amount of time needed to complete projects, reducing long-term costs associated with project delays. PSCOC certifies the need for construction bond financing only when a project is construction-ready. PSFA reported balances in PSCOF to be more than \$600 million prior to FY12; balances have decreased to around \$460 million in FY15. Generally, the council is using funding more efficiently, avoiding high unexpended balances as much as possible; however, provisions of the procurement code that require bonds to be certified prior to executing construction contracts result in the need to maintain significant balances in the PSCOF.

With the drastic improvement in the condition of school facilities over the last 10 years, focus has shifted to funding improvements that will extend the useful life of a building. Focus has also been on ensuring effective maintenance practices to decrease instances of deferred maintenance, which can be very costly and move schools up the ranked list prematurely. Additionally, recognizing the statewide push to increase instructional spending over other types of spending, PSCOC has reduced the allowable gross square footage the state will fund.

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. Subsequently, PSCOC defined the scope of corrections the program will address and limited BDCP to corrections that include network infrastructure-related equipment. PSCOC approved \$2.5 million for FY14 and \$7.5 million in FY15 for the BDCP. However, as of Dec. 12th PSFA has not expended any funds and no schools have been analyzed for deficiencies. PSFA is in the process of identifying a contractor to survey schools statewide and implementing a 30-day pilot in November 2014 to develop a methodology for identifying education technology deficiencies. PSFA's goal is to report a broadband gap analysis and action plan by October 2015.

Charter school access to adequate school facilities continues to be a challenge. Capital issues generally stem from charter schools' limited access to capital funding. Issues include reasonable lease costs, lease terms that favor private property owners, the use of formula funding for capital expenditures, statutory requirements to be located in public facilities by 2015 and, for new and relocating charter schools, the requirement to be located in facilities that meet the statewide average FCI. The Public School Capital Outlay Oversight Task Force heard many of these issues during the 2014 interim and is likely to have recommendations for updating legislation to address charter school concerns.

BASE EXPANSION:

PSFA's request included five expansion term positions and \$583 thousand from the PSCOF to support the BDCP. One position, the broadband manager, has already been filled within existing funds. PSFA expects to fill the other four expansion positions in FY15 and currently estimates the ability to do so within current funding levels.

The LFC recommendation includes \$287.4 thousand for 3 term FTE. Given high reversions in the personal services and employee benefits category in FY14 and the agency's current budget projection, PSFA is encouraged to use vacancy savings to fill any remaining positions as needed.

BASE EXPANSION LISTING
FY16 - 2015-2016

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Broadband deficiency correction program	583.0	287.4
TOTAL		583.0	287.4

PUBLIC SCHOOL FACILITIES OVERSIGHT

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of total submitted school construction plans reviewed and acted on	84%	100%	100%	100%	100%
Outcome	Percent compliance with prompt payment provision of Prompt Payment Act for all direct payments to vendors	100%	98%	100%	100%	100%
* Outcome	Percent of projects meeting all contingencies completed within the specified period of awards	91%	79%	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	4	6	5	5	5
Outcome	Average processing time of final action on plans submitted, in days	17	14	10	21	14
Outcome	Average cost per square foot of leases funded with lease assistance	new	new	new	TBD	<15
Outcome	Number of months from substantial completion to financial close out	new	new	new	TBD	18
Explanatory	Number of change orders in current fiscal year	new	new	new	TBD	TBD
Explanatory	Number of months between initial award to occupancy	new	new	new	TBD	TBD
Explanatory	Number of months from initial award to commencement of construction	new	new	new	TBD	TBD
* Explanatory	Statewide public school facility maintenance assessment report score measured at December 31 of prior calendar year	new	61.2%	70.1%	TBD	TBD
Efficiency	Percent of total submitted school construction plans reviewed and acted on within the specified periods.	new	new	90%	90%	90%
Efficiency	Percent of special charter facility assessments completed within the statutory deadline of forty-five days	new	new	100%	100%	100%
Efficiency	Percent of memorandums of understanding for awarded projects executed within the specified time	new	new	100%	100%	100%
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	35.3%	61.2%	33.5%	TBD	TBD

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Section 21-21k-1 through 21-21k-7 NMSA 1978. As required by Internal Revenue Code 529, ETB is 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 appointments by the governor, the Speaker of the House, and the president pro tem of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

ETB administers the state's federally authorized college savings plan, a flexible, convenient, and tax-efficient means for families to save for college costs, including tuition, fees, room, books, and supplies.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY14</u> <u>Actuals</u>	<u>FY15 Operating</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>
Sources			
Fund Balance	\$769.6	\$2,589.8	\$1,538.5
TOTAL REVENUES	\$769.6	\$2,589.8	\$1,538.5
Uses			
Personal Services and Employee Benefits	\$114.3	\$132.6	\$148.5
Contractual Services	\$629.5	\$2,417.2	\$690.0
Other	\$25.8	\$40.0	\$700.0
Other Financing Uses	\$0.0	\$0.0	\$0.0
TOTAL USES	\$769.6	\$2,589.8	\$1,538.5
TOTAL FTE POSITIONS (Term)	1.5	1.5	1.5

AT A GLANCE:

ETB has undergone a number of changes over the past year, including legislative changes to the Education Trust Act (ETA), settlement of ongoing class action suits over losses in the financial crisis, and changes to ETB's scholarship program. In addition, ETB is in the process of selecting a new program manager, as the current contract with Oppenheimer Funds expires June 30, 2015. The budget request is smaller than FY15, mostly due to the settlement of ongoing litigation in FY14.

BUDGET ISSUES:

ETB manages more than \$2.3 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 \$465.8 million (June 2014) in age-based and static portfolio assets, including active-managed funds and index funds. During FY14, TEP assets grew by 16 percent, though the number of unique accounts (20,057) remained flat. The Scholar's Edge, a financial advisor-sold plan, consists of \$1.89 billion (June 2014) in age-based, custom choice, and static portfolios. During FY14, Scholar's Edge assets grew by 2.8 percent while the number of active unique accounts (122,465) decreased by 3.2 percent. Both investment programs include significantly more out-of-state investors than in-state investors. Most participants in each plan participate in an age-based portfolio option that adjusts asset allocation over time away from volatile equities toward more stable fixed income as the student nears college.

The board's proposed operating budget for FY16 is slightly over \$1.5 million, \$1 million less than the board's FY15 operating budget. The board's operations are funded entirely from fees and dividend revenues; no general fund support is required. The reduction in ETB's operating budget from FY15 is a result of finalizing litigation. In September 2013, ETB settled a suit by a number of account holders dissatisfied with the settlement agreement with OppenheimerFunds Inc. regarding losses from the Oppenheimer core bond fund during the financial collapse of 2008-09.

The secretary of the Higher Education Department (HED) serves as the board chair. During the last year, the board has continued to take steps to improve performance and reduce fees. Savingsforcollege.org rated Scholar's Edge as the ninth-best performing advisor-sold plan in the nation and the Education Plan as the eighth-best performing direct-sold plan for the quarter ending June 30, 2014. The board has worked with an investment consultant, Pension Consulting Alliance (PCA), since 2012 to monitor investments and report on changes in performance and to make recommendations to the board. For FY15, ETB is planning a \$450 thousand marketing campaign in television, radio and print.

To increase savings efforts by New Mexican investors in the plans, the board approved a refund of administrative fees to New Mexico residents in the college savings programs. ETB refunded \$274,841 in administrative fees to in-state investors paid during 2013 and has decided to refund fees through the end of the current Oppenheimer contract in June 2015.

In 2014, Education Trust Act (ETA) amendments were enacted to limit the state's and ETB's liabilities and exposure. The act also increases the number of board members from four to five; to date, the fifth board position has not been filled.

In response to an LFC request, the board conducted a comprehensive review of its Education Pathways scholarship program. The program is funded as part of the Oppenheimer contract with ETB, a common provision among college savings programs where the program manager provides \$500 thousand annually in scholarship money to the program once it reaches a certain size. As a result of the review, ETB changed its program to more broadly distribute funds to high-achieving students who demonstrate financial need and who attend the state's four-year and two-year institutions. Pathways scholarships can now be used to cover tuition, books, and fees. Currently enrolled and incoming students are eligible for the program.

Prior to the program changes in FY15, a significant majority of students receiving the ETB scholarship attended the state's research institutions. Starting this year, \$750 thousand in scholarship funds are distributed equally to the research, comprehensive, and two-year college sectors for institutions to award scholarships to students who have earned a 3.0 grade point average and have a low "estimated family contribution" for college.

In addition to the scholarship program, ETB also approved \$200 thousand to establish college savings accounts for Native American children, focusing on middle school students. The board will undertake a rulemaking in FY15 to establish the program.

It is unclear whether the scholarship or college savings account programs will continue in FY16. The ETB's program management contract provides funding for both programs; a new contract will be issued starting in FY16.

ETB's contract with Oppenheimer Funds will expire in June 2015. The board is considering three program managers, including Oppenheimer, for the new contract. The board was to vote on the new program manager in December. The new contract could change fees and may impact scholarship initiatives.

The board is current with all financial audits, including audits of the investment portfolio and board's operations. However, ETB needs to resolve a FY13 audit finding regarding unreliable financial reporting under the SHARE system, resulting in significant audit adjustments being required. ETB is considering its administrative and contractual options to improve financial reporting in SHARE and to reduce its dependence on HED for administrative support. For the past four years, ETB has relied on HED to oversee the SHARE system and contracts administration and perform other duties.

The current executive director was to resign in December. His compensation package does not include benefits, which would likely be required by the next executive director. ETB has reported difficulties with getting the new executive director position posted through the State Personnel Office (SPO).

Currently, the board's budget is established through an annual budget adjustment request and is based on HED's budget authority. Similar to other instrumentalities of the state not included in the GAA (for example, New Mexico Finance Authority), ETB does not receive state revenues and its FTE do not receive benefits available to state employees. Given the board's size, functions, revenue sources and restricted uses, and lack of policies and practices consistent with state agencies included in the GAA, LFC recommends the board's budget authority remain outside of the GAA.

STATUTORY AUTHORITY:

Pursuant to 21-1-26 NMSA, the Higher Education Department (HED) determines an adequate level of funding for institutions of higher education and recommends the equitable distribution of available funds among them. Responsibilities of the department include implementing the Post-Secondary Education Planning Act, the Post-Secondary Education Articulation Act, Student Loan Act, Education Trust Act, graduate program approval, and proprietary school licensing, for which it collects fees. Additionally, the department recommends institutional capital project priorities 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)

	FY14		FY15		FY16 – 2015-2016		Percent Incr (Decr)
	2013-2014 Actuals	2014-2015 Budgeted	Agency Request	LFC Recommendation			
SOURCES							
General Fund Transfers	34,743.3	35,283.3	40,358.8	36,711.6	4.0		
Other Transfers	48,912.7	47,279.5	62,277.3	43,777.3	-7.4		
Federal Revenues	9,041.4	10,797.2	9,714.5	9,714.5	-10.0		
Other Revenues	287.9	428.0	2,424.8	19,565.4	4,471.4		
Fund Balance	18,000.0	7,460.7	5,963.5	4,018.6	-46.1		
SOURCES TOTAL	110,985.3	101,248.7	120,738.9	113,787.4	12.4		
USES							
Personal Services and Employee Benefits	3,197.1	4,222.1	4,547.0	3,922.9	-7.1		
Contractual Services	1,151.4	2,173.9	1,019.7	900.9	-58.6		
Other	107,543.1	92,714.1	115,172.2	108,945.0	17.5		
Other Financing Uses	0.0	2,138.6	0.0	18.6	-99.1		
TOTAL USES	111,891.6	101,248.7	120,738.9	113,787.4	12.4		
FTE							
Permanent	31.5	29.5	33.5	29.5	0.0		
Term	21.5	21.5	19.0	20.0	-7.0		
TOTAL FTE POSITIONS	53.0	51.0	52.5	49.5	-2.9		

AT A GLANCE:

During the past year, the Higher Education Department (HED) made gains on stabilizing the higher education instruction and general (I&G) funding formula and is reporting progress made by institutions on improving college readiness, including remedial education delivery. However, leadership turnover and high vacancy rates have limited efforts to address departmental audit findings, manage programs within budget limits, and improve administrative oversight of institutional capital and other projects.

Both HED's request and the LFC's recommendation are above prior year actual and budgeted levels. HED's FY16 request was nearly 20 percent higher than FY15 operating levels, generally due to an estimated \$19 million transfer of liquor excise tax revenues to the Legislative Lottery Scholarship Program (LLSP). However, the department's FY16 request included significantly greater general fund support to expand staffing and financial aid programs for high-priority workforce areas. The LFC recommendation increases general fund support for financial aid programs by \$920 thousand to stabilize programs that can no longer be supported by the department's financial aid fund balance. Importantly, the LFC recommendation expands funding to eliminate the waiting list for adult basic education services. LFC also recommends funding levels above the department's FY14 and prior years' actual personal services and employee benefits expenditures for the department's operations in FY16.

BUDGET ISSUES:

The department's general fund appropriations request of \$40.4 million for its two programs included a \$5.1 million, or 14 percent, increase over FY15 operating levels for additional FTE, to fund all vacancies, and expand some student financial aid programs. The department has received qualified audits for the four prior fiscal years, making analysis of the department's fiscal condition difficult.

At \$113.8 million, the committee's FY16 budget recommendation is higher than both the department's FY15 operating budget and FY14 expenditure level. LFC's recommendation also includes additional revenues for the LLSP. The recommended general fund appropriation level is \$1.4 million higher than the department's FY15 operating levels, adding \$800 thousand in general fund support for adult education, adding \$920 thousand for student financial aid programs to address workforce needs, and adjusting other expenditure amounts.

Personnel. The department continues to struggle with recruitment and retention of staff, including those in leadership positions. While the department reduced its historic vacancy rate from over 30 percent to closer to 20 percent in late FY14 and early FY15, 16 positions remain unfilled. Leadership positions continue to turn over, notably the chief financial officer and directors of the administrative services, institutional finance and oversight, and policy divisions. Further, the department continues to have staff acting as chief financial officer and administrative services director. The department's contract with the State Personnel Office to manage the department's human resources services will continue in FY16, at nearly \$45 thousand annually. The department has not used appropriations to improve recruitment and retention; since FY12, HED has reverted a minimum of \$220 thousand and as much as \$480 thousand in general fund revenues annually.

Given personnel challenges and statutory obligations, the department requested \$4.5 million for personal services and employee benefits, an increase of 8 percent, or \$326 thousand, over FY15 operating levels and an increase of 42 percent, or \$1.3 million, more than FY14 actual expenditures. This request included 4 additional FTE to meet operational needs, in addition to an out-of-cycle 3 percent compensation increase for 9 FTE. HED did not claim any vacancy savings for FY16, nor did it reduce its request to reflect reversions in general fund revenues from this category – including a \$227 thousand reversion from the personal services and employee benefits category in FY14. As in prior years, the department omitted the Education Trust Board's 1.5 FTE from the department's request.

Recognizing the department's need to fill a number of positions, LFC recommends \$3.9 million for personal services and employee benefits in FY16. This is significantly higher than actual expenditures for this category in recent years, but slightly less than the FY15 operating level. The recommendation maintains the current 49.5 FTE for the department and does not include the additional 2.5 FTE requested or 1.5 FTE for the Education Trust Board. The recommendation applies a modest 10 percent vacancy rate, saving \$425 thousand in general fund revenues. The recommended level, while \$300 thousand less than the FY15 operating level for this category, provides the department with flexibility to fill 3.7 vacant positions above the currently filled level.

Policy Development and Institutional Finance Program. The Policy Development and Institutional Financial Oversight Program administers a number of statewide programs, including those in the Proprietary and Private Schools and Adult Basic Education (ABE) divisions. As the number of proprietary schools and student enrollment has increased, the Proprietary and Private Schools Division has increasingly relied on regulatory fees to oversee school applications and requests for student records. For FY16, the LFC recommendation supports the department's request to use a larger amount of fund balance generated by the regulatory fees to fulfill the division's purposes. The department will continue to report Accountability in Government Act (AGA) measures for this program in FY16.

The state's adult education programs were reviewed closely during the 2014 interim. LFC conducted an evaluation of college readiness and adult education programs, and HED led a review pursuant to the 2014 House Memorial 99 to determine costs to fully fund adult education services. Both studies conclude New Mexico fails to meet the significant need for adult education services, students do not complete performance levels or goals in a reasonable period of time, and more professional development of adult education teachers would result in improved student completion.

The state has consistently appropriated an average of \$5.4 million annually in general fund revenues to the ABE program. Despite the well-documented need for services, the department requested the FY15 level of funding for ABE. For FY16, LFC recommends an additional \$800 thousand in general fund support for this program. Based on prior cost estimates, spending this amount on classroom services could eliminate the current waiting list of approximately 1,300 students or help current students earn their high school equivalency credential more quickly.

Student Financial Aid. More than 75 percent of HED's budget is dedicated to student financial aid. For FY16, the department requested \$98.3 million for student aid, including \$28 million in general fund support. Excluding a \$2.9 million special appropriation to the lottery tuition fund in FY14, the department's general fund request is nearly \$6 million, or 27 percent, over the FY14 level of support. Instead of reinstating prior-year levels for programs supported with general fund appropriations, the department requested large increases for dental residencies (\$2 million), allied student health loan-for-service (\$510 thousand), and teacher loan repayment (\$660 thousand) programs.

LFC recommends \$91.3 million in recurring funding, including \$24.2 million in general fund support, for FY16. Excluding the FY14 special lottery tuition fund appropriation, the recommendation is higher than prior-year expenditures and FY15 appropriations. With the department's uncertain fund balances and the need to stabilize priority workforce programs, the recommendation increased general fund support for financial aid programs serving the greatest state need and having the highest unmet demand and lowest student default rate: medical and allied health loan-for-service programs.

Legislative Lottery Scholarship Program. Including Legislative Lottery Tuition fund balance, lottery revenues, and a transfer of revenues from the liquor excise tax, LFC estimates that nearly \$62.8 million will be available for LLSP awards in FY16. (See "Legislative Lottery Tuition Scholarship Program: Current Status and Projections," Volume III.)

For FY16, the department's request included \$43 million in lottery ticket revenues, \$19 million from the liquor excise tax, and about \$2 million from fund balance to provide an estimated \$64 million in scholarships. This approach leaves the lottery tuition fund with a nearly \$2.4 million fund balance, which the department has stated is necessary for cash management purposes.

Without the benefit of the department's November 1 annual program report, required under the Legislative Lottery Tuition Scholarship Act (Laws 2014, Chapter 80 or Senate Bill 347), the LFC recommendation is based on cautious estimates of available revenues and expenditures for FY15 and FY16. Lower lottery revenues are projected for FY16 and FY17, particularly if no changes are made to how the state's lottery operates. The LFC recommendation appropriates lower amounts for lottery ticket revenues and available fund balance. Also, the department did not announce an annual award level for FY15, as required by law, so the FY16 recommendation reflects expenditures based on institutional estimates of student eligibility, fall 2014 scholarship levels, and spring 2015 student eligibility. It is possible that additional information will be available before the 2015 session to better guide legislators considering this program's FY16 budget.

Priority Workforce Scholarship and Loan Repayment Programs. For FY16, the department requested an additional \$4.5 million in general fund revenues to expand current priority workforce programs. The priorities include doubling dental residency positions at the University of New Mexico (UNM) (\$2 million); expanding the health professionals (\$1 million), nursing loan-for-service (\$300 thousand), and allied health (\$510 thousand) loan programs; and re-establishing the teacher loan repayment program (\$660 thousand). During the last recession, a number of these programs were funded with fund balance revenues and there has been a gradual effort to restore general fund support.

Recognizing the department lacks sufficient fund balances to maintain or increase these programs, the LFC recommendation provides an additional \$920 thousand for the allied health, health professionals, medical student, and teacher loan repayment programs. (See "Healthcare Workforce Initiatives," Volume III.) While the New Mexico Health Care Workforce Committee's 2014 Report and LFC's 2013 analysis of the state's healthcare workforce highlights the need for more dentists and dental professionals, LFC does not recommend additional funding for dental residencies. This additional support for financial aid programs builds on the FY15 \$1.4 million increase in healthcare-related aid programs.

FY14 Deficiency. In late November, the department submitted a deficiency request of \$11 million for FY14 to replenish the student financial aid special programs fund -- a fund that receives all general fund allotments and additional revenues from students who, forgoing promised service, instead repay loan-for-service contracts with cash. Before and during the 2014 legislative session, the department reported a minimum fund balance of \$16 million. With recommendations from the Department of Finance and Administration (DFA) and LFC, the Legislature enacted a provision in the 2014 General Appropriation Act requiring the department to transfer \$11 million in student financial aid special program fund balance to shore up the lottery tuition fund for FY14. A duplicate provision was also included in Laws 2014, Chapter 80 (Senate Bill 347). In June 2014, the department implemented the 2014 GAA provision.

After the close of FY14, DFA reported in late November that HED lacked sufficient funds for the June 2014 transfer. On further review of the account, the department reported more than \$11 million in accounts receivable in that fund but failed to differentiate the receivables into service likely-to-be completed and estimated cash repayments by student aid recipients. The cash fund balance was nearer to \$1.5 million, resulting in a deficiency after the June 2014 \$11 million transfer was completed.

BASE EXPANSION:

For FY16, the department requested 4 FTE to be funded with general fund revenues, documenting requests for 2.5 FTE. One position would assist department division and program directors in addressing fiscal audit findings with federally funded programs. Another position would focus on institutional financial and program audits. Lastly, the 0.5 FTE position would provide administrative support.

Given the department's high vacancy rate and annual general fund reversions, the LFC recommendation does not include these expansions. The LFC-recommended operating level would allow the department to fill 3.7 vacant FTE. By reclassifying existing positions, the department could hire the needed expertise within the recommended funding level.

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 2016 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 2016 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 eight hundred seventy-five thousand two hundred dollars (\$5,875,200) to provide education services, including materials and access to high school equivalency tests, to adults.

The higher education department shall submit a report and plan to the department of finance and administration and the legislative finance committee to address financial audit findings, including actions to administer, track, and report expenditures of the legislative lottery scholarship program and all loan-for-service, loan repayment, and tuition waiver programs.

**BASE EXPANSION LISTING
FY16 - 2015-2016**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Administrative officer - 1 FTE	(P505)	81.4	0.0
2	Institutional finance auditor - 1 FTE	(P505)	81.4	0.0
3	<u>Administrative assistant - 0.5 FTE</u>	<u>(P505)</u>	<u>36.6</u>	<u>0.0</u>
TOTAL			199.4	0.0

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	12,766.7	11,925.9	12,323.4	12,433.5	4.3
Other Transfers	277.3	277.3	277.3	277.3	0.0
Federal Revenues	8,868.0	10,547.2	9,464.5	9,464.5	-10.3
Other Revenues	287.9	318.6	315.4	315.4	-1.0
Fund Balance	0.0	138.6	18.6	18.6	-86.6
SOURCES TOTAL	22,199.9	23,207.6	22,399.2	22,509.3	-3.0
USES					
Personal Services and Employee Benefits	3,197.1	4,222.1	4,547.0	3,922.9	-7.1
Contractual Services	1,151.4	2,120.5	966.3	847.5	-60.0
Other	16,748.0	16,726.4	16,885.9	17,720.3	5.9
Other Financing Uses	0.0	138.6	0.0	18.6	-86.6
TOTAL USES	21,096.5	23,207.6	22,399.2	22,509.3	-3.0
FTE					
Permanent	31.5	29.5	33.5	29.5	0.0
Term	21.5	21.5	19.0	20.0	-7.0
TOTAL FTE POSITIONS	53.0	51.0	52.5	49.5	-2.9

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of first-time, degree-seeking community college students who have graduated from the same institution or another public institution or have transferred within three years	21%	19%	24%	24%	24%
Output	Number of adult education students who enter into postsecondary education and training	871	1,299	1,200	1,200	1,200
Output	Number of adult education students obtaining employment	1,065	2,021	1,500	1,800	1,800
Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution within six years	43%	43%	45%	45%	45%
Outcome	Number of awards produced in postsecondary programs geared toward New Mexico workforce needs	18,584	17,262	16,000	16,000	16,000
Explanatory	Number of enrolled students in adult education programs	19,365	16,796	20,500	20,500	20,500
Outcome	Number of students receiving a baccalaureate degree from a New Mexico public postsecondary institution	7,272	7,482	8,000	8,000	8,000
Outcome	Number of students receiving an associate's degree or certificate from a New Mexico public postsecondary institution	10,170	9,724	13,000	13,000	13,000
Output	Number of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	12,350	10,290	13,400	13,400	13,400
Outcome	Number of high school students earning dual credits from New Mexico public postsecondary institutions	14,151	17,427	15,000	17,000	17,000

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	For recent New Mexico high school graduates, percent of students who require remediation in math, English, or both who pass the remedial course and pass the ensuing college credit course within the same discipline within one year	78%	38%	80%	75%	75%
* Outcome	Number of adult education students who earn the high school equivalency credential	1,854	1,733	2,000	2,000	2,000
Outcome	Percent of enrollees in four-year public postsecondary institutions who are transfers from public two-year postsecondary institutions	21%	22%	25%	25%	25%
Outcome	Average number of credit hours accrued in the attainment of a bachelor's degree by students who transfer in versus those who originate at the degree-awarding institution	148:140	120:153	146:134	145:130	145:130
Efficiency	Percent of properly completed capital infrastructure draws released to the state board of finance within thirty days of receipt from the institutions	100%	n/a	100%	100%	100%
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 higher education department, department of finance and administration and the legislative finance committee	100%	n/a	100%	100%	100%
Output	Number of days the private and proprietary schools division closes a student complaint from date of receipt	new	new	new	30	30
* Output	Number of days the private and proprietary schools division completes a request for student transcript from date of receipt	new	new	new	3	3
Output	Percent of capital projects evaluations and audits performed to ensure institutional accountability and responsibility	new	new	25%	25%	25%
Outcome	Percent of audit oversight reviews completed by the New Mexico higher education department to ensure institutions are implementing corrective measures to reduce and eliminate new and recurrent findings	new	new	new	100%	100%
Output	Number of returning undergraduate students who are taking remedial education courses	5,985	n/a	6,000	6,000	6,000

STUDENT FINANCIAL AID

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)

	FY14 2013-2014 <u>Actuals</u>	FY15 2014-2015 <u>Budgeted</u>	FY16 - 2015-2016		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	21,976.6	23,357.4	28,035.4	24,278.1	3.9
Other Transfers	48,635.4	47,002.2	62,000.0	43,500.0	-7.5
Federal Revenues	173.4	250.0	250.0	250.0	0.0
Other Revenues	0.0	109.4	2,109.4	19,250.0	17,496.0
Fund Balance	18,000.0	7,322.1	5,944.9	4,000.0	-45.4
SOURCES TOTAL	88,785.4	78,041.1	98,339.7	91,278.1	17.0
USES					
Contractual Services	0.0	53.4	53.4	53.4	0.0
Other	90,795.1	75,987.7	98,286.3	91,224.7	20.1
Other Financing Uses	0.0	2,000.0	0.0	0.0	-100.0
TOTAL USES	90,795.1	78,041.1	98,339.7	91,278.1	17.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
* Outcome	Percent of first-time freshman lottery recipients graduated from college after the ninth semester	72%	73%	75%	75%	75%
* Outcome	Percent of students who received state loan-for-service funding who provided service after graduation	93%	92%	92%	92%	92%
Outcome	Percent of state financial aid funds used for need-based aid	25%	25%	30%	30%	30%
Output	Annual average federal student loan debt for all students enrolled at four-year public schools	\$5,700	\$8,884	\$5,500	\$5,500	\$5,500
Output	Annual average federal student loan debt for all students enrolled at two-year public schools	\$3,300	\$5,162	\$3,300	\$3,300	\$3,300
Output	Number of lottery success recipients enrolled in or graduated from college within the ninth semester	4,026	3,102	4,100	4,200	4,200
Outcome	Number of need-based scholarships awarded to students with an estimated family contribution of zero	37,042	49,162	37,200	37,200	37,200
Output	Number of students receiving college affordability awards	2,667	3,486	3,000	3,000	3,000
Outcome	Percent of eligible loan for service and loan repayment applicants who received an award	new	new	new	52%	52%

Student Financial Aid Program Detail (Dollars in Thousands)	FY14 Actual	FY15 OPBUD	FY16 HED Request	FY16 LFC Recommendation
Student Access and Achievement				
Lottery Scholarship (1)				
Other Transfer	\$ 46,634.8	\$ 42,972.2	\$ 62,000.0	\$ 41,500.0
Other Revenues	\$ -	\$ -	\$ -	\$ 19,000.0
Fund Balance	\$ 18,000.0	\$ 4,900.0	\$ 1,998.3	\$ 2,000.0
Total	\$ 64,634.8	\$ 47,872.2	\$ 63,998.3	\$ 62,500.0
Student Incentive Grant				
General Fund	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0
Total	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0	\$ 11,108.0
College Affordability Endowed Scholarships				
Other Revenues	\$ -	\$ -	\$ 2,000.0	\$ -
Other Transfer	\$ 2,000.6	\$ 4,000.0	\$ -	\$ 2,000.0
Fund Balance	\$ -	\$ -	\$ 2,000.0	\$ 2,000.0
Total	\$ 2,000.6	\$ 4,000.0	\$ 4,000.0	\$ 4,000.0
Work-Study				
General Fund	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1	\$ 5,147.9
Total	\$ 5,142.1	\$ 5,142.1	\$ 5,142.1	\$ 5,147.9
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	\$ -	\$ 109.4	\$ 109.4	\$ -
Total	\$ -	\$ 109.4	\$ 109.4	\$ -
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	\$ 53.5	\$ 53.4	\$ 53.4	\$ 53.4
Total	\$ 53.5	\$ 53.4	\$ 53.4	\$ 53.4
Ed Trust Board (Pathways Scholarship)				
Other Revenues	\$ -	\$ 800.0	\$ -	\$ 250.0
Total	\$ -	\$ 800.0	\$ -	\$ 250.0
Veterans Services				
Other Transfers	\$ -	\$ 30.0	\$ -	\$ -
Total	\$ -	\$ 30.0	\$ -	\$ -
Total Student Access and Achievement	\$ 84,105.1	\$ 70,281.2	\$ 85,577.3	\$ 84,225.4
Healthcare Workforce Development				
Nursing Student Loan				
General Fund	\$ 141.1	\$ 867.3	\$ 867.3	\$ 867.3
Total	\$ 141.1	\$ 867.3	\$ 867.3	\$ 867.3
Nurse Loan For Service				
General Fund	\$ -	\$ -	\$ 291.0	\$ -
Total	\$ -	\$ -	\$ 291.0	\$ -
Medical Student Loan Prog.				
General Fund	\$ -	\$ 423.0	\$ 423.0	\$ 450.0
Total	\$ -	\$ 423.0	\$ 423.0	\$ 450.0
Primary Care Physician Tuition Waiver				
General Fund	\$ -	\$ 150.0	\$ 150.0	\$ 150.0
Total	\$ -	\$ 150.0	\$ 150.0	\$ 150.0
Allied Health				
General Fund	\$ -	\$ -	\$ 509.6	\$ 500.0
Total	\$ -	\$ -	\$ 509.6	\$ 500.0

Student Financial Aid Program Detail (Dollars in Thousands)	FY14 Actual	FY15 OPBUD	FY16 HED Request	FY16 LFC Recommendation
Health Professional Loan Repayment				
General Fund	\$ 1,076.2	\$ 1,211.9	\$ 2,221.3	\$ 1,211.9
Federal Funds	\$ 119.4	\$ 200.0	\$ 200.0	\$ 200.0
Total	\$ 1,195.6	\$ 1,411.9	\$ 2,421.3	\$ 1,411.9
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	\$ -	\$ -	\$ 2,000.0	\$ -
Total	\$ -	\$ -	\$ 2,000.0	\$ -
Total Healthcare Workforce Development Programs	\$ 1,388.0	\$ 2,903.5	\$ 6,713.5	\$ 3,430.5
Teacher Loan-for-Service				
General Fund	\$ 84.6	\$ 84.6	\$ 84.6	\$ 84.6
Other Revenues	\$ -	\$ -	\$ -	\$ -
Total	\$ 84.6	\$ 84.6	\$ 84.6	\$ 84.6
Teacher Loan Repayment				
General Fund	\$ -	\$ -	\$ 660.0	\$ 175.0
Total	\$ -	\$ -	\$ 660.0	\$ 175.0
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
WCHE Loan-for-Service				
General Fund	\$ 2,121.5	\$ 2,267.5	\$ 2,267.5	\$ 2,267.5
Total	\$ 2,121.5	\$ 2,267.5	\$ 2,267.5	\$ 2,267.5
Public Service Law Loan Repayment				
General Fund	\$ 281.2	\$ 281.2	\$ 281.2	\$ 286.1
Total	\$ 281.2	\$ 281.2	\$ 281.2	\$ 286.1
John R. Justice Loan Repayment				
Federal Funds	\$ 54.0	\$ 50.0	\$ 50.0	\$ 50.0
Total	\$ 54.0	\$ 50.0	\$ 50.0	\$ 50.0
Total Statewide Priority Professional Development	\$ 3,292.3	\$ 3,434.3	\$ 4,094.3	\$ 3,614.2
Student Financial Aid - Special Programs				
Fund Balance	\$ -	\$ 2,422.1	\$ 1,946.6	\$ -
Total	\$ -	\$ 2,422.1	\$ 1,946.6	\$ -
Operations				
General Fund	\$ -	\$ -	\$ 8.0	\$ 8.0
Total	\$ -	\$ -	\$ 8.0	\$ 8.0
General Fund Total Available for Grants and Loans	\$ 21,976.6	\$ 23,557.4	\$ 28,035.4	\$ 24,278.1
GRAND TOTAL Student Financial Aid	\$ 88,785.4	\$ 79,041.1	\$ 98,339.7	\$ 91,278.1
Note (1): The \$2.9 million supplemental appropriation to the Legislative Lottery Tuition Scholarship Program in Section 5, 2014 GAA is omitted from this table of recurring general fund revenues.				

FY16 GENERAL FUND APPROPRIATIONS
(in thousands)

	FY14 Actual	FY15 OpBud	FY16 HED Revised Request (11/6/14)	LFC Rec.
INSTRUCTION and GENERAL				
Institutional Formula Allocation				
FY16 I&G Base Year				
Prior Year I&G	\$572,336.9	\$583,006.6	\$608,900.4	\$608,900.4
Base Adjustment Rate	-1.4%	-4.0%	-8.2%	-4.4%
Base Adjustment Amount	(\$7,837.8)	(\$23,320.3)	(\$49,929.7)	(\$26,768.7)
FY16 Core Funding Level	\$564,499.1	\$559,686.3	\$558,970.7	\$582,131.7
<i>Operating Base Adjustment</i>	\$0.0	\$0.0	\$621.2	\$404.6
<i>Workload Outcomes (Course Completion & Student Services)</i>	\$10,530.7	\$12,857.2	\$15,527.1	\$10,117.3
<i>Statewide Outcomes Measures</i>				
All Certificates and Degrees	\$4,900.6	\$12,847.2	\$16,769.1	\$10,926.6
Workforce Certificates and Degrees	\$1,269.3	\$5,160.9	\$8,384.5	\$5,463.3
At-Risk Certificates and Degrees	\$3,871.9	\$4,945.4	\$8,384.4	\$5,463.3
Graduate Awards Differential	\$226.5	\$0.0	\$0.0	\$0.0
Subtotal Statewide Outcomes Measures	\$10,268.3	\$22,953.5	\$33,538.0	\$21,853.2
<i>Mission-Differentiated Measures</i>				
Research Universities		\$3,537.7	\$6,867.4	\$4,474.7
Comprehensive Institutions		\$519.3	\$1,517.7	\$988.9
Community Colleges		\$1,723.7	\$4,037.0	\$2,630.2
Subtotal Mission-Differentiated Measures	\$0.0	\$5,780.8	\$12,422.1	\$8,093.8
Total Outcomes Funding (1)	\$20,799.0	\$41,591.5	\$62,108.4	\$40,468.9
I&G Base Adjustments (Hold Harmless and Stop/Loss)		\$405.8	\$899.2	\$113.7
<i>Institutional Share (Change in Other State & Local Govt. Revenues)</i>	(\$2,291.5)	(\$380.4)	\$0.0	\$0.0
Total Formula Funding	\$583,006.6	\$601,303.2	\$621,978.3	\$622,714.3
UNM HSC INSTRUCTION AND GENERAL FUNDING	\$60,917.3	\$61,492.3	\$63,578.4	\$62,799.3
Compensation and Other Adjustments	(included above)	\$8,436.3	\$0.0	\$0.0
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$643,924.0	\$671,231.8	\$685,556.7	\$685,513.6
Dollar Change from Prior Year Operating Budget		\$27,307.9	\$14,324.9	\$14,281.8
Percent Change from Prior Year Operating Budget		4.2%	2.1%	2.1%
OTHER CATEGORICAL				
Special Schools (I&G only)	\$5,764.0	\$6,038.8	\$6,446.6	\$6,320.2
Athletics	\$12,719.1	\$14,244.2	\$13,532.0	\$14,519.2
Public television	\$3,350.7	\$3,465.1	\$3,386.9	\$3,386.9
Healthcare Expansion (incl. nurse practioners, residencies, undergraduate nursing education)	\$2,839.2	\$9,384.3	\$10,469.3	\$10,745.5
Research and Public Service Projects	\$92,688.2	\$97,470.4	\$101,081.4	\$100,259.0
Compensation and Other Adjustments	(included above)	\$1,488.7	\$0.0	\$0.0
OTHER CATEGORICAL SUBTOTAL	\$117,361.2	\$132,091.5	\$134,916.2	\$135,230.8
Dollar Change from Prior Year Operating Budget		\$14,730.3	\$2,824.7	\$3,139.3
Percent Change from Prior Year Operating Budget		12.6%	2.1%	2.4%
TOTAL GAA SECTION 4 INSTITUTIONS FY16	\$761,285.2	\$803,323.3	\$820,472.9	\$820,744.4
HIGHER EDUCATION DEPARTMENT (revised 11/6/14)				
Higher Ed Dept. Op. Bud. + Flow Through	\$12,766.7	\$11,925.9	\$12,322.9	\$12,433.5
Higher Ed Student Aid	\$21,976.6	\$23,357.4	\$28,035.4	\$24,278.1
HIGHER EDUCATION DEPARTMENT TOTAL	\$34,743.3	\$35,283.3	\$40,358.3	\$36,711.6
Dollar Change from Prior Year Operating Budget		\$540.0	\$5,075.0	\$1,428.3
Percent Change from Prior Year Operating Budget		1.6%	14.4%	4.0%
TOTAL HIGHER EDUCATION FY16	\$796,028.5	\$838,606.6	\$860,831.2	\$857,455.9
Dollar Change from Prior Year Operating Budget		\$42,578.1	\$22,224.6	\$18,849.3
Percent Change from Prior Year Operating Budget		5.3%	2.7%	2.2%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY15 (2014-2015)	FY16 (2015-2016)			
	Laws 2014, Chapter 63	HED Revised Request (11/6/14)	LFC Recommendation	Dollar Change	Percent Change
University of New Mexico					
I&G	\$189,147.9	\$193,678.0	\$193,890.3	\$4,742.4	2.5%
Athletics	\$2,852.2	\$2,709.6	\$2,852.2	\$0.0	0.0%
Educational Television	\$1,177.3	\$1,177.3	\$1,177.3	\$0.0	0.0%
Gallup - I&G	\$9,272.3	\$9,272.3	\$9,272.3	\$0.0	0.0%
Gallup Nursing	\$209.2	\$209.2	\$209.2	\$0.0	0.0%
Los Alamos - I&G	\$1,905.1	\$1,886.0	\$1,903.3	(\$1.8)	-0.1%
Taos - I&G	\$3,488.3	\$3,599.4	\$3,593.6	\$105.3	3.0%
Taos Nursing	\$243.9	\$243.9	\$243.9	\$0.0	0.0%
Valencia - I&G	\$5,545.8	\$5,628.9	\$5,652.5	\$106.7	1.9%
Valencia Nursing	\$169.8	\$169.8	\$169.8	\$0.0	0.0%
Geospatial Population Studies/BBER	\$384.7	\$384.7	\$384.7	\$0.0	0.0%
Student Mentoring Programs	\$292.3	\$277.7	\$292.3	\$0.0	0.0%
Community Based Education	\$518.6	\$492.7	\$518.6	\$0.0	0.0%
Corrine Wolfe Children's Law Center	\$171.9	\$171.9	\$171.9	\$0.0	0.0%
Disabled Student Services	\$191.9	\$191.9	\$191.9	\$0.0	0.0%
Ibero-American Education	\$90.6	\$86.1	\$90.6	\$0.0	0.0%
Morrissey Hall Programs	\$47.6	\$45.2	\$47.6	\$0.0	0.0%
Judicial Selection	\$23.0	\$22.8	\$23.0	\$0.0	0.0%
Land Grant Studies Program	\$131.8	\$125.2	\$131.8	\$0.0	0.0%
Mfg. Engineering Program	\$561.9	\$533.8	\$561.9	\$0.0	0.0%
Minority Student Services	\$969.3	\$920.8	\$969.3	\$0.0	0.0%
New Mexico Historical Review	\$48.0	\$48.0	\$48.0	\$0.0	0.0%
Resource Geographic Information Systems	\$66.3	\$66.3	\$66.3	\$0.0	0.0%
Small Business Innovation and Research Center	\$224.4	\$225.0	\$224.4	\$0.0	0.0%
Southwest Indian Law Clinic	\$207.6	\$207.6	\$207.6	\$0.0	0.0%
Southwest Research Center	\$1,137.0	\$1,137.0	\$1,137.0	\$0.0	0.0%
Substance Abuse Program	\$138.2	\$138.2	\$138.2	\$0.0	0.0%
Utton Transboundary Resources Center	\$346.3	\$346.3	\$346.3	\$0.0	0.0%
Wildlife Law Education	\$96.4	\$96.4	\$96.4	\$0.0	0.0%
Drought Study Consortium	\$99.7	\$99.7	\$0.0	(\$99.7)	-100.0%
Degree Mapping Program	\$0.0	\$300.0	\$200.0	\$200.0	-
UNM Total	\$219,759.3	\$224,491.7	\$224,812.1	\$5,052.8	2.3%
UNM Health Sciences Center					
I&G	\$62,331.6	\$63,578.4	\$62,799.1	\$467.5	0.8%
<i>Office of Medical Investigator</i>	\$5,025.3	\$5,025.3	\$5,075.3	\$50.0	1.0%
<i>Poison Control Center</i>	\$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%
Carrie Tingley Hospital	\$5,327.6	\$5,327.6	\$5,327.6	\$0.0	0.0%
Children's Psychiatric Hospital	\$7,292.9	\$7,292.9	\$7,292.9	\$0.0	0.0%
Hepatitis C Comm. Health Outcomes	\$1,993.8	\$1,993.8	\$2,293.8	\$300.0	15.0%
Native American Health Center	\$274.7	\$274.7	\$274.7	\$0.0	0.0%
Native American Suicide Prevention	\$99.7	\$99.7	\$99.7	\$0.0	0.0%
Newborn Intensive Care	\$3,350.2	\$3,350.2	\$3,350.2	\$0.0	0.0%
Graduate Nursing Education	\$1,650.7	\$1,650.7	\$1,650.7	\$0.0	0.0%
Nursing Expansion	\$1,103.3	\$1,103.2	\$1,103.3	\$0.0	0.0%
Out-of-County Indigent	\$662.6	\$662.6	\$662.6	\$0.0	0.0%
Pediatric Oncology	\$1,303.5	\$1,353.5	\$1,303.5	\$0.0	0.0%
Internal Medicine Residencies	\$533.5	\$1,068.5	\$1,068.5	\$535.0	100.3%
Psychiatry Residencies	\$201.4	\$403.4	\$403.4	\$202.0	100.3%
General Surgery/Family Medicine Residencies	\$167.5	\$335.5	\$335.5	\$168.0	100.3%
Center for Childhood Maltreatment	\$0.0	\$779.0	\$0.0	\$0.0	-
NM Health Workforce Analysis	\$0.0	\$275.0	\$0.0	\$0.0	-
Center for Pain Management	\$0.0	\$0.0	\$0.0	\$0.0	-
Health Sciences Total	\$95,564.2	\$98,819.9	\$97,286.7	\$1,722.5	1.8%
Total UNM and UNM HSC	\$315,323.5	\$323,311.6	\$322,098.8	\$6,775.3	2.1%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	Laws 2014, Chapter 63	HED Revised Request (11/6/14)	LFC Recommendation	Dollar Change	Percent Change
New Mexico State University					
I&G	\$118,112.5	\$120,653.1	\$120,886.0	\$2,773.5	2.3%
Athletics	\$3,397.4	\$3,227.5	\$3,397.4	\$0.0	0.0%
Educational Television	\$1,097.0	\$1,097.0	\$1,097.0	\$0.0	0.0%
Alamogordo - I&G	\$7,895.7	\$7,816.7	\$7,897.1	\$1.4	0.0%
Alamogordo Nursing	\$65.3	\$0.0	\$0.0	(\$65.3)	-100.0%
Carlsbad - I&G	\$4,259.4	\$4,257.6	\$4,298.6	\$39.2	0.9%
Carlsbad Nursing Expansion	\$118.7	\$118.7	\$118.7	\$0.0	0.0%
Carlsbad Mfg. Sector Development	\$236.1	\$224.3	\$236.1	\$0.0	0.0%
Dona Ana - I&G	\$23,165.8	\$23,613.9	\$23,677.1	\$511.3	2.2%
Dona Ana Nursing Expansion	\$210.9	\$210.9	\$210.9	\$0.0	0.0%
Dona Ana Dental Clinic	\$224.4	\$224.4	\$224.4	\$0.0	0.0%
Grants - I&G	\$3,622.1	\$3,622.1	\$3,629.1	\$7.0	0.2%
<i>Department of Agriculture</i>	\$11,459.9	\$11,689.1	\$11,559.9	\$100.0	0.9%
<i>Agricultural Experiment Station</i>	\$14,725.5	\$14,725.5	\$15,000.5	\$275.0	1.9%
<i>Cooperative Extension Service</i>	\$13,612.6	\$13,612.6	\$13,612.6	\$0.0	0.0%
College Assistance Migrant Program	\$217.8	\$206.9	\$217.8	\$0.0	0.0%
STEM Alliance for Minority Participation	\$329.5	\$313.0	\$329.5	\$0.0	0.0%
Alliance for Teaching and Learning Advancement	\$151.1	\$143.5	\$151.1	\$0.0	0.0%
Arrowhead Center for Business Development	\$238.2	\$238.2	\$238.2	\$0.0	0.0%
Indian Resources Development	\$299.1	\$284.1	\$299.1	\$0.0	0.0%
Mental Health Nurse Practitioner Program	\$401.7	\$401.7	\$701.7	\$300.0	74.7%
Manufacturing Sector Development Program	\$551.3	\$523.7	\$551.3	\$0.0	0.0%
Nursing Expansion	\$697.8	\$763.0	\$763.1	\$65.3	9.4%
Water Resources Research	\$319.3	\$1,319.4	\$469.4	\$150.1	47.0%
Economic Development Doctorate	\$99.7	\$94.7	\$99.7	\$0.0	0.0%
STEM Entrepreneurship/Diversity	\$0.0	\$0.0	\$50.0	\$50.0	-
NMSU Total	\$205,508.8	\$209,381.6	\$209,716.3	\$4,207.5	2.0%
New Mexico Highlands University					
I&G	\$28,195.6	\$28,670.8	\$28,772.3	\$576.7	2.0%
Athletics	\$2,145.4	\$2,038.1	\$2,220.4	\$75.0	3.5%
Advanced Placement	\$281.4	\$267.3	\$281.4	\$0.0	0.0%
Forest and Watershed Institute	\$315.8	\$315.8	\$315.8	\$0.0	0.0%
Nursing Expansion	\$65.9	\$65.9	\$65.9	\$0.0	0.0%
Minority Student Services	\$560.6	\$532.6	\$560.6	\$0.0	0.0%
NMHU Total	\$31,564.7	\$31,890.5	\$32,216.4	\$651.7	2.1%
Western New Mexico University					
I&G	\$17,102.6	\$17,592.4	\$17,583.8	\$481.2	2.8%
Athletics	\$1,898.5	\$1,803.6	\$1,973.5	\$75.0	4.0%
Child Development Center	\$211.1	\$200.5	\$211.1	\$0.0	0.0%
Instructional Television	\$78.2	\$78.2	\$78.2	\$0.0	0.0%
Nursing Expansion	\$881.9	\$881.9	\$881.9	\$0.0	0.0%
Pharmacy/Phlebotomy Program	\$124.7	\$124.7	\$124.7	\$0.0	0.0%
Web-Based Teacher Licensure	\$141.0	\$134.0	\$141.0	\$0.0	0.0%
Student Success Services	\$0.0	\$0.0	\$150.0	\$150.0	-
WNMU Total	\$20,438.0	\$20,815.3	\$21,144.2	\$706.2	3.5%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY15 (2014-2015)	FY16 (2015-2016)			
	Laws 2014, Chapter 63	HED Revised Request (11/6/14)	LFC Recommendation	Dollar Change	Percent Change
Eastern New Mexico University					
I&G	\$27,540.2	\$28,134.7	\$28,188.4	\$648.2	2.4%
Athletics	\$2,144.1	\$2,036.9	\$2,219.1	\$75.0	3.5%
Educational Television	\$1,112.6	\$1,112.6	\$1,112.6	\$0.0	0.0%
Roswell - I&G	\$11,991.7	\$12,145.3	\$12,205.4	\$213.7	1.8%
Roswell Nursing Expansion	\$74.6	\$74.6	\$74.8	\$0.2	0.3%
Aviation Science Technology	\$60.2	\$60.2	\$60.2	\$0.0	0.0%
Special Services Program Expansion	\$61.7	\$61.7	\$61.7	\$0.0	0.0%
Dental Hygiene Program	\$99.7	\$99.7	\$99.7	\$0.0	0.0%
Ruidoso - I&G	\$2,128.3	\$2,133.1	\$2,151.6	\$23.3	1.1%
Allied Health	\$155.2	\$155.2	\$155.2	\$0.0	0.0%
At-Risk Student Tutoring	\$244.8	\$232.6	\$244.8	\$0.0	0.0%
Nursing Expansion	\$257.4	\$283.1	\$257.4	\$0.0	0.0%
Blackwater Draw Site & Museum	\$95.7	\$90.9	\$95.7	\$0.0	0.0%
Student Success Programs	\$454.5	\$431.8	\$454.5	\$0.0	0.0%
Youth Robotics Competition	\$99.7	\$0.0	\$0.0	(\$99.7)	-100.0%
Growing STEM Careers	\$0.0	\$0.0	\$100.0	\$100.0	-
ENMU Total	\$46,520.4	\$47,052.4	\$47,481.0	\$960.6	2.1%
New Mexico Institute of Mining & Technology					
I&G	\$27,508.3	\$28,125.1	\$28,170.6	\$662.3	2.4%
Athletics	\$211.9	\$201.3	\$211.9	\$0.0	0.0%
Bureau of Mine Safety	\$340.1	\$340.1	\$340.1	\$0.0	0.0%
Bureau of Geology & Mineral Resources	\$4,147.7	\$4,147.7	\$4,237.7	\$90.0	2.2%
Geophysical Research Center	\$1,169.6	\$1,169.1	\$1,169.6	\$0.0	0.0%
Petroleum Recovery Research	\$2,006.5	\$2,006.5	\$2,006.5	\$0.0	0.0%
Cave & Karst Research	\$387.3	\$387.3	\$387.3	\$0.0	0.0%
Energetic Materials Research Center	\$850.8	\$850.8	\$850.8	\$0.0	0.0%
Homeland Security	\$559.6	\$559.6	\$559.6	\$0.0	0.0%
Institute for Complex Additive Sys Analysis	\$862.9	\$862.9	\$862.9	\$0.0	0.0%
Science Fair/Science Olympiad	\$214.5	\$214.5	\$214.5	\$0.0	0.0%
Supercomputing Challenge Program	\$59.8	\$0.0	\$59.8	\$0.0	0.0%
Aerospace Internship Program	\$0.0	\$0.0	\$75.0	\$75.0	-
NMIMT Total	\$38,319.0	\$38,864.9	\$39,146.3	\$827.3	2.2%
Northern New Mexico College					
I&G	\$10,853.7	\$10,745.2	\$10,850.8	(\$2.9)	0.0%
Athletics	\$268.7	\$255.3	\$318.7	\$50.0	18.6%
Youth STEM Program	\$149.6	\$0.0	\$149.6	\$0.0	0.0%
Nursing Expansion	\$253.8	\$253.8	\$253.8	\$0.0	0.0%
Veterans Center	\$124.7	\$118.5	\$124.7	\$0.0	0.0%
Student Success Programs	\$0.0	\$0.0	\$100.0	\$100.0	-
NNMC Total	\$11,650.5	\$11,372.8	\$11,797.6	\$147.1	1.3%
Santa Fe Community College					
I&G	\$9,813.0	\$10,069.9	\$10,073.3	\$260.3	2.7%
Small Business Development Centers	\$4,419.7	\$4,419.7	\$4,419.7	\$0.0	0.0%
Nursing Expansion	\$276.7	\$276.0	\$276.7	\$0.0	0.0%
Radiography Technician Program	\$0.0	\$0.0	\$100.0	\$100.0	-
SFCC Total	\$14,509.4	\$14,765.6	\$14,869.7	\$360.3	2.5%
Central New Mexico Community College					
I&G	\$55,448.6	\$58,143.0	\$57,729.4	\$2,280.8	4.1%
Nursing Expansion	\$195.9	\$195.8	\$195.9	\$0.0	0.0%
CNMCC Total	\$55,644.5	\$58,338.8	\$57,925.3	\$2,280.8	4.1%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY15 (2014-2015)	FY16 (2015-2016)			
	Laws 2014, Chapter 63	HED Revised Request (11/6/14)	LFC Recommendation	Dollar Change	Percent Change
Luna Community College					
I&G	\$7,444.8	\$7,444.9	\$7,444.9	\$0.1	0.0%
Athletics	\$416.7	\$395.9	\$416.7	\$0.0	0.0%
Nursing 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%
LCC Total	\$8,730.7	\$8,681.1	\$8,730.8	\$0.1	0.0%
Mesalands Community College					
I&G	\$4,244.0	\$4,244.0	\$4,244.0	\$0.0	0.0%
Athletics	\$144.5	\$137.3	\$144.5	\$0.0	0.0%
Wind Training Center	\$120.7	\$120.7	\$120.7	\$0.0	0.0%
MCC Total	\$4,509.2	\$4,502.0	\$4,509.2	\$0.0	\$0.0
New Mexico Junior College					
I&G	\$5,532.9	\$5,697.1	\$5,692.3	\$159.4	2.9%
Athletics	\$483.5	\$459.3	\$483.5	\$0.0	0.0%
Lea County Distance Education Consortium	\$29.9	\$28.4	\$29.9	\$0.0	0.0%
Nursing Expansion	\$308.2	\$308.2	\$308.2	\$0.0	0.0%
Oil and Gas Training Center	\$176.2	\$176.1	\$176.2	\$0.0	0.0%
NMJC Total	\$6,530.7	\$6,669.1	\$6,690.1	\$159.4	2.4%
San Juan College					
I&G	\$24,786.6	\$24,786.6	\$24,836.3	\$49.7	0.2%
Dental Hygiene	\$167.5	\$167.5	\$167.5	\$0.0	0.0%
Nursing Expansion	\$216.2	\$216.2	\$216.2	\$0.0	0.0%
SJC Total	\$25,170.3	\$25,170.3	\$25,220.0	\$49.7	0.2%
Clovis Community College					
I&G	\$9,895.0	\$10,022.1	\$10,071.6	\$176.6	1.8%
Nursing Expansion	\$297.4	\$297.4	\$298.2	\$0.8	0.3%
CCC Total	\$10,192.4	\$10,319.5	\$10,369.8	\$177.4	1.7%
Four-Year/Two-Year Total	\$794,612.0	\$811,135.5	\$811,915.4	\$17,303.3	2.2%
New Mexico Military Institute					
I&G	\$1,388.4	\$1,416.2	\$1,388.4	\$0.0	0.0%
Athletics	\$281.3	\$267.2	\$281.3	\$0.0	0.0%
Knowles Legislative Scholarship	\$1,359.1	\$1,359.1	\$1,359.1	\$0.0	0.0%
NMMI Total	\$3,028.8	\$3,042.5	\$3,028.8	\$0.0	0.0%
New Mexico School for the Blind & Visually Impaired					
I&G	\$891.1	\$909.0	\$891.2	\$0.1	0.0%
Low Vision Clinic Programs	\$117.5	\$235.0	\$235.0	\$117.5	100.0%
Early Childhood Center	\$382.9	\$382.9	\$382.9	\$0.0	0.0%
NMSBVI Total	\$1,391.5	\$1,526.9	\$1,509.1	\$117.6	8.5%
New Mexico School for the Deaf					
I&G	\$4,040.6	\$4,121.4	\$4,040.6	\$0.0	0.0%
Statewide Outreach Services	\$250.3	\$250.3	\$250.3	\$0.0	0.0%
School for the Deaf Total	\$4,290.9	\$4,371.7	\$4,290.9	\$0.0	0.0%
Special School GF Total	\$8,711.2	\$8,941.1	\$8,828.8	\$117.6	1.3%
IAIA - College Awareness at Tribal Colleges	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0
Navajo Tech University - Water Infrastructure Projects	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0
Tribal College Total	\$0.0	\$400.0	\$0.0	\$0.0	0.0%
Higher Education Department					
Operating	\$3,590.0	\$4,019.9	\$3,278.7	(\$311.3)	-8.7%
Adult Basic Education	\$5,360.4	\$5,385.0	\$6,175.2	\$814.8	15.2%
Student Financial Aid	\$23,357.4	\$28,035.4	\$24,278.1	\$920.7	3.9%
High Skills	\$498.7	\$338.5	\$500.0	\$1.3	0.3%
NM MESA, Inc.	\$1,278.8	\$1,278.8	\$1,278.8	\$0.0	0.0%
ENLACE	\$998.5	\$1,001.3	\$1,001.3	\$2.8	0.3%
Tribal College Dual Credit Program	\$199.5	\$299.4	\$199.5	\$0.1	0.0%
HED Total	\$35,283.3	\$40,358.3	\$36,711.6	\$1,428.3	4.0%
HIGHER EDUCATION TOTAL	\$838,606.6	\$860,834.9	\$857,455.9	\$18,849.3	2.2%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Agency/Institution/Program	FY15 (2014-2015)	FY16 (2015-2016)			
	Laws 2014, Chapter 63	HED Revised Request (11/6/14)	LFC Recommendation	Dollar Change	Percent Change
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$38,319.0	\$38,864.9	\$39,146.3	\$827.3	2.2%
New Mexico State University (954)	\$205,508.8	\$209,381.6	\$209,716.3	\$4,207.5	2.0%
University of New Mexico (952)	\$219,759.3	\$224,491.7	\$224,812.1	\$5,052.8	2.3%
UNM Health Sciences Center (952)	\$95,564.2	\$98,819.9	\$97,286.7	\$1,722.5	1.8%
Eastern New Mexico University (960)	\$46,520.4	\$47,052.4	\$47,481.0	\$960.6	2.1%
New Mexico Highlands University (956)	\$31,564.7	\$31,890.5	\$32,216.4	\$651.7	2.1%
Northern New Mexico College (964)	\$11,650.5	\$11,372.8	\$11,797.6	\$147.1	1.3%
Western New Mexico University (958)	\$20,438.0	\$20,815.3	\$21,144.2	\$706.2	3.5%
Central New Mexico Community College (968)	\$55,644.5	\$58,338.8	\$57,925.3	\$2,280.8	4.1%
Clovis Community College (977)	\$10,192.4	\$10,319.5	\$10,369.8	\$177.4	1.7%
Luna Community College (970)	\$8,730.7	\$8,681.1	\$8,730.8	\$0.1	0.0%
Mesalands Community College (972)	\$4,509.2	\$4,502.0	\$4,509.2	\$0.0	0.0%
New Mexico Junior College (974)	\$6,530.7	\$6,669.1	\$6,690.1	\$159.4	2.4%
San Juan College (976)	\$25,170.3	\$25,170.3	\$25,220.0	\$49.7	0.2%
Santa Fe Community College (966)	\$14,509.4	\$14,765.6	\$14,869.7	\$360.3	2.5%
Subtotal - Universities and Community Colleges	\$794,612.1	\$811,135.5	\$811,915.5	\$17,303.4	2.2%
New Mexico Military Institute (978)	\$3,028.8	\$3,042.5	\$3,028.8	\$0.0	0.0%
NM School for the Blind & Visually Impaired (979)	\$1,391.5	\$1,526.9	\$1,509.1	\$117.6	8.5%
New Mexico School for the Deaf (980)	\$4,290.9	\$4,371.7	\$4,290.9	\$0.0	0.0%
Subtotal - Special Schools	\$8,711.2	\$8,941.1	\$8,828.8	\$117.6	1.3%
Tribal College Total	\$0.0	\$400.0	\$0.0	\$0.0	0.0%
Higher Education Dept.	\$35,283.3	\$40,358.3	\$36,711.6	\$1,428.3	4.0%
TOTAL	\$838,606.6	\$860,434.9	\$857,455.9	\$18,849.3	2.2%
Summary by Major Function					
University I&G	\$418,460.8	\$427,599.3	\$428,342.2	\$9,881.4	2.4%
Community College I&G	\$190,439.4	\$194,382.9	\$194,372.3	\$3,932.9	2.1%
UNM HSC I&G	\$62,331.6	\$63,578.4	\$62,799.1	\$467.5	0.8%
Special Schools I&G	\$6,320.1	\$6,446.6	\$6,320.2	\$0.1	0.0%
Athletics	\$14,244.2	\$13,532.0	\$14,519.2	\$275.0	1.9%
Healthcare Workforce Programs	\$9,284.6	\$10,214.3	\$10,715.0	\$1,430.4	15.4%
Educational TV	\$3,386.9	\$3,386.9	\$3,386.9	\$0.0	0.0%
All Other RPSPs	\$98,855.7	\$100,936.2	\$100,289.4	\$1,433.7	1.5%
Higher Education Department	\$35,283.3	\$40,358.3	\$36,711.6	\$1,428.3	4.0%
Total	\$838,606.6	\$860,434.9	\$857,455.9	\$18,849.3	2.2%

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 nearly \$3 billion in appropriations for higher education institutions and special schools are 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 few years, leaders have continued to revise the instruction and general (I&G) funding formula, a method to distribute state general fund appropriations in support of educational costs and institutional efforts to improve student performance and serve statewide priorities. While the latest formula revision has some shortcomings and more work is necessary, it continues the direction of recognizing success at producing certificates and degrees in total and in priority workforce disciplines. It emphasizes efforts to recruit, retain and graduate all students, but especially those financially at-risk. It recognizes institutions for meeting their missions: to generate research-based funding and maintain access to all students, whether in high school or adults in the workforce. The outcomes -- evident in institutional reports on Accountability in Government Act measures, the data compilations in the LFC's Volume III, and institutional presentations during the 2014 interim -- show that more students are making progress and completing programs. Because of this progress, both the HED's request and LFC's recommendation for FY16 increase I&G formula-based funding by approximately \$14.3 million, or 2.1 percent, over FY15 operating levels.

In addition, both the request and recommendation support increased general fund appropriations for other institutions serving statewide needs. HED requested additional general fund appropriations and reprioritized existing funds to expand and fund new healthcare workforce initiatives and services and expand water resources research. The LFC recommendation includes additional general fund appropriations to expand training for mental health nurse practitioners, double the number of state-funded medical residencies, and boost institutional efforts to improve student retention and graduation, particularly in science, technology, engineering, math, and health (STEMH) fields.

BUDGET ISSUES:

HED submitted a FY16 budget request for all institutions and special schools totaling \$3 billion, of which \$820.8 million, or 28.8 percent, was from the general fund. The department's request included \$685.6 million for I&G purposes, \$126 million for research and public service projects and other activities, and \$8.9 million for the special schools. The department's general fund request was \$17.1 million, or 2.1 percent, higher than the FY15 general fund appropriation.

The LFC's FY15 general fund recommendation for institutions and special schools totals \$820.7 million, \$271 thousand more than the request and nearly \$17.4 million, or 2.2 percent, more than FY15 operating levels. The increase provides an additional \$14.3 million in I&G funding and \$3.1 million in funding for research and public service projects. The recommendation provides a fourth 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. Costs included those related to instruction, academic support, student services, facilities, and institutional support. During the post-recession era, and 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's recommendation for FY16 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 missions as articulated in a statewide plan. However, the process to develop formula changes and the eventual method of valuing and calculating the appropriations 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 processes 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. Further, annual adjustments to the formula mechanics continue to challenge institutional leaders as they craft annual budgets based on unclear measures and uncertain values. Legislators and the public also find annual formula changes difficult as they try to understand the basic rules for how the state appropriates formula funding.

During the years of change, the direction has been constant -- increasing the state appropriations per year that are based on institutional performance. The outcome measures have been 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 STEMH, and awards earned by financially at-risk students. In FY15, mission-specific outcome measures were supported by the executive and LFC and received funding, achieving one of HED's initial formula goals. Consistent with past practice and the exercise of its appropriations power, the Legislature has adjusted the formula funding levels to address state priorities.

2014 Legislative Interim I&G Formula Review. A May 2014 LFC review and update of the higher education funding formula summarized the prior years' formula efforts, appropriation levels, and described priorities for the 2014 interim. Highlighting the department's annually changing processes for formula development and the need to address the conflicting formula methods recommended for FY15, the brief identified a number of issues that could be addressed during the 2014 interim and for the FY16 budget cycle. These included reviewing how a formula can (1) consider economies of scale given the variety of the state's public institutions, (2) reward an institution's improvement on statewide outcome measures over time, (3) provide for budgetary stability while reducing prior-year base appropriations to fund performance, and (4) incorporate or reflect other revenues received for I&G.

To prepare for the FY16 budget cycle, HED led an effort to facilitate formula revisions. Last May, the department formed a steering committee, with select regents or governing board members, presidents, and senior staff representing research, comprehensive, and two-year institutions and leaders from LFC, the Department of Finance and Administration (DFA), and HED. The steering committee agreed on principles to direct the development of formula revisions. The resulting formula proposal supported by the steering committee at a mid-September 2014 meeting reflects the following generally agreed on principles:

- * A significant component of an institution's funding formula distribution should reflect an institution's performance.
- * Statewide measures based on award production are appropriate, reasonably accurate, and directional.
- * Institutions should receive some funding based on successfully achieving their missions.
- * The funding formula review and revision process should be collaborative and transparent, with institutions, the executive, and Legislature involved.
- * The funding formula should be clear, transparent, and as simple as possible to be understood and effective.

The steering committee referred to these principles in directing subcommittee work and evaluating proposals brought forward through the end of October 2014.

The secretary formed four subcommittees to generate reports and materials for the steering committee's consideration.

The "best practices" subcommittee focused on states with intermediate performance measures (such as completed student credit hours) and practices that redistribute prior-year base funding based on performance. The subcommittee's report to LFC at a September 2014 hearing noted that outcomes-based formula funding has been implemented relatively recently so that data is inconclusive as to what constitutes "best practices" in developing a formula. However, New Mexico's formula mirrors the common practices found in other outcome-based formula states.

The "base operating" subcommittee analyzed instruction-related fixed costs, such as building replacement and renewal, equipment replacement and renewal, libraries, and other budget inputs. A group of institutional finance staff identified base amounts for these items and developed a recommendation for funding a portion of these instruction-related expenses in the I&G funding formula. The subcommittee recognized that more work is needed in this area, and the steering committee included a thorough review of these costs and options for reimbursement over the next two interim sessions.

The "technical" subcommittee continued to meet and review data used for the formula, refining and documenting processes used for the latest revision. This subcommittee met less frequently than in prior years. Lastly, a subcommittee formed to review and develop institution-specific measures but did not propose any new measures for the proposed FY16 formula, and will do so during the 2015 interim for the FY17 budget cycle.

FY16 I&G Funding Formula. The steering committee, lacking sufficient expertise and information to consider draft formula revisions, relied on a working group to develop a formula proposal that focuses on outcomes, reconciles the differences between the formulas proposed by the executive and implemented by the Legislature for the FY15 I&G budget, and addresses other issues. The working group proposed an I&G formula that, with additional changes, was adopted by the steering committee and used by HED as the basis for the FY16 request.

The formula includes a blend of components applied in prior funding years: (1) an adjusted base year; (2) workload outcome measure based on end-of-course credit hours; (3) statewide outcome measures that reflect total awards produced, awards in STEMH, and awards earned by at-risk students; and (4) mission-specific measures that recognize institutional success at research, college accessibility through dual credit courses, and helping students make academic progress. The formula for FY16 is more complex than the legislative approach taken in FY15. The workload component is based on a three-tier, three-level credit matrix, not 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 (UNM), no matter which matrix is applied, so that amounts can be distributed to all institutions proportionately. Lastly, the mission-specific measure recognizing comprehensive and two-year colleges for providing dual credit courses was recalibrated to provide a portion of lost tuition revenues for credits instead of a flat value per credit. This helps institutions with higher tuitions recover more of the cost to provide free classes to high school students.

The committee added three new components: a base operating adjustment to compensate institutions for instruction-related fixed costs and two provisions to help institutions that fail to regain prior-year funding levels after the outcomes measures are applied. Institutions that receive less funding, based on outcome measures, but have increased awards production over time would be "held harmless" and receive sufficient funding to maintain their FY15 I&G formula funding level. Further, institutions that receive less funding based on outcome measures and have produced fewer awards over time would be stopped from losing more than 1 percent of their FY15 formula funding level.

To determine how much I&G formula funding is based on outcomes, the formula requires identifying a target of total funding based on outcomes and the amount, if any, of new funding available to reach the target. If additional funding is insufficient to reach the outcomes target, institutions prior-year base funding is reduced to make-up the shortfall. The total of new money and prior-base funding is then distributed among the components: base operating is 1 percent, workload is 25 percent, statewide outcomes are funded at 57 percent, and mission-specific outcomes at 20 percent. To determine an institution's formula funding appropriation, the outcomes-based amount is then added to an institution's adjusted prior-year base amount. This final amount can be affected by applying the hold harmless and stop/loss provisions or a credit reflecting a portion of other state and local government revenues an institution receives.

Further Work for 2015. The steering committee recommended a detailed work plan for the next two legislative interims: in 2015, refine mission-specific performance measures, develop institution-specific measures, develop a statewide productivity measure, and review the operating base costs and method for allocating funding; in 2016: review underlying awards matrices for the statewide outcomes measures, review options for considering other revenues supporting I&G, and finalize the operating base adjustment factor. The steering committee did not discuss or address a number of budget-related issues affecting the formula, such as determining a target rate of I&G formula funding based on outcomes, a maximum amount of prior-year funding that should be reallocated through the formula, or preferred amount of additional general fund support to request. Instead, the committee deferred to HED, LFC, and DFA to address these issues in their FY16 budget proposals.

In general, LFC supports the direction of the state's outcomes-based formula and institutions' responses to improve student retention and completion. Over the last three fiscal years, more general fund I&G appropriations have been allocated based on student and institutional performance. However, the committee remains concerned that the formula proposed for FY16 (1) fails to recognize economies of scale, allowing institutions with small I&G general fund bases to be affected more than larger institutions, particularly when prior-year base funding is cut; (2) fails to sufficiently address improved institutional performance over time; and (3) does not allow outcomes-based funding to flow between research, comprehensive, and community college sectors, maintaining "sector equity" for the fifth straight fiscal year. In addition, as the formula has evolved into a tool to distribute available general fund revenues and less reflective of the costs to provide an education, the need grows for the state to review disparities between institutions' expenditure and base appropriation levels. Leaders should work to address the problem of small, particularly rural, institutions that improve student performance but are unable to recover prior-year funding or gain new funding at levels commiserate with their base costs.

LFC also recommends the executive branch, institutions, the Legislature, and local communities focus on connecting outcome measures to well-defined statewide goals and action steps for higher education in New Mexico. The I&G funding formula, with funded performance measures, improved Accountability in Government Act measures, and other tools, represents opportunities to discuss larger policy issues, like improving and measuring academic quality and aligning goals with performance targets.

FY16 I&G Request and Recommendation. Both the HED request and LFC recommendation support increased state funding based on student performance, including performance in specific academic concentrations and by a diverse student population. While priorities are 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-year funding without destabilizing institutions.

In sum, the LFC's recommendation for the I&G funding formula is \$622.7 million, or 3.4 percent over FY15 levels. The HED request maintained and the LFC recommendation maintain sector balances of formula funding: research institutions receiving nearly 55 percent of formula funding, and comprehensive and two-year institutions receiving 14 percent and 31 percent, respectively. Like the request, the LFC recommendation does not apply a credit for a portion of other state and local government revenues. However, HED's request reallocated a significant amount of prior-year base funding that would exacerbate the formula's adverse affect on small institutions. The LFC recommendation reallocates less prior-year funding to outcomes to avoid this formula flaw and acknowledge that institutions have focused on ways to address state's priorities and improve student performance.

HED's I&G request of \$622 million included an additional \$13.1 million in general fund support for formula funding. The department allocated \$61.2 million, or 10 percent, of formula funding based on outcomes. To achieve the 10 percent goal, the FY15 operating level was shaved by \$49.9 million, or 8.2 percent, with new money making up the difference. The department did not apply a credit for other state and local government revenues received by institutions.

LFC's recommendation is based on HED's proposed formula and recognizes that institutions have reported consistent progress to improve student performance and institutional success at their missions. "Comparison of Instruction and General Formula for FY16 Budget: Statewide Outcomes," Volume III. The recommendation distributes \$40.1 million, or 6.5 percent, of formula funding based on outcomes. The outcome-based funding includes \$13.8 million in new funding and only redistributes \$26.8 million, or 4.4 percent, from the FY15 base level. By increasing general fund support and limiting the affects of deep prior-year base reductions, LFC's recommendation provides greater budget stability, particularly to smaller institutions, while providing a solid base to address formula components during the 2015 legislative interim.

Unlike prior years, the LFC recommendation does not specifically reduce general fund appropriations by a percentage of other state and local government revenues. For FY16, applying this credit would have reduced the formula general fund appropriation by \$3.1 million. Instead, the I&G formula recommendation reflects 3.6 percent growth in FY16 recurring general fund revenues and that institutions have other resources, such as tuition, increased payments from land grant permanent fund and local levies, to address flat or increasing expenditure levels.

University of New Mexico's Health Sciences Center. While not formula-based, UNM Health Sciences Center (HSC) receives a direct general appropriation for I&G funding for the school of medicine and receives some funding from UNM main campus for providing formula-based I&G services (for example, completed student credit hours for colleges of pharmacy and nursing) and generating research funding as part of the mission-specific outcome measure. For FY16, both the HED's request increased and committee's recommendation increases I&G general fund support for UNM HSC. The department requested \$63.6 million, a 2 percent, or \$1.2 million, increase over FY15 operating levels, while the LFC recommends \$63 million, a 0.75 percent, or \$467 thousand, increase.

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 \$126 million in general fund support for such projects, a 2.1 percent increase over FY15 levels. To fund new projects and expand others, the department reduced some current programs and requested additional funding. The department cut \$1.4 million in general fund support from athletic programs (\$712 thousand), minority student services, academic student support programs, and economic development programs. This savings combined with \$2.8 million in additional general fund appropriations would start new programs and significantly expand the Water Resources Research Institute (\$1.3 million). The department's request initiated new and expanded existing healthcare services, including the Center for Childhood Maltreatment (\$779 thousand), the Center for Healthcare Workforce Analysis (\$275 thousand), and funding a nine additional medical residency positions (\$905 thousand). The department also supported two requests from tribal colleges totaling \$400 thousand.

LFC recommends a total of nearly \$126.4 million in general fund support for research and public service projects. Of the \$3.1 million in new funding, \$2 million would support institutional efforts to improve student retention and completion. Funding is directed to increasing or expanding academic and student support services, particularly in the STEMH fields, and priority workforce programs.

Importantly, the LFC recommendation provides nearly \$13 million in general fund appropriations for healthcare workforce programs and training at colleges and universities. The recommendation for higher education institutions includes \$1.4 million in new general fund appropriations for additional medical residency positions, doubling the state's graduate nurse practitioner cohort in behavioral health (\$300 thousand), and expand Project ECHO's addiction and psychiatry program to train more primary care clinicians and community health workers (\$300 thousand). This recommendation builds on the Legislature's 2014 initiative to grow the state's healthcare workforce by expanding programs and class sizes and increasing high-demand financial aid programs.

Special Schools

HED requested \$8.9 million in general fund support for the New Mexico School for the Blind and Visually Impaired, the New Mexico School for the Deaf, and the New Mexico Military Institute. The LFC recommendation is slightly less, recognizing all three schools are likely to receive significant land grant permanent fund payments in FY16. Both the request and recommendation support a \$117.5 thousand expansion for the School for the Blind and Visually Impaired's low vision clinic program.

RECOMMENDED LANGUAGE:

FOR UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER:

The other state funds appropriations to the university of New Mexico health sciences center includes two million nine hundred sixty-two thousand one hundred dollars (\$2,962,100) from the tobacco settlement program fund.

The general fund appropriations to the hepatitis community health outcomes program at the health sciences center of the university of New Mexico includes three hundred thousand dollars (\$300,000) to expand the addiction and psychiatry training program for primary care physicians and community health workers.

FOR NEW MEXICO STATE UNIVERSITY:

The general fund appropriation to the agriculture experiment station program at New Mexico state university includes two hundred thousand dollars (\$200,000) to provide staff services at the Alcalde agriculture experiment station for the Los Luceros ranch and pursuant to an agreement with the cultural affairs department.

The general fund appropriation to the mental health nurse practitioner program of New Mexico state university includes three hundred thousand dollars (\$300,000) to support an additional cohort of psychiatric and mental health nurse practitioners.

The other state funds appropriation to the water resources research institute program of New Mexico state university include five hundred thousand dollars (\$500,000) from the corrective action fund, created in Section 74-6B-7 NMSA 1978.

FOR NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY:

The general fund appropriation to the New Mexico institute of mining and technology for the bureau of mines includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of first-time, full-time, degree-seeking freshmen completing an academic program within six years	45.8%	48.2%	48%	48%	48%
* Output	Total number of baccalaureate degrees	3,395	3,477	3,450	3,500	3,525
Output	Number of post-baccalaureate degrees awarded	1,471	1,448	1,525	1,525	1,525
Outcome	Percent of first-time, full-time, degree-seeking freshmen retained to second year	76.6%	77.7%	78.8%	79.2%	79.2%
Output	Number of undergraduate transfer students from two-year colleges	1,876	1,892	1,950	2,020	2,020
Output	Number of degrees awarded using extended services	552	754	700	1,000	1,000
Outcome	Amount of external dollars for research and public service, in millions	\$127	\$130	\$130	\$129	\$129
Outcome	Percent of enrolled Native American students among all degree-seeking undergraduates as of fall census date	9.6%	10.1%	10.0%	10.0%	10.0%
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)	75.8%	75.1%	76.8%	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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	37.6%	40.6%	42.0%	42.0%	42.0%
* 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%	8%	10%	10%	10%
Outcome	Percent of graduates placed in jobs in New Mexico	57.7%	63.5%	60.0%	60.0%	60.0%
Output	Number of students enrolled in the adult basic education program	297	146	386	160	160
Outcome	Percent of Hispanic students enrolled	10.9%	11.6%	11.0%	12.0%	12.0%
Outcome	Percent of Hispanic graduates	10.0%	10.2%	11.0%	11.2%	11.2%
Output	Number of students enrolled in the area vocational schools program	383	397	450	400	400
Efficiency	Percent of programs having stable or increasing enrollments	63%	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	62%	83%	65%	84%	84%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	85.1%	85.9%	86.0%	86.0%	86.0%

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	69.2%	65.7%	65.0%	59.5%	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	58.9%	56.5%	60.0%	57.0%	60.0%
Outcome	Percent of graduates placed in jobs in New Mexico	81.9%	75.7%	49.0%	50.0%	75.0%
Outcome	Percent of Native American students enrolled.	7.0%	6.0%	7.5%	7.5%	7.5%
Outcome	Percent of Native American graduates.	8.3%	8.0%	8.5%	8.5%	8.0%
Output	Number of students enrolled in the adult basic education program	304	285	415	300	300
Output	Number of students enrolled in the small business development center program	353	350	355	355	355
Efficiency	Percent of programs having stable or increasing enrollments	81.8%	78.8%	80.0%	68.0%	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	78.5%	78.3%	79.5%	79.5%	79.5%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	90.5%	91.6%	85.0%	75.0%	85.0%

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	56.9%	54.2%	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	8.5%	8.5%	10.0%	8.5%	10.0%
Outcome	Percent of graduates placed in jobs in New Mexico	63.1%	69.0%	65.0%	65.0%	65.0%
Outcome	Percent of Native Americans enrolled	4.2%	3.9%	5.0%	4.5%	4.5%
Outcome	Percent of Native American graduates	1.8%	2.2%	3.0%	3.0%	3.0%
Output	Number of students enrolled in the adult basic education program	1,237	991	1,300	900	900
Output	Number of students enrolled in the community services program	3,169	4,355	3,000	3,000	3,000
Efficiency	Percent of programs having stable or increasing enrollments	56.9%	49.1%	70.0%	70.0%	70.0%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.3%	79.8%	80.0%	80.0%	80.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	88.6%	96.0%	88.0%	88.0%	88.0%

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

		FY13 <u>Actual</u>	FY14 <u>Actual</u>	FY15 <u>Budget</u>	FY16 <u>Request</u>	FY16 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	56.5%	51.6%	59.0%	59.0%	59.0%
* 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	24.1%	14.5%	20.0%	8.0%	20.0%
Outcome	Percent of program completers who were placed in jobs in New Mexico based on unemployment insurance wage data	65%	74%	66%	66%	66%
Outcome	Percent of males enrolled	37.4%	38.7%	33.0%	33.0%	35.0%
Outcome	Percent of male graduates	29.0%	30.1%	20.0%	30.0%	30.0%
Output	Number of students enrolled in the adult basic education program	238	219	275	275	220
Output	Number of students enrolled in the concurrent enrollment program	724	914	500	500	900
Efficiency	Percent of programs with stable or increasing enrollment	77.8%	66.7%	75.0%	55.0%	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	80.4%	77.4%	80.0%	70.0%	80.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	92.5%	89.8%	81.0%	81.0%	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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Output	Number of degrees awarded using extended university courses	75	72	75	75	80
Output	Number of post-baccalaureate degrees awarded	302	316	320	320	320
Outcome	Increase in external research and public service expenditures, in millions	\$297.1	\$318.2	\$310.0	\$310.0	\$310.0
Outcome	First-attempt pass rates on national medical licensing exam, step three, board exam	92%	98%	95%	95%	95%
Output	Pass rates on national medical licensing exam, step two, board exam, first attempt	100%	99%	95%	95%	95%
Output	Total number of university of New Mexico hospital clinic visits	455,437	510,277	490,000	490,000	490,000
Output	Number of autopsies performed each year by the office of the medical investigator	2,086	2,401	2,200	2,200	2,200
Output	Number of patient days at Carrie Tingley hospital	3,820	4,181	4,100	4,100	4,100
Output	Total number of university of New Mexico hospital inpatient discharges	27,095	26,593	27,000	27,000	27,000
Output	Percent of human poisoning exposures treated safely at home after poison and drug information center contact	67%	66%	68%	68%	68%
Output	University of New Mexico hospital inpatient readmission rate	4.00%	3.96%	4.00%	4.00%	4.00%
Outcome	University of New Mexico hospital inpatient satisfaction rate	82.3%	83.0%	83.0%	83.0%	83.0%
Output	Number of university of New Mexico cancer research and treatment center clinical trials	249	375	400	400	400
Outcome	Pass rate on national certification licensing exam test by college of nursing bachelors of science in nursing candidates	84.2%	92.3%	85.0%	90.0%	90.0%
Output	Pass rate for graduate students on American nurses credentialing center family nurse practitioner certification exam	91%	100%	95%	95%	95%
Output	First-time pass rate on the north American pharmacist licensure examination from the college of pharmacy	99%	98%	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44%	43%	47%	47%	47%
Outcome	Number of Hispanic undergraduate degree-seeking students	6,781	6,701	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)	72.3%	74.3%	78.0%	78.0%	78.0%
* Output	Total number of baccalaureate degrees awarded	2,440	2,599	2,550	2,600	2,650
Outcome	Number of undergraduate transfer students from two-year colleges	592	1,291	1,250	1,250	1,300
Quality	Percent of academic departments or programs using the results of student learning outcomes for improvement	75%	75%	80%	80%	80%
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	72%	74.2%	73.0%	73.0%	74.0%
Output	Number of degree programs offered via distance education	37	36	37	37	37
Outcome	Total external research expenditures, in millions	new	new	new	\$90	\$90
Outcome	Graduate enrollment as a percent of total NMSU Las Cruces enrollment	new	new	new	20%	20%
Output	Number of nursing degrees conferred	112	122	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	60.9%	58.6%	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	9.1%	8.2%	14.0%	14.0%	14.0%
Outcome	Percent of graduates placed in jobs in New Mexico	69%	70.4%	72.0%	72.0%	72.0%
Outcome	Percent of Hispanic students enrolled	35.3%	32.7%	37.0%	36.0%	36.0%
Outcome	Percent of Native Americans graduates	2.4%	1.8%	4.0%	4.0%	4.0%
Output	Number of students enrolled in the adult basic education program	481	435	550	500	500
Output	Number of students enrolled in the small business development center program	591	504	600	550	550
Efficiency	Percent of programs having stable or increasing enrollments	71.4%	63.9%	78%	78%	78%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	72.5%	71.5%	79.8%	79.8%	79.8%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	91.8%	92.0%	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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.7%	58.8%	50.0%	54.0%	54.0%
* 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	7.1%	3.5%	10.0%	10.0%	10.0%
Outcome	Percent of graduates placed in jobs in New Mexico	70.2%	79.7%	80.0%	80.0%	80.0%
Outcome	Percent of Hispanic students enrolled	46.2%	51.1%	50.0%	50.0%	50.0%
Outcome	Percent of Hispanic graduates	43%	44.1%	43.0%	44.0%	44.0%
Output	Number of students enrolled in concurrent enrollment	949	1,019	950	950	1,000
Efficiency	Percent of programs having stable or increasing enrollments	70.3%	77.3%	70.0%	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	71.1%	68.2%	70.0%	70.0%	70.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	85.8%	92.7%	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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.4%	49.1%	52.0%	48.0%	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	12.9%	12.7%	15.0%	15.0%	15.0%
Outcome	Percent of graduates placed in jobs in New Mexico	68.9%	94.0%	77.0%	77.0%	77.0%
Outcome	Percent of males enrolled	43.7%	43.7%	45.0%	45.0%	45.0%
Outcome	Percent of Hispanic graduates	66.6%	67.8%	66.0%	65.0%	66.0%
Output	Number of students enrolled in the contract training program	1,284	790	1,500	1,500	1,500
Output	Number of students enrolled in the adult basic education program	3,155	2,508	5,000	4,000	3,500
Efficiency	Percent of programs having stable or increasing enrollments	87%	73.1%	91.0%	91.0%	91.0%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	78.0%	78.4%	81.0%	81.0%	81.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	93.5%	94.0%	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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.9%	51.0%	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	16.1%	18.3%	22.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	70.8%	77.7%	74.0%	74.0%	74.0%
Outcome	Percent of Hispanic students enrolled	43.8%	42.5%	40.0%	33.0%	40.0%
Outcome	Percent of Native American graduates	32.8%	32.1%	36.0%	36.0%	36.0%
Output	Number of students enrolled in the adult basic education program	346	239	400	325	325
Efficiency	Percent of programs having stable or increasing enrollments	70.2%	51.8%	78.0%	70.0%	70.0%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	77.8%	73.7%	78.0%	70.0%	74.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	88.2%	92.7%	88.0%	89.0%	89.0%

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	16.2%	18.4%	20.0%	20.0%	20.0%
* Output	Total number of baccalaureate degrees awarded	360	433	370	370	400
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	55.3%	47.2%	53.0%	53.0%	53.0%
Output	Number of undergraduate transfer students from two-year colleges	474	472	480	480	480
Output	Number of students enrolled in extended services	1,312	1,407	1,400	1,400	1,400
Outcome	Percent of graduating seniors indicating "satisfied" or "very satisfied" with the university on student satisfaction survey	96.8%	94.7%	95.0%	95.0%	95.0%
Outcome	Percent of total funds generated by grants and contracts	23.0%	24.0%	25.0%	25.0%	25.0%
Outcome	Number of enrolled Native American students among all degree-seeking undergraduates as of fall census date	167	176	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)	53.6%	54.4%	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of entering first-time, full-time freshmen who are Native American	2.2%	2.7%	1.5%	1.5%	1.5%
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)	56.4%	61.9%	62.0%	62.0%	63.0%
* Output	Total number of baccalaureate degrees awarded	170	216	200	200	200
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	55.1%	52.3%	55.0%	53.0%	55.0%
Output	Number of courses available through instructional television and online via the internet	630	823	700	700	700
Output	Percent change of education majors	new	new	new	15.0%	15.0%
Outcome	External dollars to be used for programs to promote student success, in millions	\$1.9	\$1.9	\$3.0	\$1.9	\$1.9
Output	Number of undergraduate transfer students from two-year colleges	143	159	170	170	170
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	19.1%	22.7%	23.0%	23.0%	23.0%
Outcome	Percent of enrolled Hispanic and Native American students among all degree-seeking undergraduates as of fall census date	53.3%	56.9%	55.0%	55.0%	55.0%
Output	Number of graduates from the school of education	99	105	150	105	105

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Percent of first-time, full-time degree-seeking students enrolled second semester	82.4%	80.2%	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)	62.8%	66.1%	66.5%	65.0%	65.0%
* Output	Total number of baccalaureate degrees awarded	615	638	650	675	675
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	62.5%	58.1%	62%	64.5%	64.5%
Output	Number of undergraduate transfer students from two-year colleges	697	661	675	675	675
Output	Number of internet-based courses offered	776	860	875	900	900
Outcome	External dollars supporting research and student success, in millions	\$5.3	\$5.5	\$5.5	\$5.5	\$5.5
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	28.6%	28.8%	30.0%	30.0%	30.0%
Outcome	Percent of graduating seniors who are "satisfied" or "very satisfied" with their educational experience	95.9%	95.0%	95.0%	95.0%	95.0%
Outcome	Percent of enrolled Hispanic students among all degree-seeking undergraduates as of fall census date	34.5%	34.7%	36.0%	37.0%	37.0%

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	58.0%	56.8%	50.5%	50.7%	50.7%
* Outcome	Percent of students who complete a program within one hundred fifty percent of time	20.6%	21.0%	17.0%	17.5%	17.5%
Outcome	Percent of graduates placed in jobs in New Mexico	69.9%	77.2%	68.7%	68.9%	68.9%
Outcome	Percent of males enrolled	47.7%	49.4%	47.0%	47.1%	47.1%
Outcome	Percent of male graduates	55%	45.8%	55.2%	55.2%	55.2%
Output	Number of students enrolled in the concurrent enrollment program	2,037	1,705	875	880	1,700
Output	Number of students enrolled in the distance education program	2,904	2,781	3,000	2,650	2,800
Efficiency	Percent of programs having stable or increasing enrollments	84%	72.9%	60.0%	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	73.5%	72.5%	76.2%	76.2%	76.2%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	81.5%	90.0%	78.0%	78.5%	80.0%

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>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	45.8%	53.2%	53.0%	54.0%	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	10.7%	13.6%	20.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	70.7%	73.2%	78.0%	78.0%	78.0%
Outcome	Percent of Hispanic students enrolled	31.2%	30.0%	28.0%	28.0%	30.0%
Outcome	Percent of Hispanic student graduates	38.1%	38.5%	30.0%	30.0%	30.0%
Output	Number of students enrolled in adult basic education	271	217	450	300	300
Output	Number of students enrolled in the contract training program	697	977	850	850	850
Output	Percent of programs having stable or increasing enrollments	58.8%	42.9%	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	70.9%	69.9%	68.0%	69.0%	69.0%
Outcome	Percent of graduates placed in jobs or continuing their education in New Mexico	86.2%	90.6%	91.0%	91.0%	91.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of students enrolled in distance education courses	389	387	400	400	400
Output	Number of undergraduate transfer students from two-year colleges	74	60	60	60	60
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	29.2%	31.1%	30.0%	30.0%	30.0%
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	77.5%	75.2%	75.0%	75.0%	76.0%
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	48.9%	44.2%	48.0%	48.0%	48.0%
* Output	Total number of degrees awarded	313	303	310	310	325
Outcome	Percent of first-time freshmen retained to sophomore year	74.4%	76.6%	75.0%	75.0%	77.0%
Output	Number of students registered in master of science teaching program	183	173	180	180	180
Outcome	External dollars for research and creative activity, in millions	\$71.6	\$64.2	\$68.0	\$68.0	\$68.5

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Output	Number of courses available through instructional television and online	135	135	230	150	150
Outcome	Percent of graduating seniors "satisfied" or "very satisfied" with the college in all survey categories	80.0%	87.6%	85.0%	80.0%	85.0%
Outcome	Percent of first-time, degree seeking, first-time freshmen retained to second year	61.0%	55.0%	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	46.0%	29.0%	30.0%	30.0%	35.0%
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	83.6%	80.0%	80.0%	80.0%	85.0%
Output	Number of students enrolled in extended services courses	167	134	150	150	150
Output	Number of undergraduate transfer students from two-year colleges		107	105	105	105
* Output	Percent of first-time, full-time freshmen completing an academic program within six years	100%	50%	25%	25%	40%
Outcome	Percent of total funds generated by grants and contracts	39.0%	46.0%	40.0%	39.0%	40.0%
* Output	Total number of baccalaureate degrees awarded	67	71	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	58.4%	58.8%	58.0%	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	8.6%	8.1%	11.0%	11.0%	11.0%
Outcome	Percent of graduates placed in jobs in New Mexico	74.2%	77.7%	75.0%	78.0%	78.0%
Outcome	Percent of Hispanic students enrolled	39.1%	42.8%	42.0%	45.0%	45.0%
Outcome	Percent of Hispanic graduates	40.9%	42.8%	44.0%	45.0%	45.0%
Output	Number of students enrolled in the adult basic education program	1,906	1,595	2,200	1,900	1,900
Output	Number of students enrolled in the contract training program	2,953	2,707	3,350	3,000	3,000
Efficiency	Percent of programs having stable or increasing enrollments	72.6%	66.9%	77.0%	70.0%	70.0%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	77.2%	76.9%	79.0%	79.0%	79.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.7%	92.2%	90.0%	93.0%	93.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.0%	53.3%	56.0%	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	8.8%	9.7%	11.0%	11.0%	11.0%
Outcome	Percent of graduates placed in jobs in New Mexico	74.5%	77.0%	82.0%	82.0%	82.0%
Outcome	Percent of Hispanic students enrolled	43.1%	44.3%	44.0%	43.2%	43.2%
Outcome	Percent of Hispanic graduates	41.9%	42.4%	42.0%	42.0%	42.0%
Output	Number of students enrolled in distance education program	13,540	16,769	15,000	14,000	16,000
Output	Number of students enrolled in concurrent enrollment program	2,589	3,717	3,000	2,600	3,000
Efficiency	Percent of programs having stable or increasing enrollments	80.2%	72.6%	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	82.4%	81.7%	83.0%	82.5%	83.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	93.2%	94.0%	93.3%	93.3%	94.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	65.9%	74.2%	70.0%	65.0%	70.0%
* 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	16.9%	19.9%	20.0%	20.0%	20.0%
Outcome	Percent of graduates placed in jobs in New Mexico	73.5%	77.1%	80.0%	80.0%	80.0%
Outcome	Percent of white students enrolled	16.6%	19.2%	17.0%	17.0%	18.0%
Outcome	Percent of male graduates	12.1%	13.8%	15.0%	20.0%	20.0%
Output	Number of students enrolled in the health education center program	2,954	1,434	3,600	3,600	3,000
Output	Number of students enrolled in the small business development center program	160	163	250	250	250
Efficiency	Percent of programs having stable or increasing enrollments	46.2%	40.3%	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	68.4%	67.6%	70.0%	70.0%	70.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.2%	94.4%	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.8%	46.3%	53.5%	45.0%	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	49.0%	46.7%	45.0%	30.0%	45.0%
Outcome	Percent of graduates placed in jobs in New Mexico	37.2%	42.0%	36.0%	40.0%	40.0%
Outcome	Percent of Hispanic students enrolled	36.0%	35.5%	36.0%	36.0%	36.0%
Outcome	Percent of female graduates	35.9%	39.1%	35.0%	35.0%	37.0%
Output	Number of students enrolled in the adult basic education program	427	154	400	180	180
Output	Number of students enrolled in the small business development center program	239	233	200	200	240
Efficiency	Percent of programs having stable or increasing enrollments	36.8%	31.6%	50.0%	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	67.1%	58.4%	70.0%	60.0%	70.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	79.0%	75.8%	82.0%	75.0%	82.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	68.0%	63.9%	68.0%	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	13.6%	13.3%	33.0%	33.0%	33.0%
Outcome	Percent of graduates placed in jobs in New Mexico	70.5%	77.4%	75.0%	75.0%	75.0%
Outcome	Percent of Hispanic students enrolled	41.7%	43.1%	45.0%	45.0%	45.0%
Outcome	Percent of Hispanic graduates	35.5%	36.9%	40.0%	45.0%	45.0%
Output	Number of students enrolled in contract training	2,492	4,336	4,000	5,000	5,000
Output	Number of student credit hours completed through distance education program	20,267	17,319	22,000	20,000	20,000
Efficiency	Percent of programs having stable or increasing enrollments	100%	100%	85%	83%	90%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	83.5%	83.8%	80.0%	75.0%	80.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	83.2%	88.3%	85.0%	85.0%	85.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	55.4%	57.8%	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	14.5%	13.8%	15.0%	15.0%	15.0%
Outcome	Percent of graduates placed in jobs in New Mexico	74.2%	80.7%	72.0%	75.0%	75.0%
Outcome	Percent of Native Americans enrolled	31.2%	32.4%	30.0%	32.0%	32.0%
Outcome	Percent of Native American graduates	28.9%	28.5%	30.0%	29.0%	30.0%
Output	Number of students enrolled in the community services program	1,725	2,305	1,750	2,000	2,000
Output	Number of students enrolled in the service learning program	1,362	922	1,200	1,000	1,200
Efficiency	Percent of programs having stable or increasing enrollments	66.4%	67.7%	70.0%	68.0%	70.0%
* Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.4%	79.0%	83.0%	80.0%	83.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	88.0%	90.3%	87.0%	88.0%	88.0%

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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	54.1%	55.3%	55.0%	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	11.5%	7.4%	14.0%	14.0%	14.0%
Outcome	Percent of graduates placed in jobs in New Mexico	75.5%	78.0%	75.0%	75.0%	75.0%
Outcome	Percent of Hispanic students enrolled	29.6%	29.2%	30.0%	30.0%	30.0%
Outcome	Percent of Hispanic graduates	30.4%	30.7%	32.0%	32.0%	32.0%
Output	Number of students enrolled in the distance education program	2,878	2,838	3,500	3,100	3,100
Output	Number of students enrolled in the concurrent enrollment program	532	528	550	550	550
Efficiency	Percent of programs having stable or increasing enrollments	75.6%	81.7%	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	66.4%	71.8%	74.0%	72.0%	74.0%
Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.5%	90.9%	87.0%	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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 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	22.4	22.8	22.0	22.0	22.0
* Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	58.0	59.4	60.0	60.0	60.0
Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	56.8	57.8	59.0	59.0	59.0
Efficiency	Percent of legislative scholarships (Knowles) awarded	95%	90%	95%	95%	95%
Efficiency	Total annual cost of attendance	\$10,800	\$11,411	\$11,406	\$11,406	\$11,406

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired program is to provide the training, support and resources necessary to prepare blind and visually impaired children of New Mexico to participate fully in their families, communities and workforce and to lead independent, productive lives.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Number of national conversations related to educational innovated practices and programs in which staff participate	new	new	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	37	9	40	40	40
Quality	Number of school districts (over baseline year) that use the school's internet database to follow visually impaired students	new	new	5	10	10
Outcome	Increase in enrollment on residential campus	new	new	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	new	10%	10%

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf program is to provide a school-based comprehensive, fully accessible and language-rich learning environment for its students who are deaf and hard-of-hearing and to work collaboratively with families, agencies and communities throughout the state to meet the unique communication, language and learning needs of children and youth who are deaf and hard-of-hearing.

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	100%	85%	80%	85%	85%
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	90.3%	92%	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	58%	70%	80%	80%	80%
Outcome	Percent of parents satisfied with educational services from the center for educational consultation and training (statewide outreach)	100%	80%	90%	90%	90%
Outcome	Percent of parents with children receiving outreach services indicating ability to make informed decisions about educational options and programs	90%	70%	90%	90%	90%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	47%	100%	90%	95%	95%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY16
(dollars in thousands)

School Year 2014-2015 Preliminary Unit Value = \$4005.75		FY15 OPBUD	FY16 REVISED PED REQUEST	FY16 LFC REC
1	PROGRAM COST	\$2,426,395.8	\$2,544,811.0	\$2,544,811.0
2	<u>UNIT CHANGES</u>			
3	Enrollment Growth Units	\$11,154.8	\$11,100.0	
4	New Charter School Units			\$2,311.3
5	Eliminate Enrollment Growth Units for New Programs			(\$2,924.2)
6	Other Projected Net Unit Changes			(\$6,069.6)
7	At-Risk Unit Increase (Laws 2014, Chapter 55)		\$15,200.0	\$15,222.0
8	Micro District Size Adjustment (Laws 2014, Chapter 57)	\$5,761.6		
9	<u>UNIT VALUE CHANGES</u>			
10	0.75 Percent ERB Retirement Contribution Increase	\$11,554.6		
11	Insurance	\$13,500.0	\$5,500.0	\$4,351.0
12	Fixed Costs	\$5,827.8	\$5,000.0	\$5,256.9
13	Reestablish Class Size Maximums	\$6,000.0		
14	NMSBA Science Relest (H4)	\$264.0		
15	Truancy and Dropout Prevention Programs			\$6,000.0
16	Statewide Formative Assessments (Short-Cycle Grades 4-10)	\$1,000.0		
17	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)		(\$309.4)	
18	Teacher Mentorship for Beginning Teachers	\$1,500.0		
19	Compensation Increase for All School Employees - 3 Percent	\$56,042.9		
20	Education Assistants Additional Compensation Increase - 3 Percent	\$2,651.9		
21	Increase Three Tier Minimum Salaries (\$2K per Level)	\$10,000.0 ¹		
22	Stipends for Effective and Highly Effective Level Three Teachers (contingent on legislation)		\$5,000.0	
23	Increase Level One Minimum Teacher Salaries to \$35K (contingent on legislation)		\$6,670.0	
24	Increase Minimum Salaries: Level One \$37K, Level Two \$45K, Level Three \$55K (contingent on legislation)			\$30,739.4
25	PARCC 2015-2016 School Year Assessments (to PED)		(\$6,000.0)	
26	Section 11 Adjustment	(\$6,842.4)		
27	SUBTOTAL PROGRAM COST	\$2,544,811.0	\$2,586,971.6	\$2,599,697.8
28	Dollar Increase/Decrease Over Prior Year Appropriation	\$118,415.2	\$42,160.6	\$54,886.8
29	Percentage Increase	4.9%	1.7%	2.2%
30	LESS PROJECTED CREDITS	(\$62,000.0)	(\$59,000.0)	(\$59,000.0)
31	LESS OTHER STATE FUNDS (from driver's license fees)	(\$1,500.0)	(\$3,500.0)	(\$2,000.0)
32	STATE EQUALIZATION GUARANTEE	\$2,481,311.0	\$2,524,471.6	\$2,538,697.8
33	Dollar Increase/Decrease Over Prior Year Appropriation	\$119,415.2	\$43,160.6	\$57,386.8
34	Percentage Increase	5.1%	1.7%	2.3%
35	CATEGORICAL PUBLIC SCHOOL SUPPORT			
36	TRANSPORTATION			
37	Operational			
38	Maintenance and Operations	\$74,825.4	\$76,000.0	\$78,113.5
39	0.75 Percent ERB Retirement Contribution Increase	\$371.2		
40	Compensation Increase for Transportation Employees	\$1,767.1		
41	Fuel	\$14,618.9	\$15,000.0	\$12,786.2
42	Rental Fees (Contractor-Owned Buses)	\$10,207.6	\$8,865.8	\$8,865.8
43	SUBTOTAL TRANSPORTATION	\$101,790.1	\$99,865.8	\$99,765.5
44	SUPPLEMENTAL DISTRIBUTIONS			
45	Out-of-State Tuition	\$299.2	\$300.0	\$300.0
46	Emergency Supplemental	\$1,994.5	\$2,000.0	\$2,000.0
47	INSTRUCTIONAL MATERIAL FUND	\$20,308.6 ²	\$25,000.0	\$25,308.6
48	Dual Credit Instructional Materials	\$854.6	\$1,250.0	\$1,000.0
49	INDIAN EDUCATION FUND	\$1,819.6 ³	\$1,824.6	\$1,824.6 ⁴
50	TOTAL CATEGORICAL	\$127,066.6	\$130,240.4	\$130,198.7
51	TOTAL PUBLIC SCHOOL SUPPORT	\$2,608,377.6	\$2,654,712.0	\$2,668,896.5
52	Dollar Increase/Decrease Over Prior Year Appropriation	\$109,635.9	\$46,334.4	\$60,518.9
53	Percentage Increase	4.4%	1.8%	2.3%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY16
(dollars in thousands)

School Year 2014-2015 Preliminary Unit Value = \$4005.75		FY15 OPBUD	FY16 REVISED PED REQUEST	FY16 LFC REC
54	RELATED REQUESTS: RECURRING			
55	Regional Education Cooperatives Operations	\$935.6	\$935.6	\$935.6
56	Regional Education Cooperatives Student Achievement Support Grants		\$500.0	
57	K-3 Plus Fund	\$21,223.0	\$22,200.0	\$27,223.0 ⁵
58	Public Prekindergarten Fund	\$19,236.6	\$21,000.0	\$21,236.6 ⁶
59	Early Reading Initiative (Prioritize Funding to At-Risk Students/Schools)	\$14,460.1	\$15,500.0	\$15,000.0 ⁷
60	Books for Elementary Students		\$200.0	
61	Breakfast for Elementary Students	\$1,919.3	\$2,400.0	\$1,924.6
62	After School and Summer Enrichment Programs	\$1,097.0	\$1,100.0	\$350.0 ⁸
63	Teacher Mentorship	\$24.9		
64	Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment, and Retention	\$7,230.1	\$9,000.0	\$9,230.1
65	Teaching Support in Schools with a High Proportion of Low-Income Students	\$498.6	\$500.0	\$500.0
66	NMTEACH Evaluation System	\$4,986.3	\$5,000.0	\$5,000.0 ⁹
67	STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$1,994.5	\$2,500.0	\$2,500.0 ¹⁰
68	Next Generation School Leader Preparation	\$2,991.8	\$2,750.0	\$2,750.0 ¹¹
69	Next Generation School Teacher Preparation	\$1,645.5	\$2,000.0	\$2,000.0
70	New Mexico Cyber Academy (IDEAL-NM)	\$887.6	\$1,000.0	\$1,000.0
71	College Preparation, Career Readiness, and Dropout Prevention	\$2,901.0	\$3,000.0	\$3,000.0
72	Advanced Placement	\$747.9	\$1,000.0	\$750.0 ¹²
73	Interventions and Support for Students, Struggling Schools, and Parents	\$10,471.1	\$12,500.0	\$10,500.0
74	Parent Portal	\$1,196.7	\$1,196.7	\$1,196.7
75	Mock Trial	\$111.8		\$112.0
76	New Mexico Grown Fruits and Vegetables	\$239.3		\$239.3
77	Parent Advocacy Program	\$99.7		
78	Reading Support	\$24.9		
79	GRADS – Teen Pregnancy Prevention	\$199.5	\$200.0	\$200.0
80	Teachers Pursuing Excellence - Teacher Mentoring		\$2,500.0	
81	Teacher Supplies		\$2,300.0	
82	Stipends for Teachers in Hard to Staff Areas		\$1,500.0	
83	TOTAL RELATED APPROPRIATIONS: RECURRING	\$95,122.8	\$110,782.3	\$105,647.9
84	Dollar Increase/Decrease Over Prior Year Appropriation	\$38,100.5	\$15,659.5	\$10,525.1
85	Percentage Increase	66.8%	16.5%	11.1%
86	SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,703,500.3	\$2,765,494.3	\$2,774,544.4
87	Dollar Increase/Decrease Over Prior Year Appropriation	\$147,919.4	\$61,994.0	\$71,044.1
88	Percentage Increase	5.8%	2.3%	2.6%
89	PUBLIC EDUCATION DEPARTMENT	\$11,969.2	\$17,787.3	\$11,969.2
90	Dollar Increase/Decrease Over Prior Year Appropriation	\$183.1	\$5,818.1	\$0.0
91	Percentage Increase	1.6%	48.6%	0.0%
92	GRAND TOTAL	\$2,715,469.5	\$2,783,281.6	\$2,786,513.6
93	Dollar Increase/Decrease Over Prior Year Appropriation	\$147,919.4	\$67,812.1	\$71,044.1
94	Percentage Increase	5.8%	2.5%	2.6%

The highlighted items were submitted to LFC for consideration by PED on December 11, 2014. Additionally, a revised request for items in italics was submitted on December 11, 2014.

Note: The FY15 Section 11 adjustment is shown in line 26 for the SEG appropriation. For all other appropriations the amount shown is the adjusted amount.

Program Cost

¹The General Appropriation Act (GAA) of 2014 included funding to increase the minimum salary of level one, two, and three license holders to \$32,000, \$42,000, and \$52,000 respectively. However, the governor vetoed language requiring the minimum salary increase for level two and three license holders. Therefore, Laws 2014, Chapter 63 only includes the requirement that level one teachers be paid a minimum of \$32,000 during the 2014-2015 school year, though the budget includes sufficient funding to also raise the minimum salary of level two and level three license holders to \$42,000 and \$52,000 respectively.

Categorical Public School Support

²The GAA of 2014 included \$5 million in non-recurring revenues to supplement the Section 4 instructional materials appropriation.

³The GAA of 2014 included \$675.4 thousand in Indian education fund balance in FY15. The FY15 appropriation included \$400 thousand for teaching support for Native American students and \$300 thousand for a rural literacy initiative contingent on receipt of \$300 thousand in other than state funds by September 30, 2014. The rural literacy contingency was not met and the general fund appropriation will be reduced by \$300 thousand for FY15.

⁴The LFC recommendation for the Indian education fund includes \$675.4 thousand in Indian education fund balance for FY16.

Related Recurring "Below-the-Line"

⁵The LFC recommendation for K-3 Plus includes sufficient 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. Additionally, it includes five hundred thousand dollars (\$500,000) in teacher professional development fund balance.

⁶The LFC recommendation for prekindergarten includes five hundred thousand dollars (\$500,000) in teacher professional development fund balance and three million five hundred thousand dollars (\$3,500,000) from the temporary assistance for needy families block grant to New Mexico.

⁷The LFC recommendation for the early literacy appropriation is contingent on PED allocating funding to school districts and charter school based on a methodology that takes into consideration the relative proficiency and at-risk status of each applicant school district or charter school.

⁸The LFC recommendation for after school programs includes seven hundred fifty thousand dollars (\$750,000) in teacher professional development fund balance.

⁹The LFC recommendation for the teacher and administrator evaluation system includes five hundred thousand dollars (\$500,000) from the educator ethics fund.

¹⁰The LFC recommendation for the STEM Initiative includes five hundred thousand dollars (\$500,000) in teacher professional development fund balance.

¹¹The LFC recommendation extends the time for expending the FY15 appropriation for next generation school leader preparation programs through FY16 and earmarks \$1 million of the FY16 appropriation for creation of a program like the University of Virginia's School Turnaround Specialist Program.

¹²The LFC recommendation for advanced placement includes two hundred fifty thousand dollars (\$250,000) in teacher professional development fund balance.

STATUTORY AUTHORITY:

Article XII, Section 1, of the New Mexico Constitution provides that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. Statutory provisions related to public school education can be found in the Public School Code, Chapter 22 NMSA 1978. Constitutional amendments passed in 2003 restructured state education administration from one directed by an elected board to an executive agency under the governor and increased the amount of funding distributed to public schools and all beneficiaries of income from state trust land.

AT A GLANCE:

The committee recommendation for public education funding increases general fund spending by 2.6 percent and focuses on the state's at-risk population and improving educator quality. The recommendation increases funding for the at-risk index in the public education funding formula, increases the minimum tier salaries of licensed educators who are meeting competencies annually, and increases funding for early childhood programs, including prekindergarten and the K-3 Plus extended school year program. Recognizing the importance of instructional material funding, the recommendation replaces nonrecurring revenues appropriated in FY15 for instructional materials with recurring general fund revenues. Other LFC recommended increases support improving educator quality and school improvement efforts, including improving opportunities for high school students and decreasing truancy and dropouts.

BUDGET ISSUES:

The Public Education Department's (PED) revised request for public schools for FY16 totaled \$2.783 billion, a \$67.8 million, or 2.5 percent increase from FY15 appropriations. Statute requires PED to submit recommendations for appropriations for public education no later than November 30 annually. Despite this requirement, PED submitted a partial budget request on December 1, 2014. On December 11, 2014, PED submitted an almost completely revised request, including amounts for department initiatives, reflecting declining revenue estimates; the department submitted very little supporting documentation for the revised request. LFC staff met with the secretary-designate prior to December 1 and discussed in a general way public education funding for FY16. The LFC recommendation for public schools totals \$2.787 billion, a \$71 million, or 2.6 percent increase over FY15 appropriations, and reflects priorities generally outlined by the secretary-designate.

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 revised request increased the program cost by \$42.2 million, or 1.7 percent, including \$11.1 million for enrollment growth units; \$15.2 million for implementation of the increase in the factor for at-risk students in Laws 2014, Chapter 55 (House Bill 19); \$5.5 million for increased insurance costs; \$5.0 million for increased fixed costs; \$5.0 million for stipends for effective and highly effective level three teachers; and \$6.7 million to increase the minimum salary of level one teachers to \$34 thousand. Additionally, PED requested elimination of \$309 thousand included in the program cost for college and career readiness assessments and transfer of \$6 million appropriated to school districts and charter schools for test costs to the department's operating budget to fund the new Partnership for Assessment of Readiness for College and Careers (PARCC) standards-based assessments that will be administered beginning with the FY15 school year. The revised request assumed \$59 million in 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 from federal revenues assumed in the request are conservative because of uncertainty related to prior-year payments and the return of federal impact aid payments to FY07 levels, which totaled almost \$45 million. An additional credit of \$3.5 million from drivers' license fees was also assumed. PED receives \$3 from each driver's license issued to distribute to public schools through the SEG to provide defensive driving instruction to students. Adjusted for credits, PED requested a general fund appropriation of \$2.524 billion for the SEG distribution, an increase of \$43.2 million, or 1.7 percent over FY15.

The LFC recommendation for program cost totals \$2.6 billion, a \$54.9 million, or 2.2 percent, increase from FY15. The LFC recommendation for program cost includes \$8.5 million for projected program unit changes in FY16, \$4.4 million for increased insurance costs, \$5.3 million for increased fixed costs, \$6 million for school districts and charter schools to use to address truancy and dropout prevention, and \$30.7 million to increase minimum salaries of licensed educators. The LFC recommendation assumes \$59 million in credits consistent with the department's request. The recommendation for federal credits should be reconsidered during the 2015 legislative session when more current information is available. Adjusted for credits, the committee's SEG general fund recommendation is \$2.539 billion, an increase of \$57.4 million, or 2.3 percent, over the FY15 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 (i.e. new charter schools or charter schools adding phase-in grades), which are funded on current year 40th day enrollment, and school districts and charter schools growing more than 1 percent, which are entitled to additional funding units to mitigate large annual increases in enrollment that are not recognized under a prior-year funding model. Typically, during budget development, units have been assumed to remain flat with the prior year except enrollment growth units. However, enrollment growth units also remain relatively flat year-over-year and funding is already included in the base for those units. 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 FY16, the committee recommendation considers FY16 projected program unit changes and makes three technical adjustments to the program cost calculation for estimated unit changes. (See "Public Education Funding Formula: Student Membership and Program Unit History," Volume III). First, the committee recommendation decreased the program cost by \$2.9 million to eliminate growth funding for new programs. As a general policy, a school district or charter school implementing a new program that is funded based on current year 40th day enrollment should not also count the same students for enrollment growth units; however, practice at PED is to allow this double counting. The recommendation also assumes charter school authorizer-approved enrollment cap increases are funded as new programs. Second, the committee recommendation includes \$2.3 million for three new charter schools that will open in FY16 based on program unit projections provided by PED. Lastly, the recommendation decreases the program cost by \$6.1 million to account for other net projected program unit changes, primarily attributable to an estimated decrease in the training and experience (T&E) index – over the past three 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, as 18 percent of school employees will be eligible to retire at the end of FY16. This figure jumps to 23 percent by the end of FY18.

The PED revised request did not consider projected FY16 program unit changes. The department request included \$11.1 million for enrollment growth units. School districts and charter schools receive 0.5 units per qualified student for all enrollment growth, provided the 1 percent threshold has been met, and an additional 1.5 units per qualified student for growth over 1 percent. The LFC recommendation does not include funding for enrollment growth units because funding is already included in the base; since FY03, almost \$120 million has been included in the formula for this purpose. Over the past several years, enrollment growth units have not accounted for an actual statewide increase in enrollment but rather student movement across school districts and charter schools. Approximately 56 percent of enrollment growth units are generated by charter schools for what is generally planned growth. The Legislature may also wish to limit growth funding for charter schools to top performing charter schools only.

At-Risk Program Units. PED requested and LFC recommends \$15.2 million to implement changes to the at-risk index made by the Legislature in 2014 to steer more funding to the state's most at-risk students. Previous LFC evaluations have identified the state's largest achievement gap is highly influenced by poverty and language status, regardless of ethnicity or race. Despite incremental increases that will become effective in FY16, New Mexico's public education funding formula still places relatively little weight, as compared with other formula components and other states' formulas, on the additional incremental costs associated with educating at-risk students. Studies estimating the additional cost necessary to serve at-risk students vary and range up to 48 percent per at-risk student. Additionally, the committee recommends consideration of phasing in continued increases to the at-risk index between FY17 and FY20.

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. Insurance requests for the employer share of insurance premiums totaled almost \$16 million for FY16. NMPSIA requested \$10.6 million – \$4.2 million to cover a 2.8 percent increase in healthcare premiums and \$6.4 million to cover an 11.3 percent increase in risk coverage rates. APS's request totaled \$5.4 million to cover a 9 percent increase in medical premiums, a 7 percent increase in dental premiums, a 5 percent increase in vision premiums, a 23 percent increase in life and disability premiums, and a 2 percent increase in enrollment despite the fact enrollment has been decreasing since FY11 and utilization decreased due to plan design changes implemented in 2014. Though NMPSIA budgeted \$7 million in benefit program fund balance to offset healthcare increases, both requests maintained fund balances well above what is considered prudent by actuarial standards. Neither NMPSIA's nor APS's request anticipated plan design changes in FY16. For plan year 2014, APS made significant plan design changes that brings the district into closer parity with plans offered by NMPSIA and state employees, including eliminating the low plan option (APS offers a single plan option only now) and converting the copayment plan to a deductible/coinsurance plan.

PED requested \$5.5 million for increased insurance premiums based on a 2.3 percent inflation adjustment applied to employer-paid premiums budgeted in FY14 and assumed NMPSIA and APS will use fund balance to offset some FY16 costs. The committee recommendation includes \$4.4 million to cover insurance increases in FY16 – \$1.5 million for healthcare benefits and \$2.8 million for risk premiums – and anticipates NMPSIA will budget \$7 million and APS will budget \$2 million in fund balance. To meet risk expenditures requested by NMPSIA, the LFC recommendation reflects a 5 percent increase in risk rates and includes revenue from other sources, such as subrogation payments, excess insurance claims payments, and investment income. The committee's recommendation assumes minimal plan design changes or premium increases will be necessary.

Truancy and Dropout Prevention. A recent LFC evaluation, *Cost Effective Options for Increasing High School Graduation and Improving Adult Education*, assessed efforts around the state to increase the number of adults in New Mexico with a high school credential, including dropout prevention and recovery efforts at the public school level. While the state's graduation rate has increased, the state's dropout rate has also increased – from 3.6 percent in FY08 to 4.7 percent in FY13 (representing approximately 7,185 annual dropouts). Over half of the state's dropouts are concentrated in 25 high schools. Research clearly identifies truancy as an early warning sign for dropping out. More than 11 percent of elementary students and more than 20 percent of middle and high school students are habitually truant. The LFC recommendation includes \$6 million for truancy and dropout prevention efforts at school districts and charter schools. These efforts could include social workers, case management, college-oriented programming, mentoring and counseling, and vocational training, all of which have demonstrated results reducing truancy and dropout rates. Other programs, such as alternative schools, academic remediation, youth development programs, and attendance monitoring demonstrate mixed results when rigorously evaluated.

LFC analysis indicates increasing the number of students who graduate annually by 2,600, or 10 percent, would result in an estimated \$700 million in net benefits to taxpayers, society, and these students over their lifetimes. To date, PED has received \$1 million to address dropout prevention. Funds have been used to develop a statewide early warning system that will use data currently collected by the department to identify students in need of early intervention. Additionally, PED provided statewide training on best practices to support at-risk students. Formula funding for school districts and charter schools will complement department efforts and fund implementation efforts. Schools should implement evidence-based practices and target those students most at-risk of dropping out for intervention.

Statutory Minimum Educator Salaries. The LFC recommendation includes \$30.7 million in targeted minimum salary increases for educators. The committee recognizes the need to improve recruitment and retention of licensed employees while also ensuring accountability for those dollars and rewarding the state's best educators. The committee recommends consideration of legislation to increase minimum salaries by \$10 thousand by FY19, reaching new minimums of \$40 thousand, \$50 thousand, and \$60 thousand for level one, two, and three licensed educators who are meeting competencies. For FY16, the recommendation increases the minimum salary of all level one teachers to \$37 thousand. For level two and level three educators, the recommendation increases base salaries by \$5 thousand each for all license holders who meet competencies in FY15. Changes recommended for FY16 are contingent on enactment of legislation that strengthens the current three-tiered licensure system to ensure licensed educators demonstrate performance commensurate with higher pay and limits the use of value added data in the licensure system and annual evaluation system to 35 percent. Level two and three license holders who do not meet competencies will not be entitled to the salary increase in FY16, nor will level two and three employees be grandfathered into \$10 thousand increases recommended by the committee unless they are evaluated through the updated licensure system.

Standards-Based Testing Costs. PED's request shifted \$6 million in formula funding to the department's operating budget to cover standards-based testing costs in FY16. Historically, the test vendor has billed school districts and charter schools directly; however, PED negotiated a contract with a new vendor, Pearson PLC, which does not allow direct billing. LFC does not recommend shifting funds from the program cost to the department's control. The recommendation includes language requiring school districts and charter schools to make payments to PED to cover testing fees.

Charter Size Funding. During the interim, the Legislative Education Study Committee (LESC) convened a charter school subcommittee to address statutory conflicts, unclear provisions, clean up, and numerous policy considerations, many of which related to charter school funding, that have become problematic in recent years with the surge in charter schools. Charter school eligibility and receipt of small-school funding enhancements was discussed by the subcommittee at length. Funding formula factors addressing school and district size funding were originally intended to steer resources to small, rural communities with limited students because of inefficiencies of scale; they were not intended to subsidize urban schools of choice that offer special programs with arbitrary enrollment caps that take advantage of size funding. The 2011 joint LFC and LESC funding formula evaluation noted charter schools appear to be barred from receiving school-size units by statute. Despite this, PED continues to allow charter schools to generate these units, resulting in inequitable funding between traditional schools and charter schools. For example, charter schools only served 6 percent of students statewide in FY14; however, they generated almost 35 percent of school size funding. More than 16 percent of formula units generated by charter schools were for school size. Fifty-four Albuquerque charter schools generated 4,276 school-size units in FY14. The LESC subcommittee considered recommending both eliminating or reducing size funding for charter schools, although as of December 12, 2014, no action had been taken.

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. 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. The hearing officer's decision is currently under review for possible modification by U.S. Secretary of Education Arne Duncan. 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 of those 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 FY16 to meet MOE requirements.

Categorical Public School Support

PED requested \$130.2 million for categorical expenditures – including transportation, instructional materials, supplemental distributions, and Indian education – an increase of \$3.2 million, or 2.5 percent over FY15 appropriations. LFC recommends \$130.2 million, an increase of \$3.1 million, or 2.5 percent. Additionally, the committee recommendation includes \$675.4 thousand in fund balance.

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 \$99.9 million, a decrease of \$1.9 million, or 1.9 percent, to cover bus maintenance and operations, fuel, and rental fees for contractor-owned buses. The department reduced costs assumed for fuel and contractor rental fees. LFC recommends \$99.8 million, a reduction of \$2 million, or 2 percent. The recommendation reduces fees assumed for contractor-owned buses consistent with the PED request and reduces the assumption for fuel based on projections that wholesale diesel prices will be reduced by 15 percent in FY16. Student ridership has been declining since at least FY12 and some of this decline is likely the result of the increase of charter schools that do not provide students transportation. During interim hearings, LESC noted state-chartered charter schools often receive transportation allocations much larger than needed, resulting in large cash balances. PED is encouraged to review the transportation funding formula and make adjustments to ensure state-chartered charter schools are not overfunded.

Instructional Materials. The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas. English language arts and reading materials for grades nine through 12, core reading intervention, and modern, classical and native languages are scheduled for replacement in FY16. Funds for instructional materials are generated through provisions of the federal Mineral Leasing Act and are provided directly to public schools on a per-pupil basis. PED funds materials for public, charter, state-supported, and accredited private schools, and adult basic education centers. PED requested \$26.3 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. The dual-credit instructional materials reversion climbed to \$70.1 thousand, or 8.2 percent in FY14, largely the result of unspent awards, though PED indicated a need for greater funding. Previous LFC evaluations of instructional materials noted large cash balances maintained by school districts and charter schools. School district instructional material fund balances grew 22.8 percent from FY13 to FY14, from \$8 million to \$9.8 million. The committee recommends \$26.3 million for instructional materials – replacement of \$5 million in nonrecurring revenues appropriated in FY15 and a modest increase in funding for dual credit instructional materials. The LFC recommendation assumes school districts and charter schools will use increasing cash reserves to make up any FY16 shortfall.

Indian Education. For FY15, the \$1.8 million appropriation for the Indian Education Act will be reduced by \$300 thousand because the contingency that the state receive \$300 thousand in matching funds for the rural literacy program by September 30 was not met. Save the Children has been administering the rural literacy program. For FY15, only one charter school opted to participate, making the program less attractive than in the past. Despite this reduction in FY15, PED requested and LFC recommends flat general fund revenues for Indian education in FY16. PED continues to experience difficulty spending balances in the Indian education fund. Despite budgeting almost \$1.3 million in fund balance in FY14 (in addition to the \$1.8 million general fund appropriation), the department was only able to spend \$253 thousand of the fund balance. PED made awards totaling \$400 thousand to 20 school districts and charter schools; however, Albuquerque, Central, Gallup-McKinley, Grants, Magdalena, Ruidoso, and Zuni school districts were unable to spend any of their FY14 awards. Additionally, only a fraction of \$660 thousand in recurring tribal language grants was expended. An increasing amount of the tribal language grants are going unspent each year – 13.9 percent in FY11 increased to 63.2 percent in FY14. Since FY04, the state has appropriated almost \$26 million to the Indian education fund with the expectation of improved student outcomes for Native American students; however, the achievement gap for Native American students persists. PED's request for Indian education act funding in FY16 eliminated the earmarks for both Teach for America and the rural literacy program administered by Save the Children, increasing discretionary Indian Education Act funding. The committee's general fund recommendation includes the \$400 thousand earmark for teaching support in schools with a high proportion of Native American students. The LFC recommendation for Indian education also includes \$675.4 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 (SEG). However, these initiatives also may more effectively target school appropriations to improve performance, accountability, and transparency. Concerns still exist about the department's ability to effectively administer the 23 earmarked appropriations totaling more than \$95 million in FY15. Several large appropriations remain unallocated as of December 6, 2014, (\$11.9 million appropriated to improve educator quality has not been allocated), many do not directly support students or are not targeted to support low-performing students (the early literacy appropriation is allocated based on student enrollment without regard for student proficiency or at-risk status), and limited data is available to evaluate the effectiveness of many appropriations.

The department did not submit a request for any initiatives with its budget submission on December 1, 2014; however, a subsequent revision on December 11, 2014, added \$110.8 million in requests for department initiatives, an increase of \$15.7 million, or 16.5 percent compared with FY15 appropriations. The revised request left little time for LFC to evaluate these initiatives.

The LFC general fund recommendation totals \$105.6 million, an increase of \$10.5 million, or 11.1 percent. In addition, the LFC recommendation reprioritizes \$3 million in accumulated fund balances. The recommendation prioritizes early childhood education programs, programs aimed at improving educator quality, and school improvement efforts. The recommendation eliminates \$25 thousand for mentorship funding – in FY15, \$1.5 million was included in formula funding to support mentorship – and holds funding flat for the regional education cooperatives, the parent portal, and fresh, locally grown food. The committee recommendation restores the 0.275 percent adjustment made to the appropriations for elementary breakfast; after-school and summer enrichment programs (including \$750 thousand in fund balance); teaching support for low-income students; the educator evaluation system (including \$500 thousand in fund balance); interventions and supports for students, struggling schools, and parents; mock trial programs; and the graduation, reality and dual role skills (GRADS) program. LFC recommends increases for other existing programs. The LFC recommendation did not consider three new initiatives proposed by the department submitted for consideration December 11, 2014, including funding for teachers to purchase classroom supplies, a new teacher mentorship program, and stipends for teachers to teach in hard-to-staff subjects, such as bilingual and special education.

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 \$8.5 million, or 15.6 percent, for prekindergarten, the K-3 Plus extended school year program, and PED's early literacy initiative New Mexico Reads to Lead and reprioritizes \$1 million in accumulated fund balance for these programs.

Prekindergarten. Four-year-olds enrolled in prekindergarten demonstrate improved kindergarten readiness and the program is producing meaningful impacts on early language, literacy, and math development. The committee recommendation for prekindergarten totals \$21.2 million, an increase of \$2.5 million, or 13 percent. The recommendation also includes \$500 thousand in fund balance and \$3.5 million in Temporary Assistance for Needy Families (TANF) funding. The recommendation includes continuance of the extended full-day prekindergarten pilot program at \$1.5 million. For FY15, 493 students were funded to participate in full-day prekindergarten. Additionally, the LFC recommendation allows PED to fund 3-year-olds to participate in schools that have too few registered 4-year-olds to fill a classroom. 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 third-grade reading skills and closing the achievement gap. Since making the program permanent, the Legislature has increased funding by \$15 million, or more than 300 percent, expanding access for more than 13 thousand additional students. More than 18 thousand students participated in the summer 2014 K-3 Plus program. While the state has made great progress expanding access to the program, there is still a large unmet need. The Legislature expanded eligibility in 2013 to schools where 80 percent of the students are eligible for free or reduced-fee lunch (FRL) – down from 85 percent – and elementary schools that receive a school grade of D or F that do not meet the FRL eligibility requirements, resulting in increasing the number of students that qualify to participate to 68 thousand. Interest in the program continues to grow and recruitment of students and educators willing to devote summer weeks to schools continues to rise. Recruitment and retention of students for the summer 2014 program was at an all-time high. The difference between the number of students school districts projected would participate and the number of students that did participate dropped to 14 percent in 2014 from 27 percent in 2011. Approximately 20 school districts have K-3 Plus in each of their qualifying elementary schools, while another 13 school districts only lack the program in one school. A number of school districts offer K-3 Plus at every qualifying grade in every qualifying school. The LFC recommendation allows 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. Despite significant progress growing the program, 18 qualifying school districts still choose not to participate.

Early Literacy. LFC recommends \$15 million for PED's early literacy initiative, New Mexico Reads to Lead (NMRTL), an increase of \$500 thousand. While data from FY13 showed positive gains for most participating schools, gains achieved by those students only minimally exceeded gains achieved statewide. During FY14, statewide third-grade student proficiency scores declined, though some of this decrease is attributable to new content standards and piloting computer-based administration of the test. Concerns continue to persist about distribution of the appropriation. For the second 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 status of recipient's student when making FY15 awards. The committee recommends 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 FY15 to improve educator quality. As of December 6, 2014, almost halfway through the fiscal year, \$11.8 million in FY15 appropriations for the incentive pay pilot (\$7.2 million), teacher preparation programs (\$1.6 million), and school leader preparation programs (\$3.0 million) had not been awarded. PED has reviewed applications for appropriations and began negotiating with potential awardees. It is unclear when final awards will be made or what proposals look like. The committee recommendation includes an increase of \$2 million for the department's incentive pay pilot.

Many legislators have voiced concern that PED only earmarked a small portion – \$150 thousand – of the school leader preparation program appropriation for development of a program like the University of Virginia School Turnaround Specialist Program (UVA-STSP) despite significant program development work already completed by Las Cruces Public Schools (LCPS) and New Mexico State University (NMSU). During the 2014 legislative session, LCPS and NMSU indicated they were able to begin a first cohort of education leaders as early as spring of 2014, dependent on a funding request of nearly \$1.2 million for the end of FY14 and all of FY15. Currently, proposals under consideration for funding will not begin serving cohorts until spring 2015, at the earliest. The committee recommends \$1 million of the FY16 appropriation be earmarked to create an in-state school-turnaround leadership program that is a partnership between business colleges and colleges of education. The program should have a rigorous, competency-based selection process for participants, a readiness assessment to ensure participating schools and districts have the resources in place for the turnaround effort to be successful, and strong focus on data-informed instructional decisions.

For the third year in a row the appropriation for teachers for economically disadvantaged students has been problematic. The appropriation, originally intended for Teach for America (TFA) to expand to the southern part of the state, has remained significantly unspent by TFA for the last two years because of problematic contract execution. In FY14, because PED chose to issue a request for proposal rather than extend TFA's FY13 contract – as PED did for TFA under the Indian education appropriation – the contract stalled with State Use Act issues and the central nonprofit agency, Horizons. Ultimately PED entered into a less-than-15-day contract with TFA in June 2014, along with entering similar agreements with Santa Fe Public Schools and the Native American Community Charter, despite language limiting the appropriation to a nonprofit organization. Despite uncertainty in funding allocations in FY14 and FY15, TFA continued to place teachers in southern New Mexico schools. Data indicates TFA teachers produce significant student achievement gains, and the committee is concerned that funding intended to provide high-quality teachers to low-income students is not being used effectively or for the intended purpose.

Despite the many concerns related to these appropriations, the committee recommends \$14.5 million for these initiatives in FY15. Additionally, the committee recommends replacing the 0.275 percent reduction to the appropriation for the evaluation system and allocating an additional \$500 thousand in repurposed fund balance to support evaluation efforts.

School Improvement. The committee recommends \$637 thousand in additional general fund revenues for college preparation, career readiness, and dropout prevention; interventions and supports for students, struggling schools, and parents; advanced placement; and the science, technology, engineering, and mathematics (STEM) initiative. In addition to an increase in general fund revenue, the committee recommends an additional \$500 thousand in repurposed fund balance for the STEM initiative. The program funds \$5,000 stipends for recruitment of highly effective or exemplary STEM teachers new to the school district or retention of highly effective or exemplary STEM teachers who have been in the district for less than two years. Additionally, the program funds professional development for STEM teachers. The recommendation includes modest increases for interventions and support for students, struggling schools, and parents; college preparation, career readiness, and dropout prevention; and advanced placement. These appropriations fund the early college high school and workforce readiness program initiatives, career technical student organizations, advanced placement, the early warning system, professional development for educators, instructional audits, participation in the UVA-STSP program, and a new high school counselor initiative targeted to assist high school students secure postsecondary scholarships. The committee also recommends an additional \$250 thousand in repurposed fund balance for advanced placement.

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 2015-2016 school year and then, on verification of the number of units statewide for fiscal year 2016 but no later than January 31, 2016, may adjust the program unit value once.

Contingent on enactment of legislation during the first session of the fifty-second Legislature to revise the three-tiered licensure system, the general fund appropriation to the state equalization guarantee distribution includes sufficient funds to increase the minimum salary of level-one teachers to thirty-seven thousand dollars (\$37,000), and level-two teachers who meet competencies to forty-five thousand dollars (\$45,000) and level-three teachers and administrators who meet competencies to fifty-five thousand dollars (\$55,000). Notwithstanding the provisions of the School Personnel Act or other substantive law, the secretary of public education shall ensure all teachers and administrators have been evaluated under the tiered licensure evaluation system and have the professional competencies of the appropriate level and that no full-time level-one teacher receives a base salary less than thirty-seven thousand dollars (\$37,000), that no full-time level-two teacher evaluated as meeting competencies receives a base salary less than forty-five thousand dollars (\$45,000) and that no full-time level-three teacher or administrator evaluated as meeting competencies receives a base salary less than fifty-five thousand dollars (\$55,000) during fiscal year 2016.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units.

For the 2015-2016 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 membership in the calculation of program units for the new formula-based program. Increased enrollment pursuant to an authorizer-approved increase in an existing enrollment cap shall be considered a new formula-based program. Notwithstanding the provisions of Section 22-8-23.1 NMSA 1978 or other substantive law, any membership in new formula-based programs shall not be included in membership for the purposes of calculating enrollment growth pursuant to Section 22-8-23.1 NMSA 1978.

Each school district and charter school shall make payment in an aggregate amount not to exceed six million dollars (\$6,000,000) to the public education department for required standards-based testing costs for fiscal year 2016 for third-grade through eleventh-grade students.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL874 funds".

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from federal Mineral Leasing Act receipts otherwise unappropriated.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2016 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions:

The secretary of public education shall not distribute any emergency supplemental funds to a school district or charter school that is not in compliance with the Audit Act or that has cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget.

Any unexpended balances in the supplemental distribution of the public education department remaining at the end of fiscal year 2016 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 (30 U.S.C. 181, et seq.) receipts.

The general fund appropriation to the public education department for dual-credit instructional materials shall be used by the department to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual-credit program to the extent of the available funds.

Any unexpended balances in the dual credit instructional materials distribution remaining at the end of fiscal year 2016 from appropriations made from the general fund shall revert to the general fund.

The other state funds appropriation is from the Indian education fund.

The general fund appropriation to the public education department for the Indian Education Act includes four hundred thousand dollars (\$400,000) for a national nonprofit, nongovernmental organization with the primary purpose of recruiting recent college graduates and professionals who have a record of demonstrated 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 public education department shall enter into a contract with a national nonprofit, nongovernmental organization no later than September 1, 2015.

Public Education Special Appropriations:

A regional education cooperative may submit an application to the public education department for an allocation from the nine hundred thirty-five thousand six hundred dollar (\$935,600) appropriation.

Notwithstanding the provisions of Section 22-8-45 NMSA 1978 or other substantive law, the other state funds appropriations to the public pre-kindergarten fund, the k-3 plus fund, and to the public education department for advanced placement, after-school and summer enrichment programs, and the science, technology, engineering and mathematics initiative are from the teacher professional development fund.

The internal service funds/interagency transfers appropriation to public pre-kindergarten fund is from the temporary assistance for needy families block grant to New Mexico.

Notwithstanding the provisions of Article 23 of Chapter 32A NMSA 1978 or other substantive law, the public education department shall continue the established extended-day prekindergarten pilot program during the 2015-2016 school year and may allocate up to one million five hundred thousand dollars (\$1,500,000) for this purpose and may make awards to school districts or charter schools for three-year-olds to participate in state funded prekindergarten in schools that have too few registered four-year-olds to fill a classroom.

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 sufficient funding 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 participating elementary school. In setting the reimbursement amount for the summer 2015 k-3 plus program, the secretary of public education shall use the final unit value set for the 2014-2015 school year as the basis for funding June, July and August 2015 k-3 plus programs.

The general fund appropriation to the public education department of fifteen million dollars (\$15,000,000) for early literacy is contingent on the public education department granting awards to school districts and charter schools with high proportions of kindergarten through third-grade students who are not proficient in reading and have high proportions of at-risk students.

Notwithstanding the provisions of Section 22-8-44 NMSA 1978 or other substantive law, the other state funds appropriation to the public education department for the teacher and administrator evaluation system is from the educator ethics fund.

The general fund appropriation to the public education department of five hundred thousand dollars (\$500,000) is for a national nonprofit, nongovernmental organization with the primary purpose of recruiting recent college graduates and professionals who have a record of demonstrated 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 public education department shall enter into a contract with a national nonprofit, nongovernmental organization no later than September 1, 2015.

The general fund appropriation for 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 college of education and one or more business college.

Except for money in appropriations in lines 63, 70, and 72 that is for use by the public education department to provide services or support, the general fund appropriations in lines 63, 70, and 72 are contingent on the appropriations being distributed by the department to school districts and charter schools based on proposals submitted by the school districts and charter schools and approved by the department. The department shall report to the department of finance and administration, the legislative education study committee and the legislative finance committee by July 1, 2015 on a plan for proposed funding for various programs contained in those subparagraphs and shall provide a final report of proposals funded, distributions and outcomes by September 1, 2016.

The appropriation in line 63 is contingent on the public education department using the appropriation for the following: (1) teacher and school leader preparation programs and (2) supports for teacher and school administrator training, preparation, recruitment and retention. School districts with established collective bargaining units may utilize the appropriation in any compensation initiative implemented by the department, subject to collective bargaining. School districts that do not have established collective bargaining units shall not be required to collectively bargain in order to participate in any compensation initiative implemented by the department with this appropriation. Awards made for any individual initiative pursuant to this appropriation shall not exceed seventy-five percent of the total appropriation.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2016 from appropriations made from the general fund or other 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>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	45.7%	43.8%	52.0%	50.0%	52.0%
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	45.4%	42.7%	50.0%	50.0%	50.0%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	60.2%	58.7%	63.0%	60.0%	63.0%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	42.2%	40.0%	50.0%	50.0%	50.0%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading	46.9%	51.2%	50.0%	52.0%	54.0%
Outcome	Percent of fourth-grade charter school students who achieve proficiency or above on the standards-based assessments in mathematics	42.2%	47.2%	50.0%	48.0%	53.0%
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in reading	73.0%	70.0%	75.0%	75.0%	75.0%
Outcome	Percent of eighth-grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics	49.6%	46.3%	63.0%	63.0%	63.0%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in mathematics	51.0%	49.4%	60.0%	60.0%	60.0%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in mathematics	50.5%	53.8%	65.0%	55.0%	65.0%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	new	35.8%	45.0%	43.0%	45.0%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	new	32.5%	35.0%	35.0%	35.0%

PERFORMANCE MEASURES

		<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Budget</u>	<u>FY16</u> <u>Request</u>	<u>FY16</u> <u>Recomm</u>
* Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	51.5%	48.4%	<40.0%	<45.0%	<40.0%
Outcome	Percent of high school students habitually truant	16.6%	21.5%	<12.0%	<12.0%	<12.0%
Outcome	Percent of middle school students habitually truant	12.5%	20.1%	<10.0%	<10.0%	<10.0%
Output	Percent of innovative digital education and learning New Mexico courses completed by New Mexico school-age students		new	80%	80%	80%
Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills for phonological awareness	61%	67%	85%	75%	85%
Outcome	Percent of state equalization guarantee dollars budgeted by school districts with 750 members or greater for instructional support, budget categories 1,000, 2,100 and 2,200		new	75.0%	75.0%	>75.0%
Outcome	Percent of state equalization guarantee dollars budgeted by charter schools for instructional support, budget categories 1,000, 2,100 and 2,200		new	66%	66%	>70.0%
Explanatory	Percent of Indian policies and procedures entered between tribes and pueblos and respective school districts		new	80%	TBD	TBD
Outcome	Percent of students in second and third grade meeting benchmark for reading fluency		new	58%	58%	58%
Outcome	Percent of state equalization guarantee dollars budgeted by districts with fewer than 750 members for direct classroom instruction, budget category 1,000		new	55%	55%	>55%
Outcome	Percent of students in fourth through tenth grade achieving proficiency on short-cycle assessments		new	50%	50%	50%
Quality	Annual percent of core academic subjects taught by highly effective teachers in high-poverty schools, kindergarten through twelfth grade		98.8%	100.0%	100.0%	100.0%
Explanatory	Number of students in dual-credit programs within New Mexico public high schools and postsecondary institutions	15,827	15,304	TBD	TBD	TBD
Outcome	Percent of elementary public school students habitually truant	11.8%	11.3%	<5.0%	<5.0%	<5.0%
Outcome	Percent of state equalization guarantee dollars budgeted by school districts with fewer than 750 members for instructional support, budget categories 1,000, 2,100 and 2,200		new	65%	65%	>65%
Outcome	Percent of third-grade students who achieve proficiency or above on standard-based assessments in reading	55.2%	51.8%	65.0%	60.0%	60.0%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standard-based assessments in reading	60.0%	56.6%	65.0%	65.0%	65.0%
Explanatory	Number of dual-credit courses students enrolled in within New Mexico public high schools and postsecondary institutions	12,771	10,068	TBD	TBD	TBD
Outcome	Percent of general fund non-state equalization guarantee distributions appropriations reverting at the end of the fiscal year	0.5%	TBD	<1.0%	<1.0%	<1.0%
Quality	Current five-year cohort graduation rate using shared accountability	72.1%	74.0%	80.0%	75.0%	80.0%
* Quality	Current four-year cohort graduation rate using shared accountability	70.4%	70.3%	75.0%	75.0%	75.0%
Explanatory	Number of American-Indian-language teachers certified to teach Native American languages in the public schools	137	126	TBD	TBD	TBD

PERFORMANCE MEASURES

		<u>FY13 Actual</u>	<u>FY14 Actual</u>	<u>FY15 Budget</u>	<u>FY16 Request</u>	<u>FY16 Recomm</u>
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	new	35.3%	38.0%	38.0%	40.0%
Quality	Annual percent of core academic subjects taught by highly effective teachers, kindergarten through twelfth grade		98.6%	100.0%	100.0%	100.0%
Explanatory	Percent of American Indian students participating in Native American language classes taught in public schools	new	91%	TBD	TBD	TBD
Outcome	Percent of public schools rated A and B	36.7%	39.5%	38.0%	30.0%	>42.0%
Outcome	Percent of charter schools rated A and B	53.0%	38.5%	60.0%	40.0%	>45.0%
Outcome	Percent of schools increasing their letter rating by one or more letter grade	24.5%	26.4%	55.0%	10.0%	>35.0%
Outcome	Percent of charter schools increasing their letter rating by one or more letter grade	23.7%	14.3%	65.0%	10.0%	>35.0%
Outcome	Percent of schools decreasing their letter rating by one or more letter grade	23.4%	28.7%	15.0%	5.0%	<5.0%
Outcome	Percent of charter schools decreasing their letter rating by one or more letter grade	35.7%	40.8%	15.0%	5%	<5%
Outcome	Number of schools identified as reward schools pursuant to the Elementary and Secondary Education Act	31	41	40	40	45
Outcome	Number of schools identified as priority or focus schools pursuant to the Elementary and Secondary Education Act	93	95	80	94	80
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	new	51.8%	48.0%	48.0%	55.0%

NEW MEXICO FINANCE AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Finance Authority Act, Chapter 6, Article 21, NMSA 1978, created the New Mexico Finance Authority (NMFA) in 1992 as a governmental instrumentality for the purpose of coordinating and facilitating the planning and affordable financing of state and local capital projects for qualified entities in New Mexico. As a nongovernmental entity, NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The financial and program activities of NMFA are governed by an 11-member board, nine of whom are appointed by the governor. NMFA administers 15 programs managed through rules and policies and public and private partnerships. NMFA develops its own budget approved by its board of directors and does not require legislative approval. However, the New Mexico Finance Authority Legislative Oversight Committee is empowered to monitor and oversee the operations of the authority.

MISSION:

The principle mission of NMFA is to assist qualified entities in financing capital equipment and infrastructure, including through loans for transportation, water, economic development, private lending, and social service providers. NMFA meets its statutory mandate for financing state and local projects, including meeting its obligation to both the executive and legislative bodies.

TOTAL ASSETS:

NMFA oversees more than \$2 billion in total gross assets consisting of invested cash and loans receivable. Total assets include NMFA assets (approximately \$1.7 billion) and assets of the Governor Richardson's Investment Partnership program, or GRIP I, (approximately \$146.9 million), which NMFA manages for the New Mexico Department of Transportation. Gross assets increased by \$22.4 million between FY13 and FY14. 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 FY15 is approximately \$156 million. Nonoperational expenditures (bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service) total \$20.9 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA's general operating budget for FY15 totals \$8.6 million, a 1 percent decrease compared with the FY14 budget. Actual expenditures in FY14 totaled \$7.9 million, or 8.3 percent less than the approved operating budget. Budgeted positions were reduced from 46 to 40, three 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, which will result 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 FY14 is expected to be submitted timely, including development of a financial statement, to the Office of the State Auditor (OSA). A new loan origination and servicing system was emphasized in the numerous audit reviews, and the full implementation of system is underway. A recent report by the NMFA chief executive officer to the New Mexico Finance Authority Legislative Oversight Committee indicates the system will include loan origination, administration, compliance, monitoring, servicing, closing, and reporting. The NMFA governing board and the staff continue to be actively engaged in strengthening the fiscal oversight and compliance with laws and rules governing audits and financial activities. NMFA is no longer on the OSA "at risk" list, is current with disclosure requirements, and has selected a contractor for the FY15 audit.

PROGRAMS:

NMFA currently administers 11 active finance programs, but the most significant infrastructure loan program is the public project revolving loan fund (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 revenue, approximately \$28 million annually, to make loans from PPRF, and makes debt service payments on bonds. The PPRF has evolved into a broad financier of state and local government credits, contributing to high bond ratings, low costs of issuance, and a variety of program enhancements for its borrowers. The funds accrued from GGRT collections and loan repayments to PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts - \$26.5 million in a contingent liquidity account fund and \$30.2 million in a common debt service reserve fund. The cash balance for loans from PPRF as of October 15, 2014, was \$24.3 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, and 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 2014 thru 2015

	<u>Budget FY14</u>	<u>Actual FY14</u>	<u>Budget FY15</u>
<u>REVENUES</u>			
Administration fee revenue	\$ 5,206,709	\$ 3,363,585	\$ 4,657,000
Interest revenue bonded loans	54,546,500	46,637,226	54,000,000
Interest on equity loans	1,217,867	3,859,913	2,143,000
Interest income from investments	418,000	488,045	550,000
Appropriation revenue	38,034,685	43,086,861	42,000,000
Grant revenue	51,117,000	55,402,227	52,350,000
Total Revenues	150,540,761	152,837,858	155,700,000
<u>EXPENDITURES</u>			
Operating Expenses			
Personnel services - 40 FTE	4,750,000	4,277,611	4,650,000
Professional services	2,489,475	2,553,744	2,700,000
Operating costs	1,328,970	1,021,261	1,300,000
Total - Operating Expenses	8,568,445	7,852,616	8,650,000
Non-Operating Increases (Decreases)			
Capital Outlay	-	(250,000)	(2,250,000)
Grants to others	(39,191,384)	(50,056,822)	(42,700,000)
Transfers to other agencies	(9,535,000)	(3,080,451)	(5,400,000)
New loans	(35,699,432)	(34,680,126)	(43,468,350)
Bond/Loan interest Expense	(56,046,500)	(54,617,605)	(51,731,650)
Bond Issuance Expense	(1,500,000)	(1,169,823) *	(1,500,000)
Net other increases (decreases)	(141,972,316)	(143,854,827)	(147,050,000)
Excess (deficit) revenues over expenses	\$ -	\$ 1,130,415	\$ -

* Per GASB 65 deferred issue costs will be expensed in year in which the bond closed rather than amortized over the life of the debt.

NMFA will institute this standard which will likely necessitate an increase in this expense line item for the FY14 audit.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975, the New Mexico Mortgage Finance Authority was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

MFA is governed by a seven-member board, including the lieutenant governor, state treasurer, and state attorney general. The MFA Legislative Oversight Committee approves rules and regulations formulated by MFA. The Land Title Trust Fund Advisory Committee (Section 15-28-8 NMSA 1978) advises MFA on the use of monies generated by the land title trust fund to address affordable housing. The New Mexico Housing Trust Fund Advisory Committee advises MFA on the use of state-appropriated housing trust fund monies. Other advisory committees that advise MFA in carrying out its mission and vision include the Technical Assistance Advisory Committee and the Low Income Housing Tax Credit Allocation Review Committee.

MISSION:

MFA provides innovative policies, products, education, and services in collaboration with strategic partners to ensure all New Mexicans have access to affordable housing. The authority engages in self-sustaining practices to strengthen the social and economic development of New Mexico's communities and families by financing, developing, and preserving homes.

MANAGED GROSS ASSETS:

MFA manages approximately \$2.1 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, loans receivable, low-income housing tax credits ("LIHTC"), private activity bond cap used to issue single and multi-family mortgage revenue bonds, and Housing and Urban Development Section 8 properties. As an instrumentality of the state, MFA is subject to the State Audit Act.

AT A GLANCE:

MFA is not a state agency and it 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 sources available to MFA to carry out its statewide housing mission are mortgage revenue bond proceeds and federal housing programs, including the low-income housing tax credit (LIHTC), the HOME Investment Partnership Program, and U.S. Department of Housing and Urban Development project-based Section 8 Contract Administration. MFA also provides affordable loan funding through the Housing Opportunity Fund, an internal revolving loan fund, and through partnerships with Wells Fargo Bank and the Small Business Investment Corporation.

BUDGET ISSUES:

Fiscal Year 2014 projected actual expenses are estimated to be \$2.3 million, or 20 percent, below the operating budget due to low single family bond issuance costs. 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's fiscal year 2015 ends September 30, 2015. The authority's general operating budget for FY15 totals \$11.2 million, an increase of \$1.9 million, or 20 percent, over FY14 projected actuals due to \$1.9 million of unanticipated revenue in other financing sources and uses, related to revenue transferred from the single family bond programs during FY14. Other increases were compensation (salaries and benefits), travel and public information, office expenses, other operating expenses and non-operating expenses. Fiscal year 2015 operating revenues are budgeted at \$12.6 million, an increase of \$800 thousand (7 percent) from FY14 projected revenues as a result of revenue increases in funding sources, such as interest on loans, interest on cash and investments, To Be Announced (TBA) transaction fees from mortgage loan sales to the secondary market, and administrative fees associated with housing program income. For FY15, MFA has also budgeted funds received from the State of New Mexico for regional housing authority oversight and administration of the Affordable Housing Act.

MFA reports it will request a recurring appropriation in 2015 to support the oversight of the regional housing authorities and the Affordable Housing Act (\$0.5 million) and the weatherization program NM EnergySmart (\$2 million). MFA will also request non-recurring appropriations to the Housing Trust Fund (\$5 million), and the emergency home repair program to supplement declining rehabilitation funding (\$2 million).

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET (dollars in thousands)

	FY14 2013-2014 <u>Operating Budget</u>	FY14 2013-2014 Operating Projected <u>Budget Actuals</u>	FY15 2014-2015 <u>Operating Budget</u>	FY16 2015-2016 Projected <u>Operating Budget</u>
SOURCES				
Interest on Loans	\$3,882	\$3,594	\$3,704	\$3,885
Housing Program Income & Admin. Fees	2,717	2,648	3,339	3,339
Bond Administrative Fees	2,434	2,108	1,829	1,761
Interest on Cash/Investments	1,415	1,333	1,539	1,749
Transaction Fees	603	1,715	1,941	1,941
Servicing Rights Fees	383	(127)	(280)	(280)
Servicing Fees	383	347	403	415
Gain/Loss on Sale of Assets	0	0	0	0
Other Income	161	175	161	169
TOTAL SOURCES	\$11,978	\$11,793	\$12,636	\$12,979
USES				
Compensation (Salaries & Benefits)	\$5,622	\$5,484	\$5,690	\$5,861
Travel & Public Information	321	314	365	376
Office Expenses	588	594	627	646
Other Operating Expenses	1,323	1,204	1,255	1,287
Non-Operating Expenses (Training and Technical Assistance, Program Development and Capacity Building)	2,036	2,031	1,641	1,130
Capital Outlay	128	128	15	15
Single Family Cost of Issuance	773	(1,284)	644	644
Non-Cash Expenses	814	818	963	963
TOTAL USES	\$11,605	\$9,289	\$11,200	\$10,922
TOTAL FTE POSITIONS	66.25	66.25	65.00	65.00

PERFORMANCE MEASURES (dollars in millions)

	FY11 <u>Actual</u>	FY12 <u>Actual</u>	FY13 <u>Actual</u>	FY14 <u>Projected</u>	FY15 <u>Budget</u>
Average financial assets	\$1,556	\$1,388	\$1,229	\$1,110	\$1,050
Average assets under management	\$2,910	\$2,770	\$2,687	\$2,077	\$1,898
Funds disbursed through:					
Federal and state programs	\$82	\$58	\$47	\$42	\$40
MFA programs	\$5	\$6	\$6	\$6	\$5
General fund non-operating (capacity building)	\$1	\$1	\$1	\$2	\$2
Single-family first mortgage loans:					
Number of units purchased	999	896	1,143	925	1,000
Dollar of loans purchased	\$123	\$107	\$142	\$116	\$126
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	752	1,351	1,750	1,193	592
Dollar of loans and subsidies	\$45	\$55	\$78	\$156	\$68
Housing programs:					
Homeless nights served	16,871	15,004	11,134	8,260	8,260
Single family homeowner rehab	2,817	2,707	1,070	3,000	3,300
Under compliance:					
Household units (avg)	21,012	17,333	16,108	16,108	16,108
Contracts/properties	477	424	423	432	432
Loans serviced:					
Number of loans (avg)	5,951	6,226	6,697	6,742	7,071
Dollar of loans (avg)	\$307	\$315	\$321	\$320	

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority Act, Section 62-16A-1 through 62-16A-15 NMSA 1978, created the Renewable Energy Transmission Authority (RETA) to create a government instrumentality to finance or plan the acquisition, maintenance, and operation of certain electric transmission facilities and storage facilities within New Mexico.

RETA, a quasi-governmental agency, is governed by an eight-member board and has oversight from the New Mexico Finance Authority Oversight Committee. RETA is composed of a board vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources. Under the act, three members of the board are appointed by the governor with the advice and consent of the Senate, one member is appointed by the Speaker of the House of Representatives, and one member is appointed by the president pro tem of the Senate. Statutorily, the other members are the State Investment Officer or designee, the State Treasurer or designee, and the cabinet secretary for the Department of Energy, Minerals and Natural Resources, a nonvoting member.

MISSION:

RETA's primary focus is on developing renewable energy-related transmission infrastructure. Through RETA, New Mexico is taking action to create a complementary industry to its oil and gas markets by addressing the transmission impediment to large scale renewable energy development through the construction of transmission infrastructure, assisting the development of energy sources that will reduce greenhouse gas emissions and lessen dependency on foreign sources of fuel, and increasing economic development opportunities for businesses and landowners.

AT A GLANCE:

Initially, RETA's budget was composed of prior-year general fund appropriations to the Energy, Minerals and Natural Resources Department (EMNRD) transferred to the agency's nonreverting renewable energy transmission authority operating fund, with the intent that the agency become self-supporting through project fee revenue. However, generation of project fees remains a concern as RETA does not expect revenues to cover operations for the next four years. RETA received general fund appropriations in the past two years to support operations. The agency requested a flat general fund appropriation of \$350 thousand for FY16.

BUDGET ISSUES:

A total of \$1.5 million was appropriated from the general fund through EMNRD for FY08 and FY09 which essentially constituted start-up funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10 and \$250 thousand appropriated from the general fund as a special appropriation for each of FY13, FY14 and FY15.

RETA's FY14 actual operating expenses were \$342.7 thousand. For FY15, the agency budgeted \$370.6 thousand and 2 FTE, using the 2014 special appropriation and fund balance. Because the fund balance at the end of FY15 is expected to be insufficient to support operating costs in FY16, RETA requested a special appropriation of \$350 thousand from the general fund and will use \$3.8 thousand from fund balance and \$20.1 thousand in project fees for FY16.

Currently, RETA, together with Clean Line Energy, is developing the Western Spirit Clean Line Collector System, a \$350 million, 200-mile transmission project to carry up to 1,500 megawatts of renewable power developed in Torrance County to northwestern New Mexico. Once complete, RETA estimates the Western Spirit Clean Line project will generate a \$2 million lease payment annually. Moreover, RETA plans to become involved in the SunZia renewable energy transmission project during FY15.

RENEWABLE ENERGY TRANSMISSION AUTHORITY

Operating Budgets FY14, FY15 & FY16

	FY14 <u>Actual</u>	FY15 Operating <u>Budget</u>	FY16 Special <u>Appropriation Request</u>
OPERATIONAL EXPENDITURES			
<u>Personnel Services</u>			
Salaries	\$252,534	\$ 255,981	\$ 257,230
Total Salaries	252,534	255,981	257,230
<u>Employee Taxes</u>			
FICA	17,237	20,000	20,000
Workers Comp	-	1,200	600
Unemployment Insurance	34	2,500	2,500
Total Employee Benefits	17,271	23,700	23,100
<u>Travel</u>			
Board Travel & Per Diem	577	2,500	2,750
Staff In-State Travel	2,642	3,500	3,500
Staff Out-of State Travel	1,204	3,000	3,000
Total All Travel	4,423	9,000	9,250
<u>Office Supplies</u>	3,760	6,500	6,000
<u>Contractual Services</u>			
Legal Counsel	3,651	15,000	15,000
Accounting-Audit (External)	11,100	12,710	15,355
Trustee/Banking Fees	643	1,500	1,500
IT Support	-	1,500	1,500
Professional Support Services	16,548	15,000	15,000
Total Contractual Services	31,942	45,710	48,355
<u>Operating Costs</u>			
Business Insurance	-	2,000	2,000
Reporting & Recording	73	252	300
Postage/Overnight	39	200	250
Office Rental	24,245	18,000	18,000
Telephone, Fax & Internet	8,229	9,000	9,000
Dues and Subscriptions	248	300	400
Total Operating Costs	32,834	29,752	29,950
TOTAL OPERATIONAL EXPENDITURES	\$342,764	\$ 370,643	\$ 373,885

GENERAL FUND APPROPRIATED TO AGENCY (Since Inception)

2007 – HB2, Section 5 (53): \$500.0 thousand, and SB710, Section 18: \$500.0 thousand
 2008 – HB2, Section 5 (64): \$250.0 thousand, and SB165, Section 17 (8): \$250.0 thousand
 2009 – HB2, Section 4 (Program Support): \$250.0 thousand, and Section 5 (36): \$250.0 thousand
 2013 – HB2, Section 5 (13): \$250.0 thousand
 2014 – SB313, Section 5 (22): \$350.0 thousand

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-22 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico postsecondary institutions. The authority is governed by a seven-member board, appointed by the governor with the advice and consent of the Senate. The act requires the board to appoint a chief executive officer to manage and direct the operation of the lottery and all administrative and technical activities of the authority, among other duties.

The New Mexico Lottery Act requires NMLA to present its budget to DFA and LFC by December 1. The lottery is not a state agency, and the act provides that LFC has oversight over the operations of NMLA. The act also requires LFC to periodically review and evaluate the success with which NMLA is accomplishing its duties and operating the lottery. LFC is authorized to conduct an independent audit or investigation of the lottery or 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. Since 2009, NMLA has eliminated retailer and employee sales incentives, reduced staffing from 68 to 54 FTE, reduced its advertising budget by \$1 million (33 percent), and reduced the prize payout percentage. The FY07 prize payout for instant games was 63 percent; and NMLA reports it was reduced to 59 percent by FY13. Since decreasing the payout percentage, instant game sales decreased from \$91.4 million in FY07 to under \$70 million in FY13. NMLA has taken steps to bring back lapsed players, bring in new players, and increase sales by increasing its FY15 advertising budget to by \$200 thousand to \$2.5 million and prize payout percentage to just over 60 percent. NMLA notes it does not expect to complete its projected FY16 budget until early 2015 because it is launching two new lottery games and will need time to analyze the actual finances of the games.

NMLA recommends the Legislature reconsider the requirement that 30 percent of gross revenue be transferred to the lottery tuition fund. The requirement may have resulted in fewer sales and reduced revenues for education. Any reduction in the required return percentage may reduce lottery revenues in the short term, because players may not immediately respond to higher payouts and increase sales. However, the added flexibility may enable the authority to operate more efficiently. The authority has already implemented significant cost reductions to meet the 30 percent return requirement, such as staff reductions, but it should continue to seek cost savings. Further, the authority's marketing division may be able to spur increased lottery sales by targeting areas of the state with less-than-optimal sales, or through other creative approaches.

Reconsidering the 30 percent revenue transfer requirement, attaining further cost savings, and investigating different marketing approaches would be timely because the lottery scholarship, as currently structured, is successful but not sustainable. Expenses from the lottery tuition fund have risen rapidly due to rising tuition costs and an increasing number of recipients. Between FY08 and FY14, tuition payments from the fund to institutions of higher education have increased by 72 percent, or nearly \$28 million, with nearly \$24 million of this growth occurring at the research institutions. During this period, the number of students receiving the lottery scholarship increased by 19 percent, with nonresearch institutions experiencing 57 percent growth in scholarships received.

While scholarship expenditures have been increasing, revenue transfers from the lottery have been relatively flat, averaging \$42.2 million in FY10-FY14, with a peak of \$43.7 million in FY13 thanks to a large run-up in the Powerball jackpot. FY14 revenue transfers were \$40.9 million.

Legislative action has provided temporary support for the lottery tuition fund through a nonrecurring appropriation and by channeling liquor excise tax revenue to the fund for several years. A statute change also attempted to reduce lottery scholarship expenditures by reducing the number of scholarship semesters from eight to seven, requiring incoming recipients to enroll in 15 credit hours, and requiring a 2.5 GPA to qualify. Finally, in the event of insufficient scholarship funds, the awards are reduced by the percentage of the funding shortfall. These additional revenue solutions are only temporary, however, and increased lottery revenue to the fund would benefit the scholarship program.

To better illustrate NMLA's management of the state lottery, the authority should provide benchmark data comparing its lottery operations with other states. Examples of informative and meaningful performance data include interstate comparisons of expenditures for operations and prizes, as well as per-capita lottery consumption.

NEW MEXICO LOTTERY AUTHORITY

Operating Budgets - FY14 and FY15

	FY 2014 Consolidated <u>Income Statement**</u>	FY 2015 Original Annual <u>Budget*</u>
OPERATING REVENUES		
Instant ticket sales	\$ 69,804,813	\$ 71,893,000
Powerball sales	34,027,555	37,859,200
Mega Millions sales	13,410,732	8,994,900
Roadrunner Cash sales	8,592,684	6,992,800
Monopoly Millionaires' Club sales***	-	2,992,800
Hot Lotto sales	5,700,311	4,988,800
Pick 3 sales	3,828,187	4,195,700
Lucky Numbers Bingo sales***	-	3,396,300
Quickster sales	638,322	1,498,500
Retailer fees	22,453	12,000
Bad debts	-	(24,000)
Total Operating Revenues	136,025,057	142,800,000
NON-OPERATING REVENUES		
Interest income	18,753	24,000
Other income	13,604	-
Total Non-operating Revenues	32,357	24,000
GROSS REVENUES	136,057,414	142,824,000
GAME EXPENSES		
Prize expense	74,060,246	77,125,000
Retailer commissions	8,782,855	9,511,000
On-line vendor fees	2,177,205	2,296,000
Advertising	2,267,772	2,500,000
Ticket vendor fees	1,188,107	1,400,000
Retailer equipment	345,786	297,000
Promotions	221,036	291,000
Shipping and postage	335,679	414,000
Drawing game	102,880	140,000
Responsible gaming	83,050	75,000
Game membership	43,718	81,000
Total game expenses	89,608,334	94,130,000
OPERATING EXPENSES		
Salaries, wages and benefits	3,726,941	4,085,000
Leases and insurance	423,932	437,000
Utilities and maintenance	448,166	455,000
Depreciation and amortization	188,505	287,000
Professional fees	186,035	206,000
Other expenses	69,711	115,000
Materials and supplies	135,260	121,000
Travel	61,980	140,000
Operational reserve fund	267,000	-
Total operating expenses	5,507,530	5,846,000
OPERATING INCOME	40,909,193	42,824,000
NET INCOME	\$ 40,941,550	\$ 42,848,000

* - Fiscal Year 2015 Consolidated Original Annual Budget approved on May 6, 2014.

** - Fiscal Year 2014 financial audit has been completed. The audit report has not yet been released.

*** - new lottery games being launched during second quarter of Fiscal Year 2015



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