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January, 2019

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BUDGET SUMMARY
(Dollars in Thousands)

USES	FY18 2017-2018 Actuals	FY19 Operating Budget	FY20		
			Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY19
111 Legislative Council Service	5,666.9	5,816.2	5,932.6	5,990.7	3.0%
112 Legislative Finance Committee	4,059.1	4,243.1	4,328.0	4,370.4	3.0%
114 Senate Chief Clerk	873.1	1,158.3	1,182.0	1,193.0	3.0%
115 House Chief Clerk	897.5	1,111.4	2,016.1	1,144.7	3.0%
117 Legislative Education Study Committee	1,204.6	1,332.2	1,371.1	1,372.2	3.0%
119 Legislative Building Services (GAA)	3,682.7	4,154.6	4,227.6	4,279.2	3.0%
131 Interim Committee Expenses	641.5	925.0	925.0	925.0	0.0%
131 Pre-Session Expenses	397.3	415.0	415.0	415.0	0.0%
131 Legislative Internship Program	28.0	46.6	46.6	46.6	0.0%
131 Senate Rules Interim Committee	10.4	0.0*	19.1	19.1	100.0%
131 National Dues & Membership Fees	79.5	320.6	330.0	330.0	2.9%
TOTAL	\$17,540.6	\$19,523.0	\$20,793.1	\$20,085.9	2.9%

*In FY19, funding for Senate Rules Interim Committee was line item vetoed.

NON-RECURRING	FY19		
131 Legislative Information Systems	850.8	835.5	835.5

*Note: Legislative Information Systems appropriation of \$873.4 and \$41.1 of national dues and membership fees was booked in FY18.

NON-RECURRING	
2019 Legislature	*\$9,491.7
2018 Legislature	5,654.50
2017 Legislature	10,300.0
2016 Legislature	5,901.8

*Appropriation for the 2019 60-day legislative session will be made by the Legislature in January 2018. The budgeted amount of \$9,491.7 was provided by the Legislative Council Service.

Appropriation for the 2020 30-day legislative session will be made by the Legislature in January 2019.

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:

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)					
	FY18		FY20 – 2019-2020		Percent Incr (Decr)
	2017-2018 <u>Actuals</u>	2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	0.0	552.0	552.0	
Other Transfers	400.0	400.0	400.0	400.0	0.0
Other Revenues	1,310.8	1,185.0	600.0	600.0	-49.4
Fund Balance	0.0	286.5	0.0	0.0	-100.0
SOURCES TOTAL	1,710.8	1,871.5	1,552.0	1,552.0	-17.1
USES					
Personal Services and Employee Benefits	478.0	552.2	551.7	551.7	-0.1
Contractual Services	942.3	1,176.1	896.0	896.0	-23.8
Other	119.6	143.2	104.3	104.3	-27.2
TOTAL USES	1,539.9	1,871.5	1,552.0	1,552.0	-17.1
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

AT A GLANCE:

The New Mexico Compilation Commission request reduced the overall budget by \$100.5 thousand compared with the FY19 operating budget but increased the general fund appropriation by \$552 thousand. After updating its long-term strategy, the agency is transforming operations by outsourcing printing and online services to a private vendor in exchange for licensing in the state. The transformation follows increased demand by the public for free access to annotated laws, especially online, which has resulted in a drop in revenue from products. To maintain the budget, the Compilation Commission requested general fund revenue to replace product revenue from print subscriptions so that the agency could provide its services to the public for free. Although the commission currently operates without direct general fund appropriations, it receives a \$400 thousand transfer from the Legislative Council Service.

The LFC recommendation reduces the Compilation Commission by \$320 thousand, or 17.1 percent, but includes new general fund revenue of \$552 thousand. Savings in printing and online costs in the contracts and other costs category amounted to the overall budget reductions.

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,230	\$1,311	\$1,300	\$1,300	\$600

STATUTORY AUTHORITY:

An amendment to Article VI, Section 32, of the New Mexico Constitution created the Judicial Standards Commission to provide a means for disciplining judges at all levels of the judiciary. The commission consists of 13 members: seven lay people appointed by the governor, two attorneys elected by the Board of Bar Commissioners, and four members appointed by the Supreme Court. The latter four positions are filled by a Supreme Court justice, a Court of Appeals judge, a district judge, and a magistrate judge. The seven lay members serve five-year terms, while the attorney and judge members serve four-year terms.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 – 2019-2020		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	817.1	849.5	957.9	869.5	2.4
SOURCES TOTAL	817.1	849.5	957.9	869.5	2.4
USES					
Personal Services and Employee Benefits	685.3	715.4	803.8	715.4	0.0
Contractual Services	19.9	22.5	22.5	22.5	0.0
Other	111.9	111.6	131.6	131.6	17.9
TOTAL USES	817.1	849.5	957.9	869.5	2.4
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 commission requested a 12.8 percent increase from the FY19 operating budget. Although the contractual services category remained flat, the personal services and employee benefits category and the other category were increased to fill a vacant investigator position and fund training for commissioners.

The LFC recommendation increases general fund revenue 2.4 percent above the FY19 operating budget. Recommended increases match the agency request to resume travel and training on judicial standards, accountability, and discipline for all 13 commissioners, which had been discontinued for the past two years.

The Judicial Standards Commission received or addressed 208 complaints in FY18, one less than the prior year. Of the total complaints, 184 were disposed, 16 of which resulted in grounds for removal, resignation, or retirement of five judges. The removal of two judges was ultimately adopted by the Supreme Court in FY18.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	On knowledge of cause for emergency interim suspension, number of days for commission to file petition for temporary suspension, in days	5	1	3	4	3
Efficiency	For cases in which formal charges are filed, average number of meeting cycles for formal hearings to be held	4	4	2	2	2

STATUTORY AUTHORITY:

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,718.5	6,143.1	6,368.6	6,338.6	3.2
Other Revenues	0.4	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,718.9	6,144.1	6,369.6	6,339.6	3.2
USES					
Personal Services and Employee Benefits	5,160.9	5,653.8	5,884.0	5,854.0	3.5
Contractual Services	71.8	25.3	25.3	25.3	0.0
Other	454.5	465.0	460.3	460.3	-1.0
TOTAL USES	5,687.2	6,144.1	6,369.6	6,339.6	3.2
FTE					
Permanent	61.5	61.5	62.5	63.5	3.3
TOTAL FTE POSITIONS	61.5	61.5	62.5	63.5	3.3

AT A GLANCE:

The Court of Appeals requested an increase of \$225.5 thousand, or 3.7 percent, from the FY19 operating budget to address the growing backlog of cases and increase the efficiency of the court. The request includes \$120.8 thousand to fill an attorney position that would edit court opinions in a uniform style intended to expedite case dispositions. The request also includes \$93.4 thousand to fill the remaining vacant positions and \$12.3 thousand for increases in rates.

LFC recommends fully funding the court's request for the additional attorney position and increases in rates- totaling \$120.8 thousand and \$12.3 thousand, respectively- but a slightly smaller vacancy rate reduction of \$60.4 thousand to improve performance and reduce backlogged cases. LFC recommends maintaining performance measure targets for FY20, which should benefit from efficiency gains in filled positions and increased funding.

In FY18, the New Mexico Court of Appeals had a disposition rate of 91 percent, a 1 percent increase from FY17, and a 4 percent increase from a record low in recent years.

COURT OF APPEALS

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Cases disposed as a percent of cases filed	90%	91%	100%	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	450	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	180	450	180
Outcome	Number of days to disposition for criminal cases	NEW	NEW	180	600	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	600	180

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	5,740.3	6,162.5	6,172.6	6,172.6	0.2
Other Revenues	1.5	1.5	1.5	1.5	0.0
SOURCES TOTAL	5,741.8	6,164.0	6,174.1	6,174.1	0.2
USES					
Personal Services and Employee Benefits	4,314.6	5,147.2	5,163.6	5,163.6	0.3
Contractual Services	67.8	69.1	69.1	69.1	0.0
Other	1,325.9	947.7	941.4	941.4	-0.7
TOTAL USES	5,708.3	6,164.0	6,174.1	6,174.1	0.2
FTE					
Permanent	58.0	58.0	58.0	58.0	0.0
TOTAL FTE POSITIONS	58.0	58.0	58.0	58.0	0.0

AT A GLANCE:

The Supreme Court requested a general fund revenue increase of \$10.1 thousand, or 0.2 percent, from the FY19 operating budget for rate increases and the courts' compensation plan. In addition to the increase, the Supreme Court requested continuing to consolidate the budget of the Supreme Court Building Commission and Supreme Court Law Library into the Supreme Court budget in the General Appropriation Act.

BUDGET ISSUES:

The New Mexico Supreme Court set several statewide priorities for its FY20 Judicial Unified Budget adequate base budget increases, expansions in targeted areas, and continued implementation of the judiciary's compensation plan. The Supreme Court, with support from the Administrative Office of the Courts, has been key in shaping the dockets and workload of the judiciary in recent years through rules regarding case management and pretrial release and detention. Furthermore, the Supreme Court has begun a court coordination and reorganization plan to consolidate the administrative functions of the magistrate courts with district courts to streamline administrative processes, expand services, and better serve the public. The court expects the pooling of resources and cross-training of staff will free up personnel and finances, which will provide increased services to the public in both the magistrate and district courts. Currently, the 12th Judicial District Court has begun consolidation with the magistrate courts in their jurisdiction; courts statewide are expected to do so by the end of FY19.

Following a consensus reached by the executive, the Supreme Court, and the Legislature in the 2018 Legislative Session, the Supreme Court Building Commission and the Supreme Court Law Library were combined into a single appropriation to the Supreme Court. The court requested continuation of this practice in FY20, and a general fund revenue increase of \$10.1 thousand, or a 0.2 percent, from the FY19 operating budget for rate increases and the courts' compensation plan.

Although not a part of the Judicial Unified Budget, the legislative Judicial Compensation Commission (JCC) recommended raises of 5 percent for FY20, along with a change to chief judge compensation, and an increase in general fund revenue to the judiciary retirement fund. JCC recommends the annual salary of Supreme Court Justices be increased 5 percent, or \$6,991, from \$139,819 to \$146,810. The salary of Supreme Court justices as increased in July 2018 (\$139,819) ranks 47th out of 51 in the United States, and JCC reports that an increase in salaries is needed to attract qualified and experienced candidates to the judicial branch. The total cost of the JCC compensation proposal is \$1.7 million from the general fund.

LFC, in agreement with Department of Finance and Administration, recommends appropriating expenditures in one line item -- operations -- to judicial entities, instead of the existing four-category budget layout, following two successful years of implementation. This allows the judiciary more control and flexibility over budgets in exchange for more robust quarterly reporting. The committee recommends fully funding the Supreme Court's request.

LFC also recommends consolidating appropriations in the General Appropriation Act for magistrate courts to the appropriate district court, in accordance with the Supreme Court's statewide court consolidation plan. The transfers will provide district courts with the oversight of and fiscal responsibility for local magistrate courts, so that efficiencies can be realized through court cost-sharing.

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Cases disposed as a percent of cases filed	92%	131%	100%	100%	100%
Outcome	Number of days to disposition for criminal cases	NEW	NEW	180	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	480	365
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	180	420	420

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	52,074.2	55,138.3	60,124.0	36,240.8	-34.3
Other Transfers	2,304.8	2,278.0	2,709.2	2,709.2	18.9
Federal Revenues	413.6	832.3	829.6	829.6	-0.3
Other Revenues	9,609.0	11,055.3	11,912.0	11,062.0	0.1
Fund Balance	838.0	0.0	714.5	714.5	
SOURCES TOTAL	65,239.6	69,303.9	76,289.3	51,556.1	-25.6
USES					
Personal Services and Employee Benefits	31,231.2	34,601.8	39,896.7	16,047.4	-53.6
Contractual Services	11,431.8	12,557.3	13,992.8	13,642.8	8.6
Other	18,459.0	20,539.6	20,844.6	20,310.7	-1.1
Other Financing Uses	1,555.2	1,605.2	1,555.2	1,555.2	-3.1
TOTAL USES	62,677.2	69,303.9	76,289.3	51,556.1	-25.6
FTE					
Permanent	387.8	386.8	399.8	111.8	-71.1
Term	67.5	67.5	70.5	35.5	-47.4
TOTAL FTE POSITIONS	455.3	454.3	470.3	147.3	-67.6

AT A GLANCE:

The Administrative Office of the Courts (AOC) requested an overall general fund increase of 9 percent or \$5 million over the FY19 operating budget. The largest requested general fund increase -- \$1.6 million or 35.7 percent -- was for the statewide Judicial Automation Program. The Magistrate Courts Program requested an 8.6 percent general fund increase, or \$2.5 million more than the FY19 operating budget. In the Administrative Support Program, the agency requested additional funding primarily to reduce the vacancy rate and add 2 new FTE. In the Special Court Services Program, the largest increases were requested for court-appointed attorneys and court-appointed special advocates.

The committee recommendation reorganizes courts budgets to consolidate magistrate court management in local district courts to align with Supreme Court priorities. After considering the transfer of magistrate court personnel from AOC to the districts, the recommendation increases general fund revenue by \$2.3 million, or 4.1 percent, over the FY19 operating budget and includes funding for magistrate court leases and personnel, court-appointed attorney costs, reduced fund balance use, a 'release on recognizance' program, and rate increases.

BUDGET ISSUES:

Following a Supreme Court initiative to realize efficiencies in court management, the judiciary requested to move personnel costs from the Magistrate Courts Program to the district courts, around the state. The consolidation of the administrative functions of the magistrate courts with district courts is intended to streamline administrative processes, expand services, and better serve the public. The court expects the pooling of resources and cross-training of staff will free up personnel and finances, which will provide increased services to the public in both the magistrate and district courts. Although magistrate court personnel costs move to the districts, AOC will retain the function of facility and lease management. Currently, the 12th Judicial District Court has begun consolidation with the magistrate courts in its jurisdiction; courts statewide are expected to do so by the end of FY19.

In June 2017, all court clerks were reclassified following a compensation study approved by AOC in 2015, which was required to take effect at the end of FY17 under the judiciary's personnel rules. The reclassification took effect on July 1, 2017, providing an average raise of \$1.50 per hour, or 10 percent. The raises were not directly funded by the Legislature but were required by court rules that mandated the raise take effect two years following the compensation plan. For FY20, the LFC recommendation in the personal services and employee benefits category includes sufficient funding for salaries at the increased hourly rates. Due to the implementation of the compensation plan, magistrate court vacancies have declined by over 9 percent, from 17 percent to 8 percent.

The Administrative Support Program requested a 3.5 percent general fund increase over the FY19 operating budget. Of the requested increase, \$42.7 thousand was for General Service Department (GSD) risk rate increases and the remaining \$680 thousand was to fill all vacant positions. Finally, AOC requested reducing general fund revenue to reflect savings realized in lowered jury and witness costs and from FY19 compensation appropriations erroneously distributed to AOC. The LFC recommendation funds the base request with the exception of the deputy public information officer.

The Statewide Judicial Automation Program, also known as the Judicial Automation Division (JID), requested a general fund increase of \$1.6 million, or 35.7 percent, over the FY19 operating budget. The majority of the increase was in the personal services and employee benefits category to fully fund all positions and to reduce reliance on Supreme Court automation fee (SCAF) revenue, which has fallen from a high of \$5.4 million annually in FY11 to \$3.5 million annually in FY18. The LFC recommendation includes funding to fill existing vacant positions and employee benefit rate increases and reduces SCAF use by \$250 thousand.

The Magistrate Court Program requested a \$2.5 million, or 8.6 percent, general fund increase over the FY19 operating budget. The majority of the increase was for personnel costs to reduce the vacancy rate, pay for GSD rate increases, and to replace Supreme Court automation fund use with general fund revenue for FTE. The request included a \$640 thousand increase in general fund revenue to fully fund magistrate court leases. The LFC recommendation includes full funding for personnel with a 7 percent vacancy rate, sufficient funding for lease costs, and a 'release on recognizance' program.

The Special Court Services Program requested a 4.5 percent general fund increase, or \$461.5 thousand more than the FY19 operating budget. The request included \$360 thousand for court-appointed attorneys and \$100 thousand for a court mediation manager. The LFC recommendation fully funds the program request.

BASE EXPANSION:

AOC requested \$550 thousand to implement a "release on recognizance" program. The expansion request included no FTE but would use existing magistrate court employees and \$1.5 million to transfer the Judicial Education Center from the University of New Mexico Law School to the Administrative Support Program. The expansion request included 6 FTE.

The committee recommends \$400 thousand for the 'release on recognizance' program.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the special court services program of the administrative office of the courts includes one million seven hundred ninety four thousand nine hundred dollars (\$1,794,900) from the drug court fund. Any unexpended balances from appropriations made from the drug court fund remaining at the end of fiscal year 2020 shall revert to the drug court fund.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	Judicial Education - 6 FTE	(P559)	1,500.0	0.0
1	<u>Release on Recognizance Program</u>	<u>(P610)</u>	<u>550.0</u>	<u>400.0</u>
TOTAL			2,050.0	400.0

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	9,895.3	10,860.3	11,243.4	10,373.5	-4.5
Other Transfers	624.8	310.9	313.6	313.6	0.9
Federal Revenues	413.6	832.3	829.6	829.6	-0.3
Other Revenues	2,105.3	2,125.0	2,975.0	2,125.0	0.0
Fund Balance	0.0	0.0	163.5	163.5	
SOURCES TOTAL	13,039.0	14,128.5	15,525.1	13,805.2	-2.3
USES					
Personal Services and Employee Benefits	4,099.8	5,184.7	6,096.4	4,976.5	-4.0
Contractual Services	970.3	1,408.4	1,923.9	1,573.9	11.8
Other	6,175.3	7,535.4	7,504.8	7,254.8	-3.7
TOTAL USES	11,245.4	14,128.5	15,525.1	13,805.2	-2.3
FTE					
Permanent	46.8	46.8	52.8	47.8	2.1
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	49.8	49.8	55.8	50.8	2.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Efficiency	Average cost per juror	\$59.72	\$42.29	\$55	\$55	\$55
Explanatory	Number of jury trials	NEW	181			
Efficiency	Average interpreter cost per session	NEW	NEW	\$100	\$185	\$100

STATEWIDE JUDICIARY AUTOMATION

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

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,809.5	4,481.5	6,081.3	4,825.0	7.7
Other Revenues	4,646.4	5,265.5	5,272.2	5,272.2	0.1
Fund Balance	286.7	0.0	0.0	0.0	
SOURCES TOTAL	8,742.6	9,747.0	11,353.5	10,097.2	3.6
USES					
Personal Services and Employee Benefits	5,245.9	6,089.2	7,412.0	6,155.7	1.1
Contractual Services	464.0	965.0	965.0	965.0	0.0
Other	2,351.6	2,692.8	2,976.5	2,976.5	10.5
TOTAL USES	8,061.5	9,747.0	11,353.5	10,097.2	3.6
FTE					
Permanent	45.5	44.5	44.5	44.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	54.5	53.5	53.5	53.5	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Average time to resolve automation calls for assistance, in hours	80	72	10	10	10
Efficiency	Average time to respond to customer service requests, in days	NEW	NEW	NEW	1	1
Efficiency	Average time to resolve customer service requests, in days	NEW	NEW	NEW	5	5

MAGISTRATE COURT

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				Percent Incr (Decr)
		<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	General Fund Transfers	28,178.5	29,580.8	32,122.1	10,365.1	-65.0
	Other Transfers	300.0	362.2	300.0	300.0	-17.2
	Other Revenues	2,857.3	3,522.3	3,522.3	3,522.3	0.0
	Fund Balance	19.0	0.0	50.0	50.0	
	SOURCES TOTAL	31,354.8	33,465.3	35,994.4	14,237.4	-57.5
USES						
	Personal Services and Employee Benefits	21,194.0	22,693.7	25,313.5	3,840.4	-83.1
	Contractual Services	412.6	505.2	520.2	520.2	3.0
	Other	9,690.3	10,216.4	10,160.7	9,876.8	-3.3
	Other Financing Uses	0.0	50.0	0.0	0.0	-100.0
	TOTAL USES	31,296.9	33,465.3	35,994.4	14,237.4	-57.5
FTE						
	Permanent	289.0	289.0	296.0	13.0	-95.5
	Term	55.5	55.5	55.5	22.5	-59.5
	TOTAL FTE POSITIONS	344.5	344.5	351.5	35.5	-89.7

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Cases disposed as a percent of cases filed	101%	137%	100%	100%	100%
Explanatory	Number of jury trials	NEW	NEW			
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	180	180
Outcome	Days to disposition for civil cases	NEW	NEW	180	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	180	180
Outcome	Days to disposition for criminal cases	NEW	NEW	180	180	180

SPECIAL COURT SERVICES

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

AOC - SPECIAL COURT SERVICES APPROPRIATIONS**BUDGET SUMMARY**

(dollars in thousands)

FY 2018 - 2020

	<u>FY18 Actuals</u>	<u>FY19 Budget</u>	<u>FY20 Agency Request</u>	<u>FY20 LFC Recommendation</u>	<u>Percent incr (decr)</u>
SOURCES					
General fund transfers	10,190.9	10194.2	10,677.2	10,677.2	4.8%
Other transfers	1,380.0	1600.7	2,095.6	2,095.6	51.9%
Federal program revenues	-	-	-	-	
Other program revenues	-	142.50	142.5	142.5	
General revenues	-	-	-	-	
Fund balance	532.3	-	501.0	501.0	-5.9%
TOTAL REVENUE	12,103.2	11,937.4	13,416.3	13,416.3	12.4%
USES					
(a) CASA	1,316.8	1356.7	1,356.7	1,356.7	0.0%
(b) Supervised Visitation	881.1	881.1	884.3	884.3	0.4%
(c) Water Rights	938.9	443.2	444.2	444.2	0.2%
(d) Court-appointed Attorneys	5,787.1	6037.1	6,404.2	6,404.2	6.1%
(e) Children's Mediation	276.4	276.4	281.9	281.9	2.0%
(f) Judge' Pro Temp	30.3	30.3	30.3	30.3	0.0%
(g) Access to Justice	124.7	124.7	129.7	129.7	4.0%
(h) Statewide Alternative Dispute Resolution	3.3	3.3	103.3	103.3	3030.3%
(i) Drug Court	2,744.6	2784.6	1,486.8	1,486.8	-46.6%
(j) AOC Drug Court Fund	-	-	2,294.9	2,294.9	N/A
Other expenditures					
TOTAL EXPENDITURES	12,103.2	11,937.4	13,416.3	13,416.3	12.4%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of monthly supervised child visitations and exchanges conducted	1,102	1,176	1,250	1,250	1,250
* Outcome	Recidivism rate for drug-court participants	16%	14%	12%	12%	12%
Explanatory	Number of children to whom court-appointed special advocate volunteers are assigned	1,809	1,797			
Outcome	Three-year intent-to-treat recidivism rate of drug court program participants	19.0%	21.3%	25.0%	25.0%	25.0%
Outcome	Employment rate of adult drug-court program graduates for current fiscal year	91.9%	93.4%	90.0%	90.0%	90.0%
Outcome	Education rate of juvenile drug-court program graduates for current fiscal year	99.1%	98.5%	100.0%	100.0%	100.0%
Outcome	Recidivism rate for driving-while-intoxicated court participants	5.6%	8.5%	12%	12%	12%
Explanatory	Graduation rate for drug-court participants	58.6%	57.2%			
Explanatory	Graduation rate for driving-while-intoxicated court participants	71.1%	81.4%			
Explanatory	Cost per client per day for all drug-court participants	\$23.25	\$23.25			
Outcome	Percent of children in children, youth and families department custody for twelve or more months and assigned a court-appointed attorney who achieve legal permanency within thirteen and twenty-three months from the date the petition is filed in an abuse and neglect case	NEW	NEW	NEW	100%	100%
Explanatory	Number of cases to which court-appointed special advocate volunteers are assigned	NEW	975			
Outcome	Percent of children who achieve legal permanency within twelve months of the date the petition is filed in an abuse and neglect case	NEW	NEW	NEW	100%	100%

STATUTORY AUTHORITY:

The New Mexico district courts are statutorily created in Sections 34-6-1 through 34-6-26 NMSA 1978. New Mexico has 13 judicial districts over which 96 district judges preside. Distribution and number of judgeships is determined in New Mexico statute. In the last nine years, 21 district judgeships have been created.

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	74,562.1	78,557.9	81,153.1	102,304.6	30.2
Other Transfers	6,127.9	6,448.0	6,492.1	6,492.1	0.7
Federal Revenues	338.2	582.5	546.9	546.9	-6.1
Other Revenues	4,030.7	4,170.0	4,552.5	4,552.5	9.2
Fund Balance	800.2	852.7	851.0	851.0	-0.2
SOURCES TOTAL	85,859.1	90,611.1	93,595.6	114,747.1	26.6
USES					
Personal Services and Employee Benefits	73,042.3	78,673.4	81,782.5	102,934.0	30.8
Contractual Services	5,548.3	6,575.5	6,559.4	6,559.4	-0.2
Other	6,141.4	5,362.2	5,253.7	5,253.7	-2.0
TOTAL USES	84,732.0	90,611.1	93,595.6	114,747.1	26.6
FTE					
Permanent	986.8	986.3	996.8	1,297.8	31.6
Term	96.1	95.6	99.1	126.1	31.9
TOTAL FTE POSITIONS	1,082.8	1,081.8	1,095.8	1,423.8	31.6

AT A GLANCE:

The FY20 district courts' request included a \$2.6 million general fund increase, or 3.3 percent, to implement priorities set in the judiciary's unified budget request. Priorities included vacancy rate reductions, employee benefit rate increases, and the workforce investment plan. LFC recommends fully funding the district courts' request.

Furthermore, district courts are to begin managing local magistrate courts, following a Supreme Court initiative to realize efficiencies in court management. The Supreme Court plans for a reorganization to consolidate the administrative functions of the magistrate courts with district courts to streamline administrative processes, expand services, and better serve the public. The court expects the pooling of resources and cross-training of staff will free up personnel and finances, which will provide increased services to the public in both the magistrate and district courts. Currently, the 12th Judicial District Court has begun consolidation with the magistrate courts in its jurisdiction; courts statewide are expected to do so by the end of FY19.

BUDGET ISSUES:

The district courts continue to implement cost-saving efforts, such as reducing mileage reimbursements for staff, jurors, and interpreters. The implementation of the Odyssey case management system also has produced cost savings and efficiencies. Although the courts have implemented electronic filing for civil cases, efficiency gains remain to be realized in implementing electronic filing for criminal cases. The courts have begun to transition to electronic filing of criminal cases due to a \$250 thousand appropriation made in the 2018 legislative session for this purpose.

The courts report FY18 case filings were up 4.3 percent from FY17, mainly driven by an increase in cases filed in the 3rd, 5th, and 11th Judicial Districts. Case filings remain 11 percent less than a peak number of cases in FY11.

After the reorganization of the magistrate courts with the district courts, the committee recommends increasing general fund appropriations to the district courts by \$2.6 million, or on average 3.3 percent, from the FY19 operating budgets. The LFC recommendation includes three components in accordance with the judiciary's unified budget priorities. First, the LFC

recommendation includes funding for personnel needs, vacancy rate reductions, and reducing caseloads. Second, the LFC recommendation fully funds employee benefit rate increases at a cost of \$468.1 thousand for the district courts. Lastly, the LFC recommendation includes \$130.1 thousand to maintain the judiciary's compensation plan, which was started and funded in FY19.

During the FY18 budget process, in response to legislative and judicial concerns of judicial budget independence, LFC piloted a restructured budget that appropriated funds in one item called "operations," as opposed to four separate line items. The committee recommends continuing the practice for FY20. The single-line appropriation highlights the judiciary's unique budget organization and budgeting process. On average, more than 80 percent of each district court budget is for personnel costs, and the contracts category is typically only used for the audit. Additionally, the Supreme Court has superintending control over all lower courts, which includes policy oversight and financial controls through the unified budget process.

In FY18, the courts and criminal justice partners began reporting on performance measures quarterly. The district attorneys and the Public Defender Department joined the judiciary in the new, comprehensive report card format. Despite stagnant caseloads and constrained state revenues between FY15 and FY18, the budgets of the "three legs" of the justice system -- the courts, the district attorneys, and the public defenders -- have collectively grown an average 2 percent per year over the last five years. Although funding grew, performance measures capable of evaluating the progress of reforms and increased funding is lacking. LFC recommends adding new measures to evaluate workloads and encourages the development of more meaningful metrics, such as the appearance rate of defendants and the concurrence rate of pretrial detention with assessed risk scores.

BASE EXPANSION:

The 2nd judicial district court requested \$81.9 thousand for an additional FTE to manage the implementation of guardianship reforms.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,904.2	7,354.8	7,413.6	9,757.3	32.7
Other Transfers	648.3	648.3	648.3	648.3	0.0
Federal Revenues	42.0	0.0	0.0	0.0	
Other Revenues	464.4	464.4	464.4	464.4	0.0
Fund Balance	0.0	19.8	0.0	0.0	-100.0
SOURCES TOTAL	8,058.9	8,487.3	8,526.3	10,870.0	28.1
USES					
Operations	7,753.4	8,487.3	8,526.3	10,870.0	28.1
TOTAL USES	7,753.4	8,487.3	8,526.3	10,870.0	28.1
FTE					
Permanent	92.0	92.0	92.0	127.0	38.0
Term	7.8	7.8	7.8	11.8	51.3
TOTAL FTE POSITIONS	99.8	99.8	99.8	138.8	39.1

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	93%	98%	100%	100%	100%
Explanatory	Number of active cases pending	NEW	10,349			
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	48			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	22,721.8	23,865.0	24,570.4	24,570.4	3.0
Other Transfers	1,188.9	1,290.3	1,339.0	1,339.0	3.8
Federal Revenues	180.2	550.5	546.9	546.9	-0.7
Other Revenues	2,211.7	2,507.1	2,613.5	2,613.5	4.2
Fund Balance	483.2	483.2	481.1	481.1	-0.4
SOURCES TOTAL	26,785.8	28,696.1	29,550.9	29,550.9	3.0
USES					
Operations	26,424.9	28,696.1	29,550.9	29,550.9	3.0
TOTAL USES	26,424.9	28,696.1	29,550.9	29,550.9	3.0
FTE					
Permanent	328.5	328.5	329.5	329.5	0.3
Term	55.0	54.0	56.0	56.0	3.7
TOTAL FTE POSITIONS	383.5	382.5	385.5	385.5	0.8

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
<u>1</u>	<u>Management Analyst for Guardianship - (1 FTE)</u>	<u>(P232)</u>	<u>81.9</u>	<u>81.9</u>
TOTAL			81.9	81.9

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	101%	98%	100%	100%	100%
Explanatory	Number of active cases pending	NEW	28,901			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Explanatory	Number of jury trials	NEW	138			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,471.4	6,845.5	7,107.8	9,474.2	38.4
Other Transfers	790.0	816.1	798.5	798.5	-2.2
Other Revenues	176.7	211.7	211.7	211.7	0.0
Fund Balance	1.9	11.0	31.5	31.5	186.4
SOURCES TOTAL	7,440.0	7,884.3	8,149.5	10,515.9	33.4
USES					
Operations	7,417.7	7,884.3	8,149.5	10,515.9	33.4
TOTAL USES	7,417.7	7,884.3	8,149.5	10,515.9	33.4
FTE					
Permanent	86.3	85.8	86.3	120.3	40.2
Term	7.3	7.8	7.3	10.3	32.3
TOTAL FTE POSITIONS	93.5	93.5	93.5	130.5	39.6

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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	93%	95%	100%	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	33			
Explanatory	Number of active cases pending	NEW	26,788			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,289.8	2,443.1	2,611.1	3,726.3	52.5
Other Transfers	157.7	157.7	157.7	157.7	0.0
Other Revenues	38.9	35.0	36.5	36.5	4.3
Fund Balance	7.2	0.0	0.0	0.0	
SOURCES TOTAL	2,493.6	2,635.8	2,805.3	3,920.5	48.7
USES					
Operations	2,493.6	2,635.8	2,805.3	3,920.5	48.7
TOTAL USES	2,493.6	2,635.8	2,805.3	3,920.5	48.7
FTE					
Permanent	29.5	29.5	31.5	47.5	61.0
Term	0.0	0.0	0.0	1.0	
TOTAL FTE POSITIONS	29.5	29.5	31.5	48.5	64.4

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	Administrative Assistant 2- .5 FTE increase	(P234)	0.0	0.0
1	Attorney -Associate 1.0 FTE	(P234)	0.0	0.0
1	Judicial Specialist 2- .5 FTE increase	(P234)	0.0	0.0
TOTAL			0.0	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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	99%	97%	100%	100%	100%
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of active cases pending	NEW	1,853			
Explanatory	Number of jury trials	NEW	10			

BUDGET SUMMARY
(dollars in thousands)

	FY20 – 2019-2020				
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	6,555.5	6,885.5	7,251.2	9,921.1	44.1
Other Transfers	474.7	497.6	497.6	497.6	0.0
Other Revenues	274.0	189.9	254.2	254.2	33.9
SOURCES TOTAL	7,304.2	7,573.0	8,003.0	10,672.9	40.9
USES					
Operations	7,154.1	7,573.0	8,003.0	10,672.9	40.9
TOTAL USES	7,154.1	7,573.0	8,003.0	10,672.9	40.9
FTE					
Permanent	84.0	84.0	87.0	124.0	47.6
Term	1.0	1.0	1.0	5.0	400.0
TOTAL FTE POSITIONS	85.0	85.0	88.0	129.0	51.8

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Cases disposed as a percent of cases filed	98%	90%	100%	100%	100%
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Explanatory	Number of jury trials	NEW	98			
Explanatory	Number of active cases pending	NEW	13,567			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,229.6	3,364.5	3,466.3	5,110.2	51.9
Other Transfers	155.2	229.2	229.2	229.2	0.0
Other Revenues	20.6	33.0	21.0	21.0	-36.4
Fund Balance	12.0	15.8	37.8	37.8	139.2
SOURCES TOTAL	3,417.4	3,642.5	3,754.3	5,398.2	48.2
USES					
Operations	3,399.6	3,642.5	3,754.3	5,398.2	48.2
TOTAL USES	3,399.6	3,642.5	3,754.3	5,398.2	48.2
FTE					
Permanent	38.0	38.0	39.0	64.0	68.4
TOTAL FTE POSITIONS	38.0	38.0	39.0	64.0	68.4

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	95%	93%	100%	100%	100%
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Explanatory	Number of jury trials	NEW	28			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Outcome	Age of active pending criminal cases, in days	NEW	2,330	180	365	365

BUDGET SUMMARY
(dollars in thousands)

			<u>FY20 – 2019-2020</u>		
	FY18	FY19			Percent
	2017-2018	2018-2019	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	2,347.6	2,450.0	2,535.5	3,873.5	58.1
Other Transfers	381.8	400.6	400.6	400.6	0.0
Other Revenues	31.9	35.0	35.0	35.0	0.0
SOURCES TOTAL	2,761.3	2,885.6	2,971.1	4,309.1	49.3
USES					
Operations	2,733.1	2,885.6	2,971.1	4,309.1	49.3
TOTAL USES	2,733.1	2,885.6	2,971.1	4,309.1	49.3
FTE					
Permanent	30.0	30.0	30.0	48.0	60.0
Term	4.0	4.0	4.0	6.0	50.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	54.0	58.8

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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Output	Cases disposed as a percent of cases filed	91%	96%	100%	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	8			
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Explanatory	Number of active cases pending	NEW	2,102			

BUDGET SUMMARY
(dollars in thousands)

	FY20 – 2019-2020				
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,946.1	3,132.5	3,220.8	4,432.3	41.5
Other Transfers	170.1	170.6	170.6	170.6	0.0
Other Revenues	47.6	106.0	106.0	106.0	0.0
Fund Balance	5.3	33.7	33.7	33.7	0.0
SOURCES TOTAL	3,169.1	3,442.8	3,531.1	4,742.6	37.8
USES					
Operations	3,166.3	3,442.8	3,531.1	4,742.6	37.8
TOTAL USES	3,166.3	3,442.8	3,531.1	4,742.6	37.8
FTE					
Permanent	33.0	33.0	36.0	54.0	63.6
TOTAL FTE POSITIONS	33.0	33.0	36.0	54.0	63.6

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Cases disposed as a percent of cases filed	98%	94%	100%	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	22			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of active cases pending	NEW	2,319			
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,365.7	3,549.6	3,695.5	4,718.3	32.9
Other Transfers	629.0	721.0	733.8	733.8	1.8
Other Revenues	96.3	72.4	70.7	70.7	-2.3
SOURCES TOTAL	4,091.0	4,343.0	4,500.0	5,522.8	27.2
USES					
Operations	4,082.6	4,343.0	4,500.0	5,522.8	27.2
TOTAL USES	4,082.6	4,343.0	4,500.0	5,522.8	27.2
FTE					
Permanent	45.0	45.0	45.0	58.0	28.9
Term	6.5	6.5	6.5	8.5	30.8
TOTAL FTE POSITIONS	51.5	51.5	51.5	66.5	29.1

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	95%	101%	100%	100%	100%
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	84			
Outcome	Age of active pending civil cases, in days	NEW	3,429	180	540	540
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	908.5	979.2	989.8	1,706.2	74.2
Other Revenues	8.0	11.5	10.0	10.0	-13.0
Fund Balance	44.5	33.3	0.0	0.0	-100.0
SOURCES TOTAL	961.0	1,024.0	999.8	1,716.2	67.6
USES					
Operations	908.5	1,024.0	999.8	1,716.2	67.6
TOTAL USES	908.5	1,024.0	999.8	1,716.2	67.6
FTE					
Permanent	10.0	10.0	10.0	19.0	90.0
TOTAL FTE POSITIONS	10.0	10.0	10.0	19.0	90.0

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	93%	93%	100%	100%	100%
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	2			
Outcome	Age of active pending civil cases, in days	NEW	676	180	540	540

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,355.3	6,680.1	6,907.0	9,894.0	48.1
Other Transfers	712.7	712.4	712.6	712.6	0.0
Other Revenues	192.2	137.0	197.0	197.0	43.8
Fund Balance	5.0	12.0	12.0	12.0	0.0
SOURCES TOTAL	7,265.2	7,541.5	7,828.6	10,815.6	43.4
USES					
Operations	7,218.2	7,541.5	7,828.6	10,815.6	43.4
TOTAL USES	7,218.2	7,541.5	7,828.6	10,815.6	43.4
FTE					
Permanent	82.5	82.5	82.5	126.5	53.3
Term	6.5	6.5	6.5	11.5	76.9
TOTAL FTE POSITIONS	89.0	89.0	89.0	138.0	55.1

ELEVENTH JUDICIAL DISTRICT COURT

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	99%	90%	100%	100%	100%
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Age of active pending civil cases, in days	NEW	8,094	180	540	540
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Explanatory	Number of jury trials	NEW	58			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,369.7	3,542.3	3,689.6	4,901.1	38.4
Other Transfers	117.7	118.1	118.1	118.1	0.0
Other Revenues	51.8	72.0	81.9	81.9	13.8
Fund Balance	60.2	63.0	54.0	54.0	-14.3
SOURCES TOTAL	3,599.4	3,795.4	3,943.6	5,155.1	35.8
USES					
Operations	3,530.5	3,795.4	3,943.6	5,155.1	35.8
TOTAL USES	3,530.5	3,795.4	3,943.6	5,155.1	35.8
FTE					
Permanent	45.5	45.5	45.5	62.5	37.4
Term	0.0	0.0	0.0	2.0	
TOTAL FTE POSITIONS	45.5	45.5	45.5	64.5	41.8

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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	103%	88%	100%	100%	100%
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Explanatory	Number of active cases pending	NEW	NEW			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Outcome	Age of active pending civil cases, in days	NEW	5,162	180	540	540
Explanatory	Number of jury trials	NEW	76			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,096.9	7,465.8	7,694.5	10,219.7	36.9
Other Transfers	701.8	686.1	686.1	686.1	0.0
Federal Revenues	116.0	32.0	0.0	0.0	-100.0
Other Revenues	416.6	295.0	450.6	450.6	52.7
Fund Balance	180.9	180.9	200.9	200.9	11.1
SOURCES TOTAL	8,512.2	8,659.8	9,032.1	11,557.3	33.5
USES					
Operations	8,449.5	8,659.8	9,032.1	11,557.3	33.5
TOTAL USES	8,449.5	8,659.8	9,032.1	11,557.3	33.5
FTE					
Permanent	82.5	82.5	82.5	117.5	42.4
Term	8.0	8.0	10.0	14.0	75.0
TOTAL FTE POSITIONS	90.5	90.5	92.5	131.5	45.3

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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Cases disposed as a percent of cases filed	98%	93%	100%	100%	100%
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	540	540
Outcome	Average number of days to disposition for civil cases	NEW	NEW	180	540	540
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	365	365
Explanatory	Number of jury trials	NEW	49			
Outcome	Average number of days to disposition for criminal cases	NEW	NEW	180	365	365
Explanatory	Number of active cases pending	NEW	12,110			

STATUTORY AUTHORITY:

Bernalillo County Metropolitan Court was created in Section 32-8A-14 NMSA 1978, which provides for a metropolitan court in a county with more than 200 thousand inhabitants. Bernalillo County Metropolitan Court has jurisdiction throughout Bernalillo County and is defined as a state magistrate court. It provides lower court judicial services to the citizens of Bernalillo County and has jurisdiction over civil complaints involving less than \$10 thousand and all misdemeanors filed in Bernalillo County.

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	23,011.7	23,925.5	24,421.2	24,421.2	2.1
Other Transfers	356.9	459.5	505.5	505.5	10.0
Federal Revenues	438.1	469.1	811.0	811.0	72.9
Other Revenues	2,085.9	2,257.0	2,355.4	2,355.4	4.4
Fund Balance	0.0	103.1	99.4	99.4	-3.6
SOURCES TOTAL	25,892.6	27,214.2	28,192.5	28,192.5	3.6
USES					
Operations	25,775.5	27,214.2	28,192.5	28,192.5	3.6
TOTAL USES	25,775.5	27,214.2	28,192.5	28,192.5	3.6
FTE					
Permanent	299.0	299.0	299.0	299.0	0.0
Term	42.5	41.5	41.5	41.5	0.0
TOTAL FTE POSITIONS	341.5	340.5	340.5	340.5	0.0

AT A GLANCE:

Bernalillo County Metropolitan Court requested a general fund revenue increase of \$495.7 thousand, or 2.1 percent over the FY19 operating budget. In line with judicial unified budget priorities, \$142.3 thousand of the request was to reduce the vacancy rate and fully fund core operational costs. The court also requested \$114.1 thousand for General Service Department rate increases. Lastly, the court requested \$239.3 thousand to maintain the judiciary's workforce investment plan for employees, following the priorities of the judicial unified budget.

In FY18, the Metropolitan Court experienced a 2.8 percent decline in new and reopened cases filed from FY17. Case filings have fallen by 45.2 from a peak number of cases in FY09. The decline in case filings for the Metropolitan Court was the largest of any court in New Mexico.

The LFC recommendation supports the general fund request of \$495.7 thousand and recommends continuance of the single-line appropriation method to allow for judicial budgetary independence.

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

		FY17	FY18	FY19	FY20	FY20
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Percent of cases disposed of cases filed	111%	115%	100%	100%	100%
Explanatory	Number of active cases pending	13,847	28,734			
Outcome	Number of days to disposition for criminal cases	NEW	NEW	180	180	180
Outcome	Age of active pending criminal cases, in days	NEW	NEW	180	180	180
Outcome	Age of active pending civil cases, in days	NEW	NEW	180	180	180
Outcome	Number of days to disposition for civil cases	NEW	NEW	180	180	180
Explanatory	Number of jury trials	NEW	76			

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr <u>(Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	62,563.9	70,734.3	82,519.1	73,547.0	4.0
Other Transfers	946.1	1,048.8	1,302.1	1,041.4	-0.7
Federal Revenues	1,242.0	1,991.8	1,928.7	1,991.8	0.0
Other Revenues	771.8	716.7	661.5	716.7	0.0
Fund Balance	296.7	53.5	213.7	53.5	0.0
SOURCES TOTAL	65,820.5	74,545.1	86,625.1	77,350.4	3.8
USES					
Personal Services and Employee Benefits	55,036.9	69,213.7	80,080.6	72,024.1	4.1
Contractual Services	937.0	637.7	1,097.0	628.2	-1.5
Other	5,284.6	4,693.7	5,447.5	4,698.1	0.1
TOTAL USES	61,258.5	74,545.1	86,625.1	77,350.4	3.8
FTE					
Permanent	701.0	899.0	981.0	913.0	1.6
Term	52.0	58.0	68.0	60.0	3.4
Temporary	3.0	0.0	3.0	0.0	
TOTAL FTE POSITIONS	756.0	957.0	1,052.0	973.0	1.7

AT A GLANCE:

District attorneys requested substantial FY20 general fund increases due to the growing number of cases referred in most districts. LFC recommends increased general fund appropriations to the district attorneys to meet the challenge of high caseloads. For the FY20 budget request, the district attorneys began reforming the request process and created a new Unified Priorities Request. LFC recommends funding vacant positions, a top priority of the district attorneys, to lower caseloads statewide.

BUDGET ISSUES:

In total, the district attorneys requested an increase of \$11.7 million, or 16.6 percent, from the FY19 operating budget. The 2nd, 12th, and 13th judicial district attorneys requested the largest increases in general fund revenue of \$2 million, \$2.1 million, and \$4.2 million, respectively. The other 11 districts collectively requested \$3.5 million, or 4.9 percent. General fund revenue for all district attorneys increased by 15.7 percent from FY14 to FY19, while cases statewide have fallen by 2.3 percent.

In the last few years, New Mexico experienced a significant increase in serious crime across the state. As crime increased, the number of cases referred to district attorneys statewide rose at a slower pace, representing a disconnect between reports of crime and prosecutions. Excluding the 2nd Judicial District, cases referred to all district attorneys increased by 1.3 percent from FY14 to FY18. For the same time period, cases referred to the 2nd District Attorney's Office fell 9.4 percent, but referrals are expected to increase as local public safety agencies prioritize law enforcement. Further driving costs in the 2nd Judicial District is the implementation of the 2015 case management order that requires the district attorney to expedite case disposition, increasing attorney workloads. The 2nd Judicial District Attorney's Office receives 31.7 percent of referrals in the state, and 31.6 percent of all district attorney appropriations.

According to annual performance results, the annual average attorney caseload for FY18 was 312, a 4 percent decrease from FY16. Though not all referrals go to trial, every referral must be screened. According to the Administrative Office of the District Attorneys, in FY18, an average 12.1 percent of referred cases were screened out of the system by the districts, decreasing by 1.8 percent from FY17.

To better understand how criminal behavior and changes in criminal procedures have affected the criminal justice system, the Legislative Finance Committee studied the work of the district attorneys during the 2018 interim and recommended prioritizing efficiency through the use of data-driven prosecution and funding to reduced workloads, among other steps.

The district attorneys and criminal justice system partners have been prioritized in the Legislature. Funding grew by 16 percent from FY14 to FY19, despite general fund growth of only 6 percent for the same period. The FY20 LFC budget recommendation continues to prioritize the criminal justice system and increases the general fund appropriation to the district attorneys by \$2.8 million, or 4 percent, compared with the FY19 operating budget. The recommendation is distributed based on caseload and personnel needs as reported by the Unified Priorities Requests of the district attorneys. The majority of the recommended increases are in the personal services and employee benefits category to fill vacancies and reduce caseloads.

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

BASE EXPANSION:

The 1st Judicial District Attorney requested \$68.8 thousand for one expansion FTE for a program specialist.

The 5th Judicial District Attorney requested \$446.9 thousand for 8 expansion FTE for attorneys, support staff, and a victim advocate. The LFC recommendation includes the additional FTE but not the increase in general fund so that the agency can use vacancy savings to fund additional positions.

The 11th Judicial District Attorney Division I requested \$502.5 thousand for 6 expansion FTE for attorneys, support staff, an investigator, and a program administrator.

The 11th Judicial District Attorney Division II requested \$466.6 thousand for 9 expansion FTE for attorneys and support staff.

The committee does not recommend any expansions.

BUDGET SUMMARY
(dollars in thousands)

	FY20 – 2019-2020				
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,307.1	5,802.6	5,971.4	5,971.4	2.9
Other Transfers	180.3	176.0	168.6	168.6	-4.2
Federal Revenues	121.3	120.1	120.1	120.1	0.0
SOURCES TOTAL	5,608.7	6,098.7	6,260.1	6,260.1	2.6
USES					
Personal Services and Employee Benefits	5,099.9	5,672.9	5,834.3	5,834.3	2.8
Contractual Services	42.6	22.8	22.8	22.8	0.0
Other	443.2	403.0	403.0	403.0	0.0
TOTAL USES	5,585.7	6,098.7	6,260.1	6,260.1	2.6
FTE					
Permanent	71.0	70.0	71.0	70.0	0.0
Term	4.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	75.0	75.0	76.0	75.0	0.0

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency <u>Rank</u>		(Program)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	Program Specialist (1 FTE)	(P251)	68.8	0.0
TOTAL			68.8	0.0

FIRST JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Efficiency	Average time from filing of charges to final disposition for adults, in months	6	7	7	7	7
Explanatory	Number of cases referred for screening	6,874	6,353			
Output	Number of cases handled per attorney	149	259	185	185	185
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	127	260	150	150	150
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	185	185
Outcome	Number of cases prosecuted as a percent of those referred for screening	NEW	79%	65%	85%	85%
* Explanatory	Percent of detention motions granted	NEW	NEW			
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	2.24	1.75	1.75	1.75

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	18,192.4	22,301.9	24,296.9	23,311.9	4.5
Other Transfers	160.6	158.3	421.0	158.3	0.0
Federal Revenues	182.4	815.8	418.9	815.8	0.0
Other Revenues	447.5	562.5	399.8	562.5	0.0
SOURCES TOTAL	18,982.9	23,838.5	25,536.6	24,848.5	4.2
USES					
Personal Services and Employee Benefits	16,558.8	21,683.9	23,210.7	22,693.9	4.7
Contractual Services	348.1	251.2	412.5	251.2	0.0
Other	1,290.6	1,903.4	1,913.4	1,903.4	0.0
TOTAL USES	18,197.5	23,838.5	25,536.6	24,848.5	4.2
FTE					
Permanent	286.0	286.0	286.0	286.0	0.0
Term	11.0	11.0	19.0	11.0	0.0
Temporary	3.0	0.0	3.0	0.0	0.0
TOTAL FTE POSITIONS	300.0	297.0	308.0	297.0	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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	24,376	23,193			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	66	261	180	180	465
Outcome	Number of cases prosecuted as a percent of those referred for screening	NEW	90%	85%	80%	85%
Output	Number of cases handled per attorney	NEW	246	175	80	175
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	6	3	9	3
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	5	9	9	9
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	6.6	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
* Explanatory	Number of pretrial detention motions made	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY20 – 2019-2020				
	FY18 2017-2018 Actuals	FY19 2018-2019 Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,678.8	5,074.3	5,461.0	5,264.8	3.8
Other Transfers	168.4	168.4	168.4	168.4	0.0
Federal Revenues	416.9	418.5	649.8	418.5	0.0
Other Revenues	129.5	0.0	0.0	0.0	
Fund Balance	45.2	53.5	57.3	53.5	0.0
SOURCES TOTAL	5,438.8	5,714.7	6,336.5	5,905.2	3.3
USES					
Personal Services and Employee Benefits	4,790.5	5,427.0	6,042.9	5,615.8	3.5
Contractual Services	113.9	18.8	24.4	20.2	7.4
Other	529.3	268.9	269.2	269.2	0.1
TOTAL USES	5,433.7	5,714.7	6,336.5	5,905.2	3.3
FTE					
Permanent	63.0	63.0	63.0	63.0	0.0
Term	10.0	12.0	13.0	12.0	0.0
TOTAL FTE POSITIONS	73.0	75.0	76.0	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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Efficiency	Average time from filing of charges to final disposition for adults, in months	6	7	6	6	6
Explanatory	Number of cases referred for screening	5,760	5,688			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	102	151	140	140	140
Output	Number of cases prosecuted as a percent of those referred for screening	NEW	94%	90%	90%	85%
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	400	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
Output	Number of cases handled per attorney	NEW	397	200	200	185
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	5	3	4	3
* Explanatory	Number of pretrial detention motions made	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,098.3	3,395.0	3,585.0	3,517.0	3.6
SOURCES TOTAL	3,098.3	3,395.0	3,585.0	3,517.0	3.6
USES					
Personal Services and Employee Benefits	2,723.2	3,207.3	3,397.3	3,329.3	3.8
Contractual Services	24.8	29.3	29.3	29.3	0.0
Other	320.3	158.4	158.4	158.4	0.0
TOTAL USES	3,068.3	3,395.0	3,585.0	3,517.0	3.6
FTE					
Permanent	0.0	42.0	42.0	42.0	0.0
TOTAL FTE POSITIONS	0.0	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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	2,181	1,888			
Efficiency	Average time from filing of charges to final disposition for adults, in months	5	6	6	6	6
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	37	33	36	36	36
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Output	Number of cases handled per attorney	236	271	200	200	185
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	200	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Number of cases prosecuted as a percent of cases referred for screening	76%	91%	77%	90%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	3	3	3	3	3

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,931.7	5,379.7	6,057.6	5,610.2	4.3
Other Transfers	0.0	128.3	128.3	128.3	0.0
Federal Revenues	198.0	198.0	287.7	198.0	0.0
SOURCES TOTAL	5,129.7	5,706.0	6,473.6	5,936.5	4.0
USES					
Personal Services and Employee Benefits	4,798.4	5,441.0	6,056.9	5,671.5	4.2
Contractual Services	63.0	25.6	25.6	25.6	0.0
Other	449.5	239.4	391.1	239.4	0.0
TOTAL USES	5,310.9	5,706.0	6,473.6	5,936.5	4.0
FTE					
Permanent	0.0	69.0	76.0	76.0	10.1
Term	0.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	0.0	73.0	81.0	81.0	11.0

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	Public Safety- (6 FTE)	(P255)	446.9	0.0
2	Victim Services- (1 FTE)	(P255)	0.0	0.0
TOTAL			446.9	0.0

FIFTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Average time from filing of charges to final disposition for adults, in months	6	7	6	6	6
Explanatory	Number of cases referred for screening	7,794	7,748			
Output	Number of cases handled per attorney	347	332	200	125	185
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	NEW	97	115	150	150
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	3	4	3	3
Outcome	Number of cases prosecuted as a percent of cases referred for screening	NEW	NEW	80%	80%	85%
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	280	185

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,847.4	3,097.5	3,185.4	3,185.4	2.8
Other Transfers	93.4	120.9	120.9	120.9	0.0
Federal Revenues	82.0	93.6	93.6	93.6	0.0
SOURCES TOTAL	3,022.8	3,312.0	3,399.9	3,399.9	2.7
USES					
Personal Services and Employee Benefits	2,550.2	3,108.1	3,203.3	3,203.3	3.1
Contractual Services	19.9	19.3	12.0	12.0	-37.8
Other	272.6	184.6	184.6	184.6	0.0
TOTAL USES	2,842.7	3,312.0	3,399.9	3,399.9	2.7
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	40.0	40.0	40.0	40.0	0.0

SIXTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Average time from filing of charges to final disposition for adults, in months	5	5	5	5	6
Explanatory	Number of cases referred for screening	2,860	2,952			
Output	Number of cases handled per attorney	318	310	250	275	185
Output	Number of cases in which defendant was referred into a pre-prosecution diversion program	24	19	25	20	50
Outcome	Number of cases prosecuted as a percent of cases referred for screening	87%	95%	95%	95%	85%
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Efficiency	Average time from filing petition to final disposition for juveniles, in months	2	2	2	2	2
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	210	25	185

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,420.2	2,679.4	2,768.7	2,768.7	3.3
SOURCES TOTAL	2,420.2	2,679.4	2,768.7	2,768.7	3.3
USES					
Personal Services and Employee Benefits	2,222.4	2,514.1	2,594.0	2,602.9	3.5
Contractual Services	13.7	14.2	14.7	14.7	3.5
Other	184.1	151.1	160.0	151.1	0.0
TOTAL USES	2,420.2	2,679.4	2,768.7	2,768.7	3.3
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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	44	32	35	35	45
Output	Number of cases handled per attorney	NEW	260	200	200	185
Outcome	Number of cases prosecuted as percent of those referred for screening	NEW	80%	80%	80%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	4	6	6	3
Efficiency	Average time from filing of petition to final disposition for adults, in months	NEW	7	8	8	6
* Explanatory	Percent of detention motions granted	NEW	NEW			
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	140	185
Explanatory	Number of cases referred for screening	1,955	2,206			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,681.8	2,923.9	3,080.5	3,066.8	4.9
SOURCES TOTAL	2,681.8	2,923.9	3,080.5	3,066.8	4.9
USES					
Personal Services and Employee Benefits	2,468.0	2,767.0	2,923.6	2,909.9	5.2
Contractual Services	33.3	16.8	16.8	16.8	0.0
Other	180.5	140.1	140.1	140.1	0.0
TOTAL USES	2,681.8	2,923.9	3,080.5	3,066.8	4.9
FTE					
Permanent	0.0	34.0	35.0	34.0	0.0
TOTAL FTE POSITIONS	0.0	34.0	35.0	34.0	0.0

EIGHTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	2,152	2,080			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	165	93	100	100	50
Outcome	Number of cases prosecuted as a percent of those referred for screening	NEW	86%	80%	96%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	4	6	6	3
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	7	6	8	6
Output	Number of cases handled per attorney	NEW	NEW	185	1500	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	185	250	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,949.4	3,291.2	3,467.5	3,392.1	3.1
SOURCES TOTAL	2,949.4	3,291.2	3,467.5	3,392.1	3.1
USES					
Personal Services and Employee Benefits	0.0	3,136.5	3,286.5	3,237.4	3.2
Contractual Services	0.0	21.8	17.7	17.7	-18.8
Other	0.0	132.9	163.3	137.0	3.1
TOTAL USES	0.0	3,291.2	3,467.5	3,392.1	3.1
FTE					
Permanent	0.0	40.0	40.0	40.0	0.0
TOTAL FTE POSITIONS	0.0	40.0	40.0	40.0	0.0

NINTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	3,451	3,217			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	126	89	100	100	65
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	3	3	3	3	3
Efficiency	Average time from filing of charges to final disposition for adults, in months	7	8	8	8	9
Outcome	Number of cases prosecuted as a percent of those referred for screening	93%	95%	82%	82%	85%
Output	Number of cases handled per attorney	339	281	283	283	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	185	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY20 – 2019-2020				
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,248.9	1,362.0	1,483.7	1,423.9	4.5
SOURCES TOTAL	1,248.9	1,362.0	1,483.7	1,423.9	4.5
USES					
Personal Services and Employee Benefits	1,104.9	1,234.1	1,322.0	1,296.0	5.0
Contractual Services	17.9	15.9	18.0	15.9	0.0
Other	122.4	112.0	143.7	112.0	0.0
TOTAL USES	1,245.2	1,362.0	1,483.7	1,423.9	4.5
FTE					
Permanent	0.0	14.0	14.0	14.0	0.0
TOTAL FTE POSITIONS	0.0	14.0	14.0	14.0	0.0

TENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Explanatory	Number of cases referred for screening	914	838			
Output	Number of cases handled per attorney	336	336	250	250	185
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	27	15	15	15	15
Outcome	Number of cases prosecuted as a percentage of those referred for screening	NEW	96%	90%	90%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	6	4	6	3
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	5	9	9	6
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	185	185
* Explanatory	Percent of detention motions granted	NEW	NEW			
* Explanatory	Number of pretrial detention motions made	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,913.7	4,258.7	4,907.7	4,404.9	3.4
Other Transfers	134.0	137.7	135.7	137.7	0.0
Federal Revenues	117.1	117.1	234.3	117.1	0.0
Fund Balance	251.5	0.0	156.4	0.0	
SOURCES TOTAL	4,416.3	4,513.5	5,434.1	4,659.7	3.2
USES					
Personal Services and Employee Benefits	3,769.5	4,245.6	5,088.1	4,391.8	3.4
Contractual Services	20.4	40.7	31.3	40.7	0.0
Other	247.9	227.2	314.7	227.2	0.0
TOTAL USES	4,037.8	4,513.5	5,434.1	4,659.7	3.2
FTE					
Permanent	55.0	55.0	61.0	55.0	0.0
Term	7.0	6.0	8.0	6.0	0.0
TOTAL FTE POSITIONS	62.0	61.0	69.0	61.0	0.0

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	PTR Senior Trial Attorney- (1 FTE)	(P261)	126.7	0.0
2	PTR Assistant Trial Attorney- (1 FTE)	(P261)	109.5	0.0
3	PTR Legal Secretary- (1 FTE)	(P261)	50.0	0.0
4	PTR Clerk Specialist- (1 FTE)	(P261)	46.0	0.0
5	PTR Senior Investigator- (1 FTE)	(P261)	79.8	0.0
6	PTR Program Administrator- (1 FTE)	(P261)	90.5	0.0
TOTAL			502.5	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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	4,592	5,211			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	127	93	135	120	120
Output	Number of cases handled per attorney	NEW	325	200	200	185
Outcome	Number prosecuted as a percent of those referred for screening	NEW	93%	80%	80%	85%
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	7	8	8	6
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	3	6	5	3
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	283	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
* Explanatory	Percent of detention motions granted	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

		FY20 – 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	General Fund Transfers	2,257.8	2,480.6	3,281.7	2,580.6	4.0
	Federal Revenues	0.0	104.4	0.0	104.4	0.0
	Other Revenues	95.3	0.0	114.0	0.0	
	SOURCES TOTAL	2,353.1	2,585.0	3,395.7	2,685.0	3.9
USES						
	Personal Services and Employee Benefits	2,104.1	2,424.6	3,131.7	2,524.6	4.1
	Contractual Services	14.1	14.9	114.5	14.9	0.0
	Other	139.6	145.5	149.5	145.5	0.0
	TOTAL USES	2,257.8	2,585.0	3,395.7	2,685.0	3.9
FTE						
	Permanent	34.0	34.0	43.0	34.0	0.0
	Term	2.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	36.0	36.0	45.0	36.0	0.0

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency <u>Rank</u>		(Program)	Agency <u>Request</u>	LFC Recom- <u>mendation</u>
1	Senior Trial Attorney- (2 FTE)	(P265)	159.4	0.0
2	Assistant Trial Attorney- (2 FTE)	(P265)	130.5	0.0
3	Prosecution Assistant- (3 FTE)	(P265)	110.2	0.0
4	Legal Secretary- (2 FTE)	(P265)	66.5	0.0
TOTAL			466.6	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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of cases handled per attorney	255	392	200	150	185
Explanatory	Number of cases referred for screening	2,562	2,542			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	8	5	15	12	50
Outcome	Number of cases prosecuted as a percent of those referred to screening	NEW	83%	75%	75%	85%
Efficiency	Average time from filing of petition to final disposition for juveniles, in months	NEW	8	4	6	3
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	25	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	5	9	9	6
* Explanatory	Percent of detention motions granted	NEW	NEW			

BUDGET SUMMARY
(dollars in thousands)

			FY20 – 2019-2020		
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,041.7	3,284.4	5,341.8	3,401.2	3.6
Other Transfers	209.4	159.2	159.2	159.2	0.0
Federal Revenues	124.3	124.3	124.3	124.3	0.0
SOURCES TOTAL	3,375.4	3,567.9	5,625.3	3,684.7	3.3
USES					
Personal Services and Employee Benefits	3,059.5	3,318.0	5,328.4	3,434.8	3.5
Contractual Services	68.0	44.6	55.4	44.6	0.0
Other	247.3	205.3	241.5	205.3	0.0
TOTAL USES	3,374.8	3,567.9	5,625.3	3,684.7	3.3
FTE					
Permanent	41.0	41.0	61.0	41.0	0.0
Term	10.0	10.0	8.0	10.0	0.0
TOTAL FTE POSITIONS	51.0	51.0	69.0	51.0	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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Explanatory	Number of cases referred for screening	4,089	3,831			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	70	78	100	75	75
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	3	4	4	3
Efficiency	Average time from filing of charges to final disposition for adults, in months	NEW	9	10	10	6
Outcome	Number of cases prosecuted as a percentage of those referred for screening	NEW	95%	80%	80%	85%
Output	Number of cases handled per attorney	NEW	426	150	150	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
* Explanatory	Percent of detention motions granted	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	185	185

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,994.7	5,403.1	9,630.2	5,648.1	4.5
Other Revenues	99.5	154.2	147.7	154.2	0.0
SOURCES TOTAL	5,094.2	5,557.3	9,777.9	5,802.3	4.4
USES					
Personal Services and Employee Benefits	3,787.5	5,033.6	8,660.9	5,278.6	4.9
Contractual Services	157.3	101.8	302.0	101.8	0.0
Other	857.3	421.9	815.0	421.9	0.0
TOTAL USES	4,802.1	5,557.3	9,777.9	5,802.3	4.4
FTE					
Permanent	80.0	80.0	118.0	80.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	83.0	83.0	121.0	83.0	0.0

THIRTEENTH JUDICIAL DISTRICT ATTORNEY

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of cases referred for screening	5,944	5,714			
Output	Number of cases in which defendant was referred to a pre-prosecution diversion program	84	65	110	110	110
Outcome	Number of cases prosecuted as a percent of those referred for screening	NEW	95%	85%	90%	85%
Efficiency	Average time from filing petition to final disposition for juveniles, in months	NEW	5	3	3	3
Efficiency	Average time from filing charges to final disposition for adults, in months	NEW	8	9	9	6
Output	Number of cases handled per attorney	NEW	232	175	175	185
* Explanatory	Number of pretrial detention motions made	NEW	NEW			
Outcome	Average number of cases added to attorney caseloads	NEW	NEW	NEW	190	185
* Explanatory	Percent of detention motions granted	NEW	NEW			

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,238.8	2,325.5	3,251.3	2,419.5	4.0
Other Revenues	326.5	266.7	269.3	269.3	1.0
Fund Balance	178.3	0.0	0.0	0.0	
SOURCES TOTAL	2,743.6	2,592.2	3,520.6	2,688.8	3.7
USES					
Personal Services and Employee Benefits	1,184.2	1,442.0	1,858.9	1,538.6	6.7
Contractual Services	307.4	297.3	459.0	297.3	0.0
Other	967.7	852.9	1,202.7	852.9	0.0
TOTAL USES	2,459.3	2,592.2	3,520.6	2,688.8	3.7
FTE					
Permanent	15.0	15.0	18.0	15.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	19.0	16.0	0.0

AT A GLANCE:

The Administrative Office of the District Attorneys (AODA) reported performance has been hindered by a lack of resources, including too few staff to maintain an out-of-date case management system used by all district attorneys, the Attorney General, and other state agencies. AODA provides continuing legal education events throughout the year for district attorneys, staff, and other lawyers in the state.

AODA requested a general fund increase of 40 percent, or \$925.8 thousand, over the FY19 operating budget, including funding for 2 IT positions in the base budget, and 3 expansion FTE. The expansion included a deputy district attorney, a program specialist, and an IT network specialist. The committee recommendation increases AODA by \$94 thousand, or 4 percent from the FY19 budget, to lower the vacancy rate and fill IT positions.

BASE EXPANSION:

AODA requested a total \$272.9 thousand in expansion funding: \$116.6 thousand for one deputy district attorney, \$68.8 thousand for a program specialist, and \$87.5 thousand for an IT network specialist. The committee does not recommend any expansions.

BASE EXPANSION LISTING FY20 - 2019-2020				
<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>
1	Deputy District Attorney - 1 FTE	(P264)	116.6	0.0
2	Program Specialist- 1 FTE	(P264)	68.8	0.0
3	IT Network Specialist- 1 FTE	(P264)	87.5	0.0
TOTAL			272.9	0.0

ADMINISTRATIVE SUPPORT

The purpose of the administrative support program is to provide fiscal, human resource, staff development, automation, victim program services and support to all district attorneys' offices in New Mexico and to members of the New Mexico children's safe house network so that they may obtain and access the necessary resources to effectively and efficiently carry out their prosecutorial, investigative and programmatic functions.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Average time to resolve information technology helpdesk tickets in hours	165	220	7	7	7
Output	Number of continuing legal education hours provided by the administrative office of the district attorneys at training events.	4,877	3,440	5,300	5,300	5,300
* Outcome	Percent of application development issues resolved	NEW	NEW	NEW	90%	90%
Explanatory	Number of information technology and application helpdesk requests received	NEW	NEW			

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	48,574.7	52,129.7	62,469.2	54,238.5	4.0
Other Revenues	434.6	275.0	200.0	200.0	-27.3
Fund Balance	0.0	0.0	75.0	75.0	
SOURCES TOTAL	49,009.3	52,404.7	62,744.2	54,513.5	4.0
USES					
Personal Services and Employee Benefits	30,024.6	33,022.2	39,193.5	34,399.3	4.2
Contractual Services	13,523.0	13,890.2	16,276.5	14,271.5	2.7
Other	5,224.5	5,492.3	7,274.2	5,842.7	6.4
TOTAL USES	48,772.1	52,404.7	62,744.2	54,513.5	4.0
FTE					
Permanent	439.0	439.0	511.0	441.0	0.5
TOTAL FTE POSITIONS	439.0	439.0	511.0	441.0	0.5

AT A GLANCE:

The Public Defender Department (PDD), encompassing both the policymaking Public Defender Commission (PDC) and the Law Offices of the Public Defender (LOPD), requested funding to continue filling vacant positions and reduce caseloads statewide. The department also requested funding for rate increases, costs associated with a new case management system, and other increasing defense related costs. Finally, the PDD requested four expansions: a data-sharing program with criminal justice partners, further caseload reduction through additional FTE, a traveling complex cases unit, and an increase in the hourly pay for contract attorneys. The LFC recommendation increases the general fund appropriation by \$2.1 million, or 4 percent, over the FY19 appropriation. The recommendation fully funds the PDD base budget request for personnel and contracts, and prioritizes other costs directly related to services.

BUDGET ISSUES:

The Public Defender Department (PDD) continues to make considerable progress in reducing caseloads, improving performance reporting and management, and adapting to criminal justice reforms. However, in some judicial districts, PDD does not have enough attorneys to provide counsel at first court appearances, or in some grand juries. The agency reports it contracts approximately 24 thousand cases annually to private attorneys across the state at great cost, both to the budget and to the quality of defense.

PDD changed its eligibility policy in FY18 to include clients with incomes up to 200 percent of the federal poverty level but will no longer offer contracts to defendants who do not qualify in exchange for fees. PDD has dedicated additional resources toward ensuring more accurate reporting on performance measures in FY18, including the implementation of a new case management system and allocating a part-time staff member to assist with collecting, correcting, and reporting data for quarterly reports.

The department outperformed all targets for FY18, except for cases assigned to contract attorneys that resulted in a reduction of formally filed charges. PDD currently does not require contract attorneys to regularly close cases in the case management system, likely resulting in underreporting contributing to the low outcome. PDD continues to explore solutions to ensure complete timely and accurate reporting by both in-house and contract attorneys. The positive performance for PDD in FY18 was in part due to a reduction in caseloads caused by a reduction in the vacancy rate statewide. Due to increased appropriations from the Legislature, PDD maintained an approximately 13 percent vacancy rate, down from about 20 percent in FY17.

PDD's FY20 request was \$10.3 million, or 19.8 percent, over the FY19 operating budget. Of the total amount, \$8 million was for four expansion items to support 72 FTE. PDD requested a \$2.3 million increase from the FY19 operating budget, mainly for vacancy rates, servicing the new case management system, supplies, equipment, and expert fees. LFC recommends a \$1.9 million increase from the FY19 operating budget and prioritizes vacancy rates and defense-related costs.

BASE EXPANSION:

The first of the four expansions was \$400 thousand to begin adapting PDD's new case management system to reach compatibility with the courts' in order to match court dockets to PDD case assignments, scheduling, and defendant data. The LFC recommendation does not include funding for the expansion in the base budget, because a considerable portion of the expansion is nonrecurring costs.

The second expansion was to reduce caseloads across the state by adding attorneys and associated staff through a \$4.5 million increase supporting 56 FTE. LFC does not recommend this expansion and instead prioritizes the base request to fill existing positions, lower the vacancy rate, and reduce attorney caseloads.

The third expansion requested was \$1.1 million to create a complex cases unit within the agency to save on contracting costs and ensure better quality representation in rural districts by dispatching experienced attorneys to underserved districts with complex cases. LFC supports the initiative and encourages prioritizing its formation within the base budget and recommends an additional \$205 thousand and 2 FTE to start the new division.

The fourth expansion was a \$2 million increase so that contract counsel could be paid an hourly rate in the most difficult cases, rather than the typical flat rate. Under a pilot initiative for the past two years, the PDD pays hourly for 10 contract cases in the state. The general appropriations for FY19 included language that allowed hourly rates be paid for difficult cases, with the total not to exceed \$1 million for all cases in the pilot. LFC recommends continuing the use of language and increasing the capped amount to \$1.5 million to allow for growth of the pilot in FY20 but does not recommend additional funding for the expansion until the results of the pilot can be further studied.

RECOMMENDED LANGUAGE:

The public defender department shall not expend more than one million five hundred thousand dollars (\$1,500,000) in hourly rates for contract attorneys and may only pay hourly rates for capital cases or first degree felonies. The public defender department shall report to the legislative finance committee on cost-containment efforts for contracted hourly rates and on standards of indigence and court appointments of public defenders.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Data Sharing (P850)	400.0	0.0
2	Caseload Reduction (56 FTE) (P850)	4,491.7	0.0
3	Specialized Complex Case Unit (13 FTE) (P850)	1,112.8	205.0
4	Compensation for Contract Counsel (3 FTE) (P850)	2,007.3	0.0
TOTAL		8,011.8	205.0

CRIMINAL LEGAL SERVICES

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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Number of alternative sentencing treatment placements for felony, misdemeanor and juvenile clients	8,760	11,584	5,000	7,000	7,000
Quality	Percent of felony cases resulting in a reduction of original formally filed charges	71%	75%	70%	70%	70%
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	82%	88%	80%	80%	80%
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	69%	34%	70%	70%	70%
Output	Number of cases dismissed in felony, misdemeanor and juvenile cases	NEW	NEW	NEW	8,000	8,000

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of cases closed by attorneys	NEW	NEW	NEW	60%	100%
Output	Average number of cases opened by district	NEW	NEW	NEW	25,000	25,000
Output	Percent of cases closed of all cases opened	NEW	NEW	NEW	60%	100%
Explanatory	Percent of total cases taken by contract attorneys reported by county	37%	31%			
* Output	Average cases assigned to attorneys yearly	NEW	302	330	330	330
Output	Average time to case disposition, in months	NEW	6	6	6	6

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,600.4	13,323.0	17,782.8	14,255.3	7.0
Other Transfers	5,793.2	5,881.2	3,500.0	6,032.8	2.6
Federal Revenues	2,574.6	3,037.1	3,608.8	3,608.8	18.8
Other Revenues	917.4	917.4	0.0	0.0	-100.0
Fund Balance	3.9	0.0	80.1	80.1	
SOURCES TOTAL	19,889.5	23,158.7	24,971.7	23,977.0	3.5
USES					
Personal Services and Employee Benefits	16,416.5	18,909.4	20,187.7	19,254.4	1.8
Contractual Services	784.6	960.4	1,128.6	1,128.6	17.5
Other	2,688.4	3,288.9	3,655.4	3,594.0	9.3
TOTAL USES	19,889.5	23,158.7	24,971.7	23,977.0	3.5
FTE					
Permanent	184.0	184.0	192.0	188.0	2.2
Term	16.0	16.0	16.0	16.0	0.0
Temporary	4.0	2.0	4.0	4.0	100.0
TOTAL FTE POSITIONS	204.0	202.0	212.0	208.0	3.0

AT A GLANCE:

The New Mexico Attorney General's (NMAG) budget request increased revenue from the general fund to offset a decrease in the use of consumer settlement fund revenue and Southwest border protection fund balances in the operating budget. The LFC recommendation includes a general fund increase of \$932.3 thousand, or 7 percent, to replace depleted balances of the Southwest border protection fund. The LFC recommendation also includes \$750 thousand from the mortgage regulatory fund and \$2.2 million more than requested from the consumer settlement fund.

BUDGET ISSUES:

NMAG requested a total general fund increase of \$4.5 million, or 33.5 percent, over the FY19 operating budget to offset a decrease in consumer settlement fund revenue and for four new expansions to the base budget. From all sources, the requested increase was \$1.8 million more than the FY19 operating budget, or a 7.8 percent increase. The majority of the increase was in the personal services and employee benefits category, which decreased the vacancy rate and funded 8 expansion FTE and 2 base FTE positions.

Since fund balances began to decline in FY15, the consumer settlement fund revenues have dropped from \$11.1 million in settlement revenue and \$23.3 million in fund balance to \$3.5 million in settlement revenue and \$5.9 million in fund balance for FY20. As of FY19, the consumer settlement fund will no longer receive an annual \$2 million distribution from the Pojoaque gaming settlement agreement. Because of declining fund revenues, NMAG requested a \$4.5 million, or 35.4 percent, increase from the general fund to replace consumer settlement fund use. The LFC recommendation increases general fund revenue by \$932.3 thousand, or 7 percent, to replace depleted Southwest border protection funds, and continues consumer settlement fund use of \$5.2 million and mortgage regulatory fund use of \$750 thousand for the Legal Services program.

In the Medicaid Fraud Program, NMAG requested an increase from fund balance of \$80.1 thousand, to receive a 75 percent federal match. In FY17, the Medicaid Fraud Program recovered \$1.7 million of total Medicaid spending in the state, down from \$5.6 million in FY16. National recoveries have not yet been released for FY18. LFC recommends the \$80 thousand increase from fund balances to draw \$240.3 thousand increase in federal funds.

BASE EXPANSION:

The first of four expansions was \$287.2 thousand to investigate, enforce, and litigate cases regarding New Mexico's opioid crisis. The request supports 2 additional FTE.

The second expansion was \$213.1 thousand to provide training, support law enforcement, investigate, and prosecute human trafficking cases to support federal grant assistance for the same purpose in New Mexico. The request supports 2 additional FTE.

The third expansion was \$337.9 thousand to create a civil rights unit of 3 FTE within the agency to enforce the Prohibition of Profiling Practices Act, NMSA 1978 Section 29-21-1, which currently lacks enforcement mechanisms in New Mexico.

The fourth expansion was a \$104.3 thousand increase to support one special agent to investigate referrals of government corruption from regulatory and jurisdictional law enforcement agencies, and members of the public.

The LFC recommendation includes funding for the highest two priority expansion requests through the use of increased consumer settlement fund revenue.

RECOMMENDED LANGUAGE:

The internal service funds and interagency transfers appropriation to the legal services program of the attorney general includes five million two hundred eighty-two thousand eight hundred dollars (\$5,282,800) from the consumer settlement fund of the office of the attorney general.

Notwithstanding the provisions of Section 9-16-15 NMSA 1978, the internal service fund and interagency transfers appropriation to the legal services program of the attorney general includes seven hundred fifty thousand dollars (\$750,000) from the mortgage regulatory fund of the regulation and licensing department. Any unexpended balance from appropriations made from the mortgage regulatory fund shall revert to the mortgage regulatory fund.

BASE EXPANSION LISTING		FY20 - 2019- 2020	Agency Request	LFC Recom- mendation
Agency Rank		(Program)		
1	Opioid Prosecution - 2 FTE	(P625)	287.2	287.2
2	Human Trafficking Enforcement - 2 FTE	(P625)	213.1	213.1
3	Civil Rights Unit - 3 FTE	(P625)	337.9	0.0
4	Government Corruption Unit - 1 FTE	(P625)	104.3	0.0
TOTAL			942.5	500.3

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)					
		FY18 2017-2018 Actuals	FY19 2018-2019 Budgeted	FY20 - 2019-2020 Agency Request	Percent Incr (Decr)
SOURCES					
	General Fund Transfers	9,960.4	12,603.0	17,062.8	7.4
	Other Transfers	5,793.2	5,881.2	3,500.0	2.6
	Federal Revenues	648.2	876.5	1,208.4	37.9
	Other Revenues	917.4	917.4	0.0	-100.0
	SOURCES TOTAL	17,319.2	20,278.1	21,771.2	2.5
USES					
	Personal Services and Employee Benefits	14,353.7	16,623.9	17,707.3	0.9

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
FTE	Contractual Services	610.5	795.9	1,038.6	1,038.6	30.5
	Other	2,355.0	2,858.3	3,025.3	2,963.9	3.7
	TOTAL USES	17,319.2	20,278.1	21,771.2	20,776.5	2.5
	Permanent	159.0	159.0	167.0	163.0	2.5
	Term	16.0	16.0	16.0	16.0	0.0
	Temporary	4.0	2.0	4.0	4.0	100.0
	TOTAL FTE POSITIONS	179.0	177.0	187.0	183.0	3.4

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of registrants at presentations conducted throughout the state and online	NEW	56,537	20,690	50,000	55,000
Output	Number of administrative prosecutions on professional licenses	NEW	NEW	100	800	800
Output	Number of investigations and prosecutions involving child victims	NEW	490	365	400	450
Output	Number of public corruption and first or second degree felony matters accepted for investigation, prosecution, or both that do not involve child victims	NEW	52	30	40	50
Outcome	Percent of investigations for noncompliance with the Open Meetings Act and Inspection of Public Records Act initiated within thirty days of referral	100%	100%	100%	100%	100%
Explanatory	Number of noncompliance investigations for the Open Meetings Act and Inspection of Public Records Act	NEW	NEW			
* Outcome	Percent of consumer and constituent complaints resolved within sixty days of formal complaint or referral receipt	72%	92%	80%	80%	85%
Explanatory	Average time from filing to final disposition in criminal cases, in months	NEW	12			
Explanatory	Number of cases reviewed for prosecution	NEW	95			

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>FY20 - 2019-2020</u>				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	640.0	720.0	720.0	720.0	0.0
	Federal Revenues	1,926.4	2,160.6	2,400.4	2,400.4	11.1
	Fund Balance	3.9	0.0	80.1	80.1	
	SOURCES TOTAL	2,570.3	2,880.6	3,200.5	3,200.5	11.1
USES						
	Personal Services and Employee Benefits	2,062.8	2,285.5	2,480.4	2,480.4	8.5
	Contractual Services	174.1	164.5	90.0	90.0	-45.3
	Other	333.4	430.6	630.1	630.1	46.3
	TOTAL USES	2,570.3	2,880.6	3,200.5	3,200.5	11.1

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				Percent Incr (Decr)
		<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$1,316	\$4,042			
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human services	5	5	5	5	5
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred eighty days of receipt	51%	69%	65%	65%	65%
Efficiency	Percent of referrals from the department of human services where medicaid fraud control unit responds within fifteen days	83%	83%	85%	85%	85%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,690.4	2,724.2	3,333.4	3,131.6	15.0
Other Revenues	454.1	480.0	454.1	454.1	-5.4
Fund Balance	300.0	285.1	275.0	285.0	0.0
SOURCES TOTAL	3,444.5	3,489.3	4,062.5	3,870.7	10.9
USES					
Personal Services and Employee Benefits	2,693.0	2,995.4	3,442.6	3,239.3	8.1
Contractual Services	51.5	47.0	49.8	47.3	0.6
Other	378.1	446.9	570.1	584.1	30.7
TOTAL USES	3,122.6	3,489.3	4,062.5	3,870.7	10.9
FTE					
Permanent	35.0	35.0	38.0	38.0	8.6
TOTAL FTE POSITIONS	35.0	35.0	38.0	38.0	8.6

AT A GLANCE:

The Office of the State Auditor (OSA) FY20 base request for general fund revenue was \$3.1 million, a 15 percent increase over the FY19 operating budget. Part of the increase would offset a reduction of \$25 thousand in other revenue. The request includes an additional \$80 thousand to assist smaller rural entities and “at-risk” entities with audit compliance.

The committee recommendation provides a \$211.3 thousand increase in general fund revenue to assist the agency in filling unfunded vacant positions and to provide audit compliance assistance to small entities and other agencies at risk of being out of compliance.

BUDGET ISSUES:

Over the last few years, appropriation levels from fund balances increased substantially and the office projects fund balances will be depleted by the end of FY20.

Comprehensive Annual Financial Report Task Force. OSA, in conjunction with the Department of Finance and Administration, has held a series of meetings of the Comprehensive Annual Financial Report Task Force. The meetings have addressed the consistent lateness of CAFR submissions each year, Senate Bill 316 as tabled during the 2018 session, and audit rule change proposals. Senate Bill 316, if it had passed, would have no longer require annual financial audits to be conducted by each government entity except those identified by the State Auditor. Those agencies exempted from an annual financial audit would have undergone an annual performance audit, which tracks agency compliance to federal and state laws and rules. The task force has recommended the state maintain the current system of required independent financial audits at the agency level. A bill is being drafted to make clear the Financial Control Division of the Department of Finance and Administration will engage an independent auditor to perform an audit of the comprehensive annual financial report. The draft bill includes a \$300 thousand appropriation to engage an independent auditor for this purpose in FY20.

Second Judicial District Audit. The auditor is conducting a special performance audit of seven different entities within the 2nd Judicial District, including Metro Court, the Albuquerque Police Department, the state Public Defender Department, and the Metropolitan Detention Center. OSA indicated the audits will “identify weaknesses in the system from arrest to confinement which are reducing the overall effectiveness of criminal justice activities by each responsible agency in the process.”

Risk Advisory. On July 13, 2018, OSA issued an urgent risk advisory warning local governments to be aware of emails from vendors requesting a change to the vendor's banking account information. As an example, Alamogordo was most recently a victim of this scam, paying \$250 thousand to a fraudulent account for which it is still liable to pay the cost to the legitimate vendor. OSA will conduct an investigation and provide updates surrounding this activity.

Audit Rule. The auditor has withdrawn proposed changes to the audit rule that would have changed audit due dates for state agencies. The primary change to the audit rule required state agency audits to be submitted by the independent public accountants 15 days earlier than current rule. The decision to withdraw the rule change is in response to comments expressed at the rule change hearing.

Anti-Fraud Efforts. Over the last year, OSA has identified several entities spending public dollars on expensive meals, alcohol, and recreational activities for board members and employees. Also, OSA has used its subpoena power to obtain missing records to account for 12 miles of fiber optic cable and almost \$1 million in spending. These efforts bring the misuse of public dollars to light and allow for every entity to be thoroughly audited, even when the entity is unwilling or unable to document their expenditures.

BASE EXPANSION:

OSA also requested expansion funding of \$208.3 thousand in general fund revenue to add three positions to conduct audits of conservatorship accounts. For FY19 the Administrative Office of the Courts (AOC) received a special appropriation for guardianship programs. AOC in turn entered into a contract with OSA to conduct audits of agencies and individuals providing conservatorship services. The expansion of permanent staff within its own budget in FY20 will ensure these audits continue. The committee recommendation supports the expansion request.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Conservatorship Auditors - 3 FTE	208.3	196.1
TOTAL		208.3	196.1

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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Output	Total audit fees generated	\$527,241	\$454,059	\$480,000	\$450,000	\$450,000
Explanatory	Percent of audits completed by regulatory due date	84%	84%			
Output	Number of training sessions performed	33	19	33	19	22
Outcome	Percent of statutory reviews of audit reports completed within ten days	93%	90%		90%	90%
Output	Number of working paper reviews of independent public accountants	45	45	45	35	45
Outcome	Number of audits of conservatorship or guardianship reports conducted	New	New	New	40	40

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-county 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	44,701.7	53,732.2	55,093.2	61,129.0	13.8
Other Transfers	6,487.6	0.0	0.0	0.0	
Federal Revenues	1,062.0	1,584.8	1,584.8	1,584.8	0.0
Other Revenues	35,786.2	32,023.2	32,615.2	26,173.2	-18.3
Fund Balance	1,300.0	0.0	0.0	0.0	
SOURCES TOTAL	89,337.5	87,340.2	89,293.2	88,887.0	1.8
USES					
Personal Services and Employee Benefits	51,582.4	58,219.7	58,734.1	58,557.0	0.6
Contractual Services	11,869.9	11,773.3	12,621.0	12,575.2	6.8
Other	14,952.8	14,033.3	14,624.2	14,440.9	2.9
Other Financing Uses	1,265.5	3,313.9	3,313.9	3,313.9	0.0
TOTAL USES	79,670.6	87,340.2	89,293.2	88,887.0	1.8
FTE					
Permanent	1,038.5	1,028.5	1,034.5	1,034.5	0.6
Term	28.0	29.0	29.0	29.0	0.0
Temporary	11.3	9.3	9.3	9.3	0.0
TOTAL FTE POSITIONS	1,077.8	1,066.8	1,072.8	1,072.8	0.6

AT A GLANCE:

For FY20, the Taxation and Revenue Department (TRD) requested general fund revenue of \$55.1 million, an increase of \$1.3 million, or 2.5 percent, above the FY19 base budget. Most of the increase was related to the support and maintenance of information technology (IT) systems, printing and postage costs, IT equipment, and employee training. The agency also submitted an expansion request, supported by other state fund revenue, to hire 5 FTE to manage two new business database systems.

The committee recommendation provides a general fund revenue increase of \$7.4 million, or 13.8 percent, above the FY19 operating budget. The recommendation provides for the replacement of other state funds with general fund revenue based on two provisions in the General Appropriation Act of 2018 that the committee proposes to discontinue in FY20. The first provision allowed TRD to increase the percentage of gross receipts tax collections authorized by statute to use for operations of the department from 3 percent to 3.25 percent. The second provision authorized TRD to retain 3 percent of the 'hold harmless' distributions to local jurisdictions for the general operating expenses of the Tax Administration Division. Taken together, these two provisions were expected to provide about \$6.4 million in other state fund revenues to the department in FY20. The committee recommendation provides \$6.4 million general fund revenue to offset the loss of other state fund revenue.

BUDGET ISSUES:

TRD reverted \$3.3 million in FY18, almost entirely the result of employee turnover and vacant positions. The department's current funded vacancy rate is almost 12 percent.

TRD will be taking over the insurance premium tax collection from the Office of the Superintendent of Insurance (OSI) on January 1, 2021. TRD will use existing software at OSI and FTE will be transferred from OSI for this transition. Eventually TRD will incorporate this revenue collection function into its broader GenTax software system at a cost estimated at about \$6 million.

During an interim LFC hearing, members requested TRD review the personal income tax (PIT) compliance of out-of-state oil and gas companies. In November, TRD submitted a letter addressing these concerns and noting an apparent problem with both in-state and out-of-state oil companies inappropriately reporting employees to workers compensation and the Workforce Solutions Department and with reported employees inappropriately filing PIT returns. Given the data from TRD on those not appropriately reporting, LFC economists estimate a potential loss of up to \$25 million in PIT revenue. TRD stated the department will continue to use data analysis to monitor the issue and will focus efforts on increasing compliance, reducing fraud, and increasing education outreach for PIT compliance with oil and gas companies. TRD also acknowledges compliance issues with other smaller tax programs, notably workers compensation and the telecommunications relay surcharge.

The department reported tax abatement and refund claim protests had grown to \$320 million by the end of FY18, up from \$221 million in FY17 and \$98 million in FY16. As seen in the past, if the state loses a significant protest claim, other taxpayers may immediately file amended tax returns to claim abatements or refunds based on the decision. Thus, if even a small number of protests are lost by the state, it could result in general fund losses of hundreds of millions of dollars. At an interim LFC hearing, TRD told the committee the department would supply additional data on refund protests; however, a significant portion of the additional data requested remains outstanding. Additionally, the backlog of claims for the film tax credit is a growing concern; outstanding liabilities in excess of the annual \$50 million cap could take the state years to pay off.

Motor Vehicle Division. Real ID is expected to go into effect on October 1, 2020. The Motor Vehicle Division (MVD) is well on its way to ensuring the state is prepared for that date. Nearly 60 percent of driver licenses and personal identification have been replaced by Real-ID-compliant driver licenses and identification cards.

Following the implementation of the Real ID Act in November, 2016, MVD's average wait time in field offices climbed to over one and a half hours. Currently, wait times are down to an average of 16 minutes statewide. MVD will continue to work on the processes and outreach associated with Real ID to lower that number. For example, MVD is now deploying the division's mobile unit to special events such as the State Fair and to remote areas of the state to help facilitate the conversion to Real-ID-compliant licenses and personal identification cards.

MVD call center wait times remained well below the target level of six minutes for most of FY18. In June 2018, MVD successfully procured a new call center provider and is working to normalize operations to meet established customer service and employee productivity targets.

MVD completed implementation of Tapestry, a \$40 million project to replace the motor vehicle information management system. The entire project was completed on time and under budget.

Tax Administration. TRD processed a total of 1.8 million PIT returns and returns for gross receipts and other taxes, 86 percent were filed electronically, a slight increase over last year's key measure percentage rate of 85.4 percent. Process improvements resulted in efficiencies that brought about the successful processing of 174.5 thousand hard copy personal tax returns during the 2018 filing season. The returns and related payments were processed on time in accordance with statutory requirements.

Updated definitions and processing procedures have led to a significant reduction in tax returns sent back to taxpayers. During tax season 2014, 13,100 returns were sent back. In 2016, 7,900 were sent back. In 2017, 1,100 tax returns were sent back, and in 2018, only 818 tax returns were sent back to taxpayers, which translates to better customer service and a reduction in postal costs.

TRD successfully completed implementation of ONGARD severance tax into Gentax. The total amount distributed for oil and gas severance tax for FY18 to date is \$1.7 million.

BASE EXPANSION:

TRD submitted an expansion request, supported by other state fund revenue, to hire 5 FTE to manage two new business database systems. The committee recommendation supports the agency's expansion request of \$435.3 thousand for 5 FTE to manage new IT systems.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the motor vehicle program of the taxation and revenue department includes three million two hundred nineteen thousand four hundred dollars (\$3,219,400) from the weight distance tax identification permit fund for the modal program of the department of transportation and ninety-four thousand five hundred dollars (\$94,500) from the weight distance tax identification permit fund for the law enforcement program of the department of public safety.

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	PTD Business Modernization	(P572)	312.9	312.9
2	PTD Business Modernization	(P575)	122.4	122.4
TOTAL			435.3	435.3

TAX ADMINISTRATION

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	20,501.3	22,147.9	22,380.5	27,949.8	26.2
Federal Revenues	948.3	1,506.8	1,506.8	1,506.8	0.0
Other Revenues	7,425.4	6,559.6	6,559.6	836.4	-87.2
SOURCES TOTAL	28,875.0	30,214.3	30,446.9	30,293.0	0.3
USES					
Personal Services and Employee Benefits	21,988.4	24,644.5	24,540.6	24,463.3	-0.7
Contractual Services	227.1	236.4	331.9	319.8	35.3
Other	5,194.5	5,333.4	5,574.4	5,509.9	3.3
TOTAL USES	27,410.0	30,214.3	30,446.9	30,293.0	0.3
FTE					
Permanent	460.5	460.5	455.5	455.5	-1.1
Term	26.0	26.0	26.0	26.0	0.0
Temporary	9.3	9.3	9.3	9.3	0.0
TOTAL FTE POSITIONS	495.8	495.8	490.8	490.8	-1.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Average return on investment for every dollar invested in the audit and compliance division	10:1	11:1	11:1	12:1	12:1
Explanatory	Percent of electronically filed returns for personal income tax and combined reporting system	86%	87%			
Efficiency	Percent of taxpayer correspondence requests answered in an average of ten working days	NEW	100%	100%	100%	100%
* Outcome	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	18%	17%	28%	23%	23%
* 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	58%	50%	65%	65%	65%
Explanatory	Percent of personal income tax returns filed on time	87%	80%			
Explanatory	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed	1.5%	4.4%			

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of personal income tax returns flagged as questionable	NEW	NEW	NEW	50,000	50,000
Output	Personal income tax returns processed, in millions	NEW	NEW	NEW	\$1.1	\$1.1

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>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	4,811.4	11,743.5	11,743.5	11,743.5	0.0
Other Transfers	6,000.0	0.0	0.0	0.0	
Federal Revenues	113.7	78.0	78.0	78.0	0.0
Other Revenues	21,840.6	20,338.1	20,485.6	20,485.6	0.7
Fund Balance	1,300.0	0.0	0.0	0.0	
SOURCES TOTAL	34,065.7	32,159.6	32,307.1	32,307.1	0.5
USES					
Personal Services and Employee Benefits	14,500.8	15,583.0	15,593.9	15,593.9	0.1
Contractual Services	7,672.0	7,551.1	7,654.3	7,654.3	1.4
Other	6,510.7	5,711.6	5,745.0	5,745.0	0.6
Other Financing Uses	1,265.5	3,313.9	3,313.9	3,313.9	0.0
TOTAL USES	29,949.0	32,159.6	32,307.1	32,307.1	0.5
FTE					
Permanent	336.0	335.0	335.0	335.0	0.0
Term	2.0	3.0	3.0	3.0	0.0
Temporary	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	340.0	338.0	338.0	338.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of registered vehicles with liability insurance	88%	90%	93%	93%	93%
* Efficiency	Average call center wait time to reach an agent, in minutes	4:53	3:55	<5:00	<5:00	<4:00
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	22:56	20:45	<15:00	<15:00	<15:00
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	1.3	1.9	1.0	1.0	1.0
Quality	Percent of customers rating customer service as good or higher	98%	98%	>98%	>98%	>98%
Explanatory	Web transactions as a percent of total transactions	24%	27%			

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	5,481.6	4,076.7	4,208.3	4,208.3	3.2
SOURCES TOTAL	5,481.6	4,076.7	4,208.3	4,208.3	3.2
USES					
Personal Services and Employee Benefits	2,223.3	2,714.6	2,777.8	2,777.8	2.3
Contractual Services	138.3	668.0	668.0	668.0	0.0
Other	491.7	694.1	762.5	762.5	9.9
TOTAL USES	2,853.3	4,076.7	4,208.3	4,208.3	3.2
FTE					
Permanent	39.0	39.0	41.0	41.0	5.1
TOTAL FTE POSITIONS	39.0	39.0	41.0	41.0	5.1

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Percent of counties in which a delinquent property tax sale was held	100%	97%	92%	92%	95%
* Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$12.3	\$14.6	\$13.0	\$12.5	\$13.0
Output	Dollar value of all delinquent property tax sales held	NEW	NEW	NEW	\$800,000	\$800,000
* Outcome	Percent of total delinquent property taxes recovered	NEW	22%	15%	10%	20%

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,525.3	1,575.6	1,575.6	1,575.6	0.0
SOURCES TOTAL	1,525.3	1,575.6	1,575.6	1,575.6	0.0
USES					
Personal Services and Employee Benefits	1,040.1	1,302.7	1,299.1	1,299.1	-0.3
Contractual Services	4.1	6.8	6.4	6.4	-5.9
Other	253.6	266.1	270.1	270.1	1.5
TOTAL USES	1,297.8	1,575.6	1,575.6	1,575.6	0.0
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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of tax investigations referred to prosecutors of total investigations assigned during the year	67%	113%	85%	85%	85%
Explanatory	Percent of successful tax fraud prosecutions of total cases prosecuted	98%	100%			
Outcome	Percent of internal investigations completed within sixty days	100%	100%	90%	90%	100%

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)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	17,863.7	18,265.2	19,393.6	19,860.1	8.7
Other Transfers	487.6	0.0	0.0	0.0	
Other Revenues	1,038.6	1,048.8	1,361.7	642.9	-38.7
SOURCES TOTAL	19,389.9	19,314.0	20,755.3	20,503.0	6.2
USES					
Personal Services and Employee Benefits	11,829.8	13,974.9	14,522.7	14,422.9	3.2
Contractual Services	3,828.4	3,311.0	3,960.4	3,926.7	18.6
Other	2,502.3	2,028.1	2,272.2	2,153.4	6.2
TOTAL USES	18,160.5	19,314.0	20,755.3	20,503.0	6.2
FTE					
Permanent	182.0	173.0	182.0	182.0	5.2
TOTAL FTE POSITIONS	182.0	173.0	182.0	182.0	5.2

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Number of tax protest cases resolved	1,524	1,315	1,500	1,500	1,550
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	100%	100%	100%
Output	Percent of internal audit recommendations implemented	91%	94%	91%	92%	94%
Explanatory	Number of days after the close of a reporting period that financial reports are available	NEW	Next Day			
Output	Number of tax protest cases referred to the administrative hearings office				1,550	
Explanatory	Financial report error rate	NEW	0			

STATUTORY AUTHORITY:

The State Investment Council (SIC) was created by Section 6-8-2 NMSA and is responsible for managing the land grant (LGPF), severance tax (STPF), tobacco settlement (TSPF), and water (WPF) permanent funds, as well as the investments of other state and political subdivision clients. The council consists of 11 members: the governor, state treasurer, commissioner of public lands, secretary of the Department of Finance and Administration, chief financial officer of state institution of higher education, and six public members. Four public members are appointed by the Legislative Council and two are appointed by the governor. The six public members serve staggered terms of five years. SIC formulates policy implemented by the state investment officer and staff in the day-to-day functions of the investment office.

MISSION:

New Mexico's two main endowment funds, the land grant (LGPF) and severance tax (STPF) permanent funds, are to provide permanent and continuing benefits for the present and future citizens of New Mexico from the revenue from lands held in trust and the extraction of certain natural resources. SIC's mission is to optimize the funds to ensure future generations receive the same benefits over time and to provide a current revenue source for the state's general fund.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	52,404.8	54,744.9	63,645.8	61,206.2	11.8
SOURCES TOTAL	52,404.8	54,744.9	63,645.8	61,206.2	11.8
USES					
Personal Services and Employee Benefits	3,590.2	3,714.6	4,430.7	4,168.7	12.2
Contractual Services	48,214.4	50,388.3	58,540.2	56,372.4	11.9
Other	600.2	642.0	674.9	665.1	3.6
TOTAL USES	52,404.8	54,744.9	63,645.8	61,206.2	11.8
FTE					
Permanent	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	31.0	31.0	31.0	31.0	0.0

AT A GLANCE:

For FY20, SIC requested a 16.3 percent increase from the FY19 operating budget, largely to fund increases in contractual services for asset management fees and to provide additional funding for five vacant unfunded positions. The committee recommends an 11.8 percent increase, which supports additional for funding three vacant positions as well as increases in contracts for asset management fees.

BUDGET ISSUES:

The market value of the funds invested by the SIC increased 7.5 percent during FY18, from \$22.624 billion at the end of June 2017 to \$24.009 billion at the end of June 2018. In May 2018, SIC submitted a budget adjustment request (BAR) to add \$2.6 million to its FY18 contractual services operating budget for additional funds to pay external managers whose fees are based on the dollar amounts of the investments they manage and the performance of those investments. Depending on how the market performs, SIC also expects to submit a BAR in FY19 for \$2 million to \$5 million to cover additional asset management fees.

For FY20, SIC requested an \$8.9 million increase over the FY19 operating budget. For the personal services and employee benefits category, the requested increases are to fund five vacant positions, three of which the agency expects to fill quickly if highly qualified applicants can be found. SIC requested an \$8.2 million increase in contractual services primarily to cover asset management fees above the targeted rate of return in the event the agency outperforms its targets.

SIC currently has a 19.4 percent vacancy rate (6 FTE) and three of the positions have been unfilled for over two years. For the personal services and employee benefits category, the LFC recommendation supports funding for three unfunded vacancies. The request and recommendation also factor in pay raises for 13 employees in FY18 funded by a transfer from the contractual services category – salary increases ranged from 5.3 percent to 25.5 percent and averaged about 13.5 percent. The recommendation also provides a 3.6 percent increase above the FY19 operating budget for the other category to cover increased costs for employee training and accreditations and planned IT upgrades.

Recognizing above-average investment returns in FY18 and the agency's expected need for a BAR in FY19, the LFC recommendation supports an 11.9 percent increase in contractual services above the FY19 operating budget to provide room for growth in asset management fees above the targeted rate of return. SIC's long-term targeted rate of return is 7 percent for LGPF and 6.75 percent for STPF; the LGPF and STPF portfolios each returned 8.4 percent in FY18.

Like many investment agencies, SIC seeks to maximize investment returns by hiring active fund managers. External investment management requires additional contracts and increased fees. Some asset classes, such as equities and fixed income assets, offer little opportunity for investment gains through asset management, and indexing (passive management) is less costly. However, potential exists for investment returns due to manager skill in certain asset classes, such as private equity and real assets. About 75 percent of the LGPF and STPF portfolios are actively managed. In FY18, the permanent funds outperformed their long-term targets and performed above the median for public funds of similar size for the one-, three-, and five-year periods.

The committee recommendation supports SIC's request for \$2.5 million in legal contracts for the agency's ongoing pay-to-play litigation. At the August 2018 council meeting, the agency reported a new potential total of about \$43.5 million in recovery efforts, up from the \$40.5 million reported in December 2017.

An August 2018 letter issued by the office of the Attorney General (NMAG) stated the council does not have the authority to impose sanctions on its members for refusal to sign its code of conduct. A year ago, SIC issued sanctions on four of its members for refusal to sign the council's code of conduct. The updated code had included several new provisions, such as requiring council members not to take a position that could be considered adverse to the fund, requiring council members not to discuss with third parties any matters divulged in closed sessions, and the ability of the council to sanction other members. The sanctions – imposed on the state land commissioner, state treasurer, and two Legislative Council appointees – barred the four members from attending closed session meetings and from voting on matters discussed during closed sessions. The NMAG letter determined SIC may reasonably require its members to sign an acknowledgement of the code; however, the New Mexico Governmental Conduct Act does not allow SIC to enforce its code of conduct through disciplinary action on its members.

At the August 2018 council meeting, SIC considered substantial changes to its current practice of approving individual investments and managers. Currently, the council requires the state investment officer to seek approval for specific investments and is responsible for creating the strategic asset allocations. However, SIC's staff counsel advised that statute and the state constitution places sole authority for investment decisions with the state investment officer, required by law to have certain qualifications and experience in finance and investments. Staff counsel believe investment decisions are outside the scope of the council's constitutional and statutory authority; instead, the council should be limited to providing policy direction and fiduciary oversight of the state investment officer and his staff. Some council members expressed concern with the proposed changes, indicating significant debate is likely at future council meetings when the measure comes up for a vote.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	26	-7	>25	>25	>25
Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	53	43	<49	<49	<49
* Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points	11.0	43	>12.5	>12.5	>25
* Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe	46	31	<49	<49	<49

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY20 – 2019-2020</u>				
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,503.7	1,525.3	1,748.1	1,607.3	5.4
Other Revenues	155.0	165.0	165.0	165.0	0.0
SOURCES TOTAL	1,658.7	1,690.3	1,913.1	1,772.3	4.9
USES					
Personal Services and Employee Benefits	1,312.9	1,413.3	1,615.3	1,475.3	4.4
Contractual Services	20.2	22.7	42.7	42.7	88.1
Other	273.7	254.3	255.1	254.3	0.0
TOTAL USES	1,606.8	1,690.3	1,913.1	1,772.3	4.9
FTE					
Permanent	16.0	16.0	18.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	18.0	16.0	0.0

AT A GLANCE:

The Administrative Hearings Office (AHO) requested a 14.6 percent general fund increase, or \$222.8 thousand over the FY19 operating budget. AHO requested a base increase of \$62 thousand for personal services and employee benefits and an increase of \$20 thousand in contractual services for interpretive services. The agency also submitted an expansion request for 2 FTE; an administrative support position for financial support and a tax law attorney. LFC recommends a general fund increase of 5.4 percent or \$82 thousand from the FY19 operating budget.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the administrative hearings office includes one hundred sixty-five thousand dollars (\$165,000) from the motor vehicle suspense fund.

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency</u> <u>Rank</u>		<u>(Program)</u>	<u>Agency</u> <u>Request</u>	<u>LFC Recom-</u> <u>mendation</u>
<u>1</u>	<u>Tax Hearings & Agency Admin. Support - 2 FTE</u>	<u>(P340)</u>	<u>140.8</u>	<u>0.0</u>
TOTAL			140.8	0.0

ADMINISTRATIVE HEARINGS

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

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Outcome	Percent of hearings for implied consent act cases not held within ninety days due to administrative hearings office error	0.0	0.1%	<0.5%	<.05%	<.05%
Outcome	Percent of tax cases not held, including merits and scheduling conference, within ninety days because of administrative hearings office error	0.3%	9%	<2.5%	<2.5%	<2.5%
Outcome	Number of tax protest or implied consent act trainings conducted annually	4	4	4	4	4

STATUTORY AUTHORITY:

The Department of Finance and Administration (DFA) 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:

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	19,186.0	19,385.1	22,604.7	20,229.2	4.4
Other Transfers	35,672.7	18,000.0	17,130.1	17,130.1	-4.8
Federal Revenues	10,344.8	10,203.3	10,203.3	10,203.3	0.0
Other Revenues	80,780.6	80,974.2	87,227.1	87,227.1	7.7
Fund Balance	6.8	583.2	583.2	583.2	0.0
SOURCES TOTAL	145,990.9	129,145.8	137,748.4	135,372.9	4.8
USES					
Personal Services and Employee Benefits	10,744.0	11,983.5	13,513.9	12,321.8	2.8
Contractual Services	5,867.2	6,615.6	7,935.3	7,218.4	9.1
Other	37,191.1	60,516.7	60,339.1	59,872.6	-1.1
Other Financing Uses	68,049.0	50,030.0	55,960.1	55,960.1	11.9
TOTAL USES	121,851.3	129,145.8	137,748.4	135,372.9	4.8
FTE					
Permanent	130.0	130.0	130.0	130.0	0.0
Term	18.0	18.0	18.0	18.0	0.0
TOTAL FTE POSITIONS	148.0	148.0	148.0	148.0	0.0

AT A GLANCE:

The overall budget request for FY20 was above the FY19 operating budget; the general fund request was \$3.2 million, or 16.6 percent above FY19 levels. The agency requested a total budget of \$137.7 million. DFA's request includes fully funding all positions, totaling slightly over \$1 million.

The request also included a \$150 thousand increase for Hyperion system maintenance to expedite production of the comprehensive annual financial report (CAFR), and \$178.9 thousand to cover auditor fees because DFA must seek a new auditor in FY20. DFA requested \$400 thousand for continued support of payment card industry activities. The committee recommendation supports \$369.3 thousand for payment card industry security standards, \$125 thousand for Hyperion system maintenance, \$133.2 thousand for CAFR auditing, and \$169.7 thousand to decrease vacancy rates.

The staff recommendation includes an overall general fund increase of \$844.1 thousand, or 4.4 percent over the FY19 operating budget. The recommendation includes a 2.8 percent increase for personnel to decrease vacancy rates and a 9.3 percent increase in contractual services for Hyperion system maintenance, auditor fees, and the payment card industry activities. LFC staff recommends a general fund increase of \$75 thousand for the Land Grant Council, and \$100 thousand for state planning districts (councils of governments) over FY19 budget levels.

BUDGET ISSUES:

DFA requested an FY20 general fund appropriation of \$22.6 million, \$3.3 million, or 16.6 percent, above the FY19 operating budget. The overall budget request for FY20 was \$137.7 million, \$8.6 million, or 6.6 percent above FY19 budget levels. The request reflects an increase for fully funding all positions within DFA.

Agency Activities. The FY17 comprehensive annual financial report (CAFR) was released on July 17, 2018. The state ended FY17 with a net position of \$28 billion, an increase of \$2.1 billion, or 8.1 percent, from the previous year. The state's total liabilities increased a net of \$2.1 billion for both governmental and business-type activities. The state's total assets increased by \$3.3 billion for both governmental and business-type activities.

The state is currently paying a \$5,000 per month fine to Visa for not meeting payment card industry data security standards; the total amount owed to Visa is \$600 thousand. These fines are paid by noncompliant agencies proportionate to the level of noncompliance. For example, the Secretary of State pays \$900 per month for having 109 identified risks that have not yet been addressed. In total, 23 agencies are noncompliant with 488 identified risks. DFA requested \$400 thousand in FY20 to cover the necessary fines due to Visa for payment card industry security standards.

Community Development Programs. New Mexico counties will receive \$42.6 million, a \$4.1 million, or 10.7 percent, increase over 2017 distributions of payments in lieu of taxes, federal payments to local governments that help offset losses in property taxes due to nontaxable federal lands within their boundaries. Several counties received significant increases over last year, including Rio Arriba with a \$955.3 thousand, or 42 percent, increase. Torrance County received an increase of \$103.3 thousand, or 32 percent, and San Miguel County received an increase of \$206 thousand, or 24.7 percent, over 2017 distributions. Counties receiving more than \$3 million in distributions for 2018 include Chaves, Doña Ana, Eddy, Otero, and Rio Arriba.

The Department of Finance and Administration issued \$3.8 million in FY19 contracts for civil legal services for low income individuals to 14 vendors. The contracts are funded with revenue from the general fund and civil legal services fund. Of the funds awarded, nearly \$2.1 million was awarded to New Mexico Legal Aid Incorporated. Other awards include \$363 thousand to the New Mexico Immigrant Law Center, \$228 thousand to the United South Broadway Corporation, and \$201 thousand to the New Mexico Center on Law and Poverty.

The Local DWI Grant Council announced estimated distributions and awarded grants to counties totaling \$17.2 million for FY19. The largest statutory Local DWI fund distributions go to Bernalillo County for \$4.1 million, Santa Fe County for \$1.1 million, Doña Ana County for \$986 thousand, and San Juan County for \$890 thousand. In addition to the distributions, the council made grants to all but seven counties, by request, including \$310 thousand to San Juan County, \$265 thousand to Sandoval County, \$239 thousand to Rio Arriba County, and \$160 thousand to Lea County. Beginning July 1, 2018, available Local DWI funding will be 45 percent of annual liquor excise tax revenues. Additionally, the 2018 legislation diverts 5 percent of liquor excise tax revenues annually to the newly created drug-court fund for drug-court programs administered by the Administrative Office of the Courts.

Special Appropriations. The committee recommends general fund transfers for DFA special appropriations of \$5.3 million, an increase of \$175 thousand, or 3.4 percent, above the FY19 operating budget. The total recommendation for DFA special appropriations is \$22.1 million, a decrease of \$2.1 million, or 9 percent, over FY19 budget levels. The decrease is for the law enforcement protection fund. The Land Grant Council requested a \$553.1 thousand, or 249 percent, increase over FY19 budget levels. The committee recommends a \$75 thousand, or 33.8 percent, increase for FY20. The Leasehold Community Assistance Program requested a \$165 thousand, or 145 percent, increase over the FY19 operating budget. The committee is not recommending use of general fund revenue for the Leasehold Community Assistance Program because federal funds are available for this program.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the fiscal management and oversight program of the department of finance and administration in the other financing uses category includes seventeen million five hundred thousand dollars (\$17,500,000) from the tobacco settlement program fund.

Notwithstanding the provisions of Section 27-10-3 NMSA 1978, the other state funds appropriation in the other financing uses category of the fiscal management and oversight program of the department of finance and administration includes thirty-eight million dollars (\$38,000,000) from the county-supported medicaid fund.

The other state funds appropriations to the community development, local government assistance and fiscal oversight program of the department of finance and administration include eleven million eight hundred seventy-one thousand eight hundred dollars (\$11,871,800) from the enhanced 911 fund, eighteen million seven hundred thirty thousand dollars (\$18,730,000) from the local DWI grant fund, and one million eight hundred thousand dollars (\$1,800,000) from the civil legal services fund.

On certification by the state board of finance pursuant to Section 6-1-2 NMSA 1978 that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, the secretary of the department of finance and administration is authorized to transfer from the general fund operating reserve to the state board of finance emergency fund the amount necessary to meet the emergency. Such transfers shall not exceed an aggregate amount of two million dollars (\$2,000,000) in fiscal year 2019. Repayments of emergency loans made pursuant to this paragraph shall be deposited in the board of finance emergency fund pursuant to the provisions of Section 6-1-5 NMSA 1978.

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)						
		FY20 - 2019-2020				
		FY18 2017-2018	FY19 2018-2019	Agency Request	LFC Recommendation	Percent Incr (Decr)
		<u>Actuals</u>	<u>Budgeted</u>			
SOURCES						
	General Fund Transfers	3,135.7	3,184.9	3,434.9	3,184.9	0.0
	SOURCES TOTAL	3,135.7	3,184.9	3,434.9	3,184.9	0.0
USES						
	Personal Services and Employee Benefits	2,696.3	2,983.4	3,233.4	3,001.3	0.6
	Contractual Services	65.2	83.7	83.7	68.9	-17.7
	Other	121.1	117.8	117.8	114.7	-2.6
	TOTAL USES	2,882.6	3,184.9	3,434.9	3,184.9	0.0
FTE						
	Permanent	31.0	31.0	31.0	31.0	0.0
	TOTAL FTE POSITIONS	31.0	31.0	31.0	31.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	General fund reserves as a percent of recurring appropriations	TBD	N/A	10%	10%	20%
Outcome	Error rate for the eighteen-month general fund revenue forecast, excluding oil and gas revenue and corporate income taxes	4.6%	N/A	(+/-)3%	(+/-)3%	(+/-)3%
* Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	TBD	N/A	(+/-) 3%	(+/-)3%	(+/-)3%
Outcome	Percent of capital outlay appropriations reviewed by the capital outlay bureau per executive order by the deadline established by the state board of finance for the upcoming bond sale	NEW	100%	100%	100%	100%
Outcome	Number of formal and informal trainings conducted by the state budget division	NEW	3	3	3	3

COMMUNITY DEVELOPMENT, LOCAL GOVERNMENT ASSISTANCE AND FISCAL OVERSIGHT

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

BUDGET SUMMARY (dollars in thousands)						
		FY20 - 2019-2020				
		FY18	FY19		Percent	
		2017-2018	2018-2019	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,961.1	3,919.4	4,292.0	3,959.4	1.0
	Federal Revenues	10,344.8	10,203.3	10,203.3	10,203.3	0.0
	Other Revenues	34,495.1	32,259.2	32,401.8	32,401.8	0.4
	Fund Balance	0.0	583.2	583.2	583.2	0.0
	SOURCES TOTAL	48,801.0	46,965.1	47,480.3	47,147.7	0.4
USES						
	Personal Services and Employee Benefits	2,628.8	3,146.2	3,525.0	3,264.0	3.7
	Contractual Services	3,647.3	3,886.2	4,021.6	3,971.6	2.2

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19			Percent
		2017-2018	2018-2019	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
	Other	27,869.1	38,032.7	39,633.7	39,612.1	4.2
	Other Financing Uses	1,900.0	1,900.0	300.0	300.0	-84.2
	TOTAL USES	36,045.2	46,965.1	47,480.3	47,147.7	0.4
FTE						
	Permanent	23.0	23.0	23.0	23.0	0.0
	Term	18.0	18.0	18.0	18.0	0.0
	TOTAL FTE POSITIONS	41.0	41.0	41.0	41.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of local driving while intoxicated program component areas for which benchmarks are developed and implemented to evaluate program effectiveness	4	4	4 to 8	4 to 8	4 to 8
Quality	Percent of required site visits by 911/driving-while-intoxicated/community development block grant staff conducted annually	49%	53%	90%	90%	90%
Efficiency	Percent of capital grant agreements, not restricted by state board of finance special conditions, issued within sixty days from availability of funds	97%	100%	97%	95%	97%
* Output	Percent of county and municipality budgets approved by the local government division of budgets submitted timely	99%	100%	95%	95%	95%
* Outcome	Number of counties and municipalities local government division assisted during the fiscal year to resolve audit findings and diminish poor audit opinions	21	13	10	10	12
Outcome	Percent of complete and accurate grantee payment requests processed by both the program managers and fiscal services staff within ten working days from date stamp of receipt in local government division	NEW	97%	97%	97%	97%
Outcome	Percent of capital outlay appropriations assigned to local government division and subject to annual audits by the state auditor reviewed within sixty days	NEW	100%	95%	95%	95%
Outcome	Percent of county, municipal, and special districts financial reports submitted timely and complete that are reviewed by local government division budget analysts within forty-five days	NEW	95%	90%	90%	90%

FISCAL MANAGEMENT AND OVERSIGHT

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

BUDGET SUMMARY
(dollars in thousands)

(dollars in thousands)					
	FY18	FY19	FY20 - 2019-2020		Percent
	2017-2018	2018-2019	Agency	LFC	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	5,961.0	6,227.7	8,005.5	6,970.9	11.9
Other Transfers	35,672.7	18,000.0	17,130.1	17,130.1	-4.8
Other Revenues	29,946.3	29,600.0	38,000.0	38,000.0	28.4

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
	SOURCES TOTAL	71,580.0	53,827.7	63,135.6	62,101.0	15.4
USES	Personal Services and Employee Benefits	4,733.9	5,015.5	5,807.5	5,209.6	3.9
	Contractual Services	736.9	847.7	1,576.6	1,393.0	64.3
	Other	414.8	364.5	621.4	368.3	1.0
	Other Financing Uses	65,619.0	47,600.0	55,130.1	55,130.1	15.8
	TOTAL USES	71,504.6	53,827.7	63,135.6	62,101.0	15.4
FTE	Permanent	65.0	65.0	65.0	65.0	0.0
	TOTAL FTE POSITIONS	65.0	65.0	65.0	65.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Explanatory	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	11	12			
Explanatory	Date of submitting the annual statewide cost allocation plan for federal approval	3/31	3/27			
Efficiency	Percent of payroll payments to employees made by the scheduled payday	100%	100%	100%	100%	100%
* Efficiency	Percent of vouchered vendor payments processed within five working days	95%	99%	95%	95%	95%
* Output	Percent of bank accounts reconciled on an annual basis	100%	100%	100%	100%	100%
Outcome	Percent of bank accounts reconciled that were error free	90%	89%	92%	92%	92%
Explanatory	Percent of contracts rejected due to lack of all required elements for a complete contract	15%	N/A			

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	833.0	923.0	1,024.1	923.0	0.0
	SOURCES TOTAL	833.0	923.0	1,024.1	923.0	0.0
USES						
	Personal Services and Employee Benefits	670.5	823.4	924.5	823.4	0.0
	Contractual Services	64.0	73.6	73.6	73.6	0.0
	Other	22.5	26.0	26.0	26.0	0.0
	TOTAL USES	757.0	923.0	1,024.1	923.0	0.0
FTE						
	Permanent	11.0	11.0	11.0	11.0	0.0
	TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of major fund reconciliations completed as an internal control within twenty-one days after the official closing of the books each quarter	100%	100%	100%	95%	97%
Outcome	Percent of prior-year audit findings improved or resolved	NEW	60%	80%	80%	80%

Department of Finance and Administration Non-Operating Appropriations

Budget Summary

(dollars in thousands)

Fiscal Year 2020

	<u>FY18 Actual</u>	<u>FY19 Operating</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>% Δ OpBud</u>
SOURCES					
General fund transfers	\$5,308.2	\$5,130.1	\$5,848.2	\$5,191.0	1.2%
Other Revenues	\$16,339.2	\$19,115.0	\$16,825.3	\$16,825.3	-12.0%
SOURCES TOTAL	\$21,647.4	\$24,245.1	\$22,673.5	\$22,016.3	-9.2%
USES (General Fund)					
Western Interstate Commission for Higher Education*	\$125.2				Transferred
Education Commission of the States**	\$53.7				Transferred
(a) National Association of State Budget Officers	\$20.2	\$20.2	\$20.2	\$20.2	0.0%
National Conference of State Legislatures*					Transferred
(b) Western Governors' Association	\$36.0	\$36.0	\$36.0	\$36.0	0.0%
National Center for State Courts**					Transferred
National Conference of Insurance Legislators*					Transferred
National Council of Legislators from Gaming States*					Transferred
(c) National Governor's Association	\$83.8	\$83.8	\$83.8	\$83.8	0.0%
(d) Emergency water supply fund	\$104.8	\$104.8	\$104.8	\$104.8	0.0%
(e) Fiscal agent contract	\$1,064.8	\$1,064.8	\$1,064.8	\$1,064.8	0.0%
Regional housing authority oversight***					Vetoed
(f) State planning districts	\$593.0	\$593.0	\$593.0	\$693.0	16.9%
(g) Leasehold community assistance	\$114.1	\$114.1	\$279.1	\$0.0	Transferred
(h) County detention of prisoners	\$2,387.5	\$2,387.5	\$2,387.5	\$2,387.5	0.0%
(i) Acequia and community ditch education program	\$398.2	\$398.2	\$398.2	\$398.2	0.0%
(j) New Mexico acequia commission	\$88.1	\$88.1	\$88.1	\$88.1	0.0%
(k) Statewide teen court	\$17.7	\$17.7	\$17.7	\$17.7	0.0%
(l) Land grant council	\$221.1	\$221.9	\$775.0	\$296.9	33.8%
TOTAL GENERAL FUND	\$5,308.2	\$5,130.1	\$5,848.2	\$5,191.0	1.2%
USES (Non-General Fund)					
(k) Statewide teen court	\$128.3	\$115.0	\$120.2	\$120.2	4.5%
(m) Law enforcement protection fund	\$16,210.9	\$19,000.0	\$16,705.1	\$16,705.1	-12.1%
TOTAL NON-GENERAL FUND	\$16,339.2	\$19,115.0	\$16,825.3	\$16,825.3	-12.0%
TOTAL APPROPRIATIONS	\$21,647.4	\$24,245.1	\$22,673.5	\$22,016.3	-9.2%

*Transferred to Higher Education Department in FY19

**Transferred to LESC in FY19 Feed Bill

+Transferred to Legislative Council Service in FY18

++Transferred to Administrative Office of the Courts in FY18

***Transferred to Urban Development Department in FY19

STATUTORY AUTHORITY:

The Public Schools Insurance Authority (PSIA) 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. PSIA is governed by an 11 member board.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency Request	LFC Recommendation	
SOURCES					
Other Transfers	1,299.9	1,317.6	1,367.3	1,367.3	3.8
Other Revenues	377,224.4	407,759.1	397,478.2	389,808.1	-4.4
Fund Balance	0.0	17.8	2,025.6	2,025.6	11,279.8
SOURCES TOTAL	378,524.3	409,094.5	400,871.1	393,201.0	-3.9
USES					
Personal Services and Employee Benefits	1,001.7	1,015.7	1,096.4	1,096.4	7.9
Contractual Services	358,084.0	406,536.2	398,182.4	390,512.3	-3.9
Other	198.4	225.0	225.0	225.0	0.0
Other Financing Uses	1,299.9	1,317.6	1,367.3	1,367.3	3.8
TOTAL USES	360,584.0	409,094.5	400,871.1	393,201.0	-3.9
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

AT A GLANCE:

For FY20, the Public Schools Insurance Authority (PSIA), whose funding is built into the public schools support budget, requested an overall decrease of \$8.2 million, or 2 percent, from the FY19 operating budget. Despite the overall decrease, PSIA advised the Public Education Department to request an increase of \$10.2 million for health benefits premium increases and \$2.7 million for risk premium increases.

The LFC recommendation includes sufficient funding for the health benefits program to increase health premiums by 5 percent, an equivalent increase to the increase proposed by the General Services Department for state employees. The recommendation does not include additional funding for risk premium increases and adjusts assumptions for losses to better reflect actual claims experience.

BUDGET ISSUES:

PSIA is funded through employer and employee contributions for health benefits and insurance premium assessments on individual school districts and charter schools for risk insurance. A staff of 11 oversee a number of insurance servicing and claims administration agreements with third parties. Schools pay premiums for risk coverage based on their own claims experience while premiums for health benefits are based on the total pool's experience and collected on a per employee basis. For FY20, PSIA requested a total budget of \$400.9 million, \$40 million over FY18 actual expenditures but a slight decrease from the FY19 operating budget.

Benefits. The request for the Benefits Program was a reduction of \$15.7 million, or 4.7 percent, from the FY19 operating budget, but \$23.5 million higher than FY18 actual expenditures. The requested decrease was largely driven by a decrease in the number of individuals covered under the program; PSIA is currently providing coverage to 46 thousand members, down from 53 thousand in FY16. The decline in membership resulted from public school employment remaining flat for the past five years and the departure of Central New Mexico College from the program in FY18. The reduction in health benefits plan participants resulted in total health expenditures falling by \$17.7 million, or 6.5 percent, between FY16 and FY18. However, per member costs over this period increased by 6 percent.

PSIA reports the most expensive 1 percent of members accounted for 36.9 percent of total medical plan claims paid, while the bottom 70 percent of plan members accounted for only 6.5 percent of costs. Because of the impact of high-cost users, the benefit offered by PSIA relies on more member contributions and cost-sharing mechanisms, including higher deductibles and co-pays, than plans available to state employees through the General Services Department and APS. Despite these changes, PSIA continues to offer a benefit that compares favorably with what is available in the marketplace for most of PSIA's membership, people living outside of Albuquerque.

PSIA increased premiums by an average 5 percent per year between FY20 and FY14 and has experienced a decline in fund balance from \$42 million to \$16 million over this time. The target fund balance is one month of claims, or approximately \$24 million. The request includes revenues from a planned 7.6 percent premium increase for FY20 to both reflect medical trend and increase fund balance. PSIA sets rates in the spring for the FY20 school year.

The LFC recommendation provides an adequate increase for a 5 percent employer premium increase, in line with health insurance rates set by the General Services Department.

Risk. PSIA requested an increase of \$7.5 million, or 10 percent, over the FY19 operating budget. The majority of the increase is due to PSIA assuming an increase for property and liability losses of \$6.9 million, or 22 percent, over FY19. The FY20 request includes \$37.4 million for losses. Over the past five years, total losses paid out of the risk program have been between \$31 million and \$24 million. The increase in loss assumptions is partially driven by an increase in total property value as a result of Eastern and Western New Mexico universities joining the PSIA risk pool, although those increases were partially offset by Central New Mexico College leaving the pool.

PSIA is planning on increasing risk insurance premiums by 3.9 percent each year from FY19 to FY23 to increase fund balances enough to pay for 100 percent of all outstanding claims, including incurred but not reported claims. During the 2017 legislative session, \$16 million was diverted from risk funds to the general fund to aid in solvency. According to PSIA, the diversion resulted in a deficit in the fund and the need to increase premiums paid by districts to boost balances. At the close of FY18, PSIA reported assets in the risk fund totaling \$69 million and liabilities totaling \$69.9 million, leaving the fund in a deficit of \$850 thousand. However, PSIA reports liabilities include \$34.1 million for current insurance claims and a reserve of \$34.9 million for potential future claims. The request for a 3.9 percent premium increase would raise an additional \$3.1 million.

Although PSIA maintains rules of accounting that require the agency to maintain fund balance equal to all potential liabilities, the General Services Department, which provides risk coverage for state facilities, maintains sufficient fund balance for 50 percent of potential losses and has not received an adverse audit finding as a result of this practice.

The LFC recommendation for the Risk Program does not include additional revenues for risk premium increases and adjusts the loss assumption down to better reflect actual claims history. PSIA reported the risk fund increased its balance by \$13 million in FY18 alone and currently has sufficient assets to pay two years' worth of claims, based on the prior five-year period. The recommendation fully funds the agency request for consultant services to provide loss mitigation, active shooter training, and other risk-related consulting.

Program Support. The LFC recommendation fully funds the agency request for an increase of \$31.9 thousand, or 2.4 percent, over the FY19 operating budget. The request increased the personnel budget by \$80 thousand, or 7.9 percent, which was partially offset by a \$48.8 thousand, or 51 percent, reduction in the contractual services category. In FY18, the agency transferred \$65 thousand from the contractual services category to personal services and employee benefits category. The FY20 recommendation reflects actual expenditures for contractual services and provides sufficient funding to fill vacant positions.

Governance. The PSIA board is fully filled with four of the 11 members in their first year of service. Most of the members represent client interests and few appear to have expertise in insurance markets and actuarial analysis. Because of high turnover on public boards, members must rely on staff to assist them in making informed decisions. PSIA maintains a small staff and relies extensively on outside contractors to provide information to the board. PSIA should consider further developing staff expertise in analytical methods and insurance markets to reduce reliance on consultants. GSD, which runs a similarly sized risk management program, has 56 authorized FTE compared with PSIA's 11 FTE.

LFC staff requested claims payment information from PSIA over the summer and have not yet received the information, in part because it is being held with outside contractors and independent records were not maintained at PSIA. In response to the difficulty in obtaining information on claims payments received by PSIA from excess insurance carriers, LFC recommends the addition of three new performance measures to track these recoveries.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the New Mexico public school insurance authority remaining at the end of fiscal year 2020 shall revert in equal amounts to the benefits program and risk program.

BENEFITS

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	297,946.1	332,680.9	314,926.1	311,410.6	-6.4
Fund Balance	0.0	0.0	2,025.6	2,025.6	
SOURCES TOTAL	297,946.1	332,680.9	316,951.7	313,436.2	-5.8
USES					
Contractual Services	292,803.7	332,022.1	316,268.0	312,752.5	-5.8
Other Financing Uses	650.0	658.8	683.7	683.7	3.8
TOTAL USES	293,453.7	332,680.9	316,951.7	313,436.2	-5.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Percent change in per-member health claim costs	4.5%	4.8%	≤4.5%	<6.0%	≤5.0%
Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	7	6	7	7	7
* Outcome	Percent change in medical premium as compared with industry average	-6%	4%	≤5%	≤5%	≤5%
Explanatory	Number of participants covered by health plans	NEW	47,058			

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)						
		FY18	FY19	FY20 - 2019-2020		Percent
		2017-2018	2018-2019	Agency	LFC	Incr
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>(Decr)</u>
SOURCES						
	Other Revenues	79,278.3	75,078.2	82,552.1	78,397.5	4.4
	SOURCES TOTAL	79,278.3	75,078.2	82,552.1	78,397.5	4.4
USES						
	Contractual Services	65,238.7	74,419.4	81,868.5	77,713.9	4.4
	Other Financing Uses	649.9	658.8	683.6	683.6	3.8
	TOTAL USES	65,888.6	75,078.2	82,552.1	78,397.5	4.4
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Quality	Percent of schools satisfied with risk insurance claim-processing service	95%	95%	95%	95%	95%
* Outcome	Percent of schools in compliance with loss control prevention recommendations	63%	75%	75%	75%	75%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Average cost per workers' compensation claim for current fiscal year	\$2,375	\$2,142	<\$3,000	<\$3,500	<\$3,000
Outcome	Percent change in the average cost of workers' compensation claims as compared with self-insured plans in the workers' compensation administration's annual report	4%	4%	≤4%	≤4%	≤4%
Explanatory	Amount of excess insurance recoveries for liability claims	NEW	NEW			
Explanatory	Amount of excess insurance recoveries for property damage	NEW	NEW			
Explanatory	Amount of excess insurance recoveries for workers' compensation claims	NEW	NEW			

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Transfers	1,299.9	1,317.6	1,367.3	1,367.3	3.8
Fund Balance	0.0	17.8	0.0	0.0	-100.0
SOURCES TOTAL	1,299.9	1,335.4	1,367.3	1,367.3	2.4
USES					
Personal Services and Employee Benefits	1,001.7	1,015.7	1,096.4	1,096.4	7.9
Contractual Services	41.6	94.7	45.9	45.9	-51.5
Other	198.4	225.0	225.0	225.0	0.0
TOTAL USES	1,241.7	1,335.4	1,367.3	1,367.3	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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0
Efficiency	Percent of employee performance evaluations completed by anniversary date	NEW	100%	100%	100%	100%

STATUTORY AUTHORITY:

The New Mexico Retiree Health Care Authority (RHCA) was created by Section 10-7C-1 through 10-7C-19 NMSA 1978 to provide affordable healthcare 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 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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	2,936.8	3,047.6	3,166.0	3,141.0	3.1
Other Revenues	349,980.4	335,540.3	359,308.7	359,283.7	7.1
SOURCES TOTAL	352,917.2	338,587.9	362,474.7	362,424.7	7.0
USES					
Personal Services and Employee Benefits	1,767.8	1,937.5	1,981.3	1,956.3	1.0
Contractual Services	320,937.6	333,017.0	356,747.3	356,747.3	7.1
Other	510.7	585.8	580.1	580.1	-1.0
Other Financing Uses	2,936.8	3,047.6	3,166.0	3,141.0	3.1
TOTAL USES	326,152.9	338,587.9	362,474.7	362,424.7	7.0
FTE					
Permanent	27.0	27.0	26.0	26.0	-3.7
TOTAL FTE POSITIONS	27.0	27.0	26.0	26.0	-3.7

AT A GLANCE:

Although RHCA is not directly appropriated general fund revenues for operational expenses, management of this benefit for retired public employees and teachers impacts the general fund through employer-paid contributions. At the end of FY18, the RHCA trust fund balance was \$633.4 million, compared with \$170 million a decade ago. However, on an actuarial basis, funding is only sufficient to cover about 12 percent of the estimated \$5.1 billion in current and future healthcare liabilities. The program is projected to become insolvent in 2037.

For FY20, the agency requested an increase of 7.1 percent over the FY19 operating budget with the majority of the increase coming from RHCA participant contributions. The increase is necessary to cover growth in new retirees joining the plan and healthcare cost inflation. The request did not include any additional employer contributions. In addition to increased participant contributions, the board is considering options reducing subsidies, increasing cost sharing, and other options to improve the sustainability of the benefit. The committee recommends fully funding the agency request for the Healthcare Benefits Administration Program and applies a small vacancy rate to the personnel in Program Support.

BUDGET ISSUES:

RHCA was created by the Legislature in 1990 to provide subsidized access to health insurance products for retired civil servants and their spouses. However, no appropriations were made initially and there were no eligibility criteria which required a minimum level of contributions be made prior to retirees drawing benefits. Because of this, the program started from a deficit position with no assets to cover future liabilities. Additionally, the program extends subsidized healthcare coverage to spouses who never contributed to the plan.

The Retiree Health Care Act provides that the benefits offered to retired public employees may be modified, diminished, or extinguished by the Legislature and that the act does not create any contract, trust, or other rights to public employees for healthcare benefits. The RHCA board has broad authority to make changes to this optional benefit. The Legislature sets public employer and public employee statutory contribution rates, now 2 percent and 1 percent of pay, respectively.

RHCA membership includes 15.9 thousand pre-Medicare retirees with an average age of 55 years and 38.8 thousand Medicare-eligible retirees with an average age of 74. Depending on years of service, pre-Medicare retirees receive a subsidy up to 64 percent, or approximately \$401 per month, while Medicare-eligible retirees receive a subsidy up to 50 percent or, approximately

\$144 per month. RHCA provides spousal subsidies up to 36 percent depending on the retiree's years of service and Medicare eligibility. Premiums for dependent coverage are 100 percent paid by the retiree, as are premiums for dental, vision, and life insurance.

Of the four state entities that provide employee health benefits-- RHCA, Public Schools Insurance Authority, the General Services Department, and Albuquerque Public Schools-- RHCA is the only one experiencing membership growth.

For FY20, the agency requested \$362.5 million, a \$23.9 million, or 7.1 percent, increase from the FY19 operating budget. The request for the Healthcare Benefits Administration Program reflected an approximate 2 percent cost increase resulting from membership growth combined with the plan's increasing healthcare cost trend of 5.1 percent. The request included \$17.2 million in revenue from employee contributions while holding employer contribution revenue flat. The FY20 request included a \$3.5 million increase from a distribution from the tax suspense fund as a result of the expiration of Chapter 1 of the 2016 special session (Senate Bill 7). The law held the distribution from the tax suspense fund to the RHCA flat between January 1, 2017, and June 30, 2019. The expiration of this legislation will result in an automatic increase of 12 percent per year from the suspense fund.

The request for Program Support totaled \$3.16 million, a \$118 thousand, or 3.9 percent, increase from the FY19 operating budget. The request assumes all 26 authorized positions will be filled and included increases in the contractual services and other categories for actuarial and accounting services and general operating expenses.

The LFC recommendation fully funds the agency request for the Health Benefits Administration Program, recognizing the authority of the board to set premiums to ensure the solvency of the program. For Program Support, the LFC recommendation supports the agency request to reduce the FTE count by 1 and enter into a shared service agreement with the State Personnel Office to provide human resources services. Recognizing the transition to a shared service agreement, the LFC recommendation reduces the funding for personnel by \$25 thousand from the FY20 request.

Trends. The federal Centers for Medicare and Medicaid Services anticipate healthcare spending to increase 5.5 percent per year until 2026. While the growth rate is lower than the 7.3 percent observed between 1990 and 2007, it is higher than the post-recession average of 4.2 percent experienced between 2008 and 2016. RHCA's FY20 request anticipated medical trend at around 5.1 percent, roughly in line with expectation.

In 2008, medical and pharmacy benefit costs totaled \$165 million, or \$3,900 on a per-member basis. In FY18, they total \$287 million, \$5,305 on a per member basis. RHCA's current actuarial projections anticipate program costs growing to \$730 million over the next 10 years representing an annual increase of approximately 12 percent per year. The actuarial assumption is based on an annual average 8 percent medical trend rate and a 3 percent to 5 percent increase in the number of Medicare-eligible retirees.

The rapid increase in medical costs has outpaced revenue collections for RHCA and the agency is anticipating deficit spending, where expenditures exceed revenues, by 2022; the agency expects to exhaust the trust fund by 2037.

Funding. In FY18, the state forwarded \$24.1 million to RHCA from withholding tax revenue and \$127 million in employer contributions while retirees paid premiums of \$168 million. This funding covered current-year benefits and included \$82 million to help address long-term liabilities. These liabilities – the cost of benefits, in today's dollars, that will be paid in future years – totaled \$5.1 billion in 2017. RHCA currently has \$633 million in assets to cover those liabilities, resulting in a funded ratio of 12 percent.

According to a report on other postemployment benefits (OPEB) from the Pew Charitable Trusts, only eight state OPEB retiree healthcare plans have funded ratios over 30 percent while 19 states have a ratio less than 1 percent. States, such as New Mexico, that provide retirees with a monthly contribution set at a flat percentage of the premium report the largest liabilities and could face the greatest fiscal challenges because their costs automatically increase with plan premium increases while appropriations are fixed. Conversely, states that provide a small cash subsidy to be applied toward the monthly premium report lower liabilities.

For FY20, the RHCA board will increase retiree premiums 8 percent and 6 percent for pre-Medicare and Medicare Supplement plans, respectively. Increasing premiums is the only way the board can increase revenue in the absence of higher contributions from working employees and the state. Pre-Medicare retirees would pay an increase of \$15 to \$19 per month. Medicare retirees would see an increase of \$12 per month for Medicare Supplement plans. Additionally, beginning January 1, retirees will begin paying 50 percent of the \$4 million total cost for basic life insurance for members who retired before 2013. By 2021, the RHCA subsidy for basic life insurance will be gone and all retirees will pay 100 percent of the cost.

To reduce costs, the board is considering changes that include reducing the maximum subsidy for pre-Medicare retirees and spouses from 64 percent to 60 percent and 36 percent to 30 percent, respectively. In addition, the board is considering a rule change that would require retirees to work five years longer, from 20 years to 25 years, to receive a full subsidy. The rule change would also implement a minimum retirement age of 55 with the exception of those retiring from a public safety occupation or on disability. While requiring a longer career to qualify for a full subsidy will improve the plan's actuarial position, the educational retirees currently have a minimum retirement age of 55 and state employee retirement requires members to meet a "rule of 85" where the sum of age and service credit must equal 85 in order to retire. RHCA should consider further increasing the minimum retirement age to further improve the funded status of the plan.

In accordance with Governmental Accounting Standards Board (GASB), RHCA attributed over \$1 billion in unfunded retiree healthcare liability to the state of New Mexico in FY17, the most recent year for which data is available.

RECOMMENDED LANGUAGE:

Any unexpended balance in program support of the retiree health care authority remaining at the end of fiscal year 2020 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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	349,980.4	335,540.3	359,308.7	359,283.7	7.1
SOURCES TOTAL	349,980.4	335,540.3	359,308.7	359,283.7	7.1
USES					
Contractual Services	320,403.6	332,450.7	356,100.7	356,100.7	7.1
Other	39.4	42.0	42.0	42.0	0.0
Other Financing Uses	2,936.8	3,047.6	3,166.0	3,141.0	3.1
TOTAL USES	323,379.8	335,540.3	359,308.7	359,283.7	7.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES						
		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Minimum number of years of positive fund balance	18	19	18	18	18
Outcome	Number of years of projected balanced spending	4	5	5	5	5
Outcome	Percent of diabetics properly managed according to clinical guidelines	PENDING	PENDING	75%	75%	75%
Outcome	Emergency room visits per one thousand members	344	275	<350	<350	<300

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	2,936.8	3,047.6	3,166.0	3,141.0	3.1
SOURCES TOTAL	2,936.8	3,047.6	3,166.0	3,141.0	3.1

BUDGET SUMMARY
(dollars in thousands)

USES	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Personal Services and Employee Benefits	1,767.8	1,937.5	1,981.3	1,956.3	1.0
Contractual Services	534.0	566.3	646.6	646.6	14.2
Other	471.3	543.8	538.1	538.1	-1.0
TOTAL USES	2,773.1	3,047.6	3,166.0	3,141.0	3.1
FTE					
Permanent	27.0	27.0	26.0	26.0	-3.7
TOTAL FTE POSITIONS	27.0	27.0	26.0	26.0	-3.7

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of deposits made within twenty-four hours	100%	100%	100%	100%	100%
Outcome	Percent of payments made within thirty days	99%	100%	99%	99%	99%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18		FY20 – 2019-2020		Percent Incr (Decr)
	2017-2018 <u>Actuals</u>	2018-2019 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	13,821.2	13,667.7	15,869.9	14,473.3	5.9
Other Transfers	10,403.7	11,965.1	12,902.2	11,977.0	0.1
Other Revenues	436,506.3	458,608.4	480,145.7	475,358.7	3.7
SOURCES TOTAL	460,731.2	484,241.2	508,917.8	501,809.0	3.6
USES					
Personal Services and Employee Benefits	16,079.9	18,435.6	19,502.7	18,296.5	-0.8
Contractual Services	34,330.3	38,134.6	42,210.0	39,183.6	2.8
Other	400,715.4	415,705.9	434,303.0	432,351.9	4.0
Other Financing Uses	6,567.4	11,965.1	12,902.1	11,977.0	0.1
TOTAL USES	457,693.0	484,241.2	508,917.8	501,809.0	3.6
FTE					
Permanent	290.5	291.5	295.5	290.5	-0.3
TOTAL FTE POSITIONS	290.5	291.5	295.5	290.5	-0.3

AT A GLANCE:

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

For FY20, GSD requested a 16 percent general fund increase and a 4.8 percent increase from all other revenue sources. The Facilities Management Program accounted for virtually all of the general fund increase. The largest portion of the requested increase is attributable to a \$17.3 million, or 4.7 percent, increase in the Health Benefits Program to reflect a premium increase of 5 percent.

The LFC recommendation increases overall appropriations by \$17.5 million, or 3.6 percent, relative to the FY19 operating budget. The recommendation for the Health Benefits Program includes an additional \$16.5 million for a 5 percent increase in health insurance premiums in FY20. The Facilities Management Program would receive an increase from the general fund of \$818 thousand to offset the use of revenues outside the general fund and provide for increased maintenance activities.

BUDGET ISSUES:

In FY18, the agency transferred \$1.2 million, or 7.5 percent, of its operating budget for personnel into other areas of the budget, primarily for facility operations and maintenance. For FY19, the operating budget is \$484 million, mostly from revenue sources other than the general fund, to cover expenses for the six divisions, including \$78 million for the self-insured risk funds and \$368 million for the group health self-insurance funds. Facilities Management is the only program in GSD with a majority general fund budget.

Risk Management. The Risk Management Advisory Board recommended the risk funds maintain a minimum 50 percent reserves, calculated by dividing assets by estimated outstanding losses. The three major risk funds, with assets of \$100 million and estimated outstanding losses of \$172 million, meet this minimum requirement. In addition to liability claims, fund expenses include excess insurance, a third-party administrator for the unemployment compensation program attorneys, investigators, and other services. The program reports legal defense expenditures declined from \$12 million to \$8 million between FY12 and FY18.

The FY20 request for the Risk Managements Funds Program includes a transfer of \$8.5 million to the Risk Management Program. This transfer provides sufficient funding to provide an \$84 thousand, or 1.5 percent, increase for the Risk Management Program and a \$331 thousand, or 10.2 percent, increase for Program Support. The Risk Management Program houses the 56 FTE who oversee both the risk and health benefits insurance programs.

The recommendation for the Risk Management Funds Program is \$78.8 million, \$13.8 million more than FY18 spending. The recommendation includes a transfer of \$8 million to the Risk Management Program. The recommendation reduces personnel funding in the Risk Management Program by \$200 thousand, or 4.6 percent, and allows for a \$100 thousand, or 3.1 percent, increase for Program Support.

Employee Group Health Benefits. The group insurance premium stabilization fund continues to be adversely affected by a declining workforce and lower premium revenue. For FY18, the shortfall between revenue and expenditures was \$33.4 million; in FY17, the shortfall was \$14.4 million. To help control costs, the health benefits program will pursue plan design changes, including increasing deductibles and out of pocket maximums. These changes were effective in January 2018. In cooperation with the Interagency Benefits Advisory Committee (IBAC), GSD is studying cost drivers, such as hospital-based care and specialty drug costs and utilization, and the potential impact to the state's delivery system if patients are steered to providers and hospitals with lower costs and better outcomes. However, despite successfully procuring health benefits as a group, the IBAC agencies, Retiree Health Care Authority, Public School Insurance Authority, and GSD, continue to administer their programs separately, which increases costs for the state.

Over the last 10 years, GSD increased premiums by 32 percent. During the recession, FY09-FY13, GSD held premiums flat and drew down fund balances to offset losses. Beginning in FY10, GSD made small increases in co-pays, deductibles, and out-of-pocket maximums, and minimal plan changes, when compared with other group coverage. For FY20, GSD proposed a 5 percent premium increase, which will be coupled with plan design changes to keep a sufficient fund balance. The LFC recommendation provides funding in agency budgets for a 5 percent employer premium increase.

Facilities Management. The Facilities Management Program (FMD) oversees occupancy of state-owned buildings, controls all private leases, except for the State Land Office, and manages capital projects for most state agencies. At fiscal-year-end, \$43.4 million out of \$81.4 million in appropriations was outstanding for capital projects under FMD. All projects received their authorization in 2016 or earlier. Of the total amount appropriated for capital projects in 2015 and 2016, \$7.5 million was for immediate statewide needs and \$5.7 million was still unspent. In September 2018, GSD submitted an infrastructure capital improvement plan that included \$280 million for deferred maintenance and renewals based on 2016 facility condition assessments. This included \$10.6 million for immediate needs, of which \$5.5 million was for emergencies and fire protection. The request also included \$4.4 million for properties identified for demolition in Los Lunas, Las Vegas, Fort Stanton, Tatum, Aztec, and Shiprock.

In addition to managing capital projects, FMD is responsible for 6.8 million square feet (SF) of state office space in 800 buildings statewide. As of August 2018, GSD reports 330 office leases totaling 2.4 million SF and costing \$47 million per year, 16 storage leases totaling 28.5 thousand SF and costing \$591.3 thousand per year, and 50 special use leases totaling 198 thousand SF and costing \$1.7 million per year. Although some improvements have been made, the number of leases continues to increase even as state employment shrinks and GSD leased SF per FTE remains significantly higher than the 215 SF target set by the agency.

For FY20, FMD requested a 17.3 percent increase from the general fund to reduce the vacancy rate, address higher utility and operational costs, provide for additional facility maintenance, and pay for security appraisal and surveying contracts. Additionally, the request discontinues use of \$692.8 thousand from the property control reserve fund to pay property insurance as the current balance is not sufficient to cover the transfer amount. The requested increases are partially offset by savings of \$488 thousand for property insurance.

The LFC recommendation increases general fund revenue by \$818 thousand, or 6.5 percent, to pay for increases in utility costs, provide for additional facility maintenance, and discontinue use of the property control reserve fund. In FY18, FMD transferred \$757 thousand from the personal services and employee benefits category to pay for other operational costs. The LFC recommendation does not include additional funding for personnel because the general fund increase for operational costs will eliminate the need for transfers out of the personnel budget.

Procurement Services. The program's core function is purchasing goods and services for executive agencies using competitive bidding processes and administering the Procurement Code. This year, the program completed rule-making on electronic signatures and implemented a procurement tracking system that is credited for reducing the lead time for state procurements from 240 days to 116 days.

While the agency reports increased efficiency in processing state procurements, significant issues remain. Noncompetitive procurement is overused, resulting in the potential for higher costs to state agencies. Sole source contracts, emergency procurements, contract amendments, Procurement Code exemptions, small purchase abuse, and receiving services without a valid contract in place are all examples of noncompetitive procurement. Additionally, the use of price lists for purchasing a wide variety of goods and services may result in agencies overpaying for goods and services. Because the prices in the agreements are established for an extended period of time and GSD requires agencies to use existing agreements, agencies do not have the opportunity to pursue competition and potentially more cost-effective vendors.

In recent years, the appropriation from the general fund has decreased by half and the appropriation from fees from contracts based on sales in New Mexico has increased. For FY18, the program collected \$1.7 million in fee-based sales and other charges. For FY20, the agency requested an increase of \$1,600 from the FY19 operating budget.

The LFC recommendation fully funds the agency request for operational costs but holds the transfer to Program Support flat, resulting in a \$11.1 thousand reduction from the FY19 operating budget.

Transportation Services. The program, responsible for the state's motor pool, federal and state surplus property, and air transportation, notes it has only had funds to purchase new vehicles in three of the past eight years and was unable to increase rates charged for use of state vehicles. However, quarterly performance reporting shows only 61 percent of vehicles are being driven 750 miles per month or more, significantly below the target of 80 percent. The Transportation Services Program has 1,914 vehicles in its fleet with 493 vehicles over 100 thousand miles.

For FY20, the agency requested an increase of \$120.6 thousand, or 1.4 percent, \$61.4 thousand of which was to be transferred to Program Support. The LFC recommends a flat general fund appropriation but fully funds the request for operational expenses. The recommendation does not include additional revenue for Program Support.

State Printing and Graphic Services. The program provides centralized printing and graphic design services on a cost recovery basis to governmental agencies and nonprofit entities. The program collected \$174 thousand more in revenue than it expended for operations in FY18, due to a 36 percent increase in sales compared with FY16, which also included a 30-day legislative session. The program achieved these results with only 7 FTE. With the implementation of a new digital storefront in FY18, the program expects to be able to continue to grow the business without an increase in FTE due to automation. For FY20, the program aligned its appropriation request with projected revenue of \$1.75 million.

The LFC recommendation supports the request for operational expenses. The LFC recommendation did not include an additional amount to be transferred to Program Support.

Program Support. Program Support includes the Office of the Secretary and supports financial, human resource functions, and IT systems for the agency, with 36.5 FTE at a cost of \$3.5 million in FY18. The program is funded by transfers from other programs within GSD with the largest amount, \$2.9 million in FY18, coming from the Risk Management Program. The agency requested an increase of \$522 thousand, or 13.5 percent, for FY20. The increase would allow the agency to fill five vacant exempt positions, including a deputy director and assistant general counsel.

The LFC recommendation maintains a flat budget for the contractual services and other costs categories but includes an additional \$100 thousand to reduce the vacancy rate.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the general services department remaining at the end of fiscal year 2020 shall revert to the procurement services, state printing services, risk management, facilities management and transportation services programs based on the proportion of each individual program's assessment for program support.

Any unexpended balances in the risk management program of the general services department remaining at the end of fiscal year 2020 shall revert to the public liability fund, public property fund, workers' compensation retention fund, state unemployment compensation fund, local public body unemployment compensation fund and group self-insurance fund based on the proportion of each individual fund's assessment for risk management division operations.

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)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	360,869.2	368,563.9	385,897.0	385,147.0	4.5
SOURCES TOTAL	360,869.2	368,563.9	385,897.0	385,147.0	4.5
USES					
Contractual Services	17,537.5	19,089.6	20,897.0	20,147.0	5.5
Other	342,436.7	348,800.0	365,000.0	365,000.0	4.6
Other Financing Uses	895.0	674.3	0.0	0.0	-100.0
TOTAL USES	360,869.2	368,563.9	385,897.0	385,147.0	4.5
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of state group prescriptions filled with generic drugs	87%	89%	90%	80%	90%
* Efficiency	Percent change in state employee medical premium	1%	4%	4%	4%	4%
* Outcome	Percent change in the average per-member total healthcare cost	5.4%	2%	<7%	≤5%	≤5%
Explanatory	Number of visits to the stay well health center	NEW	NEW			
Outcome	Percent increase in number of members who designate the stay well health center as their primary care provider	NEW	NEW	≥3%	≥3%	≥3%
Explanatory	Number of emergency department visits per one thousand members	NEW	NEW			
Explanatory	Percent of diabetics managed according to clinical guidelines	NEW	NEW			

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)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Transfers	6,864.3	8,090.1	8,505.6	8,002.0	-1.1
SOURCES TOTAL	6,864.3	8,090.1	8,505.6	8,002.0	-1.1
USES					
Personal Services and Employee Benefits	3,591.6	4,349.0	4,421.5	4,149.0	-4.6
Contractual Services	57.6	150.0	150.0	150.0	0.0
Other	327.1	339.6	351.5	351.5	3.5
Other Financing Uses	2,888.0	3,251.5	3,582.6	3,351.5	3.1
TOTAL USES	6,864.3	8,090.1	8,505.6	8,002.0	-1.1
FTE					
Permanent	55.0	56.0	56.0	56.0	0.0
TOTAL FTE POSITIONS	55.0	56.0	56.0	56.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of agencies with a passing score on their loss control audits	NEW	NEW	NEW	50%	50%
Output	Percent increase in the number of alternative dispute resolution bureau training and outreach events held with the top twenty loss-producing agencies	46%	46%	10%	10%	25%
Explanatory	Percent of public liability claim settlements over one hundred thousand dollars	NEW	NEW			

RISK MANAGEMENT FUNDSBUDGET SUMMARY
(dollars in thousands)

		<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	Other Revenues	65,011.8	78,038.4	82,779.3	78,777.4	0.9
	SOURCES TOTAL	65,011.8	78,038.4	82,779.3	78,777.4	0.9
USES						
	Contractual Services	15,934.4	18,057.4	20,041.7	18,118.2	0.3
	Other	44,887.1	52,565.2	54,232.0	52,657.2	0.2
	Other Financing Uses	2,033.8	7,415.8	8,505.6	8,002.0	7.9
	TOTAL USES	62,855.3	78,038.4	82,779.3	78,777.4	0.9
FTE						
	TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Explanatory	Projected financial position of the public property fund	468%	697%			
* Explanatory	Projected financial position of the workers' compensation fund	43%	54%			
* Explanatory	Projected financial position of the public liability fund	46%	51%			

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>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES						
	Other Revenues	1,586.6	1,673.5	1,750.0	1,733.7	3.6
	SOURCES TOTAL	1,586.6	1,673.5	1,750.0	1,733.7	3.6
USES						
	Personal Services and Employee Benefits	477.3	514.1	531.6	531.6	3.4
	Contractual Services	21.6	100.0	25.0	25.0	-75.0
	Other	1,045.5	1,004.3	1,122.0	1,122.0	11.7
	Other Financing Uses	42.2	55.1	71.4	55.1	0.0
	TOTAL USES	1,586.6	1,673.5	1,750.0	1,733.7	3.6
FTE						
	Permanent	10.0	10.0	9.0	9.0	-10.0
	TOTAL FTE POSITIONS	10.0	10.0	9.0	9.0	-10.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Revenue generated per employee compared with the previous thirty- or sixty-day legislative session	\$236,072	\$246,430	\$180,000	\$180,000	\$200,000
Outcome	Sales growth in state printing revenue compared with the previous thirty- or sixty-day legislative session	26%	36%	10%	15%	25%
Output	Percent of printing jobs delivered on time	99.0%	100%	98%	98%	99%
Outcome	Average number of business days to provide a quote to the customer	1.7	1.4	2.0	≤2.0	≤2.0
* Output	Percent of state printing revenue exceeding expenditures	NEW	NEW	NEW	2%	5%

FACILITIES MANAGEMENT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	12,589.0	12,513.0	14,672.6	13,331.3	6.5
Other Revenues	692.8	692.8	0.0	0.0	-100.0
SOURCES TOTAL	13,281.8	13,205.8	14,672.6	13,331.3	1.0
USES					
Personal Services and Employee Benefits	5,916.2	6,766.6	7,442.1	6,766.6	0.0
Contractual Services	497.2	270.8	502.5	270.8	0.0
Other	5,912.6	5,968.4	6,428.0	6,093.9	2.1
Other Financing Uses	199.6	200.0	300.0	200.0	0.0
TOTAL USES	12,525.6	13,205.8	14,672.6	13,331.3	1.0
FTE					
Permanent	132.0	132.0	136.0	132.0	0.0
TOTAL FTE POSITIONS	132.0	132.0	136.0	132.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Efficiency	Percent of capital projects completed on schedule	95%	97%	95%	95%	97%
Output	Percent of scheduled preventive maintenance requirements completed on time	97%	92%	95%	90%	95%
* Outcome	Percent of new office space leases achieving adopted space standards	19%	64.3%	25%	75%	85%
Explanatory	Difference between state funding awarded and expended on completed capital projects	NEW	NEW			
Outcome	Percent cost-over-bid amount for construction projects	NEW	NEW	NEW	NEW	<3%
Explanatory	Percent of agencies with space use agreements meeting standards for square foot per employee	NEW	NEW			
* Efficiency	Square footage per employee, state-owned office facilities	NEW	NEW	NEW	TBD	215
* Efficiency	Square footage per employee, leased office facilities	NEW	NEW	NEW	TBD	215

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	548.6	528.4	571.0	528.4	0.0
Other Revenues	7,026.4	8,211.6	8,289.6	8,270.8	0.7
SOURCES TOTAL	7,575.0	8,740.0	8,860.6	8,799.2	0.7
USES					
Personal Services and Employee Benefits	2,090.3	2,335.9	2,324.7	2,324.7	-0.5
Contractual Services	69.8	190.7	196.5	196.5	3.0
Other	4,862.2	5,915.9	5,980.5	5,980.5	1.1
Other Financing Uses	427.2	297.5	358.9	297.5	0.0
TOTAL USES	7,449.5	8,740.0	8,860.6	8,799.2	0.7
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	33.0	33.0	33.0	33.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Efficiency	Average vehicle operation costs per mile	\$0.47	\$0.46	<\$0.59	<\$0.59	<\$0.59
* Outcome	Percent of leased vehicles that are used seven hundred fifty miles per month or are used daily	51%	61%	60%	60%	75%
Output	Percent of short-term vehicle use	NEW	70%	80%	70%	70%

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	683.6	626.3	626.3	613.6	-2.0
Other Revenues	1,319.5	1,428.2	1,429.8	1,429.8	0.1
SOURCES TOTAL	2,003.1	2,054.5	2,056.1	2,043.4	-0.5
USES					
Personal Services and Employee Benefits	1,725.4	1,737.9	1,692.5	1,692.5	-2.6
Contractual Services	6.3	34.0	34.0	34.0	0.0
Other	189.8	211.7	246.0	246.0	16.2
Other Financing Uses	81.6	70.9	83.6	70.9	0.0
TOTAL USES	2,003.1	2,054.5	2,056.1	2,043.4	-0.5
FTE					
Permanent	24.0	24.0	24.0	24.0	0.0
TOTAL FTE POSITIONS	24.0	24.0	24.0	24.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Percent increase in best value procurements, as compared with the previous fiscal year	22%	23%	20%	20%	20%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of executive branch agencies with certified procurement officers	96%	97%	98%	95%	95%
Outcome	Percent of procurement code violators receiving procurement code training	68%	92%	90%	90%	90%
Output	Cost avoidance due to negotiated savings for construction procurements	NEW	\$458,981	\$300,000	\$300,000	\$400,000

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Transfers	3,539.4	3,875.0	4,396.6	3,975.0	2.6
	SOURCES TOTAL	3,539.4	3,875.0	4,396.6	3,975.0	2.6
USES						
	Personal Services and Employee Benefits	2,279.1	2,732.1	3,090.3	2,832.1	3.7
	Contractual Services	205.9	242.1	363.3	242.1	0.0
	Other	1,054.4	900.8	943.0	900.8	0.0
	TOTAL USES	3,539.4	3,875.0	4,396.6	3,975.0	2.6
FTE						
	Permanent	36.5	36.5	37.5	36.5	0.0
	TOTAL FTE POSITIONS	36.5	36.5	37.5	36.5	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of audit findings resolved from prior fiscal year, excluding findings related to fund solvency	67%	TBD	90%	90%	90%

STATUTORY AUTHORITY:

The Educational Retirement Board (ERB) is responsible for administration of the Educational Retirement Act, Sections 22-11- 1 through 22-11-52 NMSA 1978. The board manages the retirement program for employees of public schools, public institutions of higher learning, and select state agencies. The agency is governed by a seven-member board composed of the secretary of public education and state treasurer (both ex officio), one member elected by the New Mexico members of the American Association of Educational Retirees, one member elected by the members of the National Education Association of New Mexico, one member elected by the New Mexico members of the American Association of University Professors, and two members appointed by the governor; one of which has been vacant since 2015.

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	26,844.1	31,569.3	31,691.0	31,691.0	0.4
SOURCES TOTAL	26,844.1	31,569.3	31,691.0	31,691.0	0.4
USES					
Personal Services and Employee Benefits	5,705.5	5,966.9	7,092.7	7,092.7	18.9
Contractual Services	20,095.8	24,497.0	23,327.4	23,327.4	-4.8
Other	1,042.8	1,105.4	1,270.9	1,270.9	15.0
TOTAL USES	26,844.1	31,569.3	31,691.0	31,691.0	0.4
FTE					
Permanent	68.0	70.0	76.0	76.0	8.6
Term	0.0	2.0	0.0	0.0	-100.0
Temporary	0.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	68.0	74.0	78.0	78.0	5.4

AT A GLANCE:

ERB, which is funded through employee and employer contributions and does not draw revenue from the general fund, has taken several steps to reduce costs, including moving more investment activities in-house. While its personnel costs have increased, those increases have been offset by reductions in contracts related to external investment managers. The agency base request for FY20 was a 1.3 percent decrease from FY19, but with an expansion request for additional personnel, the total request is a 0.4 percent increase over the current fiscal year. The recommendation supports the base and expansion requests.

BUDGET ISSUES:

For FY18, the ERB fund returned 8.3 percent, outperforming the long-term return target of 7.25 percent and finishing the year with a balance of \$12.9 billion, an increase of approximately \$500 million over the prior year. The ERB fund paid out \$1 billion in benefits to 47 thousand beneficiaries last year. ERB's investment returns have met the agency's targets for the one-, three-, and five-year benchmarks but failed to meet the 10-year benchmark, which includes the recession years.

ERB reports an unfunded actuarially accrued liability — the difference between assets available to pay benefits and estimated benefit cost — over \$7.4 billion. ERB estimates paying off the UAAL will take 61 years. The fund has assets sufficient to cover the 62.9 percent of the cost of future benefits. New Mexico's large pension liabilities were a significant factor in the state's recent credit downgrade.

ERB's FY20 base request of \$31.7 million was a decrease of \$405 thousand, or 1.3 percent, from the FY19 operating budget. The request reduced the budget for contractual services by \$1.2 million with the majority of the savings coming from a reduction in external investment manager fees. The request included a \$527 thousand expansion, which brings the total request to a \$121.7 thousand, or 0.4 percent, increase.

Personnel expenditures in FY18 were significantly higher than the budgeted amount, resulting in ERB executing a budget adjustment to increase the category by \$261 thousand to fill vacant positions. In FY19, the agency executed another budget adjustment for over \$300 thousand to ensure adequate funding to pay investment staff through the close of the fiscal year. The request increased the base funding by \$598 thousand, or 10 percent, and a \$527 thousand expansion. The increase in personnel was entirely offset by a reduction in contracts related to external investment managers. ERB intends to reduce fees by moving more investment operations in-house, creating a savings of \$1.2 million. The LFC recommendation fully funds the agency request.

Asset Management. In March 2018, ERB reclassified investment staff from classified positions to exempt positions and provided salary increases to investment staff to better align their pay with outside competitors. The conversion of investment staff to exempt positions, providing salary increases, and performing more investment activities in-house are strategies employed by the Public Employees Retirement Association and the State Investment Council.

ERB has consistently met investment return targets over the past five years, with FY18 returns of 8.3 percent and FY17 returns of 12 percent. When compared with peer funds greater than \$1 billion on a net-of-fees basis, the ERB fund performed in the highest quartile for the three- and 10-year periods. ERB reduced management fees from 70 basis points (bps) in FY14 to 51 in FY18. This is similar to fees paid by the Public Employees Retirement Association (PERA) but significantly less than the national average of 64.6.

Sustainability. In response to the Great Recession of 2009-2010, pension solvency legislation was passed in 2013. The legislation increased employee contributions, created penalties for early retirement, and delayed cost-of-living-adjustment (COLA) eligibility. At the time of passage, ERB estimated the changes would increase the funded ratio — or fund assets divided by fund liabilities — of the plan to 101 percent by 2043. Current actuarial projections show the plan achieving a funded ratio of 63 percent by 2043. In 2012, the board adopted a policy calling for full funding by 2042.

During stakeholder meetings held over the summer and fall of 2018, the board discussed implementing a tiered pension multiplier to reduce the benefit calculation at the beginning of a career and gradually increasing it as employees become more tenured, suspending the COLA, increasing the employer contribution, restricting return to work provisions, and other measures. The board intends to present a pension solvency proposal to the Legislature during the 2019 session.

Although the fund is currently sustainable, the low funded status means it is particularly vulnerable to changes in investment returns. Because the funded status is based on an assumed rate of return of 7.25 percent, a moderate to severe recession would likely cause ERB to miss those return targets significantly, reducing the funded status of the plan.

BASE EXPANSION:

ERB is requesting 8 expansion FTE: one investment associate, one accountant/auditor, one IT administrator, three member services staff, and two investment interns. The additional investment staff would allow the agency to perform due diligence and contract compliance and oversight functions. The accountant/auditor position would be responsible for agency purchasing and requisitions. The IT administrator would be responsible for providing network security. The three member services positions include a payroll specialist, a refund specialist, and a first point of contact. These three positions would allow ERB to be more responsive and provide timely benefit information to ERB's 153 thousand active and retired members. The two intern positions are for the Investment Division and would help ERB improve training and recruitment for investment staff. The LFC recommendation supports this request.

The requested expansion brings ERB's staffing level closer to that of the Public Employees Retirement Association, which has 84 FTE.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Accounting Department Auditor- 1 FTE	(P635)	55.8	55.8
2	IT Systems Administrator- 1 FTE	(P635)	103.2	103.2
3	Refunds Department Auditor- 1 FTE	(P635)	51.5	51.5
4	Payroll Department Auditor- 1 FTE	(P635)	55.8	55.8
5	Portfolio Manager- 1 FTE	(P635)	155.8	155.8
6	Investments Intern- 1 Temp FTE	(P635)	26.7	26.7
7	Investments Intern- 1 Temp FTE	(P635)	26.7	26.7
8	Customer Support- 1 FTE	(P635)	51.5	51.5
TOTAL			527.0	527.0

EDUCATIONAL RETIREMENT

The purpose of the educational retirement program is to provide secure retirement benefits to active and retired members so they can have secure monthly benefits when their careers are finished.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Average rate of net return over a cumulative five-year period	8.70%	8.10%	7.25%	7.25%	7.25%
Outcome	Percent of member attendees satisfied with seminars and trainings	95%	95%	95%	95%	95%
* Outcome	Funding period of unfunded actuarial accrued liability, in years	45	61	≤30	≤30	≤30
Outcome	Ten-year performance ranking in a national peer survey of public plans	27%	21%	<50%	<50%	<50%

STATUTORY AUTHORITY:

The New Mexico Sentencing Commission was created in 1994 under Section 9-3-10 NMSA 1978 as the Criminal and Juvenile Justice Coordinating Council. A law passed in 2003 changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 1978 created a Sex Offender Management Board within the commission. The commission 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 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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	499.6	499.6	650.0	549.6	10.0
Other Transfers	52.0	52.0	52.0	52.0	0.0
SOURCES TOTAL	551.6	551.6	702.0	601.6	9.1
USES					
Contractual Services	541.7	547.6	698.5	598.1	9.2
Other	3.2	4.0	3.5	3.5	-12.5
TOTAL USES	544.9	551.6	702.0	601.6	9.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

AT A GLANCE:

The New Mexico Sentencing Commission (NMSC) provides timely research and information on important criminal and juvenile justice system issues. The commission does not have FTE but, instead, contracts with the University of New Mexico (UNM) for fiscal services, paying a 9 percent fee for administrative costs; commission staff are employees of UNM. The agency supplements personnel with undergraduate-, graduate-, and doctoral-level researchers to complete research projects. Currently, the commission has a director, a deputy director, a business manager, and one research scientist.

To date in FY19, NMSC has published one report; it published four in FY18. The commission produces a prison population study and a study on inmates serving parole inside prison on an annual basis, while studies of juvenile justice, judicial branch, state police, and recidivism rates are performed as needed or by request.

More intensive focus on criminal justice topics by the Legislature, executive, and outside groups increased demand for the commission to analyze and produce data while appropriations to NMSC have fallen, straining staff resources. General fund appropriations to the commission have fallen \$78.6 thousand, or 14 percent, over the last five years.

The commission requested a flat base budget compared with FY19 but requested an expansion of \$150 thousand to support salaries of two additional researchers to increase analytical capacity, keep data more up-to-date, and allow the agency to complete more reports. The committee recommendation supports the flat base budget and includes \$50 thousand to support ongoing data collection and timeliness but does not support the expansion request. The commission requested continuation of nonreverting language for general fund appropriations to avoid audit findings and allow timely payments to their fiscal agent, UNM. The committee does not support nonreverting language.

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency Rank		(Program) (P636)	Agency Request	LFC Recom- mendation
<u>1</u>	<u>Data analysis capacity expansion - 2 FTE</u>		<u>150.4</u>	<u>0.0</u>
TOTAL			150.4	0.0

NEW MEXICO SENTENCING COMMISSION

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

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
Output	Percent of criminal justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
Output	Number of research projects completed	13	15	15	15	15

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,260.0	3,263.0	3,263.0	3,263.0	0.0
SOURCES TOTAL	3,260.0	3,263.0	3,263.0	3,263.0	0.0
USES					
Personal Services and Employee Benefits	2,376.9	2,816.4	2,842.9	2,842.9	0.9
Contractual Services	95.4	86.1	59.6	59.6	-30.8
Other	476.0	360.5	360.5	360.5	0.0
TOTAL USES	2,948.3	3,263.0	3,263.0	3,263.0	0.0
FTE					
Permanent	27.0	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	27.0	27.0	27.0	27.0	0.0

AT A GLANCE:

The office requested a flat general fund budget for FY20. The committee supports the request but recognizes it is likely to change when a new governor takes office in 2019.

BUDGET ISSUES:

For FY20, the office's general fund request was flat with the FY19 operating budget. The request proposed decreases from the FY19 operating budget for contractual services of \$26.5 thousand and corresponding increases to the personal services and employee benefits category.

The request included funding for all vacant positions. The office had an average annual vacancy rate of 13.6 percent for FY18; however, a lower vacancy rate can be expected at the beginning of a new administration. The LFC recommendation supports the request.

The request proposed a decrease from the FY19 operating budget for attorney services for Indian gaming negotiations and other issues from \$55 thousand to \$30 thousand. The recommendation supports this request, which is in line with FY18 actual expenses of \$30.3 thousand.

It should be noted that the budget for National Governors' Association dues is included in the Department of Finance and Administration's FY20 request under 'special appropriations.' In the past, these dues were inadvertently paid out of the Office of the Governor.

For FY18, the office achieved all performance measure targets, including the number of business days to post public meetings recorded by the office on its website and the percentage of constituent service cases closed within 30 days of initial receipt.

Governor's Contingency Fund. Laws 2018, Chapter 27, (Senate Bill 52) eliminated language in the Per Diem and Mileage Act that exempted the governor's expenses for "contingent and other expenditures" from some provisions of the act and created a formal governor's contingency fund. Previously, funds appropriated to the office for miscellaneous other expenses were considered "contingent and other expenditures" and were kept in a separate bank account, sometimes colloquially referred to as a "contingency fund" despite simply being an expense in the budget. The new fund is actually a separate fund, subject to the Audit Act, the Inspection of Public Records Act, and the Procurement Code. Additionally, the office must provide detailed monthly reports on the fund's expenditures to DFA and LFC. The bill takes effect on January 1, 2019. The recommendation includes language appropriating \$72 thousand requested for the governor's contingency fund.

For the third year, the office in FY17 received a repeat audit finding for not reverting unspent balances in the separate bank account kept for its "contingent and other expenditures" on time. The office believed it was not required to revert the money in this separate account annually but rather at the end of a governor's final term. The provisions of the 2018 law ensure that funds in the newly created governor's contingency fund are reverted annually; however, because these requirements only apply to uncommitted funds, the office can easily avoid these constraints by obligating all funds prior to the end of the fiscal year.

Veto Override. In April, the New Mexico Supreme Court invalidated the governor's vetoes on 10 bills from the 2017 session because she did not sufficiently explain the vetoes. The court ruled the state constitution requires the governor provide reasoning behind vetoes issued before the last three days of the legislative session. This is a significant precedent for future administrations.

RECOMMENDED LANGUAGE:

The general fund appropriation to the office of the governor in the other category includes seventy-two thousand dollars (\$72,000) for the governor's contingency fund.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of constituent service cases closed within thirty days of initial receipt	90%	92%	90%	90%	90%
Output	Number of business days to process extraditions	NEW	14	10	10	10
Output	Number of business days to post videos of public meetings recorded by the governor's office on www.governor.state.nm.us	NEW	NEW	2	2	2
Output	Number of business days to acknowledge receipt and determine eligibility for consideration of pardon request	NEW	10	10	10	10
Output	Number of business days to post executive orders to the governor's website after being signed by the governor and secretary of state	NEW	1	1	1	1

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)						
FY20 – 2019-2020						
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	513.5	513.5	513.5	513.5	0.0	
SOURCES TOTAL	513.5	513.5	513.5	513.5	0.0	
USES						
Personal Services and Employee Benefits	401.9	450.1	450.1	450.3	0.0	
Contractual Services	10.7	12.8	12.8	12.8	0.0	
Other	65.9	50.6	50.6	50.4	-0.4	
TOTAL USES	478.5	513.5	513.5	513.5	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:

For FY20, the request was flat with the FY19 operating budget of \$513.5 thousand, \$35 thousand higher than the office's actual FY18 expenditures. The committee supports the request but recommends a \$200 increase in the personal services and employee benefits category and a \$200 decrease in the other category to correct a data system error.

BUDGET ISSUES:

The request included funding for three filled positions and two vacant positions (including a legal counsel position vacant since 2015). The filled positions included the lieutenant governor, chief of staff, and one legislative liaison. Due to the small size of the office and the likelihood the incoming administration will want to fill all positions, the recommendation supports funding both vacancies.

For FY18, the office achieved all performance measure targets for constituent service files closed, days in session and presided over, public forums held, and boards and commissions attended.

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						
		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of constituent service files closed within thirty days	90%	87%	85%	85%	85%
Output	Number of constituent service mobile office days or town hall meetings and economic forums held	NEW	4	4	4	4
Output	On boards and commissions the lieutenant governor sits, percent of meetings held and attended in Santa Fe	NEW	90%	90%	90%	90%
Output	Percent of days in session and presided over	100%	100%	90%	90%	90%

STATUTORY AUTHORITY:

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

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

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY20 – 2019-2020</u>				
	<u>FY18</u>	<u>FY19</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2017-2018</u>	<u>2018-2019</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	845.1	853.2	853.2	853.2	0.0
Other Transfers	9,769.7	12,503.2	11,914.8	11,914.8	-4.7
Federal Revenues	377.2	0.0	310.0	310.0	
Other Revenues	60,293.4	62,371.0	61,983.3	61,983.3	-0.6
Fund Balance	6,600.0	0.0	0.0	0.0	
SOURCES TOTAL	77,885.4	75,727.4	75,061.3	75,061.3	-0.9
USES					
Personal Services and Employee Benefits	14,334.4	18,355.2	18,214.0	18,214.0	-0.8
Contractual Services	19,199.1	12,507.0	14,285.7	14,285.7	14.2
Other	23,855.2	32,362.0	30,646.8	30,646.8	-5.3
Other Financing Uses	9,769.7	12,503.2	11,914.8	11,914.8	-4.7
TOTAL USES	67,158.4	75,727.4	75,061.3	75,061.3	-0.9
FTE					
Permanent	203.0	203.0	203.0	203.0	0.0
Term	3.0	1.0	2.0	2.0	100.0
TOTAL FTE POSITIONS	206.0	204.0	205.0	205.0	0.5

AT A GLANCE:

The department's base budget request was \$75 million in all funds, 1 percent below the FY19 operating budget. Despite a 25 percent funded vacancy rate, DoIT requested full funding for the personal services and employee benefits category. The base request for general fund revenue, \$853.2 thousand, was flat with the FY19 operating budget. The recommendation supports the transfer of 12 FTE from the Compliance and Project Management Program (CPM) to the Enterprise Services Program. DoIT submitted an equipment replacement plan for FY20, that reflects its \$7 million request for equipment replacement funds. The request is 12.9 percent above FY18 expenditure levels to account for increased costs in the contractual services category for maintenance and support of SHARE, the state human resources and financial management system. While the LFC recommendation supports the agency request for the equipment replacement fund, concerns remain with the continued high fund balances in the enterprise equipment replacement fund. DoIT projected a \$37 million ending balance in the enterprise ERF for FY19, while a three-year average of projected expenditures is less than \$5 million.

BUDGET ISSUES:

Enterprise Services. In July 2018, the state's IT rate committee approved DoIT-proposed new service rates for information technology and telecommunications to take effect July 1, 2019. The FY20 approved rates are nearly flat with FY19, except for radio service rates, which are decreasing on average about 15 percent. DoIT's FY20 SHARE subscription fee of \$415 per FTE represents a 7.8 percent increase over the FY19 fee of \$385 per FTE. Concerns remain regarding DoIT's rate-setting process because it is not always documented, and the department is at risk of having a single point of failure because of its historical reliance on one individual for cost allocation and rate modeling.

For FY20, DoIT estimates \$62 million in enterprise service revenues will be generated for data processing, central telephone, and other services provided to state agencies. This represents a 2.8 percent increase over FY18 actual revenues and less than 1 percent decrease from FY19 operating budget.

In FY18, DoIT successfully completed the upgrade of the SHARE software, including the human capital management and the financials modules at a cost of \$19.8 million. During the first quarter of FY19, DoIT implemented the SHARE recruiting module, an integrated human resources solution, to reduce redundancies in the hiring process for a total cost of \$1.9 million. DoIT has yet to develop a detailed project plan or estimated cost for replacing or continuing to upgrade SHARE, in addition to providing a roadmap and schedule for the remaining SHARE modules the state owns.

Equipment Replacement Funds. For FY20, DoIT requested almost \$7 million in expenditures for the equipment replacement funds (ERF), \$3.9 million for Enterprise Services ERF and \$3 million for SHARE ERF. The request is 67 percent lower than FY18 actual expenditures in the contractual services category. However, in FY17 and FY18, DoIT used its budget adjustment request (BAR) authority to increase the SHARE ERF by \$8.4 million and \$7 million, respectively, to increase the contractual services category to complete the SHARE upgrade and continue system enhancements. The agency request for SHARE ERF includes \$2.3 million for maintenance and support costs. Maintenance and support, which includes enhancement costs, are generally included in the agencies operating budgets as a recurring cost. Also in FY18, using BAR authority, DoIT increased the SHARE operating budget by \$1 million from excess revenues generated from SHARE subscription fees for SHARE operations. ERFs were established to provide the department with a funding mechanism for replacing IT infrastructure in the state, funded by allocating depreciation costs into the rates it charges agencies. The department administers the equipment replacement revolving funds, funded through internal transfers, which it uses to replace or upgrade equipment and software. DoIT submitted an annual equipment replacement plan for FY20 that included items such as upgrading the statewide telephone system and expanding SHARE functionality. The plans set priorities for IT expenditures and provide accountability and transparency for DoIT's IT investments. By law, the equipment replacement funds must be spent according to equipment replacement plans.

Compliance and Project Management. DoIT's Compliance and Project Management Program provides guidance and oversight to state agencies and provides support to the Project Certification Committee, the entity responsible for reviewing and approving phased funding for agency IT projects. In FY17, DoIT established the Office of the Chief Information Officer (OCIO) to reorganize the program to improve strategic planning and oversight of all IT investments and security. While the FY19 operating budget included the transfer of 20 FTE from Enterprise Services to support the reorganization, DoIT is no longer including security in the reorganization of the program; for FY20 DoIT transfers 12 FTE from Compliance and Project Management back to Enterprise Services. The LFC recommendation supports the transfer and budget decrease in CPM.

Program Support. The LFC recommendation supports the agency's base budget request. In FY19, the agency transferred 4 FTE from Enterprise Services to align billing activities with the program's mission. Although the FY17 financial audit was completed on time, there were two findings: a significant deficiency for excess overtime compensation, spending almost \$400 thousand for employees to be on stand-by, and a material finding for procurement noncompliance due to purchasing services from a vendor without having a proper amended price agreement, which resulted in a procurement violation.

Information Technology Commission. The Information Technology Commission (ITC), created in 2007, was terminated through statute on July 1, 2017. The ITC's statutory authority was to provide guidance and independent oversight of the state's multi-million-dollar investments and accountability and transparency for decisions for significant IT projects having a statewide impact.

Performance Reporting. DoIT's performance measures for Enterprise Services and Program Support are mostly consistent with other enterprise agencies. Although the department developed measures for Compliance and Project Management to demonstrate effectiveness of its oversight, for FY18 CPM did not meet its target for reviewing agencies IT professional services contracts within five business days. DoIT's procurement review and contract approval delays are impeding state agency project progress. Finally, DoIT created an IT project dashboard to improve transparency and quarterly reporting on the status of the state's largest and most critical IT projects. Available on DoIT's website, the dashboard provides a comprehensive view of agencies IT projects, including budget, schedule, and project risks.

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	845.1	853.2	853.2	853.2	0.0
Other Transfers	0.0	2,662.7	1,304.3	1,304.3	-51.0
SOURCES TOTAL	845.1	3,515.9	2,157.5	2,157.5	-38.6
USES					
Personal Services and Employee Benefits	693.6	2,812.9	1,643.8	1,643.8	-41.6
Contractual Services	0.0	0.0	52.5	52.5	
Other	53.4	57.4	78.1	78.1	36.1
Other Financing Uses	96.7	645.6	383.1	383.1	-40.7
TOTAL USES	843.7	3,515.9	2,157.5	2,157.5	-38.6
FTE					
Permanent	9.0	28.0	17.0	17.0	-39.3
Term	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	9.0	29.0	17.0	17.0	-41.4

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Percent of information technology professional service contracts greater than one million dollars in value reviewed within seven business days	N/A	N/A	N/A	90%	90%
* Outcome	Percent of information technology professional service contracts less than one million dollars in value reviewed within five business days	N/A	N/A	N/A	90%	90%
Outcome	Percent of information technology professional services contracts reviewed with quality feedback in five business days	N/A	69%	90%	DELETED	DELETED
Output	Number of workshops, formal training sessions, events and whitepapers delivered to agencies on IT best practices predicated on department analysis of key IT oversight areas	N/A	8	24	24	24

ENTERPRISE SERVICES

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

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	377.2	0.0	310.0	310.0	
Other Revenues	60,029.2	62,371.0	61,955.2	61,955.2	-0.7
SOURCES TOTAL	60,406.4	62,371.0	62,265.2	62,265.2	-0.2
USES					
Personal Services and Employee Benefits	11,067.3	12,198.3	13,302.1	13,302.1	9.0
Contractual Services	9,859.7	10,821.8	10,994.6	10,994.6	1.6
Other	22,101.6	27,493.3	26,436.8	26,436.8	-3.8
Other Financing Uses	9,673.0	11,857.6	11,531.7	11,531.7	-2.7
TOTAL USES	52,701.6	62,371.0	62,265.2	62,265.2	-0.2

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				Percent Incr (Decr)
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
FTE						
	Permanent	157.0	133.0	144.0	144.0	8.3
	Term	3.0	0.0	2.0	2.0	
	TOTAL FTE POSITIONS	160.0	133.0	146.0	146.0	9.8

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Percent of service desk incidents resolved within the timeframe specified for their priority level	93%	95%	95%	95%	95%
Outcome	Number of perimeter and security-logged devices reporting security metrics to the network operations center	99%	800	800	800	800
Outcome	Number of system enhancements implemented annually in financials and human capital management	NEW	97	12	12	12

EQUIPMENT REPLACEMENT FUNDBUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Transfers	6,982.7	6,184.6	6,982.7	6,982.7	12.9
	Other Revenues	241.3	0.0	0.0	0.0	
	Fund Balance	6,600.0	0.0	0.0	0.0	
	SOURCES TOTAL	13,824.0	6,184.6	6,982.7	6,982.7	12.9
USES						
	Contractual Services	9,316.6	1,663.0	3,078.0	3,078.0	85.1
	Other	1,486.6	4,521.6	3,904.7	3,904.7	-13.6
	TOTAL USES	10,803.2	6,184.6	6,982.7	6,982.7	12.9
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)

		FY20 - 2019-2020				Percent Incr (Decr)
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES						
	Other Transfers	2,787.0	3,655.9	3,627.8	3,627.8	-0.8
	Other Revenues	22.9	0.0	28.1	28.1	
	SOURCES TOTAL	2,809.9	3,655.9	3,655.9	3,655.9	0.0
USES						
	Personal Services and Employee Benefits	2,573.5	3,344.0	3,268.1	3,268.1	-2.3
	Contractual Services	22.8	22.2	160.6	160.6	623.4
	Other	213.6	289.7	227.2	227.2	-21.6
	TOTAL USES	2,809.9	3,655.9	3,655.9	3,655.9	0.0

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				Percent Incr (Decr)
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
FTE	Permanent	37.0	42.0	42.0	42.0	0.0
	TOTAL FTE POSITIONS	37.0	42.0	42.0	42.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	100%	100%	95%	95%	95%
* Explanatory	Overall results of the department's annual customer satisfaction survey					
* Outcome	Percent of enterprise services areas achieving full cost recovery	NEW	75%	90%	90%	90%

STATUTORY AUTHORITY:

The Public Employees Retirement Association (PERA) is responsible for administering the Public Employees Retirement Act (Sections 10-11-1 through 10-11-141 NMSA 1978). In addition, the PERA board is responsible for administering the Volunteer Firefighters Retirement Act (Sections 10-11A-1 through Sections 10-11A-7 NMSA 1978), Judicial Retirement Act (Sections 10-12B-1 through 10-12B-19 NMSA 1978), Magistrate Retirement Act (Sections 10-12C-1 through 10-12C-18 NMSA 1978), Retirement Reciprocity Act (Sections 10-13A-1 through 10-13A-4 NMSA 1978), Deferred Compensation Act (Sections 10-17A-1 through 10-17A-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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	90.7	77.0	77.0	-15.1
Other Revenues	36,128.6	36,298.3	36,282.7	36,268.0	-0.1
SOURCES TOTAL	36,128.6	36,389.0	36,359.7	36,345.0	-0.1
USES					
Personal Services and Employee Benefits	6,779.0	6,844.1	7,901.8	7,887.1	15.2
Contractual Services	26,492.8	28,179.1	27,069.2	27,069.2	-3.9
Other	1,274.7	1,365.8	1,388.7	1,388.7	1.7
TOTAL USES	34,546.5	36,389.0	36,359.7	36,345.0	-0.1
FTE					
Permanent	84.0	84.0	87.0	87.0	3.6
TOTAL FTE POSITIONS	84.0	84.0	87.0	87.0	3.6

AT A GLANCE:

PERA, which is funded through employee and employer contributions and does not draw revenue from the general fund, reduced expenditures by negotiating lower fees for external investment managers. Similar to the Education Retirement Board and the State Investment Council, PERA recently transitioned investment staff from classified to exempt positions and gave raises. For FY20, the agency base request was a 1.4 percent decrease from FY19, but with an expansion request for additional personnel, the total request is a 0.1 percent decrease. The recommendation supports the base and expansion requests.

BUDGET ISSUES:

The fund has grown from \$9.2 billion in 2007, after losing a quarter of its value during the worldwide market downturn, to a record high of \$15.4 billion. For FY18, the Public Employees Retirement Association (PERA) funds returned 6.9 percent, net of external asset management fees, and the market value of the fund grew by \$600 million while paying out \$1.1 billion in retirement benefits. Despite strong investment performance in FY18, the PERA did not meet its three- or 10-year investment return target but met the five-year target. Compared with funds in its peer group, PERA performed in the lowest quartile for all periods reported.

The five retirement plans created by the Public Employees' Retirement Act — state employees, state police, municipal employees, municipal police, and municipal fire —are currently 71.6 percent funded. However, funding of the individual plans varies significantly. The state employees plan, also called state general plan 3, is projected to be 45 percent funded by 2043 with an unfunded liability of \$7.2 billion while the state police plan is projected to be 283 percent funded with a surplus of \$3.6 billion. The underfunding of New Mexico pensions was a significant factor in the state's recent credit downgrade.

PERA's FY20 request of \$36.4 million was a decrease of \$29.3 thousand, or 0.1 percent, relative to the FY19 operating budget. The request includes a reduction of \$1.1 million in the contractual services category for investment services, offset by an expansion request for three new positions, as PERA pursues an investment strategy that relies more heavily on in-house staff.

Personnel expenditures in FY18 were significantly higher than budgeted, resulting in PERA executing several budget adjustments totaling \$407 thousand to ensure adequate funding. The FY19 operating budget set spending levels for personnel similar to FY18 levels, though LFC projects personnel expenditures will be \$402 thousand higher than appropriations, necessitating additional budget adjustments.

For the fourth year, PERA requested an appropriation from the general fund to continue processing requests from employers to link employee information to the social security system. The request for FY20 was \$77 thousand, a decrease of 15 percent relative to FY19. PERA does not believe retirement trust funds should be used to pay these costs because many of the requests are from charter schools and others not affiliated with PERA.

The LFC recommendation fully funds the agency request for contractual services and other operational costs and reduces the personnel category slightly from the request to remove payouts for unused leave and overtime. The recommendation fully funds the base expansion of \$478.2 thousand for 3 FTE.

Asset Management. In December 2017, the PERA board voted to delegate selection of fund managers to PERA staff. The board's motion was followed with a move to convert several investment staff from classified to exempt positions and increase their salaries to better align with salaries across similar government agencies. Salary increases and the transition of staff into exempt positions is part of a broader effort to reflect the enhanced responsibilities of investment staff. PERA is currently implementing an investment strategy to minimize risk and increase returns in both the active and passive portions of the portfolio. A large portion of the strategy includes minimizing fees paid to external investment managers.

According to the LFC FY18 fourth quarter investment report, PERA funds underperformed funds managed by the State Investment Council and the Education Retirement Board. Part of the relatively low investment returns might be attributable to instability within the investment staff; PERA has had three chief investment officers over the past five years. Because fully implementing investment strategies for a portfolio as large and complex as PERA's is often a multi-year process, discontinuity in leadership can hinder a consistent investment strategy.

In FY18, PERA paid management fees of 47 basis points (bps), up from the 33 bps reported in FY17 but in line with FY14 and FY15 fees and significantly under the national average of 64.6 bps.

In FY18, PERA reduced its actuarial return assumption from 7.5 percent to 7.25 percent to better reflect the low-return environment forecast by investment consultants nationwide. The reduction in the investment return assumption along with changes made to better reflect actual mortality trends had the effect of pushing the date of full funding out from 55 years as of FY17 to an infinite funding period. This means the fund does not have sufficient assets to pay for all promised benefits.

Sustainability. In response to the Great Recession of 2009-2010, pension solvency legislation was passed in 2013. The legislation reduced the cost of living adjustment (COLA) for most current retirees, delayed COLA payments for future retirees, required longer careers for new employees, and increased employer and employee contributions to the fund. While the pension reform measures had a positive impact on the funded status of the PERA plans, the plans' funded status continues to deteriorate, and the funds are at risk of insolvency in the event of another large market downturn similar to the 2009 recession.

To enhance the actuarial soundness of the plan, the PERA board is considering several changes to the COLA, including reduction or suspension of the amount, transitioning away from a compounding COLA to a simple payment, or another model that pays COLAs based on investment results. Allowing the PERA board to set the COLA would allow PERA the flexibility to make changes to a portion of the benefit to improve the solvency of the fund. Additionally, reductions of the service credit multiplier, removing caps on annual salary replacement, which penalize working beyond 30 years, and addressing wage spiking are all possibilities to improve sustainability.

BASE EXPANSION:

PERA requested 3 FTE for the investment division. PERA worked with investment consultant CEM Benchmarking to conduct a staff study and found, based on the size and complexity of the funds under management, PERA was approximately 10 FTE under industry average staff levels. The additional FTE will allow PERA to execute a new investment strategy that includes balancing the risk in asset allocation of the passive investment portfolio, as well as increasing its private, or illiquid, asset portfolio. This expansion is expected to reduce reliance on external investment managers, which PERA estimates could save up to \$41 million over the next 10 years.

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recom- mendation
1	<u>3 Investment Associates</u>	<u>(P640)</u>	<u>478.2</u>	<u>478.2</u>
TOTAL			478.2	478.2

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Funding period of unfunded actuarial accrued liability, in years	TBD	TBD	≤30	≤30	≤30
Outcome	Ten-year annualized investment returns to exceed internal benchmark, in basis points	-56	-37	>30	>30	>30
Outcome	Total investment cost at or below the benchmark cost that adjust for differences in fund size, asset mix and country of origin	TBD	TBD	≤85	≤85	≤85

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	2,508.9	2,463.8	2,910.2	2,513.1	2.0
Federal Revenues	25.2	32.5	0.0	25.0	-23.1
Other Revenues	171.3	187.0	166.9	185.0	-1.1
Fund Balance	153.4	199.0	31.1	160.9	-19.1
SOURCES TOTAL	2,858.8	2,882.3	3,108.2	2,884.0	0.1
USES					
Personal Services and Employee Benefits	2,083.7	2,408.7	2,644.9	2,429.4	0.9
Contractual Services	96.5	48.0	24.6	24.6	-48.8
Other	374.6	425.6	438.7	430.0	1.0
TOTAL USES	2,554.8	2,882.3	3,108.2	2,884.0	0.1
FTE					
Permanent	37.0	37.0	37.0	37.0	0.0
TOTAL FTE POSITIONS	37.0	37.0	37.0	37.0	0.0

AT A GLANCE:

For FY20, the agency requested an increase of \$225.9 thousand or 7.8 percent over the FY19 operating budget. The request includes an increase of 18 percent from the general fund to fully staff the agency and replace other state funds used to pay some fixed costs with general fund revenue. The LFC recommendation increases the agency's general fund appropriation by 2 percent and supports other revenues aligned to the FY19 operating budget.

For the State Records Center and Archives, which provides state agencies with free storage for inactive public records and is the central archive for state government, CPR requested \$537 thousand for FY20 through an Infrastructure Capital Improvement Plan request for a mechanical engineer to study the heating, ventilation, and air conditioning (HVAC) system for the historic vaults and to hire an architect to design plans to renovate and expand the existing records center. The agency submitted requests for FY21 through FY24 totaling \$10.7 million, including \$1.9 million to renovate and construct HVAC mechanical systems, \$729 thousand to re-roof the records center, and \$8.1 million to construct and furnish the expansion of the Santa Fe records center. In FY14, the Legislature appropriated \$600 thousand to plan an expanded records facility. In FY16, CPR obtained conceptual drawings and requested \$13.2 million for the first phase of an estimated \$63 million project. LFC is concerned that, without changes to agency record retention practices, the proposed facility could reach full capacity in 20 years.

BUDGET ISSUES:

For FY20, the agency funded with federal funds, state appropriations, revenue from fees charged mostly to other state agencies, and gifts and donations requested an increase of \$446.4 thousand from the general fund to fully fund the agency with archivists, records management analysts, and other support staff. The agency also requested \$166.9 thousand in other revenues to support operations and \$31.1 thousand from fund balances. Contributing to the request for additional funds were increases in expenses related to group health benefits, risk coverage, information technology, facility rent, and property insurance. CPR has four funded vacant positions, a vacancy rate of 12.6 percent. At the close of this fiscal year, the projected fund balance for the agency's internal service fund is \$187.9 thousand.

The LFC recommendation increases the general fund appropriation by 2 percent from the FY19 operating budget and decreases other revenues from charges and fees and fund balance, for an overall increase of \$1,700 over the FY19 operating budget. The recommendation includes \$25 thousand in federal revenues. CPR has received a minimum of \$25 thousand in federal funds each of the last three years. In the personal services and employee benefits category, the recommendation provides an increase of \$20.7 thousand due to expanded duties under recent changes to the State Records Act for agency rulemaking processes. In the contractual services category, the recommendation supports the request. In the other category, the recommendation includes an increase of \$4,400 for property insurance and rent increases while keeping IT equipment closer to FY18 actuals.

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

Although CPR operates two records centers and a vault for the permanent storage of records with historical value, all are at full capacity and some records remain at agencies. As a result of the consolidation of many state agencies human resources function at the State Personnel Office, CPR will lose 10 thousand square feet of space to create a working center for 40 HR employees. Due to space constraints, CPR is only accepting new records when stored records reach their retention period and are destroyed. As a result, agencies are storing records in basements, hallways, and rented storage units and warehouses. Based on a recommendation from the Legislature, CPR is working with the courts to make greater use of electronic scanning and storage of their records. This will save space at the records center because most court records are permanent.

Through better training, CPR hopes to increase the quality of stored information, which over time should reduce the amount of information sent to CPR for storage. In FY18, CPR trained 560 state employees on the proper management of public records. CPR held 147 educational activities, including records and information management trainings, rulemaking trainings, agency-specific trainings, in-person lectures, and webinars put on by the Office of the State Historian. For FY19, CPR has new performance measures, which it seems on track to meet or exceed.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of trainings offered to state employees on the proper management of public records in compliance with the Public Records Act	N/A	NEW	24	24	24
Outcome	Number of contemporary driving-while-intoxicated and domestic violence case files described and made available online via a descriptive finding aid to support law enforcement, attorneys, the courts and the public	N/A	NEW	15,000	15,000	15,000
* Outcome	Number of state employee trainings on filing and publishing notices of rulemaking and rules in compliance with the State Rules Act	N/A	NEW	24	24	24
Outcome	Number of agency educational, research, preservation and community outreach activities that foster and facilitate an appreciation and understanding of New Mexico history and culture	N/A	NEW	25	25	25
Outcome	Number of days to compile and post all rules onto the New Mexico Administrative Code website from their effective date	N/A	NEW	30	30	30
Outcome	Percent of requests by records custodians to access public records stored in the records center within twenty-four business hours and percent of requests to access archival holdings within two hours of on-site request, adhering to any applicable laws	N/A	NEW	100%	100%	100%

STATUTORY AUTHORITY:

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

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,233.1	8,536.6	10,360.9	9,070.7	6.3
Other Transfers	640.0	0.0	0.0	0.0	
Federal Revenues	3,699.5	1,277.2	0.0	0.0	-100.0
Other Revenues	0.0	475.0	39.0	39.0	-91.8
Fund Balance	0.0	0.0	437.4	437.4	
SOURCES TOTAL	11,572.6	10,288.8	10,837.3	9,547.1	-7.2
USES					
Personal Services and Employee Benefits	3,618.2	3,725.3	4,437.0	3,832.9	2.9
Contractual Services	1,043.7	1,054.1	1,114.3	788.8	-25.2
Other	3,196.0	5,509.4	5,286.0	4,925.4	-10.6
TOTAL USES	7,857.9	10,288.8	10,837.3	9,547.1	-7.2
FTE					
Permanent	59.0	59.0	59.0	59.0	0.0
Term	0.0	2.0	2.0	2.0	0.0
Temporary	0.0	0.0	2.0	2.0	
TOTAL FTE POSITIONS	59.0	61.0	63.0	63.0	3.3

AT A GLANCE:

The Secretary of State requested \$10.3 million general fund revenue for FY20, \$1.8 million, or 21.4 percent, over the FY19 operating budget. Half of the increase was for the Elections Program and nearly half of that was intended to replace public elections funds with general fund revenue. A similar increase was sought for the Administration and Operations Program, with nearly half of that intended to reduce the agency's vacancy rate and fill authorized but unfunded positions. The committee recommends a more modest 6.3 percent increase in general fund revenues.

BUDGET ISSUES:

For FY20, the Secretary of State (SoS) requested general fund revenue of \$10.3 million, an increase of \$1.8 million, or 21.4 percent, above the FY19 operating budget. The Elections Program request was \$921 thousand higher than the FY19 base budget, with nearly half of the requested increase to replace public election funds with general fund revenue. The SoS requested an additional \$225 thousand to fill several positions that have been authorized but not funded. The request included \$185 thousand in general fund revenues to provide state match for federal funds received.

The Administration and Operations Program requested \$903 thousand additional general fund revenue, a 26.3 percent increase, above the FY19 operating budget. Nearly half of the increase would reduce the program's vacancy rate and allow the agency to fill several unfunded vacant positions. Other significant increases were requested to cover the cost of higher telecommunications

and information technology support and maintenance costs. The committee recommendation provides a general fund revenue increase of \$534.1 thousand, a 6.3 percent increase over the FY19 operating budget. The recommendation provides for the replacement of public election funds with general fund and provides a modest increase to achieve lower vacancy factors in both programs.

Federal funds in the FY19 operating budget are from the Help Americans Vote Act. In FY20, these funds appear as fund balance because the federal government provided the entire five-year grant award in one distribution. The committee base budget recommendation does not include \$185 in state match dollars for federal grants because this is a nonrecurring cost that will be submitted as a special appropriation.

Elections. In March 2018, SoS received a \$3.7 million federal grant under the Help Americans Vote Act. The purpose of this grant is to enhance cybersecurity efforts over the next five years. Secretary of State will devote more than \$2 million to tighten cybersecurity, \$500 thousand to voter registration efforts, and \$750 thousand to improving voter equipment. A state match of \$185 thousand, or 5 percent of the distribution, is required.

In December, 2017 the Secretary of State initiated NMVote.org, a new online voter information portal where New Mexico voters can request an absentee ballot online, register to vote or update their current voter registration, find a voting location, view important election dates, request a military or overseas ballot or look up third-party voter registration agents.

Amendments to the Local Election Act created a local election fund in the state treasury to reimburse counties and SoS for the costs of conducting and administering regular local elections required under the act. Local government contributions to the fund, administered by the SoS, are based on an assessment of \$250 per \$1 million of local governments' general fund expenditures, excluding federal funds and capital expenditures. The SoS has determined this assessment formula will only generate about \$1.1 million annually or \$2.2 million per two-year local election cycle. While the real cost of running a statewide election is \$6.6 million, leaving a \$4.4 million funding gap for each local election cycle. For the FY20 local election, SoS estimates that \$5.5 million in general fund revenue will be needed for costs that will be incurred by the SoS and for reimbursements to the counties because only one annual assessment will be collected before the November 2020 election.

Public Election Fund. The Secretary of State certified publically financed candidates for Public Regulation Commission (PRC) and the judiciary candidates for public funds totaling just over \$2 million. PRC candidates receive 25 cents and judicial candidates receive 15 cents for each voter of their party registered within the candidates' oversight region in both the primary and general elections. In the primary races for Court of Appeals, each Democratic candidate received \$10 thousand and the Republican candidate received \$23.8 thousand. In the general election, each Court of Appeals candidate received \$180.7 thousand. For the PRC district two primary race, the Democratic candidate received \$10 thousand and the Republican candidate received \$23.8 thousand. Both candidates received \$55.5 thousand for the general election. For the district five PRC primary race, one candidates received \$17.3 thousand for the primary election and \$55.3 thousand for the general election. With these disbursements and the supplemental appropriation approved by the Legislature in the most recent session, the FY18 fiscal year ending fund balance of the public election fund is \$433.7 thousand and the projected FY20 ending balance is \$1.3 million.

Administration and Operations. The Secretary of State announced Santa Fe produced a successful bid and has been chosen to host the 2019 National Association of Secretaries of State (NASS) summer conference. The annual conference gives secretaries of state and election officials from all 50 states and the District of Columbia an opportunity to share best practices and to learn about various programs and policies being implemented around the country. The conference will be held from June 30 through July 3, 2019, in Santa Fe.

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)					
SOURCES	FY18 2017-2018	FY19 2018-2019	FY20 - 2019-2020		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	3,735.7	3,437.4	4,340.7	3,620.5	5.3
Other Revenues	0.0	35.0	39.0	39.0	11.4
SOURCES TOTAL	3,735.7	3,472.4	4,379.7	3,659.5	5.4

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
USES						
	Personal Services and Employee Benefits	3,035.0	2,898.6	3,385.3	2,920.8	0.8
	Contractual Services	101.8	146.4	366.7	149.9	2.4
	Other	464.1	427.4	627.7	588.8	37.8
	TOTAL USES	3,600.9	3,472.4	4,379.7	3,659.5	5.4
FTE						
	Permanent	47.0	47.0	47.0	47.0	0.0
	Temporary	0.0	0.0	2.0	2.0	
	TOTAL FTE POSITIONS	47.0	47.0	49.0	49.0	4.3

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Average number of days to process corporate registration requests	2	2.8	2	3	3
Output	Average number of days to process partnership registration requests		1.2	3	3	2

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)

			FY20 - 2019-2020			
			FY18	FY19		
			2017-2018	2018-2019	Percent	
			<u>Actuals</u>	<u>Budgeted</u>	Incr	
				Agency	(Decr)	
				Request		
				LFC		
				<u>Recommendation</u>		
SOURCES						
	General Fund Transfers	3,497.4	5,099.2	6,020.2	5,450.2	6.9
	Other Transfers	640.0	0.0	0.0	0.0	
	Federal Revenues	3,699.5	1,277.2	0.0	0.0	-100.0
	Other Revenues	0.0	440.0	0.0	0.0	-100.0
	Fund Balance	0.0	0.0	437.4	437.4	
	SOURCES TOTAL	7,836.9	6,816.4	6,457.6	5,887.6	-13.6
USES						
	Personal Services and Employee Benefits	583.2	826.7	1,051.7	912.1	10.3
	Contractual Services	941.9	907.7	747.6	638.9	-29.6
	Other	2,731.9	5,082.0	4,658.3	4,336.6	-14.7
	TOTAL USES	4,257.0	6,816.4	6,457.6	5,887.6	-13.6
FTE						
	Permanent	12.0	12.0	12.0	12.0	0.0
	Term	0.0	2.0	2.0	2.0	0.0
	TOTAL FTE POSITIONS	12.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of eligible voters registered to vote	86%	78%	90%	85%	85%
Explanatory	Number of counties meeting the Uniformed and Overseas Citizens Absentee Voting Act deadline of mailing overseas ballots not later than 45 days before an election	33	33			
Outcome	Percent of reporting individuals in compliance with campaign finance reporting requirements	98%	97%	99%	99%	99%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of reporting individuals who have been issued a notice of final determination for noncompliance	100%	100%	100%	100%	100%
Explanatory	Number of campaign finance training sessions offered each fiscal year	10	6			
Efficiency	Percent of public records requests responded to within the statutory deadline	100%	100%	100%	100%	100%
Explanatory	Percent of eligible, but not registered, voters who respond to the annual outreach mailing conducted by the secretary of state	NEW	TBD			
Explanatory	Number of reporting individuals out of compliance with campaign finance reporting requirements		50			
Explanatory	Number of Native American voters reported by tribes as registered to vote in New Mexico		68,994			

STATUTORY AUTHORITY:

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

The Personnel Act requires the board to provide rule coverage on all employee issues including employee classification and compensation, testing and qualifications for professionals, probationary periods, and disciplinary procedures.

Under the Personnel Act, the State Personnel Office director will 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)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		
	Actuals	Budgeted	Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
General Fund Transfers	4,057.1	3,736.0	3,949.2	3,766.6	0.8
Other Transfers	244.3	269.1	269.1	269.1	0.0
SOURCES TOTAL	4,301.4	4,005.1	4,218.3	4,035.7	0.8
USES					
Personal Services and Employee Benefits	3,290.7	3,660.1	3,568.1	3,460.1	-5.5
Contractual Services	74.5	40.0	73.2	41.6	4.0
Other	600.4	305.0	577.0	534.0	75.1
TOTAL USES	3,965.6	4,005.1	4,218.3	4,035.7	0.8
FTE					
Permanent	48.0	48.0	48.0	46.0	-4.2
TOTAL FTE POSITIONS	48.0	48.0	48.0	46.0	-4.2

AT A GLANCE:

The State Personnel Office (SPO) requested a \$213 thousand, or 5.7 percent, increase from the general fund for FY20. The request reduced personnel costs by \$92 thousand, or 2.5 percent, relative to the FY19 operating budget but increased the contractual services and other costs categories. The majority of the requested increase was in the other category, where SPO requested an additional \$272 thousand, or 89 percent, for increased Department of Information Technology rates and lease expenses related to the statewide human (HR) resources consolidation. SPO's request did not include a permanent transfer of funds or FTE related to the HR consolidation effort.

The LFC recommendation further reduces funding for personnel to reflect high vacancy rates at the agency and better reflect FY18 expenditures. In FY18, SPO transferred \$300 thousand out of the personal services and employee benefits category to pay for other operational costs. The committee recommends increasing spending in the other category by \$229 thousand to ensure sufficient funding for operational expenses, including telecommunications rates, IT equipment, and facility lease costs.

BUDGET ISSUES:

SPO has maintained a high vacancy rate, currently 30 percent, for several years. The persistently high vacancy rate led the agency to request personnel funding reductions in the FY19 and FY20 requests. The LFC recommendation reduces the appropriations for personnel by \$200 thousand, sufficient funding for 2 FTE. The agency had 14 vacant positions at the time of budget submission, the LFC recommends deleting 2 FTE to reflect the historically high vacancy rate.

SPO did not achieve several performance targets over the past fiscal year. The average new hire compa-ratio (salary divided by midpoint of the pay range) increased to 100 percent. This suggests the salary structure is behind the market because new employees are entering the workforce at the middle of the salary range. This reduces opportunities for gradual pay increases and

likely leads to salary compaction in which the gap between the salaries of new employees and long-term employees shrinks. Salary compaction harms employee morale and causes recruitment and retention difficulties.

In addition, the average time to fill vacant positions increased from 65 days to 71 days. The increase was likely related to the transition from the legacy NeoGov recruitment system to the SHARE system. However, the consolidation of HR services may have increased the time to fill positions.

The statewide vacancy rate remains at 18 percent, unchanged from FY17, but slightly higher than FY16. Further, the percent of new employees who complete their one-year probationary period fell from 70 percent in FY16 to 63 percent in FY18. The reduction in new employee retention is troubling and may point to state employment becoming less attractive. Although SPO estimates the current pay structure is 9.1 percent behind the broader labor market it has made only two adjustments in the past 10 years.

Human Resource Consolidation. In January 2017, the executive announced a proposal to consolidate all executive agencies' human resource (HR) functions, personnel, and related HR resources under SPO and locate all HR-related FTE in Santa Fe or Albuquerque. The announced implementation date was July 1, 2017, and consolidation was expected to reduce the number of HR positions from 480 to 238 and create savings of \$6 million across the executive branch.

SPO received approval from the Board of Finance to transfer over 80 FTE positions from other agencies to allow the consolidation of HR services statewide but did not request a permanent transfer of these FTE in its FY20 budget submission. The consolidation currently only covers agencies that receive all or a significant majority of their funding for HR personnel from nonfederal sources because SPO has no mechanism to request reimbursement from the federal government for providing HR services. SPO anticipates the continuation of the consolidation initiative in FY20 and intends to continue the agreements with other agencies that allow the transfer of HR staff to SPO.

In 2018, SPO sought legislation to develop a rate schedule to enable billing of federally funded agencies, such as the Human Services Department, for HR services, but the legislation failed to pass. In the absence of such legislation, agencies with federally funded programs would not be able to consolidate their HR functions without jeopardizing funding for those positions.

Compensation System Adjustment. SPO began transitioning to an occupation-based compensation structure in 2012. The occupation-based structure would replace the current single pay structure with 11 individual pay structures that place jobs into occupation groups. The new pay structure is designed to be more flexible to changes in the labor market, allowing the Legislature to target increases to certain occupations, for example healthcare or social services. While the occupation-based structures are promising, only four have been implemented in six years. It is unclear if SPO will recommend pay increases for specific occupation groups in FY20.

The lack of compensation adjustments led to agencies pursuing compensation increases in an ad hoc manner. Following the 2018 legislative session, the Department of Health and Miner's Hospital increased salaries for nurses by 20 percent over the 4.5 percent increases the Legislature included for these positions.

HUMAN RESOURCE MANAGEMENT

The purpose of the human resource management program is to provide a flexible system of merit-based opportunity, appropriate compensation, human resource accountability and employee development that meets the evolving needs of the agencies, employees, applicants and the public so economy and efficiency in the management of state affairs may be provided while protecting the interest of the public.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Efficiency	Average number of days to fill a position from the date of posting	65	71	N/A	N/A	60
Explanatory	Percent of new employees who successfully complete the probation period	65%	63%			
Explanatory	Percent of classified employees voluntarily leaving state service	15%	14%			
Explanatory	Percent of classified employees involuntarily leaving state service	2%	2%			
* Explanatory	Statewide classified service vacancy rate	18%	18%			
Outcome	Average state classified employee compa-ratio	101%	101%	N/A	N/A	100%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Average state classified employee new hire compa-ratio	97%	100%	N/A	N/A	95%
Outcome	Average number of days to fill a position from advertisement closure to issue of employment offer letter	44	50	N/A	N/A	30
Outcome	Average number of days to post a position following agency request	10	8	9	9	6
Outcome	Number of human resource rule compliance audits conducted annually	NEW	20	22	22	22
Outcome	Number of human resources trainings offered annually	NEW	177	50	100	100
Output	Number of digitized personnel records	NEW	365	1,000	2,000	2,000

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.

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	221.0	232.0	236.2	236.2	1.8
SOURCES TOTAL	221.0	232.0	236.2	236.2	1.8
USES					
Personal Services and Employee Benefits	172.6	175.2	178.6	178.6	1.9
Contractual Services	5.7	5.9	6.4	6.4	8.5
Other	38.4	50.9	51.2	51.2	0.6
TOTAL USES	216.7	232.0	236.2	236.2	1.8
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 agency requested an increase of \$4.2 thousand, or 1.8 percent, over the FY19 operating budget. The increase would fully fund the agency's 2 FTE positions increase the contracts category slightly for audit-related expenses, and provide for increased telecommunications rates in the other category. The LFC recommendation fully funds the agency request.

The agency's FY17 audit contained several findings, including unspent appropriations not being reverted to the general fund timely and a lack of adequate documentation for some expenditures. With only 2 FTE, PELRB should consider ways to increase its expertise through trainings or consulting with an outside agency with a more robust financial staff.

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 option to organize and bargain collectively with their employers.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of decisions overturned on appeal	1%	0%	1%	1%	1%
Outcome	Percent of determinations of approval of local labor relations boards, bargaining unit recognition petitions and prohibited practice complaints processed and completed within the applicable regulatory deadlines	NEW	85%	100%	100%	100%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,428.6	3,476.3	7,023.6	3,563.9	2.5
Federal Revenues	4.0	2.0	2.0	2.0	0.0
Other Revenues	122.3	122.3	122.3	122.3	0.0
SOURCES TOTAL	3,554.9	3,600.6	7,147.9	3,688.2	2.4
USES					
Personal Services and Employee Benefits	2,659.9	2,961.8	3,757.1	2,961.8	0.0
Contractual Services	377.6	284.4	731.7	371.7	30.7
Other	458.2	354.4	2,659.1	354.7	0.1
TOTAL USES	3,495.7	3,600.6	7,147.9	3,688.2	2.4
FTE					
Permanent	35.0	35.0	49.0	35.0	0.0
TOTAL FTE POSITIONS	35.0	35.0	49.0	35.0	0.0

AT A GLANCE:

The priorities for STO's investment strategies are (1) safety of the principal, (2) maintenance of liquidity, and (3) maximum return on investments. General fund balances are held in two portfolios: The core portfolio is primarily intended to maximize return with minimal risk to principal, and the liquidity portfolio is intended to provide day-to-day liquid assets for the operations of state government. During FY18, general fund balances rose rapidly in the last few months of the fiscal year because revenues significantly exceeded appropriation levels, ending with a balance of \$2.8 billion, or a 78 percent year-over-year increase.

The agency requested a slight funding decrease in the base budget, plus an additional \$3.5 million for an expansion primarily to implement the 2015 Forfeiture Act. The LFC recommendation fully funds the base budget request, increases personnel funding from the request level by \$83.6 thousand to remain flat with FY19, and funds one of four expansion items. As of September 1, 2018, the agency had a 6.2 percent funded vacancy rate.

BUDGET ISSUES:

In late FY18, STO completed a \$1.9 million project related to SHARE, the statewide human resources and accounting system. The project created a treasury module in SHARE, bringing STO's accounting system under the statewide accounting software umbrella. Before the process was completed, the change was expected to create budget savings by removing the cost of the current QED Financial Systems investment accounting software; however, staff recently discovered the new system does not perform as expected. As a result, agency staff require frequent assistance from the new software provider, assistance provided at a substantial cost now projected in FY19 to exceed the total annual cost of the prior software system. Over time, as staff learn the system and how to deal with issues that regularly arise, this support cost should decrease, but it might not result in the full budget savings previously expected. In addition to the need for ongoing customer service support for the new software, STO is currently running this system in parallel with the old system and entering transactions manually. The budget request does not include funding for the old software on the assumption the agency can completely move to the new system by the end of FY19.

The agency generated an apparently unprecedented loss of \$3.2 million in general fund earnings for FY17 due to required adjustments to account for market valuation changes. Rising interest rates resulted in market value losses from fixed-interest investments, more than offsetting the interest earnings on those investments. However, in FY18, this impact was mitigated by the rise in general fund balances, resulting in \$5.8 million of general fund earnings. As general fund balances increase throughout FY19, general fund earnings should increase. Over time, as interest rates stabilize, the gains will be magnified and earnings should increase to levels between \$50 million and \$80 million, assuming general fund balances stay at current elevated levels.

BASE EXPANSION:

The primary duty of the agency is to hold and invest the cash balances of the general fund and select other funds; however, additional responsibilities were added over the last several years by statute and through legislative memorials. The agency identified four responsibilities for which funding was never explicitly provided and requested funding for each through expansion items.

In 2016, the state enacted the Accounts for Persons with Disabilities Act to allow people with qualifying physical or mental disabilities to open tax-free savings accounts to cover future costs related to their disabilities. The agency requested \$6,000 for costs associated with this program, and the LFC recommendation funds this request.

The second, and largest, expansion request is related to the duties required by the Forfeiture Act, enacted in 2015. It requires the state treasurer to handle the collection and disposition of forfeited property, but the bill did not provide any funding mechanism for STO to administer this function. Any proceeds must be placed in the general fund. As a result, the agency has been unable to perform this task, and no general fund revenues were generated. STO requested an expansion that would nearly double the entire general fund appropriation for the agency. However, the agency has no facilities to store forfeited property, nor experience disposing of property, and bringing such a function in-house would place significant strain on the time and attention of agency officials. Furthermore, for other government and private entities property storage and disposition are core competencies. The LFC recommendation does not include this expansion item but instead provides a special appropriation to allow STO to pay for a contracted third party to perform this function and collect a percent share of the proceeds. As a permanent solution, this function should be relocated within the General Services Department with the same allowance to spend a portion of the proceeds to cover necessary costs. This recommendation ensures taxpayers do not bear a financial burden, only allowing the cost of administration to be a portion of the general fund revenues that would be generated.

The remaining two expansion requests are for functions not required by statute, and the LFC recommendation provides sufficient funding in the base budget to allow for work related to the retirement income security task force and financial empowerment for women.

BASE EXPANSION LISTING
FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Forfeiture Act of 2015	(P644)	3,439.4	0.0
2	Achieving a Better Life Experience Act 2016	(P644)	6.0	6.0
3	Retirement Income Security Task Force	(P644)	101.8	0.0
4	Financial Empowerment for Women	(P644)	2.1	0.0
TOTAL			3,549.3	6.0

STATE TREASURER

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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	-2	26	5	5	15
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	15	12	10	10	15
Outcome	Maximum number of audit findings	2	1	2	2	2
Outcome	Percent of reconciling items cleared within thirty days of posting of accounting lines, completion and budget check by the agency	99%	97%	99%	99%	99%
Explanatory	Forfeiture sale proceeds deposited to the general fund, in millions	NEW	\$0			
Explanatory	Percent of liquidity pool to total state general fund investment pool	NEW	57%			

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-15-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act. The agency regulates the professional conduct of architects by registering only qualified individuals, investigating complaints and violations, monitoring compliance with continuing education requirements, and working with other regulatory entities concerned with the built environment.

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	512.7	174.3	322.1	322.1	84.8
Fund Balance	316.1	217.4	75.7	75.7	-65.2
SOURCES TOTAL	828.8	391.7	397.8	397.8	1.6
USES					
Personal Services and Employee Benefits	256.0	297.4	303.5	303.5	2.1
Contractual Services	6.0	11.0	11.0	11.0	0.0
Other	53.9	83.3	83.3	83.3	0.0
TOTAL USES	315.9	391.7	397.8	397.8	1.6
FTE					
Permanent	3.0	4.0	4.0	4.0	0.0
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

AT A GLANCE:

For FY20, the board requested an increase of 1.6 percent, or \$6,000 above the FY19 operating budget. The funding sources for the board are primarily application and renewal fees paid annually. The board moved from a biennial fee schedule to annual in 2017, increasing the revenue stream in FY18 and FY19. The recommendation includes a 2.1 percent increase in the personal services and employee benefits category to fully fund 4 FTE, and an increase in unemployment compensation rates. In the contractual services and other categories, the LFC recommendation includes an increase for travel expenditures for board meetings, maintenance expenses of the board's database of registrants to give the public real time access to the roster of registrants, and an update to the website for online payment capabilities.

Currently 2,238 architects are registered in New Mexico: 756 in-state registrants and 1,482 out-of-state registrants. For FY19, the board projects an ending cash balance of \$207 thousand and expects \$131 thousand at the end of FY20. All of the board appointments are currently filled and active.

BOARD OF EXAMINERS FOR ARCHITECTS

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of audited registrants who successfully meet the continuing education requirements	N/A	90%	90%	95%	95%
Output	Number of days from the receipt of a complaint to delivery to the enforcement committee	3.7	5	5	5	5
Outcome	Percent of reciprocity applicants who successfully complete the application process	88%	82%	90%	85%	85%
Efficiency	Percent of cases resolved prior to issuance of notice of contemplated action	100%	100%	80%	80%	80%
Efficiency	Percent of cases where a notice of contemplated action has been issued but is resolved prior to hearing	N/A	N/A	85%	85%	85%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	314.8	304.5	327.5	320.9	5.4
Other Revenues	53.1	53.1	53.1	53.1	0.0
Fund Balance	128.7	149.1	126.1	126.1	-15.4
SOURCES TOTAL	496.6	506.7	506.7	500.1	-1.3
USES					
Personal Services and Employee Benefits	314.7	328.5	327.5	327.5	-0.3
Contractual Services	79.5	53.0	53.0	53.0	0.0
Other	102.4	125.2	126.2	119.6	-4.5
TOTAL USES	496.6	506.7	506.7	500.1	-1.3
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

AT A GLANCE:

The Border Authority is working to improve the flow, safety and number of vehicles passing through the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells and continues to work on a feasibility study for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa.

The agency requested an increase in general fund revenue of \$23 thousand, or 7.5 percent. This increase in general fund revenue would replace a decrease in fund balance of \$23 thousand. The LFC recommendation increases the general fund revenue by \$16.4 thousand, or 5.4 percent.

BUDGET ISSUES:

Vehicle exports have increased at the Tornillo Port in Texas, causing Santa Teresa's port of entry in New Mexico to see fewer vehicles; therefore, revenue generated by vehicles being exported and temporarily parked on Border Authority's property has decreased, causing a decrease in fund balance.

Dona Ana County led the region in 2017 with \$1.6 billion in exports, 53 percent of the New Mexico's total exports for the year. Since 2007, New Mexico has seen exports increase almost 350 percent. By comparison, Texas exports to Mexico increased 65 percent, California by 46 percent, and Arizona by 75 percent. The rise in New Mexico exports is due to the export of transportation equipment, accounting for 61.4 percent of exports, electrical equipment and components at 26.4 percent of exports, and computer and electronic products at 20.8 percent of exports.

The agency also organizes the New Mexico/Mexico Commission. This commission will hold meetings with officials from Chihuahua, Mexico, and Sonora, Mexico. The commission focuses on border crossings, infrastructure, trade and industrial promotion, agriculture, and economic development between New Mexico and Mexico.

Capital Outlay. The Columbus port of entry received \$85 million in federal funding in FY19 for an expansion. Phase one will be completed by November 2018, which includes design and construction of all buildings. Phase two will be completed by June 2019, which will include moving information technology and operations to the new buildings, landscaping, and drainage areas.

A \$1.8 million state-funded study on the use of a diversion berm to control flooding in the Columbus/Palomas area will be completed by November 2019; the agency is requesting \$3.5 million, matched by \$11 million in federal funds to complete the project. In the next year, the agency will complete two projects at its Santa Teresa office - an improved walkway from the border and a new conference room.

BORDER AUTHORITY

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

		FY17	FY18	FY19	FY20	FY20	
		<u>Actual</u>	<u>Actual</u>		<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
*	Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	24%	25%	25%	25%	25%
	Output	Number of coordination meetings with border community leaders, congressional offices, Mexican federal agencies, federal and state agencies or international funding resources to maintain integrity of the international border in New Mexico	390	360	345	345	350
*	Outcome	Number of commercial and noncommercial vehicles passing through New Mexico ports	1,571,366	1,597,023	1,565,000	1,575,000	1,575,000
	Outcome	Number of New Mexico-Chihuahua and New Mexico-Sonora commission meetings	NEW	NEW	2	2	2

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)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		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	12,615.6	13,654.1	17,324.7	14,652.8	7.3
Other Revenues	3,967.3	4,453.7	4,453.7	4,453.7	0.0
SOURCES TOTAL	16,582.9	18,107.8	21,778.4	19,106.5	5.5
USES					
Personal Services and Employee Benefits	2,823.0	3,516.2	3,682.2	3,514.9	0.0
Contractual Services	1,269.7	1,408.6	1,423.9	1,411.8	0.2
Other	11,877.2	13,183.0	16,672.3	14,179.8	7.6
TOTAL USES	15,969.9	18,107.8	21,778.4	19,106.5	5.5
FTE					
Permanent	44.0	44.0	44.0	43.0	-2.3
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	54.0	54.0	54.0	53.0	-1.9

AT A GLANCE:

Over the last six years, the Legislature increased advertising funding for the department more than threefold, from \$3 million in FY11 to \$9.1 million in FY19. The Tourism Department's FY20 request increased advertising funding to \$12.6 million, a \$3.5 million increase to enter the San Francisco market. The LFC recommendation increases general fund revenue by \$1 million in the marketing and promotion program to support entering the San Francisco market.

BUDGET ISSUES:

The agency requested a general fund budget increase of \$3.7 million, or 27 percent. The Tourism Department's FY19 operating budget allocates 67 percent of the \$13.6 million general fund appropriation to advertising. The proportion of the budget spent on advertising has risen each year since FY11, when 28 percent of the \$10.8 million appropriation was spent marketing the state. The LFC recommendation partially supports the agency's request of \$3.5 million, with an increase to the advertising budget of \$1 million for the agency to begin advertising in the San Francisco market.

In FY19, the department received \$1 million of a \$3 million request to expand advertising to the San Francisco market; however, the agency stated it would not attempt to go into San Francisco with anything less than \$3.5 million. Instead, the agency used the \$1 million to increase the co-op marketing grant program by \$100 thousand, increase international marketing for Mexico and Canada by \$100 thousand, and increase advertising by \$800 thousand for the Austin, Dallas, and Houston markets.

The Tourism Department's focus on its New Mexico True brand as its primary strategy to market the state has been highly successful. The department released data from Longwoods Travel USA showing an increase of 1 million visits in the state last year compared with the prior year, bringing total annual visitation from those who live here and elsewhere to 35 million, up 3 percent from 2016. Longwoods Travel USA defines a day trip as travel of 50 miles or more primarily for leisure (not commuters). Of the 35 million visits in the state during 2017, approximately 56 percent were day trips, and 44 percent were overnight trips. The overnight trips generated \$3.9 billion in spending, increasing 7.1 percent from 2016. The department also states the tourism industry had a \$6.6 billion impact on the New Mexico economy in 2017.

Tourism Development. The Tourism Development program provides tourism support for communities, regions, and other entities around the state by providing capacity-building training, tourism development support, litter prevention support and outreach, cultural heritage outreach, and financial support in the form of competitive grants. The program is funded with \$1 million in general fund revenues and \$1.2 million in other revenues. Within the program are five divisions: Rural Pathway Project, Cultural Heritage, Clean and Beautiful, Keep New Mexico True, and the Cooperative Marketing. A director was hired for the Tourism Development program in FY18. During FY18, the NM Clean and Beautiful grant program awarded 47 communities with \$623 thousand for projects involving litter clean up, recycling, beautification, and youth employment. The Cooperative Marketing grant program awarded \$590 thousand in matching funds to 37 communities around the state to promote New Mexico as a tourist destination. Keep New Mexico True gained 2,163 pledges to make New Mexico a cleaner and healthier environment.

New Mexico Magazine. Founded in 1923, New Mexico Magazine the oldest state magazine in the United States and is the third-largest state-owned publication. New Mexico Magazine has a paid circulation of nearly 70 thousand, of which two thirds reside outside the state. The magazine's digital engagement reached more than 200 thousand visitors per month across various platforms in FY18. The New Mexico Magazine Program continues to focus on a strategic plan to increase advertising sales revenue and promote subscriptions for students. The magazine's sustainability depends on three key revenue sources: circulation (paid subscriptions and single copy newsstand sales), advertising (print and digital sales), and product sales.

MARKETING AND PROMOTION

The purpose of the marketing and promotion program is to produce and provide collateral, editorial and special events for the consumer and trade industry so they may increase their awareness of New Mexico as a premier tourist destination.

BUDGET SUMMARY (dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	10,501.9	11,441.0	14,941.0	12,441.0	8.7
Other Revenues	437.5	30.0	30.0	30.0	0.0
SOURCES TOTAL	10,939.4	11,471.0	14,971.0	12,471.0	8.7
USES					
Personal Services and Employee Benefits	1,105.8	1,280.2	1,346.2	1,280.2	0.0
Contractual Services	507.4	504.1	515.0	504.1	0.0
Other	9,268.5	9,686.7	13,109.8	10,686.7	10.3
TOTAL USES	10,881.7	11,471.0	14,971.0	12,471.0	8.7
FTE					
Permanent	25.0	25.0	24.0	24.0	-4.0
TOTAL FTE POSITIONS	25.0	25.0	24.0	24.0	-4.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Dollar amount spent per visitor per day	\$80	\$78	\$80	\$80	\$80
* Outcome	New Mexico's domestic overnight visitor market share	1.12%	1.14%	1.1%	1.1%	1.2%
* Outcome	Percent change in New Mexico leisure and hospitality employment	2.2%	2.9%	3%	2.5%	3%
Output	Percent increase in social media fans	21%	25%	23%	23%	25%
Outcome	Number of referrals from newmexico.org to partner websites	145,706	188,921	160,000	160,000	170,000

TOURISM DEVELOPMENT

The purpose of the tourism development program is to provide constituent services for communities, regions and other entities so they may identify their needs and assistance can be provided to locate resources to fill those needs, whether internal or external to the organization.

BUDGET SUMMARY (dollars in thousands)					
<u>FY20 - 2019-2020</u>					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,015.7	1,043.1	1,128.4	1,043.1	0.0
Other Revenues	1,083.8	1,230.3	1,230.3	1,230.3	0.0
SOURCES TOTAL	2,099.5	2,273.4	2,358.7	2,273.4	0.0
USES					
Personal Services and Employee Benefits	259.7	348.0	365.7	348.0	0.0
Contractual Services	5.3	3.4	4.6	3.4	0.0
Other	1,499.3	1,922.0	1,988.4	1,922.0	0.0
TOTAL USES	1,764.3	2,273.4	2,358.7	2,273.4	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Output	Number of entities participating in collaborative applications for the cooperative marketing grant program	59	153	65	135	135
* Outcome	Combined advertising spending of cooperative marketing program grantees using the tourism department's current approved brand, in thousands	\$2,200	\$1,464	\$2,200	\$2,000	\$2,000

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)					
<u>FY20 - 2019-2020</u>					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	2,446.0	3,193.4	3,193.4	3,193.4	0.0
SOURCES TOTAL	2,446.0	3,193.4	3,193.4	3,193.4	0.0
USES					
Personal Services and Employee Benefits	608.0	939.8	938.5	938.5	-0.1
Contractual Services	669.5	825.5	830.0	830.0	0.5
Other	961.1	1,428.1	1,424.9	1,424.9	-0.2
TOTAL USES	2,238.6	3,193.4	3,193.4	3,193.4	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
*	Output					
	True adventure guide advertising revenue	\$405,806.28	430,917	\$500,000	\$500,000	\$500,000
*	Output					
	Advertising revenue per issue, in thousands	\$73.75	\$81	\$73	\$73	\$75
	Collection rate for ads sold in current fiscal year	96%	98%	93%	93%	95%

PROGRAM SUPPORT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,098.0	1,170.0	1,255.3	1,168.7	-0.1
SOURCES TOTAL	1,098.0	1,170.0	1,255.3	1,168.7	-0.1
USES					
Personal Services and Employee Benefits	849.5	948.2	1,031.8	948.2	0.0
Contractual Services	87.5	75.6	74.3	74.3	-1.7
Other	148.3	146.2	149.2	146.2	0.0
TOTAL USES	1,085.3	1,170.0	1,255.3	1,168.7	-0.1
FTE					
Permanent	11.0	11.0	12.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	12.0	11.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of advertising spending on overall agency general fund budget		78%	72%	72%	72%

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,215.3	10,869.0	15,576.8	12,909.5	18.8
Other Transfers	0.0	105.4	0.0	0.0	-100.0
Federal Revenues	0.0	200.0	0.0	0.0	-100.0
SOURCES TOTAL	8,215.3	11,174.4	15,576.8	12,909.5	15.5
USES					
Personal Services and Employee Benefits	3,302.3	3,633.6	4,380.0	4,024.1	10.7
Contractual Services	2,434.8	2,421.1	3,654.3	2,623.8	8.4
Other	2,478.2	5,119.7	7,542.5	6,261.6	22.3
TOTAL USES	8,215.3	11,174.4	15,576.8	12,909.5	15.5
FTE					
Permanent	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	50.0	50.0	50.0	50.0	0.0

AT A GLANCE:

The Economic Development Department (EDD) requested a general fund increase of \$4.7 million, including \$2 million for the Job Training Incentive Program (JTIP), \$750 thousand for personal services and employee benefits, and approximately \$1.3 million in contracts. LFC recommends a general fund increase of \$2 million, including \$1 million for JTIP, \$250 thousand for the Local Economic Assistance and Development Support (LEADS) Program, \$388 thousand for personal services and employee benefits, and \$400 thousand for the New Mexico Partnership.

BUDGET ISSUES:

Local Economic Development Act. EDD has improved some aspects of accountability and performance reporting in FY18, but the state still does not receive sufficient reporting from businesses using tax incentives and Local Economic Development Act (LEDA) funds to properly evaluate these programs. As a result, it is difficult to determine the effectiveness and cost-efficiency of these programs or to determine if they provide a positive or negative financial return for the state. EDD reported a significant increase in jobs created through department efforts for FY18, reaching 3,994 jobs created, compared with 1,729 jobs created in FY17. EDD awarded 15 companies \$10.5 million in LEDA funds in FY18 and created 2,613 jobs. Of the 15 companies awarded LEDA funds, eight were in rural areas. These companies include Facebook, PESCO, USA Beef, PreCheck, Leprino Foods Company, Corrugated Synergies International, Agmechtronix, and Stampede Meat. EDD surpassed its target for rural job growth creation by 151 percent. The success of the rural jobs created can be attributed to EDD's LEDA award of \$3 million for Stampede Meat, which will create 1,295 jobs once full capacity is reached within five years.

Legislators appropriated \$83 million over the last five years for the LEDA fund, including a \$5 million special appropriation during the 2018 legislative session. As of July 2018, EDD reported \$20 million in other state funds and severance tax bonds is unspent. Unless a special appropriation, LEDA unexpended general fund balances remaining at the end of a fiscal year do not revert.

Cost per job for LEDA increased from \$10.4 thousand per job in FY16, to \$29.2 thousand in FY17, and decreased to \$4,000 in FY18. The cost per job created through LEDA funding for FY18 ranges from \$2.3 thousand per job for Stampede Meats in Dona Ana County to \$40 thousand per job for Leprino Foods in Chaves County. (See LEDA awards chart in the LFC *Volume III*).

The department has improved metrics used to evaluate LEDA. For example, using a leverage ratio to evaluate private funding versus public funding, in FY18 this ratio was 36:1. Improved metrics can also include addressing the impact to the local payroll in the communities where LEDA awards have been given. EDD also should consider making public the data required of businesses awarded LEDA funds. This will help measure the return on investment and improve transparency with the public, Legislature, and executive and could demonstrate that public money is being spent effectively. EDD requested a \$30 million special appropriation for LEDA for FY20.

Job Training Incentive Program. The Legislature increased recurring appropriations for JTIP in FY19 by \$2 million, bringing the total to \$4 million. JTIP funds over the past five years, including the FY19 recurring appropriation of \$4 million and a \$5 million special appropriation, total \$39 million. The Job Training Incentive Program (JTIP) board approved 58 businesses for funding in FY18, including 24 in rural communities, with a total of \$15.3 million in awards. Workers trained by JTIP for FY18 decreased to 1,400 compared with 2,000 in FY17. Of the JTIP awards given in FY18, 76 percent went to New Mexico companies for expansions, and 60 percent were awarded to companies founded in New Mexico. As of November 2018, EDD reported \$3.4 million in JTIP funds were available.

Statute requires one-third of JTIP appropriations be spent on training in rural areas, but EDD has not complied with this statute any of the last four fiscal years. The JTIP board obligated \$4.6 million to rural companies in FY18, meeting statutory requirements for funding of rural communities. EDD requested a base increase of \$2 million and a special appropriation request of \$11 million for JTIP for FY20.

The New Mexico Film Office. The FY20 request for the New Mexico Film Office included an increase from the general fund of \$383 thousand, primarily in the contractual services category. The film office's primary purpose is to market the state to the film, television, and emerging media industries, service the recruited productions and companies, and promote job and business opportunities for New Mexico residents. This includes consulting with production and emerging media companies regarding the financial aspects of their projects, guiding them through the incentives such as the 25 percent to 30 percent refundable film production tax credit and the Job Training Incentive Program for Film and Multimedia.

LFC analysis on the film tax credit indicates that, as of June 2018, there is \$120 million in "backlogged" credits that has not been paid to film companies. The Film Office does not track expenses by fiscal year, relying solely on the Taxation and Revenue Department to keep track of these liabilities. LFC recommends both agencies communicate more effectively to maintain awareness of available funds and backlog. The LFC recommendation maintains a general fund budget flat with the FY19 operating budget.

The New Mexico Partnership. The New Mexico Partnership is the largest contract within the New Mexico Economic Development Department, receiving \$1 million in FY19. The New Mexico Partnership is designed to be a single-point-of-contact for locating and expanding business in New Mexico. The New Mexico Partnership offers a formal network of economic developers to simplify the site selection process by providing expertise on talent, critical infrastructure, educational and research and development institutions, real estate, and facilities. In FY18, the New Mexico Partnership played a vital role in the Stampede Meat LEDA appropriation, the largest job-creating LEDA award for FY18. The LFC recommendation includes an additional \$400 thousand for the New Mexico Partnership.

Local Economic Assistance and Development Support Program. The LEADS program, formerly the Certified Communities Initiative awarded 18 grants to local communities in FY18. All but two of the grantees achieved the program goal of generating an outcome within the same fiscal year the funds are provided. The projects took place in Anton Chico, Gallup, Raton, Clovis, Carlsbad, Lovington, Los Lunas, Las Cruces, Deming, Cibola County, LEA County, Otero County, Santa Fe County, and Mora County. Due to the success of the LEADS program, the LFC recommendation includes an additional \$250 thousand for the LEADS program in FY19.

RECOMMENDED LANGUAGE:

The general fund appropriation to the economic development department program of the economic development department in the other category includes five million dollars (\$5,000,000) for the development training fund.

The general fund appropriation to the economic development program of the economic development department in the contractual services category includes one million four hundred thousand dollars (\$1,400,000) for the New Mexico economic development corporation.

ECONOMIC DEVELOPMENT

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

BUDGET SUMMARY
(dollars in thousands)

	<u>FY20 - 2019-2020</u>				
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <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	5,914.6	8,493.3	11,306.8	8,990.2	5.9
Other Transfers	0.0	105.4	0.0	0.0	-100.0
Federal Revenues	0.0	200.0	0.0	0.0	-100.0
SOURCES TOTAL	5,914.6	8,798.7	11,306.8	8,990.2	2.2
USES					
Personal Services and Employee Benefits	1,455.9	1,684.3	2,072.5	1,931.2	14.7
Contractual Services	2,232.4	2,245.6	2,048.3	1,048.3	-53.3
Other	2,226.3	4,868.8	7,186.0	6,010.7	23.5
TOTAL USES	5,914.6	8,798.7	11,306.8	8,990.2	2.2
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>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Outcome	Number of workers trained by the job training incentive program	2,009	1,736	2,050	2,050	2,050
* Outcome	Number of jobs created due to economic development department efforts	1,729	3,994	4,500	4,500	4,500
* Outcome	Number of rural jobs created	775	2414	1,500	1,500	1,750
Output	Dollars of private sector investment in mainstreet districts, in millions	\$28.4	\$53.9	\$11.0	\$11.0	\$35.0
Output	Number of private sector dollars leveraged by each dollar through the Local Economic Development Act	21:1	36:1	15:1	12:1	20:1
Output	Number of potential recruitment opportunities submitted by the New Mexico economic development partnership	NEW	52	84	84	84
Output	Number of building rehabilitations assisted by mainstreet program	NEW	NEW	150	150	150
Outcome	Number of business development projects resulting in job growth, new investment or increased revenue	NEW	NEW	12	22	22
Output	Number of technical assistance cases provided to a community that results in a new economic development program or asset	NEW	NEW	4	22	22
Output	Number of foreign direct investment leads generated by the office of international trade	NEW	NEW	NEW	30	30
Outcome	Dollars of new investment in technology-based companies as a result of the office of science and technology's programs	NEW	NEW	NEW	\$5,000,000	\$5,000,000
* Output	Number of jobs created through the use of Local Economic Development Act funds	530	2,613	2,200	2,200	2,500
* Outcome	Number of jobs created through business relocations facilitated by the New Mexico economic development partnership	115	1,415	2,250	2,250	2,250

FILM

The purpose of the film program is to maintain the core business for the film location services and stimulate growth in digital film media to maintain the economic vitality of New Mexico's film industry.

BUDGET SUMMARY (dollars in thousands)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	685.8	686.0	1,069.9	686.0	0.0
SOURCES TOTAL	685.8	686.0	1,069.9	686.0	0.0
USES					
Personal Services and Employee Benefits	475.5	524.3	732.3	524.3	0.0
Contractual Services	114.5	82.8	183.3	82.8	0.0
Other	95.8	78.9	154.3	78.9	0.0
TOTAL USES	685.8	686.0	1,069.9	686.0	0.0
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of film and media worker days	448,304	259,961	300,000	209,000	300,000
* Outcome	Direct spending by film industry productions, in millions	\$505	\$234	\$330	\$220	\$330

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)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,614.9	1,689.7	3,200.1	3,233.3	91.4
SOURCES TOTAL	1,614.9	1,689.7	3,200.1	3,233.3	91.4
USES					
Personal Services and Employee Benefits	1,370.9	1,425.0	1,575.2	1,568.6	10.1
Contractual Services	87.9	92.7	1,422.7	1,492.7	1,510.2
Other	156.1	172.0	202.2	172.0	0.0
TOTAL USES	1,614.9	1,689.7	3,200.1	3,233.3	91.4
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
TOTAL FTE POSITIONS	17.0	17.0	17.0	17.0	0.0

STATUTORY AUTHORITY:

The Regulation and Licensing Department (RLD) was created pursuant to Sections 9-16-1 through 9-16-14, 60-13-1 through 60-15-14, 60-3A-1 through 60-8A-19, and 60-2B-1 through 60-2B-14 NMSA 1978 as an executive agency. RLD was created as a unified agency vested with responsibility to enforce and administer laws, rules, regulations, and codes relative to licensure and regulation of construction and manufactured housing, financial institutions, securities, and alcohol. Through executive orders and legislative mandates, the department is responsible for licensing and enforcement for 30 professional boards and commissions. By statute, the department has a minimum of six divisions: Administrative Services, Construction Industries (CID), Manufactured Housing (MHD), Financial Institutions (FID), Securities Industries (SID), and Alcohol and Gaming (AGD).

RLD consists of six programs. The Construction Industries and Manufactured Housing divisions are combined into one program. The remaining programs are classified in the same manner as the department's divisions.

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,865.6	12,438.5	13,202.8	13,049.5	4.9
Other Transfers	5,468.3	7,911.1	9,414.9	9,414.9	19.0
Federal Revenues	55.7	17.5	25.0	25.0	42.9
Other Revenues	10,835.7	7,293.4	5,482.5	5,593.1	-23.3
Fund Balance	693.7	986.1	1,197.1	1,947.1	97.5
SOURCES TOTAL	28,919.0	28,646.6	29,322.3	30,029.6	4.8
USES					
Personal Services and Employee Benefits	18,326.0	20,513.3	21,519.0	21,551.1	5.1
Contractual Services	731.7	1,096.1	1,465.4	1,465.4	33.7
Other	3,207.7	3,950.4	4,201.5	4,126.7	4.5
Other Financing Uses	1,934.8	3,086.8	2,136.4	2,886.4	-6.5
TOTAL USES	24,200.2	28,646.6	29,322.3	30,029.6	4.8
FTE					
Permanent	304.6	316.4	312.6	312.6	-1.2
Term	0.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	304.6	318.4	312.6	312.6	-1.8

AT A GLANCE:

Strategic goals for the Regulation and Licensing Department (RLD) include streamlining the licensing and renewal process, encouraging responsible economic development in the alcohol industry, creating a safer environment for securities investment, reducing elderly fraud, continuing outreach to Native American investors, prosecuting unlicensed building contractors, improving turnaround for building permits and inspections, and prosecuting notary public abuses. The agency requested an increase in funding overall, including a \$764.3 thousand, or 6.1 percent, increase in general fund revenues for FY20. Most of this increase relates to the support and maintenance of a new permitting process for the Construction Industries Division (CID).

For FY20, the committee recommends a \$611 thousand, or 4.9 percent, general fund increase over the FY19 operating budget. The recommendation provides a modest increase in general fund revenues for the Alcohol and Gaming Division (AGD) and the Program Support Divisions to offset increases in employee liability and information technology rates. The LFC recommendation includes a 6.9 percent general fund increase for the Construction Industries Division for additional inspectors and for the support and maintenance of a new or updated information technology system for issuing permits.

BUDGET ISSUES:

CID received a special appropriation in FY18 to upgrade its permitting software. The current system is over 15 years old and is no longer supported by the vendor. RLD is currently exploring the products of several vendors that could provide this system. CID is in the process of revising and upgrading its building codes for general construction, plumbing, electrical, and mechanical.

In FY18, the Alcohol and Gaming Division issued 405 citations and resolved 334 of them through stipulated agreement or other disposition. The resolution of these citations resulted in \$180 thousand in fines paid by liquor licensees for violations of the Liquor Control Act. Also, the division received and processed over 600 liquor license applications and 3,641 liquor license renewal applications.

After a large fiscal conservatorship business was placed under investigation for allegedly misusing client funds held in trust, the Financial Institutions Division took the lead in amending the New Mexico Trust Company Act to provide the division with emergency powers to intercede when an institution has been operating in an unsafe or illegal manner. New amendments also tightened the definition of a nonprofit trust company and expanded insurance requirements to provide better protection for consumers.

RECOMMENDED LANGUAGE:

The internal service fund/interagency transfers appropriations to the financial institutions program of the regulation and licensing department include seven hundred twenty-five thousand five hundred dollars (\$725,500) from the mortgage regulatory fund for the general operations of the financial institutions program.

The internal service funds/interagency transfers appropriation to the financial institutions program of the regulation and licensing department in the other financing uses category includes seven hundred fifty thousand dollars (\$750,000) from the mortgage regulatory fund for the legal services program of the attorney general.

CONSTRUCTION INDUSTRIES AND MANUFACTURED HOUSING

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	7,796.4	8,144.3	8,533.1	8,708.3	6.9
Other Transfers	245.8	330.0	330.0	330.0	0.0
Federal Revenues	55.7	17.5	25.0	25.0	42.9
Other Revenues	56.8	10.5	50.0	50.0	376.2
Fund Balance	5.3	10.8	21.3	21.3	97.2
SOURCES TOTAL	8,160.0	8,513.1	8,959.4	9,134.6	7.3
USES					
Personal Services and Employee Benefits	6,723.7	7,253.4	7,253.4	7,453.4	2.8
Contractual Services	214.2	249.8	549.8	549.8	120.1
Other	1,170.1	979.2	1,125.2	1,100.4	12.4
Other Financing Uses	20.9	30.7	31.0	31.0	1.0
TOTAL USES	8,128.9	8,513.1	8,959.4	9,134.6	7.3
FTE					
Permanent	115.4	111.0	113.0	113.0	1.8
Term	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	115.4	112.0	113.0	113.0	0.9

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Percent of all installation of manufactured home inspections performed within seven days of request	90%	93%	93%	93%	94%
* Outcome	Percent of commercial plans reviewed within ten working days	85%	90%	90%	90%	90%
* Outcome	Percent of residential plans reviewed within five working days	90%	95%	95%	95%	95%
Efficiency	Percent of all construction inspections performed within three days of inspection request	94%	95%	95%	90%	95%
* Output	Time to final action, referral or dismissal of complaint, in months	8	8	8	8	8

FINANCIAL INSTITUTIONS

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)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	700.0	816.2	916.2	816.2	0.0
Other Transfers	725.5	1,725.5	725.5	725.5	-58.0
Other Revenues	3,139.3	1,521.3	1,672.0	1,772.0	16.5
Fund Balance	152.9	60.0	85.0	835.0	1,291.7
SOURCES TOTAL	4,717.7	4,123.0	3,398.7	4,148.7	0.6
USES					
Personal Services and Employee Benefits	2,008.1	2,523.6	2,736.8	2,740.4	8.6
Contractual Services	10.7	38.5	59.0	59.0	53.2
Other	280.5	446.4	488.4	484.8	8.6
Other Financing Uses	92.2	1,114.5	114.5	864.5	-22.4
TOTAL USES	2,391.5	4,123.0	3,398.7	4,148.7	0.6
FTE					
Permanent	39.0	38.0	39.0	39.0	2.6
TOTAL FTE POSITIONS	39.0	38.0	39.0	39.0	2.6

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	97%	97%	97%	95%	97%
Efficiency	Percent of state-chartered banks, state-chartered credit unions, independent trust companies, small loan companies, mortgage loan companies, mortgage loan branches and escrow companies examined	N/A	90%	95%	90%	95%

ALCOHOL AND GAMING

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

BUDGET SUMMARY (dollars in thousands)					
<u>FY20 - 2019-2020</u>					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	922.8	966.6	1,076.6	996.6	3.1
SOURCES TOTAL	922.8	966.6	1,076.6	996.6	3.1
USES					
Personal Services and Employee Benefits	868.7	895.9	991.4	916.0	2.2
Contractual Services	5.5	2.6	12.9	12.9	396.2
Other	61.9	68.1	72.3	67.7	-0.6
TOTAL USES	936.1	966.6	1,076.6	996.6	3.1
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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Number of days to process a dispenser license	124	116	120	150	120
* Output	Number of days to resolve an administrative citation that does not require a hearing	151	177	100	175	150
* Outcome	Number of days to issue a restaurant beer and wine liquor license	139	121	130	139	120
Output	Number of days to process a small manufacturer license	NEW	130	130	139	130

BOARDS AND COMMISSIONS

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr <u>(Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	366.8	420.5	420.5	420.5	0.0
Other Transfers	2,681.8	3,506.6	6,010.4	6,010.4	71.4
Other Revenues	6,854.8	5,079.0	3,095.5	3,095.5	-39.1
Fund Balance	101.7	458.7	621.8	621.8	35.6
SOURCES TOTAL	10,005.1	9,464.8	10,148.2	10,148.2	7.2
USES					
Personal Services and Employee Benefits	5,067.6	5,635.7	6,225.3	6,225.3	10.5
Contractual Services	171.3	435.2	515.2	515.2	18.4
Other	835.4	1,557.5	1,522.0	1,522.0	-2.3
Other Financing Uses	1,724.2	1,836.4	1,885.7	1,885.7	2.7
TOTAL USES	7,798.5	9,464.8	10,148.2	10,148.2	7.2
FTE					
Permanent	85.4	93.4	95.4	95.4	2.1
Term	0.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	85.4	94.4	95.4	95.4	1.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	91%	86%	99%	95%	95%
Output	Percent of complaints logged and processed within three days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	92%	97%	99%	95%	97%
Efficiency	Percent of board meeting agendas available to the public posted to the website at least seventy-two hours prior to the meeting and draft minutes prepared and posted to the website within ten working days after the meeting	94%	94%	100%	95%	95%
Outcome	Percent of barber and cosmetology establishments, body art establishments, funeral service establishments and pharmacy establishments inspected once every sixteen months	NEW	88%	96%	90%	93%

SECURITIES

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>	
SOURCES						
	General Fund Transfers	811.1	768.8	800.5	768.8	0.0
	Other Revenues	784.8	682.6	665.0	675.6	-1.0
	Fund Balance	433.8	456.6	469.0	469.0	2.7
	SOURCES TOTAL	2,029.7	1,908.0	1,934.5	1,913.4	0.3
USES						
	Personal Services and Employee Benefits	1,235.2	1,420.8	1,449.4	1,428.3	0.5
	Contractual Services	7.0	52.7	53.1	53.1	0.8
	Other	241.0	329.3	326.8	326.8	-0.8
	Other Financing Uses	97.5	105.2	105.2	105.2	0.0
	TOTAL USES	1,580.7	1,908.0	1,934.5	1,913.4	0.3
FTE						
	Permanent	24.0	24.0	24.0	24.0	0.0
	TOTAL FTE POSITIONS	24.0	24.0	24.0	24.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt by the securities division of the completed application	TBD	100%	99%	99%	99%
Outcome	Percent of investment adviser registrants examined annually		52%	60%	50%	55%
Output	Percent of all administrative and criminal actions processed annually	TBD	55%	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	78%	68%	83%	75%	80%
* Outcome	Total revenue collected from licensing, in millions	\$22.4	\$23.1	\$25.0	\$23.6	\$23.6

Regulation and Licensing Department Boards and Commissions

BUDGET SUMMARY

(dollars in thousands)

FY 2020

	FY18 Actual	FY19 Operating	FY20 Agency Request	FY20 LFC Recomm- endation	FY20 Pct increase (decrease)
SOURCES					
General fund transfers	366.8	420.5	420.5	420.5	0.0%
Other transfers	2,681.8	3,506.6	6,010.4	6,010.4	71.4%
Federal revenues	-	0.0	0.0	0.0	0.0%
Other revenues	6,854.8	5,079.0	3,095.5	3,095.5	-39.1%
Fund balance	101.7	458.7	621.8	621.8	35.6%
TOTAL REVENUE	\$10,005.1	\$9,464.8	\$10,148.2	\$10,148.2	7.2%
USES					
Substitute Care Advisory Council	408.6	601.1	601.1	601.1	0.0%
New Mexico Public Accountancy Board	420.9	490.5	490.5	490.5	0.0%
Board of Acupuncture and Oriental Medicine	185.6	244.2	244.2	244.2	0.0%
New Mexico Athletic Commission	101.8	190.5	190.5	190.5	0.0%
Athletic Trainer Practice Board	12.8	27.9	27.9	27.9	0.0%
New Mexico Board of Dental Health Care	308.0	499.8	545.1	545.1	9.1%
Impaired Dentists	-	15.0	15.0	15.0	0.0%
Counseling and Therapy Practice Board	314.0	436.7	436.7	436.7	0.0%
Chiropractic Board	118.6	149.1	149.1	149.1	0.0%
Board of Barbers and Cosmetologists	913.2	1,073.6	1,103.6	1,103.6	2.8%
Board of Body Art Practitioners	97.2	158.7	158.7	158.7	0.0%
Nutrition and Dietetics Practice Board	18.5	30.4	30.4	30.4	0.0%
Board of Landscape Architects	19.3	27.5	27.5	27.5	0.0%
Interior Design Board	9.7	23.7	23.7	23.7	0.0%
Massage Therapy Board	219.8	254.2	254.2	254.2	0.0%
Signed Language Interpreting Practice Board	82.9	106.0	106.0	106.0	0.0%
Board of Nursing Home Administrators	28.7	50.8	50.8	50.8	0.0%
Board of Examiners for Occupational Therapy	69.8	94.5	94.5	94.5	0.0%
Board of Optometry	73.7	110.1	116.5	116.5	5.8%
Board of Osteopathic Medical Examiners	125.6	177.1	192.6	192.6	8.8%
Board of Pharmacy	1,965.5	1,847.8	2,203.5	2,203.5	19.2%
Physical Therapy Board	97.2	173.2	173.2	173.2	0.0%
Board of Podiatry	34.8	52.0	55.1	55.1	6.0%
Private Investigators and Polygraphers	219.0	256.1	284.9	284.9	11.2%
New Mexico State Board of Psychologists	143.4	203.7	221.7	221.7	8.8%
New Mexico Real Estate Commission	876.3	851.2	1,031.8	1,031.8	21.2%
Real Estate Commission Education and Training	-	15.8	15.8	15.8	0.0%
Real Estate Commission Recovery	-	50.0	50.0	50.0	0.0%
Advisory Board of Respiratory Care Practitioners	88.3	104.1	104.1	104.1	0.0%
Speech Language Pathology, Audiology, and Hearing Aid Dispensing Practices Board	106.1	175.8	175.8	175.8	0.0%
Board of Thanatopractice	121.0	151.3	151.3	151.3	0.0%
Board of Social Work Examiners	240.3	294.4	294.4	294.4	0.0%
Real Estate Appraisers Board	271.2	389.6	389.6	389.6	0.0%
Carnival Ride Bureau	51.7	68.5	68.5	68.5	0.0%
Hoisting and Safety	55.0	69.9	69.9	69.9	0.0%
TOTAL EXPENDITURES	\$7,798.5	\$9,464.8	\$10,148.2	\$10,148.2	7.2%

**Regulation and Licensing Department Boards and Commissions
FTE Summary
FY 2020**

	FY18 Actual	FY19 Authorized FTE	FY20 Agency Request	FY20 LFC Recomm- endation	FY20 Pct increase (decrease)
Substitute care advisory council	2.0	8.0	0.0	0.0	0.0%
New Mexico accountancy board	5.0	5.0	0.0	0.0	0.0%
Board of pharmacy	14.0	15.0	0.0	0.0	0.0%
New Mexico real estate commission	9.0	9.0	0.0	0.0	0.0%
Flow through	55.4	58.4	95.4	95.4	0.0%
TOTAL FTE	85.4	95.4	95.4	95.4	0.0%

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)

		<u>FY20 - 2019-2020</u>			
	FY18 2017-2018	FY19 2018-2019	Agency Request	LFC Recommendation	Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>			
SOURCES					
General Fund Transfers	1,268.5	1,322.1	1,455.9	1,339.1	1.3
Other Transfers	1,815.2	2,349.0	2,349.0	2,349.0	0.0
SOURCES TOTAL	3,083.7	3,671.1	3,804.9	3,688.1	0.5
USES					
Personal Services and Employee Benefits	2,422.7	2,783.9	2,862.7	2,787.7	0.1
Contractual Services	323.0	317.3	275.4	275.4	-13.2
Other	618.8	569.9	666.8	625.0	9.7
TOTAL USES	3,364.5	3,671.1	3,804.9	3,688.1	0.5
FTE					
Permanent	25.8	35.0	26.2	26.2	-25.1
TOTAL FTE POSITIONS	25.8	35.0	26.2	26.2	-25.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
		80%	80%	80%	75%	90%
Outcome	Percent of prior-year audit findings resolved					

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)					
			FY20 – 2019-2020		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	6,666.8	7,361.6	8,985.4	7,800.3	6.0
Other Transfers	72,685.4	72,476.0	77,196.6	77,196.6	6.5
Federal Revenues	725.1	899.8	785.0	785.0	-12.8
SOURCES TOTAL	80,077.3	80,737.4	86,967.0	85,781.9	6.2
USES					
Personal Services and Employee Benefits	10,544.1	12,073.2	12,921.8	12,439.1	3.0
Contractual Services	398.1	497.4	950.2	545.3	9.6
Other	57,108.4	68,166.8	73,095.0	72,797.5	6.8
TOTAL USES	68,050.6	80,737.4	86,967.0	85,781.9	6.2
FTE					
Permanent	153.0	153.0	156.0	156.0	1.9
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	154.0	154.0	157.0	157.0	1.9

AT A GLANCE:

The Public Regulation Commission's (PRC) FY20 budget request increased other revenues by \$4.8 million (Fire Protection Fund and Fire Protection Grant Fund Distribution) and increased general revenue by \$1.6 million. The increase is in three programs: Policy and Regulation, Public Safety, and Program Support. The increase in other revenue includes an increase in administrative use of the fire protection fund of \$351 thousand.

The LFC recommendation includes an increase of \$438.7 thousand, or 6 percent, in general fund primarily for personal services and employee benefits in the Policy and Regulation program and Public Safety program. The LFC recommendation partially supports the increase in other revenue, primarily in the Public Safety bureau in the other category for transfers to local governments for the fire protection fund.

BUDGET ISSUES:

The Public Regulation Commission (PRC) faces case filing submissions increasing in number and complexity due to regulations and legislation from the federal government and the state and prior commission rulings. The agency continues to have numerous vacancies in the Policy and Regulation Program due to attrition and senior staff retiring, creating staffing challenges but has steadily began to hire key vacancies.

PRC's FY20 budget request increased other revenues by \$4.8 million and increased general fund revenue by \$1.6 million. The increase is in three programs: Policy and Regulation, Public Safety, and Program Support. The LFC recommendation includes an increase of \$438.7 thousand, or 6 percent, from the general fund primarily for the personal services and employee benefits category in the Policy and Regulation Program and Public Safety Program to reduce vacancy rates. The LFC recommendation fully supports the increase in other revenue, primarily in the Public Safety Program in the other category for transfers to local governments for the fire protection fund. The LFC recommendation also increases the contractual services by \$76.6 thousand in the Policy and Regulation Program to allow the commission to contract with highly specialized consultants to provide analytical and litigation support to utility and legal staff.

In 2017, the Legislative Council staff contracted with the National Regulatory Research Institute to evaluate PRC staffing and budget allocation. The report identified inadequate funding and professional development for technical staff, especially electrical and water engineers, and stated the problem has become more acute because the utility industries are undergoing dramatic changes because of the confluence of market, technological, and public policy developments. PRC is continuing to prioritize hiring critical positions and provide staff training. As of September 2018 the agency had 31 vacancies, compared with 33 in September 2017.

Policy and Regulation. The Policy and Regulation Program is the largest within PRC and includes the five commissioners, hearing examiners, and the Legal, Utility, Consumer Relations, and the Transportation divisions. The program's responsibilities include economic regulation of utilities, telecommunications, and motor carriers. The workload in the Policy and Regulation Program continues to increase at an accelerated rate, both in the complexity of cases before PRC and in the number of issues involved in PRC administrative proceedings. One area of growth is PRC's role in economic development. Large energy users, for example the Facebook data centers in Los Lunas, have corporate mandates to power their facilities with renewable energy. PRC regulators must ensure the special contracts for these business customers cover their full costs without subsidization by other New Mexico utility company customers.

Public Safety. The State Fire Marshal Division is composed of four bureaus; Fire Code Enforcement, Fire Investigation, Fire Services Support, and the Firefighters Training Academy. The State Fire Marshal's division currently has 10 vacant FTE. PRC requested an increase of \$4.9 million in other revenue in the Public Safety program, which includes \$294 thousand to lower the vacancy rate. The LFC recommendation supports an increase in other revenue of \$153.1 thousand for the personal services and employee benefits category.

Legislative action in 2017 required all FY17 balances of the fire protection fund and fire protection grant fund to revert rather than carry forward for spending in FY18 and aligned the funds' revenue with spending during the same fiscal year. The bill temporarily halted spending from the fire protection grant fund, with transfers to resume in FY19 at the current allocation of 40.2 percent of remaining fire protection fund balances. The fire protection fund is the depository of a 3 percent premium tax on auto and fire insurance collected by the Office of the Superintendent of Insurance (OSI). The fees are collected in the insurance suspense fund within OSI and transferred to the fire protection fund at PRC. The large increase in requested other transfers is the result of the fire protection fund increasing for FY20. Other transfers include pipeline safety fees, collected from every operator of a pipeline for the transportation of crude oil, natural gas, or products derived from either and paid to the PRC annually. Any remaining balances in the fire protection fund at the end of a fiscal year revert to the general fund.

New Mexico certified fire departments apply for fire protection grants on an annual basis. Counties are currently spending fire protection grant awards on facility improvements, firefighting equipment, dedicated fire suppression water supply, training, communication equipment, etc.

Regulatory Activities. As part of an abandonment case, the Public Service Company of New Mexico (PNM) will make a filing to PRC during 2019 with its recommendation on the extent to which the San Juan Generating Station (SJGS) should continue operating beyond 2022, when the current coal supply agreement ends. PNM and PRC will have to consider issues affecting the concerns of the Legislature and of San Juan County and its citizens related to the possible closure of the plant. A four-year action plan in PNM's 2017 integrated resource plan (IRP) reports PNM will pursue abandonment of SJGS by 2022. PNM's San Juan Generating Station in Farmington closed two units in December 2017. PRC states it is still in need of electrical engineers with resource and transmission planning experience to handle these types of cases. Also, the last of the PRC staff with expertise in utility accounting will retire in December 2018, creating another critical hire for the agency to fill.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 59A-53-5.2 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the policy and regulation program of the public regulation commission includes four hundred eighty-nine thousand seven hundred dollars (\$489,700) from the fire protection fund. Any unexpended balances in the policy and regulation program of the public regulation commission remaining at the end of fiscal year 2020 shall revert back to the fire protection fund.

Notwithstanding the provisions of Section 59A-53-5.2 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the public safety program of the public regulation commission includes three million six hundred forty-three thousand three hundred dollars (\$3,643,300) from the fire protection fund. Any unexpended balances in the policy and regulation program of the public regulation commission remaining at the end of fiscal year 2020 shall revert back to the fire protection fund.

Notwithstanding the provisions of Section 59A-53-5.2 NMSA 1978 or other substantive law, the internal service funds/interagency transfers appropriation to the program support program of the public regulation commission includes six hundred sixty-one thousand five hundred dollars (\$661,500) from the fire protection fund. Any unexpended balances in the policy and regulation program of the public regulation commission remaining at the end of fiscal year 2020 shall revert back to the fire protection fund.

POLICY AND REGULATION

The purpose of the policy and regulation program is to fulfill the constitutional and legislative mandates regarding regulated industries through rulemaking, adjudications and policy initiatives to ensure the provision 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,990.2	6,614.9	7,955.9	7,053.6	6.6
Other Transfers	710.4	777.0	632.9	632.9	-18.5
Federal Revenues	35.0	0.0	35.0	35.0	
SOURCES TOTAL	6,735.6	7,391.9	8,623.8	7,721.5	4.5
USES					
Personal Services and Employee Benefits	6,100.0	6,732.8	7,155.8	6,935.8	3.0
Contractual Services	60.4	68.2	549.7	144.8	112.3
Other	473.2	590.9	918.3	640.9	8.5
TOTAL USES	6,633.6	7,391.9	8,623.8	7,721.5	4.5
FTE					
Permanent	78.7	78.7	78.7	78.7	0.0
TOTAL FTE POSITIONS	78.7	78.7	78.7	78.7	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$111.6	91.4	\$150	\$150.0	\$150.0
Outcome	Percent of written documents filed by staff to the total number of docketed cases in a fiscal year	26%	44%	50%	50%	50%
Outcome	Percent of total carrier inspections performed by staff to the total number of regulated carriers in a fiscal year	NEW	6%	10%	10%	10%

PUBLIC SAFETY

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	71,055.0	70,718.5	75,739.1	75,583.2	6.9
Federal Revenues	690.1	899.8	750.0	750.0	-16.6
SOURCES TOTAL	71,745.1	71,618.3	76,489.1	76,333.2	6.6
USES					
Personal Services and Employee Benefits	3,051.6	3,807.0	4,101.7	3,960.1	4.0
Contractual Services	311.6	393.3	374.4	374.4	-4.8
Other	56,546.3	67,418.0	72,013.0	71,998.7	6.8
TOTAL USES	59,909.5	71,618.3	76,489.1	76,333.2	6.6
FTE					
Permanent	52.3	52.3	55.3	55.3	5.7
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	53.3	53.3	56.3	56.3	5.6

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of training contact hours delivered by the state fire marshal's office, state firefighter training academy and pipeline safety bureau	127,855	110,205	130,000	125,000	125,000
Quality	Pass rate for state certification exams administered by the state firefighter academy	79%	75.3%	87%	85%	85%
* Outcome	Percent of statewide fire districts with insurance service office ratings of eight or better	78%	66%	84%	80%	80%
Output	Number of pipeline safety inspection, excavation damage prevention and investigation hours performed by the pipeline safety bureau in the fiscal year	9,307	8,019	8,000	8,000	8,000

PROGRAM SUPPORT

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	676.6	746.7	1,029.5	746.7	0.0
Other Transfers	920.0	980.5	824.6	980.5	0.0
SOURCES TOTAL	1,596.6	1,727.2	1,854.1	1,727.2	0.0
USES					
Personal Services and Employee Benefits	1,392.5	1,533.4	1,664.3	1,543.2	0.6
Contractual Services	26.1	35.9	26.1	26.1	-27.3
Other	88.9	157.9	163.7	157.9	0.0
TOTAL USES	1,507.5	1,727.2	1,854.1	1,727.2	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

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
		Unqual	Unqual	Unqual	Unqual	Unqual
Outcome	Opinion of previous fiscal year independent agency audit					
Outcome	Percent of prior-year audit findings eliminated	100%	100%	95%	95%	98%
Output	Number of public access accounts registered in e-docket in a fiscal year	NEW	6,908	600,000	7,000	7,000

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	8,962.9	7,059.6	7,252.5	6,822.2	-3.4
Federal Revenues	2,540.5	1,184.6	0.0	0.0	-100.0
Other Revenues	57,300.3	25,494.9	38,386.4	37,384.4	46.6
Fund Balance	0.0	473.5	0.0	0.0	-100.0
SOURCES TOTAL	68,803.7	34,212.6	45,638.9	44,206.6	29.2
USES					
Personal Services and Employee Benefits	6,561.6	7,242.8	8,091.7	7,369.3	1.7
Contractual Services	2,322.3	1,743.2	1,245.5	1,187.2	-31.9
Other	24,754.1	18,167.0	29,049.2	28,827.9	58.7
Other Financing Uses	8,962.9	7,059.6	7,252.5	6,822.2	-3.4
TOTAL USES	42,600.9	34,212.6	45,638.9	44,206.6	29.2
FTE					
Permanent	85.0	86.0	95.0	86.0	0.0
Term	8.0	3.6	2.0	2.0	-44.4
TOTAL FTE POSITIONS	93.0	89.6	97.0	88.0	-1.8

AT A GLANCE:

The Office of Superintendent of Insurance (OSI), which receives no general fund revenue, requested a base increase of \$10 million from the FY19 operating budget, primarily due to the patient compensation fund pool expanding during FY19. OSI also requested a \$1.4 million expansion for additional FTE. The LFC recommendation supports the base budget increase but not the expansion request.

BUDGET ISSUES:

OSI, which has an operating budget primarily comprising other revenues, sought an increase in other revenue of \$11.9 million, or a 46 percent increase from the FY19 operating budget, primarily to cover expenses in the patient compensation fund pool, which expanded substantially during FY19. The agency requested zero funds in federal revenue for FY20, causing a 10 percent reduction in the Insurance Policy Program.

The LFC recommendation supports the increase of \$11.9 in other revenues, primarily supporting the increase in patient compensation revenue, and the base increase of \$10 million, increasing both the personal services and employee benefits and the other categories while reducing the contractual services category. The recommendation does not support the request for additional positions. As of September 2018, the agency had 14 vacancies.

Premium Tax Collection. Laws 2018, Chapter 57, transferred the duty and resources to collect insurance premium taxes to the Taxation and Revenue Department (TRD) - including personnel, appropriations, property, contractual obligations and rules - beginning January 1, 2020. The law requires the Office of the Superintendent of Insurance to transfer \$595 thousand of insurance premium tax revenues to the Taxation and Revenue Department to cover all costs of the 6 FTE. Information provided by TRD states a special appropriation request will be necessary for this transfer. However, as of November 2018, a special appropriation request was not submitted by the agency. Insurance revenues distributed to the general fund were \$235 million in FY17, making the program one of the single largest tax programs in the state and representing nearly 4 percent of all general fund revenues.

The Patient's Compensation Fund. The Patient Compensation Fund (PCF) Program is a flow-through expenditure program that pays malpractice settlements for member physicians and hospitals. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice coverage that caps the amount of damages awarded against the member healthcare providers. The program acts as a re-insurer over private market medical malpractice insurance. The number and amount of court-ordered settlement awards paid from the fund are increasing. During FY18, the PCF pool was expanded to cover 23 additional hospitals, 52 outpatient facilities, and just over 1,000 new doctors. While this expansion will significantly grow the revenue for FY20, it will also increase the burden on the fund in upcoming fiscal years. The committee supports the agency request of \$11.9 million in other revenue.

New Mexico Mutual. The Legislature created New Mexico Mutual more than 20 years ago to enable a competitive market for employers to obtain workers' compensation insurance. New Mexico Mutual, the state's largest provider of workers' compensation insurance with 35 percent of the voluntary market, ended the 2017 calendar year with a record surplus of \$185 million, a 13 percent increase from 2016. The company's investment portfolio returns were up 4.8 percent from 2016 and incurred losses and loss adjustment expenses decreased 16 percent.

BASE EXPANSION:

OSI requested an expansion of \$1.4 million for 9 FTE. The LFC recommendation does not support the request because of the agency's 15 percent vacancy rate. The FTE expansion request included; 2 FTE currently funded with federal funds that expire six months into FY20, 3 FTE for the Auto Theft Bureau within the Division of Criminal Investigations, 1 FTE for a program coordinator for the patient compensation fund, 2 FTE for the Examinations Bureau (\$170 thousand), and 1 FTE for the Licensing Bureau (\$95 thousand).

As of September 2018, the agency currently had 14 vacancies. The committee recommends the agency convert existing vacant positions, rather than expanding, which will have an impact on reversions to the general fund at the end of the fiscal year.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
6	Transfer for Expansion #1 (P790)	259.8	0.0
7	Transfer for Expansion #4 (P790)	170.5	0.0
1	NM Health Insurance Exchange (2 FTE) (P795)	259.8	0.0
2	Auto Theft Program (3 FTE) (P795)	394.9	0.0
4	Market Conduct/Cybersecurity (2 FTE) (P795)	170.5	0.0
5	Licensee Continuing Education (1 FTE) (P795)	64.7	0.0
3	PCF Program Coordinator (1 FTE) (P797)	81.8	0.0
TOTAL		1,402.0	0.0

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)

	FY18 2017-2018 Actuals	FY19 2018-2019 Budgeted	FY20 - 2019-2020 Agency Request	LFC Recommendation	Percent Incr (Decr)
SOURCES					
Other Transfers	8,962.9	7,059.6	7,252.5	6,822.2	-3.4
Federal Revenues	2,540.5	1,184.6	0.0	0.0	-100.0
Other Revenues	405.7	2,120.2	3,378.7	2,888.8	36.3
Fund Balance	0.0	473.5	0.0	0.0	-100.0
SOURCES TOTAL	11,909.1	10,837.9	10,631.2	9,711.0	-10.4
USES					
Personal Services and Employee Benefits	6,487.1	7,164.5	7,944.2	7,290.5	1.8
Contractual Services	2,024.9	1,358.8	649.3	591.0	-56.5
Other	1,200.1	1,152.1	1,420.9	1,212.7	5.3
Other Financing Uses	0.0	1,162.5	616.8	616.8	-46.9
TOTAL USES	9,712.1	10,837.9	10,631.2	9,711.0	-10.4

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
FTE						
	Permanent	84.0	85.0	93.0	85.0	0.0
	Term	8.0	3.6	2.0	2.0	-44.4
	TOTAL FTE POSITIONS	92.0	88.6	95.0	87.0	-1.8

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred and eighty days of filing	96.9%	96.3%	98%	98%	98%
Output	Number of managed healthcare outreach activities conducted annually	99.5	46.0	100	100	100
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for further adjudication by a competent court, referral to civil division or closure within ninety days	NEW	100%	80%	80%	90%

PATIENT'S COMPENSATION FUNDBUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Other Revenues	39,482.1	18,166.6	28,988.7	28,906.9	59.1
	SOURCES TOTAL	39,482.1	18,166.6	28,988.7	28,906.9	59.1
USES						
	Personal Services and Employee Benefits	74.5	78.3	147.5	78.8	0.6
	Contractual Services	297.4	384.4	596.2	596.2	55.1
	Other	23,554.0	17,014.9	27,628.3	27,615.2	62.3
	Other Financing Uses	665.1	689.0	616.7	616.7	-10.5
	TOTAL USES	24,591.0	18,166.6	28,988.7	28,906.9	59.1
FTE						
	Permanent	1.0	1.0	2.0	1.0	0.0
	TOTAL FTE POSITIONS	1.0	1.0	2.0	1.0	0.0

STATUTORY AUTHORITY:

The Medical Practice Act, Sections 61-6-1 through 61-6-29 NMSA 1978, establishes the Medical Board. The state agency is responsible for regulating and licensing physicians, physician assistants, anesthesiologist assistants, genetic counselors, polysomnographic technologists, and naprapaths. The nine member board is appointed by the governor to staggered four-year terms.

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	2,271.6	1,948.7	2,112.8	2,112.8	8.4
Fund Balance	0.0	80.0	0.0	0.0	-100.0
SOURCES TOTAL	2,271.6	2,028.7	2,112.8	2,112.8	4.1
USES					
Personal Services and Employee Benefits	1,079.5	1,319.7	1,330.7	1,330.7	0.8
Contractual Services	356.7	334.0	364.1	364.1	9.0
Other	404.9	375.0	418.0	418.0	11.5
TOTAL USES	1,841.1	2,028.7	2,112.8	2,112.8	4.1
FTE					
Permanent	16.0	16.0	17.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	17.0	16.0	0.0

AT A GLANCE:

The Medical Board requested a 4 percent increase above the FY19 operating budget from licensing fees and other revenue. The board's request would slightly increase spending on personnel costs and would add 1 FTE for a compliance officer to improve the board's oversight of practitioners' use of the prescription-monitoring program (PMP). The request would also increase spending on hearing officer contractual services by \$32.3 thousand above FY18 expenditures.

Given the recent opiate overdose epidemic, partially due to increased opiate prescribing, the LFC recommendation supports the board's request.

BUDGET ISSUES:

New Mexico's drug overdose death rate is trending in the right direction and the state's national ranking dropped from sixth highest to 12th highest between 2015 and 2016. The trend may partially be due to improvements in medical provider use of the PMP. For example, between the second quarter of 2017 and the second quarter of 2018, the number of patients with concurrent opioid and benzodiazepine prescriptions, a potentially deadly mix, was reduced by 18.4 percent. During the same period, the number of patients with multiple prescribers was reduced by 27.7 percent. While the board does not administer the PMP, it does regulate providers and their use of the program. The board, through its budget request and other actions, is beginning to take a more central role in reducing inappropriate prescribing, and the committee supports the board's request to continue improving PMP compliance. In 2017, the board did not have any audit findings and met nearly all performance targets.

According to analysis from the Healthcare Workforce Committee (HWC), 2,360 primary care physicians were practicing in New Mexico in 2017, an increase of 403, or 20 percent since 2013. Likewise, 792 physicians assistants were practicing, an increase of 98, or 14.1 percent since 2014, the first year data is available. HWC data indicates a wide variability across the state when benchmarking the number of providers compared with county population estimates. For example, the number of primary care physicians in Bernalillo County is 588 above the benchmark of 0.79 physicians per 1,000 population. Immediately adjacent to the south, Valencia County is 37 primary care physicians below benchmark levels.

In FY18, the board issued 943 new licenses for physicians, physician's assistants, and residents and renewed 3,205 licenses for the same group of providers.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
	Output	1,715,975	2,167,850	1,700,000	1,800,000	2,000,000
	Number of entities provided with information through written license verification and website access					
*	Output	4,116	4,059	4,100	4,050	4,050
	Number of triennial physician licenses issued or renewed					
*	Output	455	487	450	450	450
	Number of biennial physician assistant licenses issued or renewed					
	Output	266	254	265	265	250
	Number of complaints closed within the fiscal year					
	Output	54	46	60	60	60
	Number of participants in monitored treatment programs					
	Outcome	47	53	45	45	45
*	Explanatory	NEW	NEW			
	Number of days to issue a physician license					
	Number of licensees contacted regarding high risk prescribing and PMP compliance, based on the board of pharmacy prescription monitoring program reports					

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent <u>Incr</u> <u>(Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	0.0	71.4	200.0	200.0	180.1
Other Revenues	2,413.6	2,132.3	2,488.3	2,416.5	13.3
SOURCES TOTAL	2,413.6	2,203.7	2,688.3	2,616.5	18.7
USES					
Personal Services and Employee Benefits	1,632.2	1,704.1	1,874.5	1,802.7	5.8
Contractual Services	72.1	37.2	63.0	63.0	69.4
Other	463.2	391.0	720.3	720.3	84.2
Other Financing Uses	0.0	71.4	30.5	30.5	-57.3
TOTAL USES	2,167.5	2,203.7	2,688.3	2,616.5	18.7
FTE					
Permanent	22.3	22.3	24.0	24.0	7.9
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	23.3	23.3	25.0	25.0	7.5

AT A GLANCE:

The board's request assumed a 16.6 percent increase in licensing and other revenues over the FY19 operating budget. The request would increase spending on personnel costs by \$170.4 thousand and increase allocations for grants to higher education institutions and other organizations to enhance recruitment, retention, employment, and educational opportunities for professional nurses by roughly \$160 thousand. Total spending on these grants would increase to \$200 thousand. The request would add an investigator and convert a 0.5 FTE and a 0.75 FTE to full-time for a total addition of 1.75 FTE.

Given recent increased licensing fees, FY18 revenue collections, other administrative changes, and growing board of nursing fund balances, the board's revenue request is likely to materialize. With few vacancies, LFC supports the addition of 1.75 FTE but does not recommend increasing spending on personnel costs at the requested level. The request did not take into account the board is already paying benefits to two part-time employees. LFC's recommendation adjusts accordingly. The LFC recommendation supports the board's request to increase nurse excellence grants to organizations working to bring more nurses into the workforce.

BUDGET ISSUES:

The board's performance is mixed and the request for the additional 1.25 investigations FTE would likely lead to improved results. For example, while the board logged and initiated investigations within required timeframes, it only investigated and presented 64 percent of low-and medium-priority complaints to the board within six months. The additional FTE would likely help clear any backlog and increase this percentage of cases investigated and presented within prescribed timeframes.

New Mexico Healthcare Workforce Committee data indicates wide variability across the state for the number of providers compared with county population estimates. For example, the number of certified nurse practitioners in Bernalillo County is 310 more than the benchmark of 0.59 nurse practitioners per 1,000 population. Immediately adjacent to the north, the count in Sandoval County is 31 nurse practitioners below benchmark levels. Sixteen counties of New Mexico's 32 counties were below benchmarks for nurse practitioners. The picture for the number of registered nurses was worse, with only four counties above benchmark.

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In FY18, from nurse excellence funds, \$1,000 scholarships were awarded to 20 nursing students of all kinds and \$2,000 scholarships were awarded to seven Native American nursing students. The board's request to increase nurse excellence grants is a small step toward alleviating nursing shortages across the state, and the LFC recommendation supports the request. LFC also recommends adding budget adjustment request language to allow the board to transfer more than the typical limit of five percent from fund balances to nurse excellence grants if additional revenues materialize.

Although many areas of New Mexico are short on providers, the workforce is growing. The number of certified nurse practitioners practicing in New Mexico in 2017 was 1,453, an increase of 364, or 33 percent since 2013. Likewise, there were 18,173 registered nurses in New Mexico, an increase of 2,460, or 15.6 percent during the same timeframe. In FY18, the board issued 19,484 licenses of all types, an increase of 2,482 licenses or 14.6 percent over FY17. Given the increase in licenses issued, the board's request for revenue from license fees is realistic.

A major driver of the recent opioid epidemic is inappropriate and excessive prescribing by healthcare providers. One way to reduce inappropriate prescribing is to ensure providers are checking the state's prescription-monitoring program (PMP), which ensures safe prescribing by cross-referencing prescriptions and flagging problems. While the use of the PMP by certain providers has improved, some provider types fall short. For example, advanced practice nurses queried the PMP only 13 thousand times in the last quarter of 2017 when the Board of Pharmacy estimates they should have queried the PMP nearly 48 thousand times. The LFC recommendation would add a new performance measure indicating the number of licensees contacted regarding high-risk prescribing based on PMP reports.

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Efficiency	Percent of applications processed within five days of receipt of completed application	80%	80%	98%	80%	85%
Output	Percent of complaints logged and investigations initiated within two business days of receipt of written complaint	98%	98%	98%	98%	98%
Output	Number of unlicensed assistive personnel and nursing education site visits completed within thirty days of the site visit requirement	32	84	35	69	70
Output	Percent of low-and medium-priority complaints investigated and presented to the board of nursing within six months	64%	64%	50%	50%	70%
Efficiency	Percent of unlicensed assistive personnel and nursing education site visits completed within thirty days prior to expiration of board approval	97%	99%	97%	97%	97%
Explanatory	Number of licensed practical nurse licenses active on June 30	NEW	2,771			
* Explanatory	Number of registered nurse licenses active on June 30	NEW	29,948			
Explanatory	Number of certified nurse practitioner licenses active on June 30	NEW	2,184			

PERFORMANCE MEASURES

		<u>FY17 Actual FY17</u>	<u>FY18 Actual FY18</u>	<u>FY19 Budget FY19</u>	<u>FY20 Request FY20</u>	<u>FY20 Recomm FY20</u>
Explanatory	Number of clinical nurse specialist licenses active on June 30	NEW	108			
Explanatory	Number of certified registered nurse anesthetist licenses active on June 30	NEW	436			
Explanatory	Number of certified hemodialysis technicians one and two licenses active on June 30	NEW	541			
Explanatory	Number of certified medication aid one and two licenses active on June 30	NEW	437			
Explanatory	Number of lactation care providers licenses active on June 30	NEW	0			
* Outcome	Number of advanced practice nurses contacted regarding high-risk prescribing and prescription monitoring program compliance, based on the pharmacy board's prescription monitoring program reports	NEW	NEW	NEW	BASELINE	BASELINE

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	0.0	0.0	0.0	150.0	
Other Revenues	11,524.7	10,713.2	11,977.0	11,977.0	11.8
Fund Balance	860.5	0.0	0.0	0.0	
SOURCES TOTAL	12,385.2	10,713.2	11,977.0	12,127.0	13.2
USES					
Personal Services and Employee Benefits	5,889.4	4,407.5	5,613.3	5,748.3	30.4
Contractual Services	3,100.2	2,960.4	2,960.3	2,960.3	0.0
Other	3,395.6	3,345.3	3,403.4	3,418.4	2.2
TOTAL USES	12,385.2	10,713.2	11,977.0	12,127.0	13.2
FTE					
Permanent	35.0	35.0	35.0	37.0	5.7
TOTAL FTE POSITIONS	35.0	35.0	35.0	37.0	5.7

AT A GLANCE:

The LFC recommendation supports the request to restore vetoed FY19 funding intended for payment of past-due amounts owed to the General Services Department's Risk Management Division (RMD). The recommendation includes language requiring the State Fair to make the required payments in FY20 but does not address the prior-year debts. The State Fair plans to request a special appropriation to address these obligations.

BUDGET ISSUES:

State Fair attendance increased by 42 thousand people in 2018, to 504,445 attendees. After four years of attendance gains, visitation to the fair dropped in 2017, primarily due to poor weather conditions. Compared with the attendance in 2016, the 2018 attendance was a slight increase of 7,409. The days with the highest attendance in 2018 were Saturdays and the Wednesday "dollar day." To reduce operating costs and improve revenues, significant improvements have been made to fair rides, pass offerings, and parking and transportation. For example, 18 thousand people used park and ride to and from the fair and a free shuttle was provided within the perimeter of the fairgrounds.

The State Fair hired a new carnival operator in 2015, with a contract through 2018. The agency is not legally required to use a request for proposals (RFP) process, but fair officials voluntarily issued an RFP for this contract, which generates about \$1 million annually for the agency.

Despite recent trends of increasing attendance, other than in 2017, the State Fair's revenues have been insufficient to cover required insurance rate expenses, leading to increasing debt owed to RMD for insurance coverage. By the end of FY17, the debt totaled \$4.6 million and grew to \$5.1 million by the end of FY18.

After receiving approval for a budget adjustment request to restore vetoed funding, the State Fair sent a letter to LFC noting its intent to make required FY19 payments to the General Services Department totaling \$507.6 thousand. In September 2018, the State Fair notified LFC of a payment of \$126.8 thousand and plans to make monthly payments of \$42 thousand to fulfill the FY19 obligation. Prior to September 2018, the State Fair Commission had not made a payment to GSD since 2013.

The State Fair requested a \$1.2 million increase; however, the request was flat when considering the FY19 budget adjustment increase noted above. The committee supports the request but includes language specifying that \$447 thousand be used to pay RMD rates in FY20. As noted above, the agency plans to submit a special appropriation request to cover payments for prior years.

Although the state fairgrounds has suffered from decades of neglect and deferred maintenance, the agency has made significant progress in recent years in addressing maintenance issues, including electrical improvements in the dairy barn and on the midway, upgraded lighting in the fine arts buildings, repaired roofs at the Tingley and Lujan buildings, improved drainage to meet federal Environment Protection Act regulations, an improved fiber optic network, critical renovations to the Villa Hispana concert venue and improved public access to entrance gates, tunnels and restrooms. The State Fair's total capital outlay request is \$10.5 million for FY20, primarily for renovations, infrastructure upgrades, and paving and concrete.

BASE EXPANSION:

The LFC recommendation includes a \$150 thousand general fund expansion for 2 FTE and associated other costs to operate and coordinate programming at the African American Performing Arts Center (AAPAC) at the New Mexico State Fairgrounds. The state appropriated \$1.6 million to construct AAPAC in 2005 and has since provided nearly \$1.3 million for improvements and exhibits and about \$1.6 million to support the center's operations. AAPAC last received operational funding in FY11, a \$395 thousand general fund appropriation.

RECOMMENDED LANGUAGE:

The general fund appropriations to the New Mexico state fair include one hundred fifty thousand dollars (\$150,000) for the operation of the African American performing arts center and exhibit hall at the New Mexico state fair.

The other state funds appropriations to the New Mexico state fair include four hundred forty-seven thousand dollars (\$447,000) for payment to the general services department for workers' compensation premiums, unemployment compensation, employee liability, transportation insurance and property insurance.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
NA	African American Performing Arts Center	0.0	150.0
TOTAL		0.0	150.0

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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	94%	97%	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	423,095	365,427	430,000	430,000	430,000
Output	Number of total attendees at annual state fair event	497,036	462,104	470,000	470,000	470,000

STATUTORY AUTHORITY:

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

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	916.1	873.4	881.0	881.0	0.9
Fund Balance	442.0	0.0	100.0	100.0	
SOURCES TOTAL	1,358.1	873.4	981.0	981.0	12.3
USES					
Personal Services and Employee Benefits	411.6	540.1	540.2	540.2	0.0
Contractual Services	200.0	217.8	224.8	224.8	3.2
Other	98.2	115.5	116.0	116.0	0.4
Other Financing Uses	0.0	0.0	100.0	100.0	
TOTAL USES	709.8	873.4	981.0	981.0	12.3
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:

Currently, the agency has 9,097 licenses in good standing, 1,694 licenses on retired status, and 647 licenses on inactive status, which represents an increase of licenses in good standing of 3.6 percent from last year.

Until recently, the agency had a large fund balance attributed to collecting more in fees for practicing engineers and surveyors than it expended to regulate the profession. In 2016, the agency reduced the renewal fee from \$180 to \$155. Based on input from the Legislature, the board is in the process of developing an initiative that would use fund balances to support a college scholarship to encourage more students to become licensed engineers and surveyors in New Mexico. The projected fund balance at the close of FY19 is \$442 thousand.

The agency requested an increase of \$107.6 thousand, or 12 percent, from the FY19 operating budget. In the personal services and employee benefits category, the recommendation fully funds 8 FTE; including two vacant positions currently in the process of being filled. In the contractual services category, the recommendation includes an increase for supplemental investigative services and hearing officers. In the other category, the recommendation includes increases for software acquisitions, IT upgrades, rule hearings, registration fees, and travel and other costs. The recommendation provides an increase of \$100 thousand in the other financing uses category to create the scholarship initiative.

Currently the board has one public member vacancy, a governor-appointed board member.

STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL LAND SURVEYORS

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of consumers requesting information who are provided with information	100%	100%	100%	100%	100%
Output	Number of licenses or certifications issued within one year	775	736	775	775	775
Output	Number of complaints processed	NEW	NEW	BASELINE	DELETE	DELETE
Efficiency	Percent of cases resolved through compliance or legal action within one year	85%	31%	85%	85%	85%
Efficiency	Number of days from receipt of a complaint to delivery to the respective professional committee of the board	0	0	90	90	90

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,045.5	5,202.0	6,060.7	5,411.5	4.0
SOURCES TOTAL	5,045.5	5,202.0	6,060.7	5,411.5	4.0
USES					
Personal Services and Employee Benefits	3,102.6	3,525.6	4,343.0	3,703.6	5.0
Contractual Services	890.8	809.8	811.8	811.8	0.2
Other	1,052.1	866.6	905.9	896.1	3.4
TOTAL USES	5,045.5	5,202.0	6,060.7	5,411.5	4.0
FTE					
Permanent	0.0	52.0	56.0	52.0	0.0
TOTAL FTE POSITIONS	0.0	52.0	56.0	52.0	0.0

AT A GLANCE:

The Gaming Control Board asked for a total 16.5 percent increase for FY20, or \$858.7 thousand increase over the FY19 operating budget, primarily for personnel and increased building rent. The total included a \$264.1 thousand expansion for additional positions and other costs associated with a sixth racetrack now under consideration. The committee recommends a 4 percent increase from the general fund but does not fund the expansion. The agency instead should seek a special appropriation once the sixth racetrack begins operations.

BUDGET ISSUES:

For FY20, the Gaming Control Board requested a total increase of \$858.7 thousand, or 16.5 percent over the FY19 operating budget. The increase is primarily for personnel associated with a sixth racetrack license, filling four costly exempt positions; and an increase in building rent. GCB is entirely reliant on state general fund appropriations Licensing fees, taxes, penalties, and all other board-generated revenue is deposited directly in the state general fund.

In FY18, the board and the General Services Department successfully negotiated a temporary lower building lease rate that resulted in a significant savings for the agency. The temporary rate expired in September 2018 and will increase by 7 percent in FY20. It should also be noted that the agency's lease expense is much higher than the state average in part because of a statutorily required central monitoring system (CMS) tracking all nontribal slot machines in the state.

In FY18, total revenue to the general fund from gaming operations was about \$128 million, \$5.6 million higher than FY17. Gaming also contributed in excess of \$46 million to the horsemen's trust fund and over \$575 thousand in compulsive gambling funds. In FY18, the gaming industry in New Mexico experienced a moderate decrease in gaming revenues similar to FY17.

The agency is in its fifth year of an eight year contract for maintenance of its central monitoring system. In late FY20 and into FY21, the agency will issue an invitation to bid for a replacement system. The agency continues to use a paperless audit software program with the hopes of improving other areas within the agency.

Gaming Compacts. Pojoaque Pueblo's gaming compact expired on July 1, 2015, and the pueblo did not sign the 2015 gaming compact, disagreeing with terms proposed by the state gaming representative. The pueblo asked the U.S. Bureau of Indian Affairs to approve gaming activities for the pueblo outside of the compact but was blocked by a federal judge in response to a lawsuit filed by the executive that argued the pueblo could not negotiate directly with the federal agency. The pueblo asked the 10th U.S. Circuit Court of Appeals to overturn the injunction and filed a lawsuit against the executive for failing to negotiate in good faith.

In October 2015, a federal judge granted a preliminary injunction to Pojoaque Pueblo that prevented the executive and GCB from taking action against vendors that did business with the tribe after its compact expired. In April 2017, the 10th Circuit ruled in favor of New Mexico and the U.S. Department of Interior (DOI). In August 2017, Pojoaque Pueblo agreed to a new gambling compact, requiring that the tribe pay the state government 10.75 percent of its net winnings. In March of 2018, the federal government seized the escrow account with \$10.1 million in gambling revenue from Pojoaque Pueblo. The escrow accounts disposition is unresolved.

BASE EXPANSION:

The Gaming Control Board, which anticipates a final decision on a sixth race track by late 2018, requested an expansion of \$264.1 for 4 FTE and other costs to meet the agency's additional regulatory responsibilities associated with the sixth racetrack license. The committee does not recommend the expansion but rather recommends any future start-up costs be addressed through the special appropriation process once the sixth racetrack is initiated.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Accountant & Auditor - 2 FTE	(P680)	128.3	0.0
2	Special Agent - 1 FTE	(P680)	69.4	0.0
3	IT Support - 1 FTE	(P680)	66.4	0.0
TOTAL			264.1	0.0

GAMING CONTROL BOARD

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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Quality	Percent of incidents reported to the central monitoring system help desk closed within three calendar days	97%	95%	96%	96%	96%
Outcome	Percent of work permit and work permit renewals processed within forty-five business days		99%	95%	95%	95%
Output	Percent of all tribal gaming operation inspections and reviews completed in one calendar year		100%	95%	95%	97%
Output	Percent of audit reports completed and mailed within thirty business days of completion of field work or desk compliance review	100%	97%	95%	95%	98%
Output	Average annual number of inspections conducted by each agent at assigned non tribal venues		25	24	24	25
Output	Average annual number of inspections conducted by each agent at each assigned bingo and raffle location		6	6	6	7
Outcome	Percent of transported gaming software and devices inspected by agents on site		81%	85%	85%	85%

STATUTORY AUTHORITY:

The primary functions of the State Racing Commission as defined in Sections 60-1-1 through 6-1-26 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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,981.9	2,001.7	3,213.8	2,352.7	17.5
Other Transfers	737.5	750.0	750.0	750.0	0.0
Other Revenues	0.0	300.0	0.0	300.0	0.0
SOURCES TOTAL	2,719.4	3,051.7	3,963.8	3,402.7	11.5
USES					
Personal Services and Employee Benefits	1,397.4	1,271.9	1,942.9	1,641.1	29.0
Contractual Services	1,064.6	1,566.5	1,780.7	1,530.3	-2.3
Other	242.0	213.3	240.2	231.3	8.4
TOTAL USES	2,704.0	3,051.7	3,963.8	3,402.7	11.5
FTE					
Permanent	21.9	22.8	23.8	21.9	-3.9
Term	0.8	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	22.7	23.8	24.8	22.9	-3.8

AT A GLANCE:

The State Racing Commission (SRC) FY20 base request for general fund revenue was \$2.9 million, a 61 percent increase over the FY19 operating budget. Part of the increase would offset a reduction of \$300 thousand in other revenue. The racing industry revenues were included in the agency's operating budget for FY19 to help offset the costs of racehorse testing. The commission does not intend to collect racing industry fees in FY19 because it was able to reduce testing expenditures by contracting with a new laboratory at a significantly lower cost. The FY20 request did not include any revenue from the racing industry to help cover the cost of testing; however, these costs will increase significantly due to new specimen storage costs and the additional testing required when racing begins at the sixth track. The agency's request for personnel costs would be used to fill vacant positions that have gone unfunded for several years.

The LFC recommendation provides a \$351 thousand increase in general fund revenue to assist the agency in filling key vacant positions directly involved in providing regulatory oversight of the racing industry. In addition, the LFC recommendation includes \$300 thousand in racing industry revenue to offset the cost of equine testing.

SRC asked for expansion funding for a sixth racetrack. The LFC recommends funding any costs associated with a sixth racetrack as a supplemental appropriation because the true costs of regulating a sixth track will only become apparent if and when a license is awarded.

BUDGET ISSUES:

Racehorse Testing. Section 60-1A-14.1 NMSA 1978 established the racehorse testing fund to be administered by SRC to handle and test urine and other specimens taken from racehorses pursuant to the Horse Racing Act. The legislation took effect in January 2015 and stipulated 50 percent of the parimutuel tax collected from racetrack licensees be transferred to the racehorse testing fund and the other 50 percent be deposited in the general fund. Revenue from the parimutuel tax has declined over the last few years because of a slight reduction in the number of racing days and races over that period. The commission anticipates increased revenue from the parimutuel tax in FY20 resulting from a change in the law allowing advanced deposit wagering. This change will also increase taxes and revenue to the state of New Mexico based on the increase in the parimutuel handle.

SRC is mandated by the State Laboratory Division (SLD) lab to start paying for the storage of samples. SRC is currently paying the SLD \$3 per sample until the end of the FY19. That fee will increase to \$10 per sample starting July 1, 2019. The agency intends to send between 7,500 and 8,500 samples to SLD for storage next fiscal year.

SRC conducted 8,763 tests in FY18, up from 7,657 tests conducted in FY17, an increase of 14.5 percent. Of the tests conducted in FY18, 133 were positive for the presence of banned drugs. In FY17, the agency introduced hair testing, which can detect the use of drugs up to six months after use; however, testing hair is more costly to the commission at \$250 per test. Hair testing is used frequently for “big money” races.

Horseracing Activities. Section 60-2E-47 NMSA 1978 requires racetrack gaming operators to pay 20 percent of net winnings into horse racing purses to be distributed by rules adopted by SRC. Purses are prizes for winning horses. In FY18, \$46 million was deposited into purses by racetrack gaming operators, approximately \$700 thousand more than FY17. The amount available in these purses impacts the number of racing entries and the competitiveness of the sport throughout the state.

During the last fiscal year, the racing industry experienced increased attendance, simulcast handle, and total handle. This is positive news for an industry that has struggled in the past. With night racing and other new trends, an additional race track, and advanced deposit wagering, the racing industry could continue to expand in New Mexico. The implementation of advance deposit wagering will allow New Mexico residents to bet on New Mexico horse races from their mobile devices.

The Racing Commission was awarded an “Exemplary Service to the Integrity of Racing” award by the Association of Racing Commissioners International (ARCI) in March 2018. ARCI is the umbrella group that represents integrity in the regulation of horse racing in North America. Several western states have implemented or will implement New Mexico’s “Rules of Racing” to combat drug abuse in horses based on positive outcomes seen in New Mexico’s horse racing industry.

The 2018 rendition of the Sunland Derby saw a state record handle of over \$4.2 million wagered on the 12 race program. The Sunland Derby itself handled over \$1.8 million, a new state record for the amount of money bet on one race in New Mexico.

The Racing Commission received five applications to operate the sixth racetrack in Lordsburg, Tucumcari, or Clovis. The commission has conducted public hearings and visited the proposed sites at each of these locations. Applicants provided a presentation to the commission and the community of the proposed racetrack. SRC has awarded a \$60 thousand contract to Convergence Inc. to conduct feasibility studies for each of the proposed tracks. The study was completed on November 7, 2018. The commission planned to make a decision on the sixth racing license by the end of the year.

BASE EXPANSION:

The agency requested an additional \$309.7 thousand in expansion funding for oversight of a sixth race track with a projected 50-day racing schedule. Personnel cost increases would be used to hire a racing clerk, racing stewards, and an investigator for the new race track. The expansion request would also fund equine testing, veterinarian services, and newly required auditing services for the sixth track.

The LFC recommends funding any costs associated with a sixth racetrack as a supplemental appropriation because the true costs of regulating a sixth track will only become apparent if and when a license is awarded.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Expansion for NMRC 6th License	(P681)	309.7	0.0
TOTAL			309.7	0.0

HORSE RACING REGULATION

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

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	2.2%	0.01%	<1.5%	<1.5%	<1.5%
* Output	Total amount collected from parimutuel revenues, in millions	\$1.6	\$1.8	\$1.6	\$1.6	\$1.6
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,900	\$5,550	\$4,500	\$6,000	\$5,000
Outcome	Timely collections of penalty fees by licensee to the general fund, in days	50	60	40	60	50
Outcome	Number of equine tests per live race	3.0	3.0	3.0	3.0	3.5
Efficiency	Average number of days to bring case to prosecution	45-60	50-60	40	40	40
Outcome	Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check	20	20	20	20	20
Efficiency	Average number of days to refer investigation cases for administrative prosecution	7	10	14	14	10
* Explanatory	Number of horse fatalities per one thousand starts	TBD	0			

STATUTORY AUTHORITY:

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

MISSION:

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

BUDGET SUMMARY (dollars in thousands)					
			FY20 – 2019-2020		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	341.5	332.2	427.2	416.2	25.3
Fund Balance	0.0	84.6	69.5	69.5	-17.8
SOURCES TOTAL	341.5	416.8	496.7	485.7	16.5
USES					
Personal Services and Employee Benefits	178.5	183.0	217.9	217.9	19.1
Contractual Services	101.1	156.8	197.5	197.5	26.0
Other	57.5	77.0	81.3	70.3	-8.7
TOTAL USES	337.1	416.8	496.7	485.7	16.5
FTE					
Permanent	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0

AT A GLANCE:

The Board of Veterinary Medicine (BVM) requested an increase of \$79.9 thousand over the FY19 operating budget, mostly to cover costs of performing the duties of the Animal Sheltering Board, which merged with BVM in July 2018. Since the merger, the board approved a 36 percent pay increase for the director. Of the FY20 BVM request, \$26 thousand was for increased board activities, \$20 thousand above actual expenditures in FY18 because BVM expanded to six members as of October 2018. The additional responsibilities of BVM include creating minimum standards for animal shelters, licensing, and establishing an inspection protocol.

The shelter board, previously under the Regulation and Licensing Department, issued 320 facility licenses in FY18, meeting its target. In FY18, BVM met all but two of their performance targets, coming up short with 101 facilities inspected out of the 155 target. BVM issued 21 bovine artificial insemination or bovine pregnancy diagnosis permits, falling short of its target.

The LFC recommendation fully funds personnel and increased inspections costs. In addition the recommendation includes \$6 thousand for board activities in the other category. Additionally, the board requested an increase of \$30 thousand for inspections.

In its effort to win approval from the Texas Higher Education Coordinating Board for a large-animal veterinary program, Texas Tech University has noted the lack of veterinarian services in eastern New Mexico. Texas Tech University seeks to establish a state reciprocity agreement with the New Mexico Higher Education Department to provide slots in the veterinarian school for students from New Mexico colleges or universities. Because Texas Tech is not part of the Western Interstate Commission for Higher Education, where New Mexico schools undertake several reciprocity agreements, New Mexico would need to establish an agreement specific to Texas Tech University's veterinarian school. HED has formalized a similar agreement with Baylor University for a dental school. The agreement would allow New Mexico students to attend the veterinary school at the in-state tuition cost.

BOARD OF VETERINARY MEDICINE

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. The licensing of sheltering facilities is to protect the public, the primary mandate of the Board of Veterinary Medicine. The oversight of all New Mexico animal shelters will be monitored biennially via shelter inspections once minimum standards have been established by the board.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of facility veterinary licenses issued annually	320	320	325	325	325
Output	Number of veterinary facilities inspected annually	157	101	155	150	155
Outcome	Percent of inspected veterinary facilities meeting minimum standards	99%	99%	99%	99%	99%
Output	Number of registered veterinary technicians licenses issued annually	227	229	237	245	245
Output	Number of veterinarian licenses issued annually	1,116	1021	1,125	1,055	1,055
Output	Number of bovine artificial insemination or bovine pregnancy diagnosis permits issued annually	32	21	40	25	25
Output	Number of months to resolution of disciplinary matter	3	3	3	4	4
Outcome	Number of licenses issued to shelters	NEW	NEW	40	55	55
Outcome	Number of inspected shelters meeting minimum standards	NEW	NEW	40	45	45

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	111.8	111.8	390.0	261.8	134.2
Other Revenues	4,946.4	4,315.0	5,150.3	5,150.3	19.4
SOURCES TOTAL	5,058.2	4,426.8	5,540.3	5,412.1	22.3
USES					
Personal Services and Employee Benefits	246.0	222.8	116.7	116.7	-47.6
Contractual Services	4,281.3	4,048.7	5,411.3	5,283.1	30.5
Other	27.2	155.3	12.3	12.3	-92.1
TOTAL USES	4,554.5	4,426.8	5,540.3	5,412.1	22.3
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

AT A GLANCE:

The FY20 budget request included an increase in general fund revenue of \$278.2 thousand, or 248 percent, and an increase in other revenue of \$835.3 thousand due to the agency's assumption that ticket sales will increase. The LFC recommendation increases general fund revenue by \$150 thousand, or 134 percent. The LFC recommendation fully supports the agency's request in other revenue.

BUDGET ISSUES:

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Revenues over the last 10 years trend upward, from a low of \$2.7 million in FY11, to \$4.9 million in FY18. The agency is anticipating revenues from ticket sales will continue to increase to \$5.1 million for FY20 due to an increase in ticket prices for a premium experience, an increase in ridership, and improved marketing and management.

The commission requested an increase in contracts, while requesting a decrease in the personal services and employee benefits, and the other categories. The LFC recommendation includes an increase in the contractual services category of \$150 thousand to support professional contracts for recurring maintenance of the railroad tracks. The LFC recommendation supports the commission's request to reduce both the personal services and employee benefits and other categories, to properly align funds for an equal allocation between New Mexico and Colorado.

Capital Outlay. Funding provided to the commission from New Mexico and Colorado is primarily used for infrastructure. The commission has requested approximately \$1.1 million per year for the next 10 years for capital improvements and to address deferred maintenance for the railroad tracks and the railroad's oldest train, a 115-year-old locomotive; the youngest locomotive is 93 years old. Capital outlay funds can be used for track rehabilitation, locomotive and boiler upgrades, water tank supply system, sand house repair, and visitor gateway center.

Recent Improvements. Ridership has continued to increase on the Cumbres and Toltec Scenic Railroad. Approximately forty thousand people rode the train during the 2018 season, an increase of 15 percent compared with 2017. The railroad currently has experienced zero derailments, a drastic improvement from previous years when 60 derailments took place within one year.

During the intense fire season of June 2018, the Cumbres and Toltec Scenic Railroad took major initiatives to prevent forest fires. This included employees washing the coal, a pumper truck following the locomotive, and two fire patrols following each train as it began its trip. This took a combined effort of the local communities, as well as staff to provide a safe environment for all riders and the local residents.

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Total number of passengers	35,992	41,578	40,000	41,906	41,900
Output	Revenue generated from ticket sales, in millions	\$3.8	\$4.7	\$4.5	\$5.5	\$5.5

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.

BUDGET SUMMARY (dollars in thousands)					
FY20 – 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	226.9	226.9	235.2	226.9	0.0
SOURCES TOTAL	226.9	226.9	235.2	226.9	0.0
USES					
Personal Services and Employee Benefits	0.0	126.1	134.5	126.1	0.0
Contractual Services	82.9	89.5	89.5	89.5	0.0
Other	1.1	11.3	11.3	11.3	0.0
TOTAL USES	84.0	226.9	235.3	226.9	0.0
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

AT A GLANCE:

The Office of Military Base Planning and Support (OMBPS) requested a general fund increase of \$8.3 thousand, or 3.6 percent. The LFC recommendation maintains the general fund at \$226 thousand, flat with the FY19 operating budget.

BUDGET ISSUES:

OMBPS has one FTE, the director of the agency. In the summer of 2017, this position became vacant and, as of October 2018, is still unfilled. OMBPS requested an increase from the general fund of \$8.3 thousand for the personal services and employee benefits category. Mostly to increase the director's salary by \$4,000 and add \$4,000 for group health insurance.

The LFC recommendation maintains general fund revenue flat with the FY19 operating budget. The agency reverted approximately \$143 thousand at the end of FY18. With a vacant director position for the first quarter of FY19, the agency will likely have another significant reversion for the fiscal year.

Like OMBPS, the Military Base Planning Commission is administratively attached to the Economic Development Department (EDD). The Legislature, in 2017, extended the sunset dates, the dates the agencies are abolished unless reauthorized, to July 2022 for both OMBPS and the commission. Laws 2015, Chapter 123, (Senate Bill 369) moved authority to appoint the OMBPS director from the governor's homeland security adviser to the governor and altered the immediate reporting structure by removing the homeland security adviser and inserting the governor's chief of staff. The bill also changed the makeup of the commission, reducing membership from 17 to 12. The new membership consists of the lieutenant governor, nine representatives from counties or adjoining counties in which military bases are located, and two representatives appointed at large from other counties.

Capital Outlay. Of a \$5 million appropriation from 2006 to acquire land and water rights and improve infrastructure to benefit Cannon Air Force Base, about \$600 thousand remains unspent. The funding has been reauthorized five times, most recently in 2017 to expand the project purpose to include other improvements, specifically road access, at Melrose Air Force Range. The funding has been used to support a Cannon Air Force Base joint land use study. The study will focus on ways to safeguard military missions by preventing encroachment on the base and air range while fostering sustainable civilian development and protecting private property rights. The study highlighted the need to protect the Air Force's flight paths. The Economic Development Department also reports a vertical easement was recently finalized. According to EDD, the remaining funds will be used to add turning lanes to improve access to Melrose Air Force Range.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of military units impacted by the activities of the commission and the office	10	10	10	10	10
Outcome	Number of community support organizations that have benefited from the activities of the commission and the office	10	10	10	10	10
Output	Number of communities assisted by the office of military base planning and support	10	10	10	10	10

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Sections 58-31-1 through 58-31-7 NMSA 1978.

MISSION:

The mission of the Spaceport Authority is to plan, develop, and operate the world's first inland commercial spaceport.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	688.9	985.4	1,685.4	1,185.4	20.3
Other Revenues	4,232.3	6,627.2	8,827.2	8,827.2	33.2
SOURCES TOTAL	4,921.2	7,612.6	10,512.6	10,012.6	31.5
USES					
Personal Services and Employee Benefits	1,465.6	2,763.8	2,824.3	2,975.0	7.6
Contractual Services	2,015.8	2,656.9	4,368.7	4,002.7	50.7
Other	1,288.9	2,191.9	3,285.0	3,034.9	38.5
Other Financing Uses	0.0	0.0	34.6	0.0	
TOTAL USES	4,770.3	7,612.6	10,512.6	10,012.6	31.5
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	17.0	17.0	21.0	21.0	23.5
TOTAL FTE POSITIONS	26.0	26.0	30.0	30.0	15.4

AT A GLANCE:

The Spaceport Authority no longer plans to function as a self-funding enterprise. The agency request included a general fund expansion of \$700 thousand. The agency's base budget request also included an increase of \$2.2 million in other revenue. The LFC recommendation supports a general fund increase of \$200 thousand, or 20 percent, and the increased enterprise revenues.

The authority currently has 26 full-time staff on-site. Spaceport's anchor tenant, Virgin Galactic, is slated to begin operations in the Virgin Galactic terminal hangar facility this fiscal year. Virgin Galactic has 45 staff onsite, with an additional 85 employees to be added once commercial flights begin. The company originally planned for commercial launches to begin as early as 2010 but suffered numerous setbacks and delays, including a catastrophic accident in October 2014.

BUDGET ISSUES:

Virgin Galactic's midair accident in 2014 continues to impact the spaceport. The company's first commercial flight is expected sometime in FY19, with no date set. The Virgin Galactic lease increased to \$3 million in FY18, from \$1 million previously.

Virgin Galactic reports it has sold more than 600 personal space flight tickets, at a cost ranging between \$200 thousand and \$250 thousand. With an expected commercial launch in FY19, and an increase in lease payments, the Spaceport Authority requested additional other revenue of \$2.2 million. The LFC recommendation fully supports this request.

The Spaceport Authority received an additional 6 FTE during the 2018 legislative session, with an increase of \$600 thousand from the general fund. As of October 2018, the authority hired 4 of the 6 FTE approved for expansion in FY19 and planned to have all 26 agency positions filled by the 2020 session.

The authority reports that major aerospace companies are currently selecting site locations in the United States. With this increase in demand, New Mexico's Spaceport America will have more opportunities to bring aerospace companies to New Mexico, potentially leading to increased job growth in the area over the next two years. However, with nine other spaceports operating in the United States, Spaceport America will face competition.

Visitors and Tenants. The key to achieving long-term financial stability as an enterprise agency is to increase the number of visitors and tenants at the spaceport. A study performed by a Spaceport Authority contractor estimated annual visitation could reach approximately 200 thousand people once Virgin Galactic begins its commercial launches. In addition to space flight, Spaceport America hosted five signature events, including an open house, a drone event, a foot race, an auto time trial, and a college rocket competition, all with the intent of attracting more visitors. The agency reports visitor levels reached 13.8 thousand in FY16, a substantial increase from 3,000 visitors in FY15, but dropped to 9,266 in FY17 and 4,500 in FY18.

Spaceport America's primary tenants include Virgin Galactic, Up Aerospace, EXOS Aerospace, and EnergeticX. Up Aerospace has launched research rockets from Spaceport America since 2006. Virgin Galactic had paid \$11 million in rent and user fees to the state for its use of a hangar and other facilities at Spaceport America as of October 2018. Total Virgin Galactic spending in-state is more than \$22.5 million to date, not including the salaries of the Virgin Galactic employees.

Firefighter and Security Costs. A significant portion of the Spaceport Authority's expenses is for a contract with Fiore Industries to provide emergency and security services. Initially, the cost of the contract was \$500 thousand per year; however, during FY18 this contract increased to \$2.1 million for four firefighters on site at all times as well as safety and medical support. According to the State Fire Marshal, this level of emergency responder staff is not required. However, according to the agency, having emergency responders on site at all times is necessary to reassure current and future tenants, whether a rocket is being launched or not. The FY20 contract amount is \$3.9 million due to commercial flights scheduled to begin during FY20 as well as an increase in staff and potential increase in visitors.

Capital Outlay. The Spaceport Authority requested \$61.5 million in capital funds for FY20: (in priority order) \$2 million for vertical launch area improvements, \$10 million for a spaceway taxiway, \$10 million for a ground support equipment hangar, \$19.5 million for a payload processing center for cube satellites and other small load launches, and \$20 million for a visitor center. The authority reports NASA might match funds for the payload processing facility. The authority should also seek additional matching funds from partnerships with private operators.

During the 2018 legislative session, the authority received a \$10 million special appropriation for planning and construction of an aerospace satellite testing and development hangar. The language was contingent on the authority finalizing a contract with a tenant for the use of the hangar. As of October 2018, a contract had not been signed, and it may not be realized by the end of FY19.

National Leadership. The director of Spaceport America provides critical advice and recommendations to national organizations, such as the United States Department of Transportation and the Federal Aviation Administration, which provides rulemaking and advisory oversight in the following areas: national airspace access, spaceport categorization, and regulatory streamlining. The director is also the chair for the Commercial Spaceflight Federation's Spaceport Committee.

BASE EXPANSION:

The authority's request for a general fund expansion of \$700 thousand would fund 4 additional FTE and an increase in security costs. The request to increase FTE will support accounting, operations, business development, and IT needs. The LFC recommendation does not fully support the general fund request; however, it includes \$200 thousand from the general fund to support the addition of 4 FTE.

BASE EXPANSION LISTING FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Staff increase - Additional General Fund Rev	(P770)	327.7	200.0
2	Protective Services - Additional Customer Rev	(P770)	1,113.8	1,345.8
3	Protective Services - Additional Gen Fund	(P770)	186.2	0.0
4	Other Purchases - Additional General Fund Rev	(P770)	186.1	0.0
5	Other Purchases - Additional Customer Rev	(P770)	1,086.2	854.2
TOTAL			2,900.0	2,400.0

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Number of aerospace customers and tenants	10	9	10	12	12
Output	Number of events held	33	17	35	35	35
Output	Number of visitors to spaceport	9,266	4500	30,000	30,000	30,000
Outcome	Annual number of jobs due to New Mexico spaceport authority efforts	75	94	250	250	250

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 94A-18 NMSA 1978). The new law elevated the agency to cabinet status and elevated the individual museums in the Museum of New Mexico to division status, placing them on equal footing with other museums and facilities within DCA. In addition to the Cultural Affairs Department Act, divisions within DCA are authorized by the following statutes: Sections 18-2-1 through 18-2-23 NMSA 1978 (creating the Library Division); Sections 18-3-1 through 18-3-8 NMSA 1978 (establishing the Museum of New Mexico); Sections 18-3A-1 through 18-3A-9.1 NMSA 1978 (the Natural History and Science Museum Act); Section 18-5-1 through 18-5-7 NMSA 1978 (creating the Arts Division); Sections 18-6-1 through 18-6-23 NMSA 1978 (the Cultural Properties Act); Sections 18-7-1 through 18-7-4 NMSA 1978 (creating the Museum of Space History); Sections 18-8-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA 1978 (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA 1978 (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA 1978 (Cultural Properties Preservation Easement Act).

MISSION:

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	27,519.6	30,086.7	36,343.8	31,412.9	4.4
Other Transfers	100.0	125.0	125.0	125.0	0.0
Federal Revenues	2,908.1	3,164.2	3,183.7	3,172.4	0.3
Other Revenues	6,212.7	5,864.0	5,781.3	6,044.2	3.1
Fund Balance	913.1	0.0	0.0	0.0	
SOURCES TOTAL	37,653.5	39,239.9	45,433.8	40,754.5	3.9
USES					
Personal Services and Employee Benefits	24,974.3	28,563.7	31,025.2	29,189.9	2.2
Contractual Services	2,392.7	2,387.7	3,044.0	2,567.9	7.5
Other	7,427.9	8,288.5	11,364.6	8,996.7	8.5
TOTAL USES	34,794.9	39,239.9	45,433.8	40,754.5	3.9
FTE					
Permanent	376.3	393.3	425.3	389.8	-0.9
Term	117.3	96.1	93.3	96.1	0.0
TOTAL FTE POSITIONS	493.5	489.4	518.5	485.9	-0.7

AT A GLANCE:

The Cultural Affairs Department (DCA) total appropriation request of \$45.4 million was an increase of 15.8 percent from the FY19 operating budget. This included an expansion request of \$2.7 million from the general fund, primarily for 24 FTE for a new Facilities Management Bureau, support for full-time operations of Los Luceros historic site, and for the New Mexico Museum of Art, Vladimir Contemporary. The agency requested increases for all programs to restore funds reduced to cover personnel expenses during years of base budget reductions. These increases include \$500 thousand for maintenance and repairs of museums and historic sites.

The LFC recommendation includes a total general fund increase of \$1.3 million, or 4.4 percent, including \$500 thousand to partially support the agency's expansion requests.

BUDGET ISSUES:

Since 2009, the agency has relied on one time fund balance to cover recurring costs for personnel. The fund balances were accrued before the economic downturn when general fund appropriations to DCA were nonreverting and used to support agency operations, replacing a portion of general fund appropriations. The agency has since depleted the fund balance and now faces operational cost shortfalls in the personal services and employee benefits category as well as rising maintenance costs for museums and historic sites. During the 2018 legislative session, nonrecurring funds were appropriated to support recurring costs, through special appropriations of \$500 thousand for facilities and maintenance and repairs and \$1 million for agency operational expenses. The agency requested the \$500 thousand as a recurring expense in the base budget. The base budget request also included \$500 thousand for advertising, \$200 thousand for the Archaeology Program in part to support mandates under the Unmarked Burial Statute, and \$50 thousand for the Library Program to continue the libraries as a launchpad program.

The LFC recommendation supports a general fund increase for the base and expansion of \$1.3 million, a 4.4 percent increase from the FY19 operating budget. The recommendation supports an increase of \$800 thousand in the base budget, which includes an increase in personal services and employee benefits of \$300 thousand, and \$500 thousand for maintenance and repairs in the museums and historic sites program.

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

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

The Museum of New Mexico Foundation supports the museums and historic sites through fund development for exhibitions, education programs, financial management, and advocacy. The foundation provided \$3 million in financial assistance in FY16-FY18. The committee recommends the agency seek additional support from the Museum of New Mexico Foundation and also recommends the foundation provide funding that is not earmarked, allowing the agency to prioritize these funds for maintenance at museums displaying exhibits that have already received foundation support.

Museum visitation increased in FY16 by 5.8 percent but decreased in FY17 by 73 thousand visitors, or 9.2 percent. DCA reports that more than a million people visited its museums and historic sites during FY18, an increase of 11 percent over FY17. Admission fee revenue to the sites increased from nearly \$2.6 million in FY17 to just over \$3.5 million in FY18, a 38 percent increase.

Capital Outlay Status. DCA owns 191 buildings across the state, including properties associated with eight museums and eight historic sites, and has no facility master plan or structured method to prioritize funding; however, the agency recently hired a facilities manager to address these needs. Capital outlay appropriations are often used for emergency repairs, but many facilities continue to suffer from a lack of maintenance, including leaking roofs and heating and air conditioning systems failures. In some instances, structures of historic and cultural significance are structurally unsound or collapsing due to a lack of funding for repairs. DCA requested \$18.3 million in capital appropriations for FY20.

Staff from DCA and the Public Schools Facility Authority (PSFA) are currently working on a pilot program to assist six to 12 non-school public libraries apply for broadband funding for libraries. The Federal Communications Commission's (FCC) universal service fund (E-rate) supplies funding to offset the cost of Internet access for schools and libraries, often providing matching funds of 80 percent to 90 percent on Internet service fees, fiber infrastructure, and networking equipment. Given the urgent need for improved broadband access at public libraries, PSFA offered to work with the Department of Information Technology (DoIT) and DCA on a pilot program intended to assist in verifying the steps and costs needed to support libraries in applications and implementation and in identifying needs of public libraries that differ from the needs of school libraries, leading to more accurate cost estimates and planning for a larger program moving forward. In addition, a successful pilot could entice other libraries participate in the program. PSFA has provided its staff and expertise to help identify good pilot sites, coordinate and consult on applications, and advise on implementation because the Library Broadband Infrastructure Fund does not currently have funding available to support this program.

PSFA and DCA began working on the initial steps necessary for the pilot projects in August 2018, and based on PSFA's previous experience with E-rate-funded broadband projects, indicates the pilot projects should be complete by spring 2020. The LFC recommendation did not support DCA's broadband expansion request of \$500 thousand in the operating budget, but instead proposes a capital appropriation for FY20.

BASE EXPANSION:

The agency requested a general fund expansion in the amount of \$2.7 million. The expansion request includes; \$750 thousand to support full time operations for Los Luceros historic site, \$500 thousand to support the New Mexico Museum of Art, Vlandem Contemporary, \$500 thousand to create a Facilities Management Bureau, \$500 thousand to support improved broadband for 100 libraries, and \$200 thousand for the state grants-in-aid program for the State Library.

The LFC recommendation supports \$500 thousand in expansion requests, including \$100 thousand for the Facilities Management Bureau, \$200 thousand for Los Luceros historic site, and \$200 thousand for the grants-in-aid program for the State Library.

RECOMMENDED LANGUAGE:

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

BASE EXPANSION LISTING
FY20 - 2019-2020

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Create Facilities Management Division (P536)	(P536)	500.0	100.0
2	Los Luceros Historic Site	(P536)	750.0	200.0
3	Vlandem Museum of Modern Art (8 FTE)	(P536)	500.0	0.0
4	Museum Staffing Shortfalls MolFA (1 FTE)	(P536)	43.0	0.0
5	Museum Staffing Shortfall - MIAC (2 FTE)	(P536)	92.2	0.0
6	Museum Staffing Shortfalls - F&R (1 FTE)	(P536)	43.0	0.0
1	Improve Broadband at Libraries	(P539)	500.0	0.0
2	Increase state grant-in-aid to libraries	(P539)	250.0	200.0
TOTAL			2,678.2	500.0

MUSEUMS AND HISTORIC SITES

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

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	19,226.7	20,834.3	24,987.3	21,708.7	4.2
Other Transfers	100.0	125.0	125.0	125.0	0.0
Federal Revenues	90.2	91.8	91.8	91.8	0.0
Other Revenues	5,145.8	4,208.2	4,388.4	4,388.4	4.3
Fund Balance	913.1	0.0	0.0	0.0	
SOURCES TOTAL	25,475.8	25,259.3	29,592.5	26,313.9	4.2
USES					
Personal Services and Employee Benefits	16,821.2	19,114.8	21,145.6	19,489.2	2.0
Contractual Services	914.9	900.4	1,133.6	1,080.6	20.0
Other	4,627.5	5,244.1	7,313.3	5,744.1	9.5
TOTAL USES	22,363.6	25,259.3	29,592.5	26,313.9	4.2
FTE					
Permanent	268.8	276.3	317.8	276.3	0.0
Term	69.5	44.5	45.5	44.5	0.0
TOTAL FTE POSITIONS	338.3	320.8	363.3	320.8	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Full-time equivalency of volunteer hours	48	50			
Explanatory	Dollars contributed by or administered by private sector foundations to department education programs and exhibitions	\$4,493,700	\$4,500,000			
* Outcome	Number of people served through programs and services offered by museums and historic sites	1,237,364	1,445,660	1,250,000	1,250,000	1,300,000
Outcome	Number of children reached through museum and historic sites programs	174,200	325,226	160,000	200,000	200,000
* Outcome	Earned revenue from admissions, rentals and other activity	\$4,092,900	\$5,245,882	\$4,208,200	\$4,310,000	\$5,000,000
Outcome	Number of tickets for attendance to museum and historic site exhibitions, performances and other presenting programs	779,810	855,789	790,000	790,000	825,000

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>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	621.1	647.3	932.3	707.3	9.3
Federal Revenues	671.1	1,007.5	1,018.5	1,007.5	0.0
Other Revenues	1,004.7	1,582.7	1,319.8	1,582.7	0.0
SOURCES TOTAL	2,296.9	3,237.5	3,270.6	3,297.5	1.9
USES					
Personal Services and Employee Benefits	2,216.9	2,637.6	2,318.6	2,697.6	2.3
Contractual Services	63.4	121.6	214.6	121.6	0.0
Other	304.2	478.3	737.4	478.3	0.0
TOTAL USES	2,584.5	3,237.5	3,270.6	3,297.5	1.9
FTE					
Permanent	17.0	23.0	17.0	23.0	0.0
Term	30.3	34.1	30.3	34.1	0.0
TOTAL FTE POSITIONS	47.3	57.1	47.3	57.1	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of people participating in services provided through the preservation program	29,559	24,707	26,500	25,000	25,000
Explanatory	Number of historic structures preservation projects completed annually using preservation tax credits	31	23			
Explanatory	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$0.540	\$17.12			
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	96%	96%	95%	95%	96%

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,846.0	3,300.8	4,292.5	3,592.6	8.8
Federal Revenues	1,435.2	1,448.7	1,456.9	1,456.9	0.6
Other Revenues	24.5	37.2	37.2	37.2	0.0
SOURCES TOTAL	4,305.7	4,786.7	5,786.6	5,086.7	6.3
USES					
Personal Services and Employee Benefits	2,127.0	2,512.9	2,703.8	2,604.7	3.7
Contractual Services	86.7	136.8	295.0	136.8	0.0
Other	2,089.1	2,137.0	2,787.8	2,345.2	9.7
TOTAL USES	4,302.8	4,786.7	5,786.6	5,086.7	6.3
FTE					
Permanent	32.5	33.5	32.5	32.5	-3.0
Term	14.5	14.5	14.5	14.5	0.0
TOTAL FTE POSITIONS	47.0	48.0	47.0	47.0	-2.1

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Explanatory	Annual number of visits to New Mexico public and tribal libraries	7,033,313	7,036,582			
Explanatory	Percent of grant funds from recurring appropriations distributed to communities of less than 20 thousand people	81%				
Output	Number of library transactions through direct services provided by the New Mexico state library	134,350	166,990	110,000	140,000	145,000
* Output	Number of library transactions using electronic resources funded by the New Mexico state library	5,772,729	5,836,644	5,300,000	5,815,000	5,815,000
Explanatory	Number of children participating in statewide summer reading programs at public and tribal libraries	91,202	98,899			

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,275.3	1,332.3	1,597.7	1,332.3	0.0
Federal Revenues	657.4	616.2	616.5	616.2	0.0
SOURCES TOTAL	1,932.7	1,948.5	2,214.2	1,948.5	0.0
USES					
Personal Services and Employee Benefits	793.0	860.7	1,001.0	860.7	0.0
Contractual Services	1,006.5	943.1	1,043.1	943.1	0.0
Other	131.6	144.7	170.1	144.7	0.0
TOTAL USES	1,931.1	1,948.5	2,214.2	1,948.5	0.0
FTE					
Permanent	12.0	11.5	12.0	12.0	4.3

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	15.0	14.5	15.0	15.0	3.4

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	35%	33%	35%	34%	34%
Explanatory	Number of visitors to programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,237,101	1,431,491			
Output	Number of people provided direct services through New Mexico arts programs	13,083	13,542	12,500	12,500	13,000
Explanatory	Number of children reached through New Mexico arts programs and grants	352,131	337,889			

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,550.5	3,972.0	4,534.0	4,072.0	2.5
Federal Revenues	54.2	0.0	0.0	0.0	
Other Revenues	37.7	35.9	35.9	35.9	0.0
SOURCES TOTAL	3,642.4	4,007.9	4,569.9	4,107.9	2.5
USES					
Personal Services and Employee Benefits	3,016.2	3,437.7	3,856.2	3,537.7	2.9
Contractual Services	321.2	285.8	357.7	285.8	0.0
Other	275.5	284.4	356.0	284.4	0.0
TOTAL USES	3,612.9	4,007.9	4,569.9	4,107.9	2.5
FTE					
Permanent	46.0	49.0	46.0	46.0	-6.1
TOTAL FTE POSITIONS	46.0	49.0	46.0	46.0	-6.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of material weakness audit findings in the last available financial statement audit	0	0	0	0	0
Output	Number of significant deficiency audit findings in the last available financial statement audit	0	0	0	0	0

STATUTORY AUTHORITY:

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

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	553.7	563.1	1,459.1	574.4	2.0
Federal Revenues	141.5	0.0	0.0	0.0	
Other Revenues	5,376.5	4,650.9	4,650.9	4,906.6	5.5
Fund Balance	262.9	736.1	1,129.6	1,129.6	53.5
SOURCES TOTAL	6,334.6	5,950.1	7,239.6	6,610.6	11.1
USES					
Personal Services and Employee Benefits	4,515.1	4,463.9	5,274.3	4,974.6	11.4
Contractual Services	223.8	214.6	243.8	218.4	1.8
Other	1,367.5	1,271.6	1,721.5	1,417.6	11.5
TOTAL USES	6,106.4	5,950.1	7,239.6	6,610.6	11.1
FTE					
Permanent	75.0	75.0	80.0	77.0	2.7
TOTAL FTE POSITIONS	75.0	75.0	80.0	77.0	2.7

AT A GLANCE:

The New Mexico Livestock Board's (NMLB) FY20 appropriation request reflected an \$896 thousand increase from the general fund and a \$393.5 thousand increase from fund balance over the FY19 operating budget. The \$896 thousand general fund increase included \$669 thousand to add five roving law enforcement positions, \$57.6 thousand for conversion of a position to respond to inspection of public records requests, and \$169.4 thousand to reduce the agency vacancy rate.

The recommendation moves 5 FTE from the base request to the expansion request, funds two roving law enforcement positions in the amount of \$267.6 thousand, and reduces the vacancy rate with \$108 thousand using board-generated funds.

BUDGET ISSUES:

NMLB requested a total increase for both base and expansion of \$1.3 million, with almost \$900 thousand of that from the general fund, a 160 percent increase from the FY19 operating budget. In turn, almost all the increase would have been spent in the personal services and employee benefits category for the expansion request to add five roving law enforcement officers. The committee recommends an appropriation of \$574 thousand from the general fund, a 2 percent increase, and increases other revenue by \$255 thousand over the agency request to partially support the expansion request.

The agency requested and the committee recommends \$1.13 million in fund balance revenue. Fund balance is projected to be \$1.8 million at the end of FY20.

Revenue from property taxes and inspection fees, two major components of the board's budget, are impacted by weather and market conditions. The U.S. Department of Agriculture's assessment indicates New Mexico's total inventory of cattle and calves increased by 80 thousand head, or 6 percent, between January 2017 and January 2018. According to the U.S. Drought Monitor, New Mexico had a designation for most of this year of severe drought to exceptional drought in all parts of the state. Depending when an extensive drought occurs relative to the cattle cycle, which is when a herd is expanded or reduced over several years in response to market changes, ranchers face tough decisions whether or not to reduce a heard or purchase supplemental feed.

Ninety percent of NMLB's FY20 operating budget is from inspection fees, brand recording fees, and a tax on livestock value, not the general fund. While these revenues are subject to changes in the local economy, as well as the weather and national and global market forces, they have been remarkably stable; in the five years between FY13 to FY18, total revenue ranged from a low of \$4.8 million to a high of \$5.4 million. Property tax on livestock is NMLB's largest sources of revenue, accounting for \$2.6 million in FY17.

According to NMLB, enforcement of quarantines and disposition of animals deemed strays - technically estrays - could have a large impact on operations and fund balance. The agency estimates emergency expenditures could exceed \$1 million in the event of a mass seizure or contagious disease outbreak. However, NMLB could receive emergency funding and avoid using fund balance under existing statute that provides for provisional appropriations following an executive emergency declaration.

BASE EXPANSION:

Since 2017, hunters, ranchers, industry leaders, and livestock organizations have noted a rise in livestock theft and property damage. Responding to an increase in calls about larceny, animal cruelty, and abandonment of horses overextends NMLB law enforcement officers. In response, NMLB proposes increasing its road stops, expanding community outreach with support of a tip line to report suspicious activity, and increasing coordination with other agencies. Statewide, NMLB has 26 districts in four areas with 50 inspectors divided into two categories, livestock inspector and brand inspector. In its expansion request, NMLB proposes adding a roving law enforcement position in each of the four areas and two in the Albuquerque district to focus on investigation and prosecution of livestock thefts, cruelty cases, and injury to livestock. The committee recommends 2 FTE for this purpose and further recommends the agency consider raising fees, to levels similar to those charged in neighboring states, to pay for the additional law enforcement officers. Currently, the brand record fee is \$100 for a three-year period. New brand applications and brand registration transfers are also \$100. Colorado charges \$200 for a record fee, \$240 for a new brand for a three-year period, and \$100 for a transfer.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	Roving Law Enforcement Officers (2 FTE)	0.0	267.6
TOTAL		0.0	267.6

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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Output	Number of law enforcement road stops per month	71	63.5	85	85	90
Outcome	Number of disease cases per one thousand head inspected	0.19	.08	0.19	.19	.19
Outcome	Number of stolen or missing livestock recovered	NEW	17.3%	800	200	200
Output	Number of individual animals inspected for verification of animal health, disease control and movement	NEW	NEW	2,000,000	2,000,000	2,000,000
Output	Number of estrays processed per one thousand head inspected	NEW	NEW	0.77	.77	.77
Efficiency	Average percent of larceny investigation findings completed within one month	NEW	NEW	89%	89%	89%
Efficiency	Average percent of cruelty investigation findings completed within one month	NEW	NEW	93%	93%	93%

STATUTORY AUTHORITY:

Sections 17-1-1 through 17-7-3 NMSA 1978 charge the Department of Game and Fish (DGF) with protecting game and fish and providing these resources for public recreation. The department operates under the direction of a seven-member State Game Commission appointed by the governor with the advice and consent of the Senate. The department is divided into four programs: Field Operations, which regulates all hunting and fishing activities statewide; Conservation Services, responsible for habitat management, biological support, and land acquisition; Wildlife Depredation and Nuisance Abatement, which oversee depredation complaints and the implementation of intervention options for dealing with animals causing property damage; and Program Support, which provides agency-wide administrative direction, oversight, and infrastructure support services. The commission employs a director responsible for the administration of the department. The agency is administratively attached to the Energy, Minerals and Natural Resources Department.

MISSION:

The mission of the Department of Game and Fish is to provide and maintain an adequate supply of wildlife and fish within the state of New Mexico by using a flexible management system that provides for their protection, propagation, regulation, conservation, and use as public recreation and food supply.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	15,719.1	14,088.6	14,438.6	14,438.6	2.5
Other Revenues	27,918.7	24,310.1	25,608.2	25,608.2	5.3
Fund Balance	0.0	1,333.1	0.0	500.0	-62.5
SOURCES TOTAL	43,637.8	39,731.8	40,046.8	40,546.8	2.1
USES					
Personal Services and Employee Benefits	21,186.3	22,013.3	22,363.3	22,363.3	1.6
Contractual Services	4,644.8	4,280.2	4,230.2	4,230.2	-1.2
Other	15,133.5	12,756.0	13,271.0	13,271.0	4.0
Other Financing Uses	1,182.3	682.3	182.3	682.3	0.0
TOTAL USES	42,146.9	39,731.8	40,046.8	40,546.8	2.1
FTE					
Permanent	306.0	306.0	306.0	306.0	0.0
Term	9.0	9.0	9.0	9.0	0.0
Temporary	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	317.0	317.0	317.0	317.0	0.0

AT A GLANCE:

The Department of Game and Fish (DGF) requested increases for personnel and contracts within the Conservation Services Program and for other costs in Program Support. The FY19 request discontinued a transfer from the game protection fund to the State Parks Program of the Energy, Minerals and Natural Resources Department.

The LFC recommendation funds the requested increases for personnel and contracts and continues the transfer from available fund balances in the game protection fund to the State Parks Program in the amount of \$500 thousand.

BUDGET ISSUES:

DGF receives the majority of its funding from two sources: federal grants and the game protection fund. For FY20, DGF requested an increase of \$350 thousand, 2.5 percent, from federal sources and an increase of \$1.3 million, 5.3 percent, from other state sources over the FY19 operating budget. The majority of the increase, \$1.3 million, was directed to support programs for additional vehicles for officers and increased merchant fees.

The department requested to discontinue a \$500 thousand transfer from the game protection fund to support the operations of the State Parks Program. Transfers to the State Parks Program began in FY16 and have been sourced from the game protection fund and the trail safety fund. In FY18, the transfer from the trail safety fund, which receives revenue from off-highway vehicle registration fees, was reduced to \$85 thousand, the available balance, and was not in the FY19 operating budget. While the balance of the trail safety fund has been reduced over the past several years, the projected unreserved fund balance is \$363 thousand at the end of FY20.

The fund is not receiving the full amount of revenue to which it is entitled. Statute allows for \$40 per registration to be collected; currently, residents are charged \$35 and nonresidents are charged \$30. Underassessment of registration fees for residents reduces fund revenue by 14 percent.

DGF's request reallocates most of the \$500 thousand transfer to increase personnel and contract costs in the Conservation Services Program. The projected unreserved game protection fund balance at the end of FY20 is \$15.5 million and can support the \$500 thousand transfer to State Parks. The recommendation supports the agency's request in addition to maintaining the state parks transfer.

The Energy, Minerals, and Natural Resources Department (EMNRD) and DGF discussed discontinuing the transfer to state parks on the premise of a transfer of the Mesilla Valley Bosque State Park property from EMNRD to DGF. The proposal would allow DGF to move up to 11 FTE currently working in leased office space in the Las Cruces area to the facility and generate an annual savings of \$117 thousand. According to DGF, it cannot operate state parks due to federal restrictions on use of funds but that should not impede the transfer of the Mesilla Valley Bosque park to DGF. The agencies attempted the transfer in early 2018 and were halted by a court order resulting from a successful suit brought by the Legislative Council, which challenged the transfer on behalf of the Legislature on the premise it did not have the required legislative authorization.

The nonreverting game protection fund serves as the department's operating fund and receives revenue from license fees, federal funds, court fines and forfeitures, other penalties, crop sales, interest on investments, and land rental or lease income. Nearly all DGF funds are restricted under the Code of Federal Regulation and use of these fees for purposes outside of those allowed by federal rules is known as "diversion." A diversion finding by the federal government can result in a state wildlife agency being ineligible for benefits under federal hunting and fishing laws, and a state can be required to repay the diverted amount before becoming eligible again.

Revenue to the game protection fund is inconsistent throughout the fiscal year, and the fund must begin a fiscal year with a \$12 million balance to allow the agency to cover expenses before it receives federal reimbursements. Revenue generated for the game protection fund from services, including hunting and fishing licenses, has totaled over \$20 million per year since FY14, while federal revenue to the fund accounted for between \$10 million and \$13 million annually during this period. Hunting license fees have not increased since 2005.

In addition to the game protection fund, the agency manages the share with wildlife fund, the Sikes Act fund, the big game enhancement fund, the big game depredation damage fund, the habitat management fund, and the trail safety fund. The combined projected unreserved fund balance of all DGF funds at the end of FY20 is \$27.3 million, down 11 percent from the FY19 projections.

At the end of the first quarter of FY18, DGF had \$13.5 million in unspent capital appropriations from fund balances, including \$2.3 million from 2013 and 2014 appropriations, \$1.9 million from 2015 appropriations, and \$9.4 million from 2016. The agency's FY19 capital outlay request included \$8.6 million for hatchery renovations, \$10.1 million for dam safety enhancements, and \$8.5 million for wildlife habitat restoration. The FY20 capital outlay request includes \$1 million for wildlife habitat restoration and \$500 thousand for new shooting ranges.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the conservation services program of the department of game and fish include five hundred thousand dollars (\$500,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties, one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations and eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations for the interstate stream compact compliance and water development program of the state engineer. Any unexpended balances remaining at the end of fiscal year 2020 from these appropriations shall revert to the game protection fund.

FIELD OPERATIONS

The purpose of the field operations program is to promote and assist the implementation of law enforcement, habitat, and public outreach programs throughout the state.

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	240.2	312.4	312.4	312.4	0.0
Other Revenues	9,264.8	8,522.6	8,921.7	8,921.7	4.7
Fund Balance	0.0	399.1	0.0	0.0	-100.0
SOURCES TOTAL	9,505.0	9,234.1	9,234.1	9,234.1	0.0
USES					
Personal Services and Employee Benefits	7,025.9	7,282.5	7,282.5	7,282.5	0.0
Contractual Services	62.2	128.7	128.7	128.7	0.0
Other	2,227.8	1,822.9	1,822.9	1,822.9	0.0
TOTAL USES	9,315.9	9,234.1	9,234.1	9,234.1	0.0
FTE					
Permanent	102.0	102.0	102.0	102.0	0.0
TOTAL FTE POSITIONS	102.0	102.0	102.0	102.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Number of conservation officer hours spent in the field checking for compliance	55,267	47,144	56,000	56,000	56,000
Output	Number of hunter and conservation education programs delivered by field staff	788	948	750	750	750
Output	Number of special field operations to deter, detect and apprehend off-highway vehicle and game and fish violators	276	196	300	300	300
Output	Number of citations issued per license year	NEW	.24:100	1:100	1:100	1:100

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Federal Revenues	15,279.4	13,570.0	13,920.0	13,920.0	2.6
Other Revenues	9,556.5	8,135.1	8,637.1	8,637.1	6.2
Fund Balance	0.0	867.0	0.0	500.0	-42.3
SOURCES TOTAL	24,835.9	22,572.1	22,557.1	23,057.1	2.1
USES					
Personal Services and Employee Benefits	10,057.8	10,372.0	10,722.0	10,722.0	3.4
Contractual Services	3,852.7	3,582.8	3,717.8	3,717.8	3.8
Other	9,743.1	7,935.0	7,935.0	7,935.0	0.0
Other Financing Uses	1,182.3	682.3	182.3	682.3	0.0
TOTAL USES	24,835.9	22,572.1	22,557.1	23,057.1	2.1
FTE					
Permanent	147.0	147.0	147.0	147.0	0.0
Term	9.0	9.0	9.0	9.0	0.0
Temporary	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	158.0	158.0	158.0	158.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Number of elk licenses offered on an annual basis in New Mexico	NEW	34,464	33,000	33,000	33,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	84%	84%	84%	84%	86%
* Output	Annual output of fish from the department's hatchery system, in pounds	681,103	646,175	640,000	640,000	640,000
Outcome	Percent of anglers satisfied with opportunity and success	88%	90.4%	90%	90%	90%
Output	Acres of accessible sportsperson opportunity through the open gate program	217,155	209,729	200,000	200,000	200,000
Output	Percent of state-threatened, endangered species or candidate species studied and conserved through the state wildlife action plan and other state programs	52%	41%	15%	15%	45%
Output	Percent of New Mexico youth participation annually through education and outreach programs	NEW	9.3%	5%	5%	20%

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)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Federal Revenues	54.8	0.0	0.0	0.0	
Other Revenues	1,089.6	1,009.2	1,013.9	1,013.9	0.5
Fund Balance	0.0	4.7	0.0	0.0	-100.0
SOURCES TOTAL	1,144.4	1,013.9	1,013.9	1,013.9	0.0
USES					
Personal Services and Employee Benefits	290.3	322.3	322.3	322.3	0.0
Contractual Services	86.9	125.7	125.7	125.7	0.0
Other	607.5	565.9	565.9	565.9	0.0
TOTAL USES	984.7	1,013.9	1,013.9	1,013.9	0.0
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	99%	95%	98%	98%	98%
Output	Number of educational publications viewed or distributed with a message about minimizing potentially dangerous encounters with wildlife	1,554,000	811,600	750,000	750,000	820,000
Outcome	Percent of wildlife complaints responded to	99%	100%	97%	97%	100%

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	144.7	206.2	206.2	206.2	0.0
Other Revenues	8,007.8	6,643.2	7,035.5	7,035.5	5.9
Fund Balance	0.0	62.3	0.0	0.0	-100.0
SOURCES TOTAL	8,152.5	6,911.7	7,241.7	7,241.7	4.8
USES					
Personal Services and Employee Benefits	3,812.3	4,036.5	4,036.5	4,036.5	0.0
Contractual Services	643.0	443.0	258.0	258.0	-41.8
Other	2,555.1	2,432.2	2,947.2	2,947.2	21.2
TOTAL USES	7,010.4	6,911.7	7,241.7	7,241.7	4.8
FTE					
Permanent	53.0	53.0	53.0	53.0	0.0
TOTAL FTE POSITIONS	53.0	53.0	53.0	53.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	20	20	20	20	20
Outcome	Average department wide vacancy rate for the fiscal year	11.8%	12.92	9%	9%	9%

STATUTORY AUTHORITY:

The Energy, Minerals and Natural Resources Department (EMNRD) was created by Sections 9-5A-1 through 9-5A-7 NMSA 1978. The statute creates six divisions: Energy Conservation and Management, Forestry, State Parks, Mining and Minerals, Oil Conservation, and Administrative Services.

MISSION:

The mission of EMNRD is to position New Mexico as a national leader in energy and natural resource areas. This includes developing reliable supplies of energy and energy-efficient technologies with a balanced approach toward conserving renewable and nonrenewable resources; protecting the environment and ensuring responsible reclamation of land and resources affected by mineral extraction; growing and managing healthy, sustainable forests; and improving the state park system that protects New Mexico's natural, cultural, and recreational resources for posterity and contributes to a sustainable economy statewide.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 – 2019-2020		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	16,943.3	20,468.8	24,418.8	21,284.2	4.0
Other Transfers	1,838.4	2,734.8	2,234.9	2,734.9	0.0
Federal Revenues	17,907.9	22,410.0	22,403.3	22,403.3	0.0
Other Revenues	15,902.2	13,180.9	13,024.6	13,963.6	5.9
Fund Balance	6,821.1	4,925.5	6,274.7	7,790.2	58.2
SOURCES TOTAL	59,412.9	63,720.0	68,356.3	68,176.2	7.0
USES					
Personal Services and Employee Benefits	27,823.1	32,167.5	33,285.9	33,150.5	3.1
Contractual Services	6,326.3	8,354.0	11,628.3	11,278.3	35.0
Other	18,713.9	21,685.3	21,926.8	22,232.1	2.5
Other Financing Uses	681.9	1,513.2	1,515.3	1,515.3	0.1
TOTAL USES	53,545.2	63,720.0	68,356.3	68,176.2	7.0
FTE					
Permanent	380.0	380.0	385.0	385.0	1.3
Term	42.0	43.0	43.0	43.0	0.0
Temporary	52.5	52.5	52.4	52.4	-0.2
TOTAL FTE POSITIONS	474.5	475.5	480.4	480.4	1.0

AT A GLANCE:

Following a revision submitted on November 5, 2018, the Energy, Minerals and Natural Resources Department's (EMNRD) request reflected an increase of \$4.6 million from the FY19 operating budget. The agency requested a general fund increase of nearly \$4 million, primarily to reduce vacancies in the Oil and Gas Conservation and State Parks Program and to offset reduced federal revenues and reliance on fund balance. The request increased funding for personnel as the agency attempts to address a persistently high vacancy rate. The LFC recommendation largely supports the request.

BUDGET ISSUES:

EMNRD requested an overall increase of 7.3 percent, including a general fund increase of 19.3 percent. EMNRD has a current vacancy rate of approximately 20 percent with the majority of the unfilled positions in the State Parks Program. Overall, the request increased contractual services by 39 percent, other costs by 1 percent, and personnel costs by 3.5 percent. The LFC recommendation increases general fund revenues by \$815.4 thousand, or 4 percent. The recommendation includes slightly more other revenues from state parks than requested based on increasing governmental gross receipts revenues (GGRT) in recent years.

Healthy Forests. The FY20 request for the Healthy Forests Program, also known as the State Forestry Division (SFD) represented an increase of \$194.4 thousand, or 1.4 percent, from FY19. The request for general fund revenue is \$2,000 or 0.1 percent, below the FY19 operating budget, but includes a \$195.1 thousand, or 2.2 percent, increase in federal funds. The LFC recommendation fully funds the agency request.

During FY18, SFD recorded 868 fires that burned over 242 thousand acres and cost over \$28 million. The division reports that ongoing drought conditions have led to larger, more intensive fires. The Ute Park fire was the largest and most expensive, burning over 36 thousand acres and costing over \$9 million. Other large fires included the Morris fire (1,671 acres and \$4.2 million), the Emily fire (8,432 acres and \$1.6 million), and the Emery Gap fire (over 1,000 acres and \$900 thousand). For the first time, SFD partnered with the Department of Transportation to use heavy equipment and operators to suppress fires, helping to reduce costs on a number of fires. In addition to the operating budget, SFD's capital outlay request includes \$5 million to continue forest thinning efforts in collaboration with the Department of Game and Fish and the U.S. Forest Service and \$500 thousand to replace aging firefighting equipment.

State Parks. In FY18, severe environmental conditions directly impacted state parks' revenues. Drought persisted throughout the peak recreation season due to low snowpack and precipitation and high temperatures. As a result, fire restrictions and park closures limited park visitation and revenue; approximately 900 camping reservations were cancelled and fees refunded following restrictions and closures. The State Parks Program has a vacancy rate over 27 percent, which may be adversely impacting revenue due to lack of enforcement of fee payment.

The state parks day use fee structure is significantly different from neighboring states. In New Mexico, all parks (other than the Living Desert Zoo and Gardens and the Rio Grande Nature Center) charge a \$5 per vehicle day use fee and provide free access to walkers and bikers. However, in Texas, Colorado, Utah, and Arizona, fees vary by park, method of entry, and type of day. For example, Arizona's daily vehicle entrance fees range from a low of \$7 to \$30 for certain parks on weekends and holidays, and Colorado parks charge between \$7 and \$9 per vehicle. In May 2018, the State Parks Program announced increases in park facility rental fees, including raising rates for group shelters from \$30 to \$45, large group shelters from \$50 to \$90, and the lodge at Hyde Memorial State Park from \$500 to \$1,000 or \$1,500, depending on the time of the rental.

The LFC recommendation increases personnel funding for the State Parks Program by \$206.5 thousand, or 1.7 percent, over the FY19 operating budget and nearly \$2.3 million, or 22.5 percent, over FY18 actual expenditures. The recommendation fully supports the request but includes \$939 thousand more from GGRT revenue than requested based on recent revenues. The request included \$4.5 million from GGRT revenue but the recommendation includes \$5.4 million from this source, which averaged \$5.5 million from FY16 through FY18. The recommendation also continues a \$500 thousand transfer from the Department of Game and Fish's (DGF) game protection fund to support fishing and wildlife conservation measures at state parks that EMNRD removed from its revised request.

In July 2018, state legislators filed a lawsuit against EMNRD and DGF to stop the transfer of Mesilla Valley Bosque State Park to DGF without legislative authorization. In 2017, the Legislative Council informed both agencies that such a transfer would require such approval. The transfer offers some savings from consolidating administrative costs. The lawsuit is pending.

Mine Reclamation. The FY20 recommendation for the Mine Reclamation Program is flat with the FY19 operating budget but is \$1.9 million, or 30 percent, above FY18 actuals. The agency requested a slight general fund increase due to reduced coal program revenues, which the recommendation offsets with increased use of fund balance.

Oil and Gas Conservation. The recommendation fully supports the agency request for a \$541.9 thousand increase, or 10.8 percent, general fund increase, and an overall increase of \$3.3 million. Most of the increase comes from the oil and gas reclamation fund to increase contracts to plug abandoned wells from \$2.05 million to \$4.65 million, and increases personnel funding to fill vacant positions to handle workload associated with increased permitting and inspection of the energy industry. The agency requested a flat target of 27 wells plugged for FY20, despite plugging 41 wells in FY18 at a total cost of \$1.6 million; the recommendation increases the target to 80 wells based on the increased funding requested and recommended for this purpose.

Program Leadership and Support. LFC recommends a flat general fund appropriation relative to the FY19 operating budget and an overall 0.5 percent increase for Program Leadership and Support. The LFC recommendation fully funds the agency request for the contractual services and other categories and reduces personnel by \$8.6 thousand, or 0.2 percent, from the FY19 operating budget to better reflect FY18 actual expenditures.

RECOMMENDED LANGUAGE:

The general fund appropriations to the state parks program of the energy, minerals and natural resources department include seventy-five thousand dollars (\$75,000) to support Rio Grande trail commission efforts to define viable path routes, mitigate challenges and establish the Rio Grande trail to run the length of the state from Colorado to Texas.

The internal service funds/interagency transfers appropriations to the state parks program of the energy, minerals and natural resources department include five hundred thousand dollars (\$500,000) from the game protection fund to support hunting, fishing and trapping activities and wildlife conservation measures on state park properties. Any unexpended balances remaining at the end of fiscal year 2020 from this appropriation shall revert to the game protection fund.

ENERGY CONSERVATION AND MANAGEMENT

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

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 - 2019-2020		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	766.9	777.0	832.4	792.5	2.0
Federal Revenues	1,463.2	1,788.0	1,916.9	1,916.9	7.2
Fund Balance	9.8	0.0	0.0	0.0	
SOURCES TOTAL	2,239.9	2,565.0	2,749.3	2,709.4	5.6
USES					
Personal Services and Employee Benefits	1,132.7	1,246.1	1,301.5	1,301.5	4.4
Contractual Services	240.3	78.9	204.6	204.6	159.3
Other	866.5	1,240.0	1,243.2	1,203.3	-3.0
TOTAL USES	2,239.5	2,565.0	2,749.3	2,709.4	5.6
FTE					
Permanent	13.0	13.0	14.0	14.0	7.7
Term	0.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	13.0	14.0	15.0	15.0	7.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of waste-isolation-pilot-plant-related emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	55	79			
Outcome	Number of clean energy projects to which the division provided information and technical assistance	NEW	NEW	NEW		
Outcome	Percent of completed applications for clean energy tax credits reviewed within thirty days of receipt	90%	90%	90%	90%	90%

HEALTHY FORESTS

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

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	3,752.3	3,802.8	3,800.8	3,800.8	-0.1
Federal Revenues	8,526.9	9,038.8	9,233.9	9,233.9	2.2
Other Revenues	454.5	510.2	462.4	462.4	-9.4
Fund Balance	4.4	106.9	156.0	156.0	45.9
SOURCES TOTAL	12,738.1	13,458.7	13,653.1	13,653.1	1.4
USES					
Personal Services and Employee Benefits	5,558.7	6,444.6	6,644.6	6,644.6	3.1
Contractual Services	355.0	479.0	504.0	504.0	5.2
Other	6,790.8	6,488.2	6,455.6	6,455.6	-0.5
Other Financing Uses	29.7	46.9	48.9	48.9	4.3
TOTAL USES	12,734.2	13,458.7	13,653.1	13,653.1	1.4
FTE					
Permanent	68.0	68.0	68.0	68.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	78.0	78.0	78.0	78.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,362	1205	1,500	1,500	1,500
* Output	Number of acres treated in New Mexico's forests and watersheds	15,291	13,226.21	15,500	14,200	15,500
Explanatory	Number of people employed under the veterans program	55	52			

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	7,326.3	7,445.8	10,644.8	7,705.8	3.5
Other Transfers	1,000.0	1,541.3	1,041.4	1,541.4	0.0
Federal Revenues	1,223.9	3,137.3	2,782.9	2,782.9	-11.3
Other Revenues	12,250.0	9,739.7	9,497.6	10,436.6	7.2
Fund Balance	4,566.0	4,818.6	3,538.6	5,038.6	4.6
SOURCES TOTAL	26,366.2	26,682.7	27,505.3	27,505.3	3.1
USES					
Personal Services and Employee Benefits	10,135.0	12,209.8	12,416.3	12,416.3	1.7
Contractual Services	649.5	744.9	1,250.8	900.8	20.9
Other	9,647.4	12,582.7	12,692.8	13,042.8	3.7
Other Financing Uses	384.3	1,145.3	1,145.4	1,145.4	0.0
TOTAL USES	20,816.2	26,682.7	27,505.3	27,505.3	3.1

BUDGET SUMMARY
(dollars in thousands)

FY20 - 2019-2020

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
FTE					
Permanent	177.0	177.0	183.0	183.0	3.4
Term	5.0	5.0	5.0	5.0	0.0
Temporary	52.5	52.5	52.4	52.4	-0.2
TOTAL FTE POSITIONS	234.5	234.5	240.4	240.4	2.5

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Explanatory	Number of visitors to state parks	4,929,421	4,711,927			
* Explanatory	Amount of self-generated revenue per visitor, in dollars	\$0.88	\$1.06			
Explanatory	Number of persons who complete a certified New Mexico boating safety education course	877	866			
Explanatory	Number of volunteer hours contributed to state parks	NEW	96,117			
Explanatory	Number of Rio Grande trail commission meetings held annually	NEW	5			

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)

FY20 - 2019-2020

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	390.5	491.0	511.3	491.0	0.0
Other Transfers	31.7	96.9	96.9	96.9	0.0
Federal Revenues	5,234.6	6,832.8	6,832.8	6,832.8	0.0
Other Revenues	662.6	736.3	674.6	674.6	-8.4
Fund Balance	46.2	0.0	46.2	61.7	
SOURCES TOTAL	6,365.6	8,157.0	8,161.8	8,157.0	0.0
USES					
Personal Services and Employee Benefits	2,671.2	2,997.2	2,997.2	2,997.2	0.0
Contractual Services	3,222.7	4,743.0	4,743.0	4,743.0	0.0
Other	312.7	379.8	384.6	379.8	0.0
Other Financing Uses	23.6	37.0	37.0	37.0	0.0
TOTAL USES	6,230.2	8,157.0	8,161.8	8,157.0	0.0
FTE					
Permanent	17.0	17.0	15.0	15.0	-11.8
Term	16.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	33.0	33.0	31.0	31.0	-6.1

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	97.5%	99%	98%	98%	98%
Outcome	Percent of inspections of active mining operations showing compliance with approved permits and regulations	95%	95%	97.5%	97.5%	97.5%

OIL AND GAS CONSERVATION

The purpose of the oil and gas conservation program is to assure the conservation and responsible development of oil and gas resources through professional, dynamic regulation.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,853.8	5,020.9	5,562.8	5,562.8	10.8
Federal Revenues	731.5	785.4	785.4	785.4	0.0
Other Revenues	2,535.1	2,194.7	2,390.0	2,390.0	8.9
Fund Balance	2,194.7	0.0	2,533.9	2,533.9	
SOURCES TOTAL	7,315.1	8,001.0	11,272.1	11,272.1	40.9
USES					
Personal Services and Employee Benefits	4,458.0	4,871.5	5,401.2	5,401.2	10.9
Contractual Services	1,696.4	2,181.5	4,781.5	4,781.5	119.2
Other	769.5	664.0	805.4	805.4	21.3
Other Financing Uses	244.3	284.0	284.0	284.0	0.0
TOTAL USES	7,168.2	8,001.0	11,272.1	11,272.1	40.9
FTE					
Permanent	55.0	55.0	55.0	55.0	0.0
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	66.0	66.0	66.0	66.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	37,648	42,880	40,000	40,000	42,000
Output	Percent of application drill permits approved within ten business days of receipt	96.15%	99.75%	85%	85%	95%
* Outcome	Number of abandoned oil and gas wells properly plugged	33	41	27	27	80
Explanatory	Number of violations issued	2,729	2,081			
Explanatory	Size of oil spills in barrels	14,253	1,098			
Explanatory	Percent of inspections of oil and gas wells and associated facilities showing compliance with permits and regulations	NEW	NEW			

PROGRAM LEADERSHIP AND SUPPORT

The purpose of program leadership and support is to provide leadership, set policy and provide support for every division in achieving their goals.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,853.5	2,931.3	3,066.7	2,931.3	0.0
Other Transfers	806.7	1,096.6	1,096.6	1,096.6	0.0
Federal Revenues	727.8	827.7	851.4	851.4	2.9
SOURCES TOTAL	4,388.0	4,855.6	5,014.7	4,879.3	0.5
USES					
Personal Services and Employee Benefits	3,867.5	4,398.3	4,525.1	4,389.7	-0.2
Contractual Services	162.4	126.7	144.4	144.4	14.0
Other	327.0	330.6	345.2	345.2	4.4
TOTAL USES	4,356.9	4,855.6	5,014.7	4,879.3	0.5

BUDGET SUMMARY
(dollars in thousands)FY20 - 2019-2020

		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
FTE	Permanent	50.0	50.0	50.0	50.0	0.0
	TOTAL FTE POSITIONS	50.0	50.0	50.0	50.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	90%	100%
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn	30	30	30	30	30

STATUTORY AUTHORITY:

Sections 9-5B-1 through 9-5B-11 NMSA 1978 establish the New Mexico Youth Conservation Corps Act. The purpose of the act is to provide employment for youth in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. The corps is administratively attached to the Energy, Minerals and Natural Resources Department (EMNRD).

MISSION:

The Youth Conservation Corps' mission is to promote the education, success, and well-being of the youth of New Mexico through the conservation and enhancement of the state's natural resources and provide lasting community benefits.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	4,223.5	3,800.0	3,863.8	3,800.0	0.0
Fund Balance	63.8	63.8	0.0	63.8	0.0
SOURCES TOTAL	4,287.3	3,863.8	3,863.8	3,863.8	0.0
USES					
Personal Services and Employee Benefits	164.8	174.5	173.4	173.4	-0.6
Contractual Services	2,555.8	3,478.1	3,478.1	3,478.1	0.0
Other	178.5	211.2	87.3	87.3	-58.7
Other Financing Uses	0.0	0.0	125.0	125.0	
TOTAL USES	2,899.1	3,863.8	3,863.8	3,863.8	0.0
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

AT A GLANCE:

The Youth Conservation Corps (YCC) is funded with governmental gross receipt tax revenues and fund balances from the youth conservation corps fund. YCC works with many federal, state, and local government entities as well as Native American tribes, political subdivisions, and nonprofit groups on urban and natural environmental improvement projects. YCC, which receives no general fund revenues, sought and the committee recommends an FY20 budget essentially flat with FY19.

BUDGET ISSUES:

YCC's FY20 budget request is flat compared with FY19 but \$964.7 thousand above FY18 actual expenditures. The recommendation supports the agency request, including a \$125 thousand reduction in the other category for administrative fees to the Energy, Minerals and Natural Resources Department. This decrease is offset by an increase in other financing uses to properly budget these fees. Overall, the recommendation is flat compared with the FY19 operating budget.

In FY18, YCC funded 30 projects at a cost of \$2.6 million and employed 595 youth. Projects eligible for YCC funding include restoration of historic structures, trail construction and maintenance, community park improvement, and erosion control. Youth employed through the program are paid the minimum wage rate consistent with the project's location as some communities have higher rates than others. As the gross receipts tax declined slightly over the last five years, fewer projects have been awarded, thereby reducing the number of youth employed. To fund more projects and employ more youth in future years, YCC decreased the maximum grant award from \$150 thousand to \$100 thousand.

The East Rio Arriba Soil and Water Conservation District project for \$41 thousand is an example of YCC's efforts to support watershed and water conveyance projects. Using geographic information systems, each acequia was mapped and noxious plants that had taken root in the acequia were identified. Corps members removed the noxious plants (including trees and shrubs) debris blocking water flow and to the turn out and grade. Data collected before and after the project is incorporated into the region's larger watershed plan for aquifer recharge.

YOUTH CONVERSATION CORPS

The purpose of the youth conservation program is to provide funding for the employment of New Mexicans between the ages of fourteen and twenty-five to work on projects that will improve New Mexico's natural, cultural, historical and agricultural resources.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Number of youth employed annually	818	595	825	800	800
Outcome	Percent of grant awards used for wages for corps members	76%	77%	77%	75%	75%
Outcome	Percent of projects completed within one year	95%	95%	95%	95%	95%
Explanatory	Percent of New Mexico counties served by youth conservation corps	NEW	58%			
Explanatory	Number of New Mexico counties represented by applicants	NEW	21			

STATUTORY AUTHORITY:

The Intertribal Ceremonial Office was created pursuant to the Intertribal Ceremonial Act, Sections 9-15C-1 to 9-15C-5 NMSA 1978, and is administratively attached to the Tourism Department. Four entities administer, promote, and produce the intertribal ceremonial event: the Intertribal Ceremonial Office (ICO), a state agency; the Gallup Intertribal Ceremonial Association (GICA), a nonprofit organization; the Intertribal Ceremonial Board, part of the nonprofit; and the Tourism Department, which provides administrative oversight.

BUDGET SUMMARY (dollars in thousands)					
FY20 – 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	77.0	50.0	77.0	100.0	100.0
SOURCES TOTAL	77.0	50.0	77.0	100.0	100.0
USES					
Contractual Services	49.4	50.0	77.0	100.0	100.0
TOTAL USES	49.4	50.0	77.0	100.0	100.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

AT A GLANCE:

The Intertribal Ceremonial Office (ICO) requested \$77 thousand in general fund revenue, an increase of \$27 thousand for FY20. The agency received a \$27 thousand special appropriation during the 2019 legislative session, providing a total of \$77 thousand for the FY19 operating budget. The LFC recommendation fully supports the general fund request of \$77 thousand, and includes an additional \$23 thousand, a total recommendation of \$100 thousand in general fund.

BUDGET ISSUES:

Performance results for FY18 ceremonial tickets remained flat from FY17, with 7,400 tickets sold. Number of sponsorships for the FY18 ceremony also remained flat with 120 sponsors, double the 63 sponsors in FY16. Percent of operating revenue from sources other than the general fund also remained at FY18 levels, at 91 percent, from 69 percent in FY16.

During the annual intertribal ceremonial in Gallup, 20 dance groups along with more than 40 tribes attend parades, a rodeo, a pow-wow, art exhibitions, and culinary events. The 2019 ceremony will be its 98th. Tribes represented include Cheyenne and Chickasaw (Oklahoma); Apache, Pima, Navajo, and Hopi (Arizona); Aztec and Milwuk (California and Mexico); and Navajo, Ohkay Owingeh, Taos, Zuni, Jemez, and Laguna (New Mexico).

The most recent economic impact study from August 2017, prepared by Southwest Planning and Marketing, demonstrated a \$2.4 million direct impact to the local region.

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	7,400	7400	7,500	8,400	8,000
Outcome	Percent of operating revenue from sources other than the general fund	91%	91%	90%	88%	90%
Output	Number of sponsorships	120	120	130	150	150

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	25,201.9	17,414.4	17,679.5	17,679.5	1.5
SOURCES TOTAL	25,201.9	17,414.4	17,679.5	17,679.5	1.5
USES					
Personal Services and Employee Benefits	11,441.7	12,560.5	12,762.9	12,762.9	1.6
Contractual Services	2,541.7	2,677.6	2,677.6	2,677.6	0.0
Other	1,906.6	2,176.3	2,239.0	2,239.0	2.9
TOTAL USES	15,890.0	17,414.4	17,679.5	17,679.5	1.5
FTE					
Permanent	156.0	165.0	168.0	168.0	1.8
TOTAL FTE POSITIONS	156.0	165.0	168.0	168.0	1.8

AT A GLANCE:

Oil and gas production in New Mexico surpassed record levels in FY18 as higher prices and technological advances improved profitability following years of low prices and falling production. Increased efficiency and competition among oil producers and improved business practices at the State Land Office led to dramatically increased revenue generated through both royalties and mineral lease bonuses. In FY18, SLO reported royalty revenue of \$852 million, up from \$497 million in FY16. Additionally, SLO realized \$112 million in lease bonus revenue in FY18, up from \$43 million in FY16. Increased drilling activity produced a windfall for state revenues, but it also increased the need for oversight and administrative staff at land management agencies. For example, the Land Commissioner noted dramatic increases in administrative workload as well as additional need for field staff to deal with illegal dumping and oil spills. SLO, funded with state land revenues, requested and the committee recommends a small increase in FY20.

BUDGET ISSUES:

SLO requested a total \$17.7 million for FY20, an increase of \$265.1 thousand, or 1.5 percent, from the FY19 operating budget. The agency is funded solely from land office maintenance fund revenues. Balances of the land office maintenance fund in excess of a budgetary reserve are transferred to beneficiaries, with the distribution for public schools included in the general fund.

SLO's FY20 request includes a flat base budget and \$265.1 thousand for expansion of 3 FTE. The request applies an 8.3 percent vacancy rate. As of November 1, the agency reported a 20 percent vacancy rate. Filling positions has been a challenge for the agency, particularly in high-demand occupations, such as IT, and in certain geographic areas, such as the southeast portion of the state where private employers can pay better than the state.

In FY19, the Oil and Natural Gas Administration and Revenue Database (ONGARD) was transferred from the Taxation and Revenue Department to SLO. The ONGARD system is used to track royalty revenue and is vital to the collection of state revenues. While SLO is working to replace the legacy system, the agency anticipates continued need to operate ONGARD through FY20. The Legislature has appropriated \$10 million to SLO for the replacement of ONGARD. SLO plans to replace ONGARD with a new Royalty Administration and Revenue Processing System (RAPS) and awarded a \$7.7 million contract for implementation RAPS. The project is currently in the planning phase, with anticipated completion by the close of FY20.

The recommendation fully funds the agency request for the base budget. LFC analysis suggests the current vacancy rate will result in approximately \$850 thousand in savings for personnel in FY19, providing the agency the flexibility to hire additional staff or adjust compensation at current budget levels.

BASE EXPANSION:

SLO requested 3 FTE for the field operations division. The additional FTE will be located in Hobbs and Carlsbad. The requested expansion includes \$62.7 thousand in the other costs category to pay for vehicle mileage and maintenance, IT equipment, per diem, and other necessary operational expenses. All three positions will be budgeted at the midpoint of the salary range, \$48 thousand. The recommendation fully funds the requested expansion.

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
FY20 - 2019-2020**

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Field Operations, Southeast District-3 FTE	(P615)	265.1	265.1
TOTAL			265.1	265.1

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

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Total trust revenue generated, in millions	\$544.9	\$ 853.0	\$503.5	\$975.0	\$975.0
Outcome	Bonus income per acre leased for oil and gas activities, in dollars	\$834	\$1,429	\$650	\$900	\$900
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$3.5	\$3.3	\$2.5	\$3.0	\$3.0
* Output	Average income per acre from oil, natural gas and mining activities, in dollars	\$201	\$205	\$200	\$205	\$205
Output	Percent of total trust revenue allocated to beneficiaries	97%	98%	98%	98%	98%
* Output	Number of acres restored to desired conditions for future sustainability	17,312	31,998	9,000	9,000	15,000
Output	Annual income from renewable energy	\$908,086	\$937,118	\$1,000,000	\$1,250,000	\$1,250,000

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

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	17,307.7	18,595.8	18,595.8	18,595.8	0.0
Other Transfers	17,364.0	16,640.4	17,030.6	17,030.6	2.3
Federal Revenues	183.4	192.4	0.0	0.0	-100.0
Other Revenues	4,345.8	1,874.3	2,935.3	2,923.7	56.0
Fund Balance	266.0	1,578.5	743.3	743.3	-52.9
SOURCES TOTAL	39,466.9	38,881.4	39,305.0	39,293.4	1.1
USES					
Personal Services and Employee Benefits	20,920.0	24,257.9	24,295.9	24,284.3	0.1
Contractual Services	4,799.5	7,475.8	7,563.3	7,563.3	1.2
Other	5,933.6	6,847.0	7,013.8	7,013.8	2.4
Other Financing Uses	621.9	300.7	432.0	432.0	43.7
TOTAL USES	32,275.0	38,881.4	39,305.0	39,293.4	1.1
FTE					
Permanent	336.0	337.0	337.0	337.0	0.0
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	341.0	342.0	342.0	342.0	0.0

AT A GLANCE:

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

BUDGET ISSUES:

Overall, OSE requested a flat general fund appropriation relative to the FY19 operating budget. The request prioritized the ISC budget, with an increase of 2 percent. Despite high funded vacancy rates across all four programs, OSE requested a 0.2 percent increase in personnel funding. The largest portion of the requested increase was in the other category for operational and maintenance costs associated with the Los Lunas Silvery Minnow Refugium, previously funded through a federal grant. LFC projections of OSE trust funds suggest the agency may have underprojected permanent fund revenue by as much as \$2 million. Therefore, the full Legislature should consider appropriating excess funds for forest and watershed projects as provided in 2015 legislation that passed unanimously but was vetoed by the governor.

Water Resource Allocation Program. New Mexico must show it is responsibly and proactively managing water resources in the Lower Rio Grande (LRG) to support its Rio Grande compact compliance litigation efforts in the lawsuit against Texas. The LFC recommendation for the Water Resource Allocation Program (WRAP) fully funds the agency's general fund request.

Since 2012, when the state Supreme Court affirmed OSE's authority to enforce priority administration through rulemaking, which provides a greater right to earlier users, WRAP has been working to develop rules for seven priority basins, including the Lower Rio Grande. In addition to developing rules, WRAP's active water resource management (AWRM) efforts have focused on getting implementation tools in place: installing meters; inventorying water rights; developing geographic information system databases; and abstracting, imaging, and posting water right files online so they are immediately available across the state.

Interstate Stream Commission. The request for ISC held general fund revenue flat relative to the FY19 operating budget and included an additional \$373.5 thousand from the strategic water reserves to enable ISC to cover operational and maintenance costs associated with the Los Lunas Silvery Minnow Refugium, previously funded through a federal grant from the Bureau of Reclamation, and to provide \$200 thousand for the 90/10 acequia grant program, which was decreased by the same amount in FY18.

ISC requested a net increase of \$91.8 thousand for NMCAPE, tasked with consulting with ISC to select a project to divert water from the Gila River in New Mexico. Funding for NMCAPE is from the New Mexico unit fund, which will receive at least \$90 million under the federal Arizona Water Settlements Act to meet water demands in Catron, Luna, Hidalgo, and Grant counties. To date, New Mexico has received seven payments totaling \$63.3 million, with three more payments totaling \$27 million still to come. As of July 2018, \$13.3 million has been expended on legal fees, preliminary engineering costs, and the National Environmental Policy Act (NEPA) process. In July 2018, NMCAPE proposed a series of storage, conveyance, measuring gauges, wells, and reservoir projects to the Bureau of Reclamation for further analysis as part of the NEPA process. The draft environmental impact statement (EIS) is expected by January 2019. A public review and comment period will follow for 45 days. The final EIS is anticipated in summer 2019, supporting a record of decision ahead of the December 2019 deadline.

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

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

ISC and the Attorney General (NMAG) are working together on the litigation of the Rio Grande compact. Since FY14, the Legislature has appropriated \$20.5 million to ISC and NMAG for litigation while the state of Texas has appropriated \$10.5 million over this same period. The potential liability to New Mexico is not known but New Mexico was ordered to directly pay Texas \$14 million after the U.S. Supreme Court ruled New Mexico under-delivered Pecos River water to Texas from 1950 to 1983. New Mexico has also incurred other significant costs related to the Pecos lawsuit, including buying and retiring water rights and pumping ground water to supplement surface deliveries to Texas.

Litigation and Adjudication Program. The current vacancy rate in the Litigation and Adjudication Program (LAP) remains the highest of all OSE programs, at 33 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector. The overall request is flat for FY20. LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contractors to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use.

The recommendation supports the agency request for a flat budget. Past concerns around the depletion of the irrigation works construction fund (IWCF) have been deferred until possibly FY21; the LFC projects stronger estimated balances of \$13.6 million in FY19 and \$12 million in FY20.

Litigation to establish the relative priority rights of water users has lasted decades. Currently, 12 adjudications are pending in New Mexico, including six in state court and six in federal court. At the current pace and approach, LAP is decades away from adjudicating the state's water rights. While OSE reported 67 percent of water rights were adjudicated at the end of FY18, this figure does not provide a clear view of progress because it only reflects active and completed adjudications and does not include adjudications yet to be initiated. OSE continues to reevaluate the state's approach to water rights adjudications and plans to pursue opportunities that could significantly accelerate the process.

Revenues. Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund (IWCF), the improvement of the Rio Grande income fund (IRGIF), the emergency drought water agreement fund, the New Mexico unit fund, and the New Mexico Finance Authority water project fund. The IWCF and the IRGIF receive annual distributions from the land grant permanent fund, State Land Office, and other minor sources.

OSE projects IWCF deposits to be \$8.9 million for FY20 and the agency request included \$12.3 million from the fund. At this rate of income and expenditure, OSE projects the fund balance may gradually decline to \$4.3 million in FY21, resulting in an approximate recurring shortfall of \$8 million. Some of the shortfall may be offset by increased distributions from the IRGIF. Revenue to the IRGIF is conservatively estimated by OSE at \$2 million for FY20 and the request included \$2.8 million from the fund. OSE projects IRGIF will end FY20 with a balance of \$7.3 million.

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program.

The appropriations to the water resource allocation program of the state engineer include sufficient funding to develop and implement active water resource management regulations for the lower Rio Grande basin to support Rio Grande compact litigation.

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one million eight hundred forty-four thousand six hundred dollars (\$1,844,600) from the New Mexico irrigation works construction fund and one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of the Rio Grande income fund.

For the Interstate Stream Commission.

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million one hundred six thousand eight hundred dollars (\$1,106,800) from the New Mexico unit fund. Of this amount, seven hundred thousand dollars (\$700,000) is for New Mexico central Arizona project entity operations contingent on the New Mexico central Arizona project entity providing matching funds from non state sources.

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include seven million one hundred thousand six hundred dollars (\$7,100,600) from the New Mexico irrigation works construction fund, one million eight hundred eighty-five thousand dollars (\$1,885,000) from the improvement of the Rio Grande income fund, one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations and eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balances remaining at the end of fiscal year 2020 from these appropriations shall revert to the appropriate fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with the interstate stream compact compliance and water development program of the state engineer is appropriated to the interstate stream compact compliance and water development program to be used per the agreement with the United States bureau of reclamation.

The appropriations to the interstate stream compact compliance and water development program of the state engineer include one million nine hundred thousand dollars (\$1,900,000): (a) to match seventeen and one-half percent of the cost of work undertaken by the United States army corps of engineers pursuant to the federal Water Resources Development Act of 1986, provided that no amount of this appropriation shall be expended for any project unless the appropriate acequia system or community ditch has agreed to provide seven and one-half percent of the cost from any source other than the New Mexico irrigation works construction fund or improvement of the Rio Grande income fund and provided that no more than two hundred fifty thousand dollars (\$250,000) shall be allocated to any one acequia or community ditch per fiscal year; (b) for the construction, restoration, repair and protection from floods of dams, reservoirs, ditches, diversions, flumes and appurtenances of acequias and community ditches in the state through the interstate stream commission 90/10 match program provided that not more than one hundred fifty thousand dollars (\$150,000) of this appropriation shall be used as the state share for any one acequia or community ditch per state fiscal year and capital appropriations shall not be used to meet the acequia's or community ditch's ten percent share of project costs; and (c) up to three hundred thousand dollars (\$300,000) may be used for engineering services for approved acequia or community ditch projects.

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

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

For the Litigation and Adjudication Program.

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include two million five hundred forty-seven thousand eight hundred dollars (\$2,547,800) from the New Mexico irrigation works construction fund and five hundred thirty-eight thousand eight hundred dollars (\$538,800) from the improvement of the Rio Grande income fund.

The other state funds appropriations to the litigation and adjudication program of the state engineer include two million one hundred sixty thousand dollars (\$2,160,000) from the water project fund pursuant to Section 72-4A-9 NMSA 1978.

For Program Support.

The internal service funds/interagency transfers appropriations to program support of the state engineer include eight hundred nine thousand one hundred dollars (\$809,100) from the New Mexico irrigation works construction fund and two hundred thousand dollars (\$200,000) from the improvement of the Rio Grande income fund.

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state so any person can maintain their quality of life and to provide safety inspections of all nonfederal dams within the state so owners and operators of such dams can operate the dams safely.

BUDGET SUMMARY (dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,436.9	11,627.3	11,627.3	11,627.3	0.0
Other Transfers	1,992.2	1,992.2	1,992.2	1,992.2	0.0
Other Revenues	623.3	631.0	650.5	638.9	1.3
SOURCES TOTAL	14,052.4	14,250.5	14,270.0	14,258.4	0.1
USES					
Personal Services and Employee Benefits	10,983.5	12,290.1	12,301.7	12,290.1	0.0
Contractual Services	531.7	624.7	624.7	624.7	0.0
Other	1,325.1	1,335.7	1,343.6	1,343.6	0.6
TOTAL USES	12,840.3	14,250.5	14,270.0	14,258.4	0.1
FTE					
Permanent	182.0	182.0	182.0	182.0	0.0
TOTAL FTE POSITIONS	182.0	182.0	182.0	182.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	36	27	50	50	50
Explanatory	Number of unprotested and unaggrrieved water right applications backlogged	416	451			
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	14,566	15,612	20,000	20,000	20,000
Outcome	Number of notices issued to owners of publicly owned dams notifying them of deficiencies or potential issues	NEW	NEW	45	45	45

INTERSTATE STREAM COMPACT COMPLIANCE AND WATER DEVELOPMENT

The purpose of the interstate stream compact compliance and water development program is to provide resolution of federal and interstate water issues and to develop water resources and stream systems for the people of New Mexico so they can have maximum sustained beneficial use of available water resources.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,583.5	1,609.9	1,609.9	1,609.9	0.0
Other Transfers	11,950.7	10,477.4	10,942.7	10,942.7	4.4
Federal Revenues	183.4	192.4	0.0	0.0	-100.0
Other Revenues	119.8	124.8	124.8	124.8	0.0
Fund Balance	266.0	743.4	743.3	743.3	0.0
SOURCES TOTAL	14,103.4	13,147.9	13,420.7	13,420.7	2.1
USES					
Personal Services and Employee Benefits	3,076.9	3,895.9	3,922.3	3,922.3	0.7
Contractual Services	2,912.6	4,874.3	4,961.8	4,961.8	1.8
Other	3,423.0	4,377.7	4,536.6	4,536.6	3.6
TOTAL USES	9,412.5	13,147.9	13,420.7	13,420.7	2.1
FTE					
Permanent	42.0	42.0	42.0	42.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	46.0	46.0	46.0	46.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Cumulative state-line delivery credit per the Pecos river compact and amended decree at the end of the calendar year, in acre-feet	137,900	137,900	>0	>0	>0
* Outcome	Cumulative state-line delivery credit per the Rio Grande compact at the end of the calendar year, in acre-feet	-20,300	-700	>0	>0	>0
Explanatory	Cumulative New Mexico unit fund expenditures	NEW	9,019,998			

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	957.2	1,973.1	1,973.1	1,973.1	0.0
Other Transfers	2,492.0	3,161.7	3,086.6	3,086.6	-2.4
Other Revenues	3,602.7	1,118.5	2,160.0	2,160.0	93.1
Fund Balance	0.0	835.1	0.0	0.0	-100.0
SOURCES TOTAL	7,051.9	7,088.4	7,219.7	7,219.7	1.9
USES					
Personal Services and Employee Benefits	3,835.4	4,715.9	4,715.9	4,715.9	0.0
Contractual Services	1,139.0	1,735.8	1,735.8	1,735.8	0.0
Other	405.8	336.0	336.0	336.0	0.0
Other Financing Uses	621.9	300.7	432.0	432.0	43.7
TOTAL USES	6,002.1	7,088.4	7,219.7	7,219.7	1.9

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
FTE						
	Permanent	65.0	66.0	65.0	65.0	-1.5
	Term	1.0	1.0	1.0	1.0	0.0
	TOTAL FTE POSITIONS	66.0	67.0	66.0	66.0	-1.5

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Outcome	Number of offers to defendants in adjudications	566	298	200	200	200
* Outcome	Percent of all water rights with judicial determinations	66%	67%	70%	70%	70%

PROGRAM SUPPORT

The purpose of program support is to provide necessary administrative support to the agency programs so they may be successful in reaching their goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	3,330.1	3,385.5	3,385.5	3,385.5	0.0
	Other Transfers	929.1	1,009.1	1,009.1	1,009.1	0.0
	SOURCES TOTAL	4,259.2	4,394.6	4,394.6	4,394.6	0.0
USES						
	Personal Services and Employee Benefits	3,024.2	3,356.0	3,356.0	3,356.0	0.0
	Contractual Services	216.2	241.0	241.0	241.0	0.0
	Other	779.7	797.6	797.6	797.6	0.0
	TOTAL USES	4,020.1	4,394.6	4,394.6	4,394.6	0.0
FTE						
	Permanent	47.0	47.0	48.0	48.0	2.1
	TOTAL FTE POSITIONS	47.0	47.0	48.0	48.0	2.1

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Section 28-21-1 through 28-21-4 NMSA 1978. The agency is attached administratively to the Human Services Department.

MISSION:

The agency's mission is to study and provide solutions to issues relevant to African Americans, ensure recognition of the accomplishments and contributions made by African Americans in New Mexico and the United States, and act as an advocate for African American citizens in New Mexico.

BUDGET SUMMARY (dollars in thousands)						
FY20 – 2019-2020						
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	675.5	737.1	758.3	758.3	2.9	
SOURCES TOTAL	675.5	737.1	758.3	758.3	2.9	
USES						
Personal Services and Employee Benefits	425.5	505.4	509.2	509.2	0.8	
Contractual Services	103.7	107.2	107.2	107.2	0.0	
Other	146.3	124.5	141.9	141.9	14.0	
TOTAL USES	675.5	737.1	758.3	758.3	2.9	
FTE						
Permanent	7.0	6.5	7.0	7.0	7.7	
TOTAL FTE POSITIONS	7.0	6.5	7.0	7.0	7.7	

AT A GLANCE:

In FY18, the Office of African American Affairs (OAAA) met or exceeded a majority of performance targets. The agency had 6.5 authorized FTE with one vacancy as of October 2018. The agency requested one part-time FTE be converted to full time FTE in FY20 and a 6 percent vacancy rate.

The FY20 budget request increased general fund expenditures 14 percent in the other category to more closely align with actual expenditures. Increased expenditures in the other category are mostly the result of expanded agency initiatives related to economic, educational, and community development services. The OAAA request for 7 FTE and a 6 percent vacancy rate resulted in an increase of 0.8 percent in the personal services and employee benefits category.

The committee recommendation supports the agency FTE and vacancy rate. In addition, the LFC recommendation supports the agency's request in the other category.

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						
		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of individuals and organizations recognized annually for contributions in the areas of economic development, educational achievement, improved health outcomes and historical preservation of African Americans	56	56	55	55	56
Outcome	Percent of program participants who indicate increased awareness of agency services via survey	50%	55%	55%	55%	55%
Output	Number of data-based tools produced related to economic, education and health disparities of African Americans to be presented during statewide awareness and collaborative efforts	NEW	4	3	4	4

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, and hearing individuals affiliated with those with hearing loss. The commission operates a single program providing advocacy, outreach, referral, educational services, and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	319.4	319.4	1,601.3	327.4	2.5
Other Revenues	1,659.1	2,961.9	1,680.0	2,953.8	-0.3
Fund Balance	168.4	0.0	0.0	0.0	
SOURCES TOTAL	2,146.9	3,281.3	3,281.3	3,281.2	0.0
USES					
Personal Services and Employee Benefits	953.3	1,134.7	1,162.3	1,162.3	2.4
Contractual Services	836.2	1,738.8	1,720.4	1,720.3	-1.1
Other	240.9	291.3	282.1	282.1	-3.2
Other Financing Uses	116.5	116.5	116.5	116.5	0.0
TOTAL USES	2,146.9	3,281.3	3,281.3	3,281.2	0.0
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	16.0	16.0	0.0

AT A GLANCE:

The Commission for Deaf and Hard-of-Hearing Persons requested a general fund increase of \$1.3 million, or 400 percent, over the FY19 operating budget. Concurrently, the commission requested a \$1.3 million, or 43 percent, reduction in other revenue generated from telecommunications relay service (TRS) surcharges. The agency's overall budget request for FY20 was flat with FY19 but increased personnel by 2.4 percent with reductions in contracts and other costs.

The FY20 LFC general fund recommendation is \$327 thousand, or 2.5 percent, over the FY19 operating budget. Overall, the recommendation maintains FY19 revenue levels generated from TRS surcharges and recommends the requested levels for expenditures. The LFC recommendation also includes the continued transfer of \$91.5 thousand from the commission to the Division of Vocational Rehabilitation (DVR) to leverage federal funds to provide services to deaf and hard-of-hearing persons and a transfer of \$25 thousand to the Signed Language Interpreting Practices Board at the Regulation and Licensing Department (RLD).

BUDGET ISSUES:

The commission requested a nearly fourfold increase in general fund revenue for FY20. The request also assumed no available fund balances and less revenue from the telecommunications relay service (TRS) surcharge. Laws 2017, Chapter 96, added voice-over-Internet protocol and prepaid wireless telephone services to the surcharge base to adjust for new telecommunications technology used by the deaf and hard-of-hearing community. In 2017, the Taxation and Revenue Department (TRD) projected the new surcharges would generate \$1.3 million in additional annual recurring revenue earmarked for the commission's operations and service provision. However, to date TRD has not transferred these revenues to the commission and the Department of Finance and Administration indicates it will analyze the situation.

The commission's FY20 request was sufficient to fill about two vacancies, increase contractual services spending significantly above FY18 actual expenditures, and maintain other category spending levels. The commission's request included the \$91.5 thousand annual transfer to DVR for case management and other services that receive a federal match, as well as the \$25 thousand transfer to RLD.

The committee recommendation assumes TRS revenue collection will increase in FY20, although LFC recognizes the uncertainty surrounding TRS revenue collection and timing. The commission should continue to monitor surcharge collection throughout the year and coordinate with TRD to ensure proper and timely collection. The LFC recommendation supports the agency request to fill vacancies and maintain contractual and operational funding near FY19 levels. Additionally, the Legislature in 2019 may need to revisit the commission's FY19 revenues and expenditures and consider a supplemental appropriation if the TRS revenue does not materialize.

The commission's FY17 audit had no findings, and the agency met half of its performance targets for FY18. The exceptions were the number of relay minutes provided each month, number of sign language interpreters who participated in professional development, and number of communication barriers addressed.

RECOMMENDED LANGUAGE:

The general fund appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons includes three hundred thousand dollars (\$300,000) for deaf and deaf-blind support service provider programs.

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for deaf and hard-of-hearing persons in the other financing uses category includes ninety-one thousand five hundred dollars (\$91,500) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide deaf and hard-of-hearing rehabilitation services and twenty-five thousand dollars (\$25,000) to transfer to the signed language interpreting practices board of the regulation and licensing department for interpreter licensure services.

DEAF AND HARD-OF-HEARING

The purpose of the deaf and hard-of-hearing program is to serve as a dynamic resource that will enhance the quality of life for deaf and hard-of-hearing citizens of New Mexico by being the recognized advocate on important issues impacting the deaf and hard-of-hearing community, the proactive provider of innovative programs and services and the statewide umbrella and information clearinghouse for interested individuals, organizations, agencies and institutions.

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
Output	Number of workshops and training sessions conducted	143	127	135	135	135
Output	Number of outreach events coordinated	122	91	122	122	122
Output	Average number of relay minutes per month	5,587	11,297	6,000	10,000	10,000
* Output	Number of accessible technology equipment distributions	1,070	828	1,070	1,070	1,070
Output	Number of sign language interpreters who participate in sponsored professional development, including in-house mentoring programs and events provided in collaboration with other organizations	185	162	200	200	200
Output	Number of communication barriers addressed	NEW	17,228	20,000	20,000	20,000

STATUTORY AUTHORITY:

The Martin Luther King, Jr. Commission is authorized under Section 28-19-1 through 28-19-4 NMSA 1978. The commission consists of 13 board members, with four members appointed by the governor, four appointed by the Senate and House majority and minority leadership, and five designees from the office of the State Treasurer, Secretary of State, Indian Affairs Department, Human Rights Division, and Public Regulation Commission.

The commission, in addition to planning and coordinating a statewide commemorative Martin Luther King, Jr. holiday, promotes King's nonviolent principles and philosophy. The commission hosts an annual youth conference to teach King's philosophy, and members of the commission staff travel around the state to visit schools, tribes, and nonprofit service providers to teach King's principles and philosophy.

The commission also provides a hands-on learning experience by taking competitively selected students to visit places central to the civil rights movement, such as the King Center (birthplace of King), Ebenezer Baptist Church (where King preached), and the National Civil Rights Museum.

MISSION:

The mission of the Martin Luther King, Jr. Commission is to promote Martin Luther King Jr.'s principles and philosophy to the people of New Mexico to improve interracial cooperation and reduce youth conflicts in our communities.

BUDGET SUMMARY (dollars in thousands)						
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>			
			<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>	
SOURCES						
General Fund Transfers	293.1	350.7	350.7	350.7	0.0	
SOURCES TOTAL	293.1	350.7	350.7	350.7	0.0	
USES						
Personal Services and Employee Benefits	142.8	230.3	201.7	203.7	-11.6	
Contractual Services	5.9	22.1	29.0	29.0	31.2	
Other	88.0	98.3	120.0	118.0	20.0	
TOTAL USES	236.7	350.7	350.7	350.7	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 Martin Luther King, Jr. Commission has 3 FTE; one was filled as of October 2018. In FY17, the commission co-located with the Office of African American Affairs (OAAA).

The FY20 agency budget request was flat with the FY19 operating budget but made significant adjustments among the expenditure categories. The agency requested a 12 percent reduction in the personal services and employee benefits category due to a \$30 thousand reduction for the General Services Department (GSD) unemployment compensation rate. The commission also requested a 22 percent increase in the other category for the youth conference and track meet, which was offset by reductions in personnel and contractual service expenditures.

The commission received an "at-risk" designation from the Office of the State Auditor because the FY15, FY16, FY17, and FY18 audits have not been completed. The commission plans to submit a budget adjustment request in FY19 to complete audits for FY15, FY16, and FY17. Increased funding in the contractual services category was requested by the commission to complete audits for FY18 and FY19.

The LFC recommendation makes slight technical adjustments to fully fund the 3 FTE requested by the commission. The recommendation also supports adjustment in the contractual services and other costs categories for audit and programming costs.

MARTIN LUTHER KING, JR. COMMISSION

The purpose of the Martin Luther King, Jr. commission is to promote Martin Luther King, Jr.'s nonviolent principles and philosophy to the people of New Mexico through remembrance, celebration and action so that everyone gets involved in making a difference toward the improvement of interracial cooperation and reduction of youth violence in our communities.

PERFORMANCE MEASURES

		FY17	FY18	FY19	FY20	FY20
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of program objectives achieved	85%	100%	97%	100%	100%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	1	2	2	2	2
Output	Number of statewide holiday commemorative programs supported	10	10	10	10	10
Output	Number of youth anti-violence workshops conducted	20	10	20	20	20
Outcome	Number of student ambassadors who worked with state agencies to explore the historical, social, political and cultural themes associated with the life and works of Dr. King	55	55	55	55	55

STATUTORY AUTHORITY:

The Commission for the Blind was created by Sections 28-7-15 through 28-7-23 NMSA 1978. The commission consists of three members appointed by the governor for staggered three-year terms. The agency provides a variety of services enabling the blind and visually impaired to become fully participating members of society.

MISSION:

The Commission for the Blind's mission is to enable people who are blind to achieve vocational, economic, and social equality. This is to be accomplished by providing career preparation, training in the skills of blindness, and, above all, promoting the belief that blindness is not a barrier to successful employment or to living an independent and meaningful life.

BUDGET SUMMARY (dollars in thousands)					
FY20 – 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	1,938.8	1,954.3	2,154.3	2,051.3	5.0
Other Transfers	335.0	335.0	339.8	339.8	1.4
Federal Revenues	4,797.9	5,665.1	5,350.8	5,350.8	-5.5
Other Revenues	3,923.4	3,664.7	4,725.6	4,725.6	28.9
Fund Balance	0.0	0.0	194.4	194.4	
SOURCES TOTAL	10,995.1	11,619.1	12,764.9	12,661.9	9.0
USES					
Personal Services and Employee Benefits	4,207.1	5,085.8	5,165.5	5,085.5	0.0
Contractual Services	135.1	198.6	144.3	144.3	-27.3
Other	6,563.0	6,234.7	7,348.4	7,332.1	17.6
Other Financing Uses	0.0	100.0	106.7	100.0	0.0
TOTAL USES	10,905.2	11,619.1	12,764.9	12,661.9	9.0
FTE					
Permanent	92.5	92.5	92.5	92.5	0.0
TOTAL FTE POSITIONS	92.5	92.5	92.5	92.5	0.0

AT A GLANCE:

The Commission for the Blind requested a general fund increase over FY19 of \$200 thousand, or 10.2 percent. The requested funding would restore independent living services to blind seniors who do not qualify for vocational rehabilitation services. The commission estimates the additional funding would provide independent living services to approximately 40 additional persons. The commission requested funding in the personal services and employee benefits category to lower its vacancy rate to 9.5 percent and hire personnel to fill vacant positions. The agency requested to continue the transfer of \$100 thousand to the Division of Vocational Rehabilitation to serve as a match for \$200 thousand in federal revenue that would be transferred back to the commission.

The FY20 LFC general fund recommendation is \$2.1 million, an increase of \$97 thousand, or 5 percent, over the FY19 operating budget. The committee recommends funding personnel at the same level as FY19 given that FY18 actual expenditure levels for personnel were 20 percent below FY19 operating levels, and in FY18, the agency transferred \$200 thousand out of personal services and employee benefits and into care and support services. Also, the funded vacancy rate in September 2018 was almost 5 percent. The committee recommends the increased general fund revenue and reallocated funds support additional care and support and other services. The recommendation also supports the commission's request to transfer \$100 thousand to the Division of Vocational Rehabilitation to leverage federal funds.

The commission did not meet performance measures on employment outcomes and clients trained in the skills of blindness. The commission provided an action plan to improve performance in the next year.

RECOMMENDED LANGUAGE:

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

The internal service funds/interagency transfers appropriation to the blind services program of the commission for the blind includes two hundred thousand dollars (\$200,000) from the division of vocational rehabilitation to provide services to the blind or visually impaired citizens of New Mexico.

Any unexpended balances in the commission for the blind remaining at the end of fiscal year 2020 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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	23	18	25	20	20
Output	Number of blind or visually impaired clients trained in the skills of blindness to enable them to live independently in their homes and communities	533	531	540	500	530
* Outcome	Average hourly wage for the blind or visually impaired person	\$22.94	\$19.41	\$16.00	\$15.00	\$17.00
* Outcome	Number of people who avoided or delayed moving into a nursing home or assisted living facility as a result of receiving independent living services	NEW	105	75	80	95

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 life for all New Mexico Indian citizens by affecting policy that strengthens tribal-state relations.

BUDGET SUMMARY (dollars in thousands)					
			FY20 – 2019-2020		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	3,030.4	2,254.3	2,254.3	2,254.3	0.0
Other Transfers	249.3	249.3	249.3	249.3	0.0
SOURCES TOTAL	3,279.7	2,503.6	2,503.6	2,503.6	0.0
USES					
Personal Services and Employee Benefits	685.4	1,197.8	1,245.0	1,245.0	3.9
Contractual Services	511.1	636.4	638.4	638.4	0.3
Other	589.9	669.4	620.2	620.2	-7.3
TOTAL USES	1,786.4	2,503.6	2,503.6	2,503.6	0.0
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

AT A GLANCE:

The department requested a flat budget compared with FY19, with slight adjustments among the categories. The recommendation fully funds the agency request and is significantly above FY18 expenditure levels. Six of the agency's 15 FTE are vacant.

BUDGET ISSUES:

The Indian Affairs Department (IAD) plays a key role in coordinating relations between New Mexico and 24 tribes, nations, and pueblos, including the Fort Sill Apache and the Southern Ute, under the State-Tribal Collaboration Act. It also organizes an annual summit for tribal leaders and the executive branch. To assist with oversight of the tribal infrastructure fund (TIF) and capital outlay projects, IAD maintains a memorandum of understanding with the Environment Department for engineering services and site inspections to ensure compliance with approved budgets and scopes of work; for FY19, the contract is estimated at \$25 thousand.

For 2018, the TIF received about \$8.8 million and the TIF Board awarded funding to nine projects, including \$1.3 million to both the Tohajiilee Chapter of the Navajo Nation and the Jemez Pueblo to improve their water systems, \$1.3 million for Tesuque Pueblo's wastewater expansion project, and \$1.2 million for the Casamero Lake Chapter of the Navajo Nation to improve McKinley County Road 19. From 2005 to 2010, the Legislature appropriated a total of \$25.5 million to the TIF. In 2010, the Legislature earmarked 5 percent of the estimated senior severance tax bonding (STB) capacity each year for tribal infrastructure projects, beginning in FY12. However, in 2016, the Legislature reduced the earmark to 4.5 percent of STB capacity for 2017 and subsequent years as part of solvency efforts.

The Tribal Infrastructure Board amended the TIF guidelines and procedures in November 2016. The changes resulted from a work group composed of one tribally designated representative from each tribe, nation, and pueblo and reflect a consensus of these participants. Changes require projects be in the applying entity's infrastructure capital improvement plan (ICIP) and that entities are in compliance with the Audit Act.

The request and recommendation are flat with the FY19 operating budget and 40 percent above FY18 expenditures. Personnel funding accounts for nearly half of the agency's budget and the recommendation supports the request to fund all authorized FTE despite significant current vacancies.

The department also receives general fund revenue for grants to qualified tribal-serving organizations and federally recognized Indian nations for support of special projects to address health, education, and social and cultural initiatives. These grants are the largest nonpersonnel line item in the agency's budget. IAD's request reduces grants by \$56.5 thousand from the FY19 operating budget to better align with FY18 spending levels of \$431.7 thousand. These funds are awarded through an application process where IAD reviews and scores requests from tribal entities and tribal serving organizations, and in FY19 individual grants are capped at \$40 thousand. The department recently announced 10 grants totaling \$250 thousand for FY19, including nine language preservation projects and one veterans outreach grant.

LFC's recommendation includes IAD's annual distributions for the Tribal Tobacco Cessation and Prevention Program through the state's Tobacco Use Prevention and Control Program. In FY19, 11 Native-American-serving entities received a total of \$249 thousand for targeted smoking cessation programs. The department contracts with a consulting firm to evaluate reporting, monitoring, and best practices for the use and management of the funds to address the health impacts of smoking in Native American communities.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the Indian affairs program of the Indian affairs department includes two hundred forty-nine thousand three hundred dollars (\$249,300) from the tobacco settlement program fund for tobacco cessation and prevention programs for Native American communities throughout the state.

INDIAN AFFAIRS

The purpose of the Indian affairs program is to coordinate intergovernmental and interagency programs concerning tribal governments and the state.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Number of capital outlay or tribal infrastructure project training sessions conducted	32	20			
Outcome	Percent of special project appropriation contracts sent out to tribal entities that have submitted an acceptable scope of work	100%	100%	100%	100%	100%
Explanatory	Percent of tribes, pueblos and Indian nations provided community planning and technical assistance regarding physical infrastructure	95%	95%			
Outcome	Percent of capital projects over fifty thousand dollars completed and closed on schedule	100%	100%	100%	100%	100%
Outcome	Percent of tribal infrastructure fund projects over fifty thousand dollars completed and closed on schedule	100%	85%	100%	100%	100%
Outcome	Percent of tobacco cessation appropriation contracts sent out to the tribal entities that have submitted an acceptable scope of work	NEW	100%	100%	100%	100%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA 1978 elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to ALTSD the Medicaid waiver program for home- and community-based care for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD); the Traumatic Brain Injury (TBI) Program from the Department of Health (DOH); and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the health-related programs (D&E waiver, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

ALTSD is 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	44,403.2	44,603.5	45,305.5	45,305.5	1.6
Other Transfers	3,164.9	3,508.6	3,376.3	3,376.3	-3.8
Federal Revenues	9,971.2	13,149.9	13,187.7	13,187.7	0.3
Other Revenues	82.7	115.8	115.8	115.8	0.0
SOURCES TOTAL	57,622.0	61,377.8	61,985.3	61,985.3	1.0
USES					
Personal Services and Employee Benefits	13,858.5	16,022.0	16,681.9	16,342.5	2.0
Contractual Services	4,307.2	5,034.6	4,834.6	4,834.6	-4.0
Other	37,810.9	40,321.2	40,468.8	40,808.2	1.2
TOTAL USES	55,976.6	61,377.8	61,985.3	61,985.3	1.0
FTE					
Permanent	225.5	225.5	226.0	223.5	-0.9
Term	12.0	12.0	15.0	12.0	0.0
TOTAL FTE POSITIONS	237.5	237.5	241.0	235.5	-0.8

AT A GLANCE:

The Aging and Long-Term Services Department and the agency designated as the non-metro area agency on aging, the North Central New Mexico Economic Development District (NCNMEDD), spent much of FY18 in conflict. The contentious year led to a special audit with findings of misspent funds, referrals to the federal office of inspector general, and talk from the department of clawing-back funds from NCNMEDD. At the same time, many Aging Network service providers, operating on thin margins, experienced late or delayed reimbursements, federal and state funding uncertainties, and general confusion because of poor and sometimes chaotic communication from the department and NCNMEDD.

The department's FY20 \$45.3 million request for general fund revenue was a \$702 thousand, or 1.6 percent, increase. The request increased spending in Program Support and the Consumer and Elder Rights programs while reducing spending in Adult Protective Services (APS) and the Aging Network. In FY18, the department reverted \$1.8 million, including \$725 thousand from APS, \$300 thousand from the Aging Network, and \$520 thousand from Program Support. Because of the reversion from Program Support, the LFC recommendation does not support as large an increase. However, LFC recommends increasing funding in the Aging Network, maintaining funding levels in APS, and sufficiently funding all vacancies in the Consumer and Elder Rights Program.

BUDGET ISSUES:

Since October 2017, when the department first assessed the North Central New Mexico Economic Development District (NCNMEDD) and released findings questioning the district's financial management, the Aging Network's administration has been unstable. First, in early 2018 the department moved to end its contract with NCNMEDD as the non-metro area agency on aging (AAA). When the department found it would be difficult to assume administration of the AAA and was met with legal challenges, the department backed down and agreed to continue the contract. At that time, local providers complained about slow reimbursements.

The department then referred NCNMEDD to the State Auditor, who began a special audit, completed in August 2018. The report included several findings, the most striking of which showed \$118.4 thousand in misspent funds for such things as staff dinners with alcohol, flowers for funerals, and various hotel stays. Likely in response to the audit and other issues, the executive director of NCNMEDD resigned and hopefully the eventual replacement will work to shore up the district's finances. The department should continue recent efforts to train and provide technical assistance to NCNMEDD, continue to monitor contract compliance, and fill vacancies in the Aging Network, vital to ensuring appropriate oversight of the contract.

Possible Solutions. In FY18, the department commissioned a \$50.6 thousand independent review and evaluation of the Aging Network by the consulting firm Health Management Associates Incorporated (HMA). The most significant finding was that the current six planning and service area (PSA) structure is needlessly complicated, leading to inconsistent policies, poor oversight, and discontent among providers. HMA recommended the department revisit this structure and choose to either convert the entire state to a single PSA or reduce the number of PSAs to three, with each representing a region of the state. The report notes several other states use a single PSA model. Other recommendations included creating consistent policies statewide, restructuring the Aging Network Division, improving communication at all levels, and overseeing all aging network contracts more consistently. The department already moved forward on some of these recommendations by moving the offices of the Aging Network director and deputy to Santa Fe.

Nutrition, Transportation, and Volunteer Services. The department's request for the Aging Network, the division responsible for overseeing the system that provides home-delivered meals, meals in congregate settings such as senior centers, and other services to over 145 thousand older adults, reflects a few of the recommendations from the independent review and the audit. While the department moved to restructure the nonmetropolitan contract, the department has yet to propose a plan to restructure and simplify the current PSA system. The request would decrease personnel and conference on aging expenses by \$569.7 thousand and cut Aging Network nutrition and transportation services by \$205.7 thousand. The request would also move \$545 thousand for Pegasus Legal Services and legal resources for the elderly to Program Support.

Given the Aging Network's \$300 thousand FY18 reversion to the general fund and over 7 funded vacant FTE in FY19, the LFC recommendation supports the requested reductions for personnel costs and conference on aging expenses. LFC also supports moving legal services for the elderly to Program Support. However, LFC does not support reducing funding for Aging Network nutrition and transportation services. To ensure these services are adequately funded, LFC recommends an additional \$339.4 thousand for Aging Network services.

Additionally, many providers have complained in recent months about slow or delayed reimbursements from certain federal programs. In the past, the department would allow for advanced payments to providers to reduce the occurrence of delayed payments but stopped this practice over concerns it could leave the state liable if federal revenues did not materialize. In the 2018 General Appropriation Act, the Legislature appropriated \$400 thousand with language to allow the advanced payments to resume, but the appropriation was subsequently vetoed. LFC staff and the department will work toward a solution to the problem and likely propose a solution during the session.

In FY19, the department moved the Navajo and Indian area agencies on aging (AAA), along with \$3.5 million in general fund revenue, from the Aging Network to Program Support. Several years ago, the department moved the Indian AAA from the Office of Indian and Elder Affairs in Program Support to the Aging Network. The original move was counter to Section 9-23-10 NMSA 1978 and federal funding mandates because AAAs and state units on aging are required to remain separate. The FY19 move back to the original configuration explains much of the difference in FY18 expenditure levels to the FY19 operating budget in both Program Support and the Aging Network.

In Program Support, the request swapped \$205.7 thousand in federal Older Americans Act Title III revenue with general fund revenue. The LFC recommendation does not support the swap. The department also requested a \$621.9 thousand increase for personnel costs, enough to fill nearly all vacancies. Throughout the past year, Program Support maintained several vacancies and reverted \$520 thousand to the general fund in FY18. The LFC recommendation supports a more modest approach to filling these vacancies, with a \$306.5 thousand increase over the FY19 operating budget for personnel costs, enough to fill 3.4 vacant FTE and closer to FY18 expenditure levels. The request also increased allocations for nutrition and transportation services for Native American tribes and pueblos by \$323.4 thousand and would move funding for legal services contracts from the Aging Network to Program Support. The LFC recommendation grows nutrition and transportation services for Native American tribes and pueblos slower than requested and supports the legal services contract move.

Protecting Vulnerable Adults. The department's request for Adult Protective Services (APS) reduced general fund revenue by \$131.4 thousand. The request reduced spending on personal costs by \$148.1 thousand and brought contracts for adult day-and home-care services closer to FY18 expenditure levels.

Since December 2017, APS has nearly cut its vacancy rate in half, reducing the number of funded vacant FTE from nearly 13 in FY18 to 2.5 in FY19. Because of this, the LFC recommendation does not support reducing allocations for personnel costs by as much as the department requested. The committee's recommendation maintains the program's FY20 general fund revenue equal to the FY19 operating budget. In FY18, APS received and screened 14,382 reports of adult abuse, neglect, and exploitation and conducted 6,671 investigations. Over 1,900 of the investigations required a face-to-face response within 24 hours, due to the urgent need of the referral. Additionally, protective services interventions, such as contracted home and adult day care, emergency placements, guardianships, and attendant care were provided to approximately 1,221 adult victims in FY18. In-home services were provided to prevent continued abuse in the majority of cases.

The department's request for the Consumer and Elder Rights Program would increase general fund revenue by \$379 thousand, primarily to reduce vacancies. The program currently has 5.5 vacant FTE; however, the request would be sufficient to fill six vacancies on top of the 1.7 funded vacant FTE in the FY19 operating budget. Given FY19 funded vacancies, the committee recommendation for personnel costs is sufficient to fill all of the programs vacant positions.

RECOMMENDED LANGUAGE:

The general fund appropriation to the aging network program of the aging and long-term services department in the other category to supplement the federal Older Americans Act shall be contracted to the designated area agencies on aging.

CONSUMER AND ELDER RIGHTS

The purpose of the consumer and elder rights program is to provide current information, assistance, counseling, education and support to older individuals and people with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY (dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,806.1	1,562.9	1,941.9	1,786.5	14.3
Other Transfers	928.1	1,010.0	1,200.0	1,200.0	18.8
Federal Revenues	1,471.7	2,027.0	2,053.3	2,053.3	1.3
Other Revenues	0.4	0.0	0.0	0.0	
SOURCES TOTAL	4,206.3	4,599.9	5,195.2	5,039.8	9.6
USES					
Personal Services and Employee Benefits	3,217.5	3,399.0	3,861.5	3,706.1	9.0
Contractual Services	319.2	483.1	615.9	615.9	27.5
Other	551.4	717.8	717.8	717.8	0.0
TOTAL USES	4,088.1	4,599.9	5,195.2	5,039.8	9.6
FTE					
Permanent	41.5	39.5	42.0	39.5	0.0
Term	9.0	8.0	11.0	8.0	0.0
TOTAL FTE POSITIONS	50.5	47.5	53.0	47.5	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Quality	Percent of calls to the aging and disability resource center answered by a live operator	85%	71%	85%	85%	95%
Outcome	Percent of ombudsman complaints resolved within sixty days	86%	92%	99%	99%	99%
* Outcome	Percent of residents who remained in the community six months following a nursing home care transition	86%	82%	90%	90%	90%
Quality	Percent of nursing and assisted living facility residents who remained in the facility following a discharge or eviction complaint	NEW	NEW	85%	85%	85%
Quality	Percent of people accessing consumer and elder rights division programs who indicated the assistance provided improved their quality of life and made a positive difference in their decisions	NEW	NEW	96%	96%	96%

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>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	28,322.2	25,992.7	24,672.3	25,340.8	-2.5
Federal Revenues	7,908.6	10,773.5	11,035.9	11,035.9	2.4
Other Revenues	81.4	115.8	115.8	115.8	0.0
SOURCES TOTAL	36,312.2	36,882.0	35,824.0	36,492.5	-1.1
USES					
Personal Services and Employee Benefits	45.9	1,424.4	1,148.0	1,148.0	-19.4
Contractual Services	617.2	631.2	87.2	87.2	-86.2
Other	35,431.0	34,826.4	34,588.8	35,257.3	1.2
TOTAL USES	36,094.1	36,882.0	35,824.0	36,492.5	-1.1
FTE					
Permanent	1.0	13.0	11.0	11.0	-15.4
Term	0.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	1.0	16.0	14.0	14.0	-12.5

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of individuals exiting the federal older worker program who obtain unsubsidized employment	50%	47%	50%	50%	50%
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	123%	116%	95%	95%	95%
* Outcome	Number of hours of caregiver support provided	397,598	357,721	423,000	423,000	423,000
Output	Number of hours of service provided by senior volunteers, statewide	NEW	NEW	1,700,000	1,700,000	1,700,000
Explanatory	Average cost per meal in Bernalillo and Santa Fe counties	NEW	NEW			
Explanatory	Average cost per meal in rural and tribal areas (all counties except Bernalillo and Santa Fe)	NEW	NEW			
Explanatory	Average cost per unit of transportation in Bernalillo and Santa Fe counties	NEW	NEW			

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Average cost per unit of transportation in rural and tribal areas (all counties except Bernalillo and Santa Fe)	NEW	NEW			
Explanatory	Number of clients appointed as legal guardians of kinship children in their care	NEW	NEW			

ADULT PROTECTIVE SERVICES

The purpose of the adult protective services program is to investigate allegations of abuse, neglect and exploitation of seniors and adults with disabilities and provide in-home support services to adults at high risk of repeat neglect.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	10,634.7	10,864.0	10,732.6	10,864.0	0.0
Other Transfers	2,236.8	2,498.6	2,176.3	2,176.3	-12.9
Other Revenues	0.7	0.0	0.0	0.0	
SOURCES TOTAL	12,872.2	13,362.6	12,908.9	13,040.3	-2.4
USES					
Personal Services and Employee Benefits	7,386.5	8,197.0	8,048.9	8,180.3	-0.2
Contractual Services	3,207.0	3,783.8	3,449.7	3,449.7	-8.8
Other	1,550.2	1,381.8	1,410.3	1,410.3	2.1
TOTAL USES	12,143.7	13,362.6	12,908.9	13,040.3	-2.4
FTE					
Permanent	132.0	132.0	132.0	132.0	0.0
TOTAL FTE POSITIONS	132.0	132.0	132.0	132.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Number of active clients who receive home care or adult day services as a result of an investigation of abuse, neglect or exploitation	1,181	1,217	1,500	1,500	1,500
* Outcome	Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	99%	99%	>99%	99%	>99%
Output	Number of adult protective services' investigations of abuse, neglect or exploitation	6,233	6,671	6,150	6,150	6,150
Quality	Percent of contractor referrals in which services were implemented within two weeks of the initial referral	NEW	NEW	NEW	99%	99%
Outcome	Percent of priority two investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	NEW	NEW	NEW	95%	95%
Output	Number of outreach presentations conducted in the community within adult protective services' jurisdiction	NEW	NEW	NEW	141	141

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	3,640.2	6,183.9	7,958.7	7,314.2	18.3
Federal Revenues	590.9	349.4	98.5	98.5	-71.8
Other Revenues	0.2	0.0	0.0	0.0	
SOURCES TOTAL	4,231.3	6,533.3	8,057.2	7,412.7	13.5
USES					
Personal Services and Employee Benefits	3,208.6	3,001.6	3,623.5	3,308.1	10.2
Contractual Services	163.8	136.5	681.8	681.8	399.5
Other	278.3	3,395.2	3,751.9	3,422.8	0.8
TOTAL USES	3,650.7	6,533.3	8,057.2	7,412.7	13.5
FTE					
Permanent	51.0	41.0	41.0	41.0	0.0
Term	3.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	54.0	42.0	42.0	42.0	0.0

STATUTORY AUTHORITY:

The Human Services Department was created by Sections 9-8-1 through 9-8-12 NMSA 1978. The agency is responsible for administering a number of programs to provide medical and financial assistance for eligible populations and child support collection activities. The agency consists of five divisions: Administrative Services, Child Support Enforcement, Medical Assistance (including Medicaid Behavioral Health), Behavioral Health Services, and Income Support. Behavioral Health Services was transferred from the Department of Health in 2007.

MISSION:

The Human Services Department (HSD) administers several large state and federally funded programs that provide healthcare, financial assistance, child support, and food assistance to New Mexico's most needy citizens. The agency manages nearly \$7 billion of federal and state funding that provide life's most basic services to New Mexico's lowest-income individuals and families, touching the lives of more than one in three New Mexicans.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,032,854.7	1,053,713.4	1,128,416.8	1,096,800.0	4.1
Other Transfers	212,548.9	195,458.9	206,479.9	214,756.3	9.9
Federal Revenues	5,509,368.3	5,562,677.4	5,729,551.7	5,677,458.5	2.1
Other Revenues	73,659.9	66,651.6	79,013.6	79,259.6	18.9
Fund Balance	300.0	0.0	0.0	0.0	
SOURCES TOTAL	6,828,731.8	6,878,501.3	7,143,462.0	7,068,274.4	2.8
USES					
Personal Services and Employee Benefits	102,198.8	111,152.0	112,547.6	112,283.9	1.0
Contractual Services	180,543.3	181,374.3	189,055.3	188,563.1	4.0
Other	6,533,679.9	6,585,975.0	6,841,859.1	6,767,427.4	2.8
TOTAL USES	6,816,422.0	6,878,501.3	7,143,462.0	7,068,274.4	2.8
FTE					
Permanent	1,612.5	1,983.5	1,983.5	1,983.5	0.0
Term	33.0	33.0	31.0	31.0	-6.1
TOTAL FTE POSITIONS	1,645.5	2,016.5	2,014.5	2,014.5	-0.1

AT A GLANCE:

The Human Services Department's FY20 budget request was \$7.14 billion from all revenue sources, a \$265 million, or 3.9 percent, increase over the FY19 operating budget, and included an additional \$74.7 million from the general fund, an increase of 7 percent. The LFC recommendation is \$7.07 billion from all revenue sources, a \$189.8 million, or 2.8 percent, increase over the FY19 operating budget, and includes an additional \$43.1 million from the general fund, an increase of 4.1 percent.

The department requested an additional \$71.1 million from the general fund for the Medicaid program, which represents an increase of 7.6 percent over the FY19 operating budget. However, the Human Services Department updated its Medicaid projection in October and decreased its request for general fund revenue to support Medicaid in FY20 to \$63.4 million, an increase of 6.8 percent over FY19. LFC recommends a \$39.9 million increase in general fund support for the state's Medicaid program in FY20, an increase of 4.3 percent over the FY19 operating budget. The recommendation includes most components of the department's request but assumes savings and better federal matching rates.

In its FY20 request, the department carried forward \$8.1 million from the general fund for a projected FY19 shortfall in the Medicaid program. However, the Human Services Department reverted \$35 million to the general fund for FY18 and \$21 million for FY17 primarily due to Medicaid recoupments and claims adjustments. Rather than pushing forward a projected \$8.1 million deficit into FY20, LFC recommends a FY19 supplemental appropriation of \$4 million contingent on certification of need by the Board of Finance.

The department request and LFC recommendation both add \$500 thousand to provide Medicaid and behavioral health services for eligible clients in jails and prisons aimed at reducing recidivism, \$300 thousand to help adult residential treatment centers achieve accreditation so they are eligible for Medicaid funding, and provide an additional \$100 thousand for the Linkages housing program for people who are homeless because of behavioral health issues.

The LFC recommendation, based on the latest projection, includes \$402 thousand of the \$502 thousand from the general fund requested to maintain minimum state Supplemental Nutrition Assistance Program benefits for elderly and disabled people. The LFC recommendation includes an additional \$500 thousand in general fund revenue to address Medicaid rate disparity among federally qualified health centers, and \$200 thousand to expand graduate medical education positions and residencies, particularly in rural settings. The LFC recommendation also includes an additional \$3 million in federal Temporary Assistance for Needy Families (TANF) funds for transfer to the Children, Youth and Families Department for childcare programs.

BUDGET ISSUES:

Medicaid and Medicaid Behavioral Health. The Medicaid program represented the majority of the requested increase and included general fund revenue of \$1 billion, an increase of \$71.1 million, or 7.6 percent, compared with the FY19 operating budget. In its updated October 2018 Medicaid projection, HSD reported a drop in general fund need for FY20 from \$71.1 million to \$63.4 million, a decrease of \$7.7 million, or 12 percent.

Enrollment. Although enrollment was a major cost driver from FY14 through FY18, HSD reported the overall Medicaid and Children's Health Insurance Program (CHIP) enrollment peaked in early 2017 at 916,767, and dropped to 829,421 by October 2018. The department projects a total of 848 thousand people enrolled in Medicaid at the end of FY20, including 258 thousand in the expansion population and approximately 357 thousand children. The decline reflects HSD's compliance with federal and state requirements to re-determine eligibility at least every 12 months based on modified adjusted gross income. Since early 2018, the Medicaid projection reflects improving economic conditions, higher incomes, and less unemployment. Nonetheless, HSD continues to maintain that FY20 will see Medicaid enrollment growth of 0.75 percent in the physical health and other adults group populations and 2 percent growth in the long-term services and supports population. HSD's projected enrollment growth is contrary to October enrollment declining by 3.1 percent from one year ago in keeping with a downward trend of approximately 3 percent. In its updated projection, HSD reduced its requested FY20 general fund increase for enrollment from \$15.6 million to \$12.5 million. LFC recommends an additional \$3 million from the general fund for projected FY20 enrollment growth of 0.2 percent.

Updated Medicaid Projection. In July 2018, the department projected the Medicaid Program would finish FY19 with a shortfall of \$11 million in general fund revenue. HSD's October projection reduced the projected shortfall by \$3 million to \$8.1 million, and the Medicaid funding request included a carry-forward into FY20 for this amount. The LFC recommends a \$4 million FY19 supplemental appropriation contingent on certification of need by the Board of Finance, effectively reducing an \$8.1 million FY20 funding need for the program.

In its October Medicaid projection, in addition to the enrollment reduction of \$3 million and FY19 reduction of \$1.1 million, the department further lowered its projected FY20 general fund need by \$3.5 million from the request. These general fund reductions reduced a nearly \$1 million drop for managed care rates and close to a \$1 million drop for Medicare support, lowered the federal match needed for CHIP, and added over \$1 million from county-supported Medicaid funds.

Cost Drivers. In addition to enrollment, other factors driving Medicaid costs include a dropping Medicaid match, healthcare inflation, and utilization. On January 1, 2014, the federal Patient Protection and Affordable Care Act (ACA) provided that adults with incomes up to 138 percent of the federal poverty level, about \$17 thousand per year for a single person, would be eligible for Medicaid. Initially, 100 percent of the Medicaid costs for this expansion population were covered with federal funds; however, federal support began phasing down in FY17 and will decrease to 90 percent in federal FY20. Federal support for expansion adults will not drop below the 90 percent match. For FY20, the additional state share needed to cover the decrease in the federal match from 93 percent to 90 percent for the adult expansion population accounts for \$32.5 million in additional general fund need in both the HSD request and LFC recommendation.

The federal government also is reducing support for the Children's Health Insurance Program (CHIP), which will require states to add funding to maintain the program. HSD requested and LFC recommends for CHIP an additional \$6.2 million of general fund revenue.

Managed-care rates, price, utilization, and health inflation also impact the cost of the Medicaid program, and HSD requested an additional \$18.8 million in general fund revenue for these items in FY20. The October projection lowered this amount to \$17.9 million. However, HSD reported that managed-care aggregate medical costs only grew by 1 percent between FY17 and FY18. Additionally, the managed-care organizations selected by HSD submitted proposals to operate the Medicaid managed-care program with reduced rates. Consequently, the LFC recommendation reduces MCO rates from HSD's request by \$3.9 million from the general fund based on the rate levels submitted in the proposals by the three MCOs selected to operate the Medicaid managed-care program, and based on reduced hepatitis C risk rates. Also, hepatitis C treatment costs have declined.

Various other revenue changes also impacted the request for FY20 funding for Medicaid. HSD requested \$8.3 million in tobacco settlement program funds to support Medicaid. However, the tobacco settlement fund is projected to receive \$1 million less in FY20 than FY19. Accordingly, LFC recommends \$7.8 million from tobacco settlement funds to support Medicaid but offsets this decreased amount with \$500 thousand from the general fund. Also, Medicaid drug rebates have been increasing. In its October projection, HSD increased drug rebate revenue by \$455 thousand for an overall increase of \$5.3 million. LFC recommends an additional amount of \$200 thousand for drug rebate revenues. Additionally, the Department of Finance and Administration projects the county-supported Medicaid fund will reach \$38 million for FY20. This fund is divided with 91 percent allocated to HSD and 9 percent allocated to DOH. The LFC recommendation includes \$34.5 million from the county-supported Medicaid fund, \$1.3 million more than requested by HSD.

Medicaid Home-Visiting Program. In FY18, the Medical Assistance Program was directed by the Legislature to pursue federal authority to establish a home-visiting program for families with newborns that aligns state agencies' home-visiting programs, avoids service duplication, and leverages general fund appropriations. HSD began these initiatives and included support for the program in its Centennial Care 2.0 waiver renewal. Beginning on January 1, 2019, the Medical Assistance Program will begin implementation of a Medicaid-funded home-visiting program in collaboration with the Children, Youth and Families Department that uses the Parents as Teachers model and the Nurse Family Partnership evidence-based model. However, the program has proven more costly than initially anticipated and has driven up Medicaid rates for the program by approximately \$3 million in general fund revenue. Both the HSD request and LFC recommendation include support for the Medicaid-funded home-visiting program.

Medicaid MCO Contracts. Centennial Care managed-care organizations (MCOs) are responsible for providing sufficient provider networks for Medicaid members to access physical, behavioral, and long-term healthcare services. HSD conducted a procurement for new Medicaid MCOs in October 2017 and in early 2018 awarded over \$5 billion in contracts to operate the state's Medicaid program beginning January 1, 2019. Despite multiple legal appeals, HSD prevailed on its selection of three newly contracted MCOs -- Blue Cross Blue Shield of New Mexico, Presbyterian Centennial Care, and Western Sky Community Care. The unsuccessful MCOs -- Molina Healthcare of New Mexico, United Healthcare, AmeriHealth Caritas New Mexico, and WellCare of New Mexico -- filed protests, all denied by HSD. Molina and United filed appeals in state district court alleging bidders were asked to submit cost proposals based on rates that were not actuarially sound or sustainable and a consultant involved in the process had a conflict of interest. In August, United withdrew its legal appeal in district court and sold its Medicaid members to Presbyterian effective September 1, 2018. Presbyterian will now provide services for over 300 thousand Medicaid members.

In November 2018, the judge in the Molina Medicaid procurement lawsuit issued a final ruling upholding HSD's decision to deny Molina a contract for Centennial Care 2.0. In December, any Medicaid recipients still enrolled with Molina will be auto-assigned to one of the three Centennial Care 2.0 managed care organizations. The newest MCO, Western Sky, will get first preference during auto-enrollment until it reaches 10 percent of the total Medicaid managed-care population, or about 65 thousand new members. After that point, remaining available members will be assigned across the three MCOs, with some level of preference going to Presbyterian because it had the best score on its Centennial Care 2.0 bid proposal. The MCOs will receive a list of their new members in December and will have until January 1, 2019, to transition members. According to Molina, it has about 9,000 high acuity members who it believes face serious health risks during the transition. HSD reports it is monitoring the transition process closely.

Centennial Care 2.0. The current Centennial Care waiver, the state's Medicaid plan as accepted by federal regulators, expires December 31, 2018. In December 2017, HSD submitted to the U.S. Department of Health and Human Services a Section 1115 demonstration waiver renewal application for New Mexico's Medicaid managed-care program, Centennial Care 2.0. The waiver renewal builds on the program's accomplishments and enhances care coordination, benefit and delivery system refinements, payment reform, member engagement and cost-sharing responsibilities, and administrative simplification. The waiver renewal includes refining care coordination to better meet the needs of high-cost, high-need members, improving the integration of behavioral and physical health services, improving the continuum of care for substance use disorders, expanding payment reform through value-based purchasing arrangements, and introducing premiums for adults with higher incomes. Concerns have been raised about adding Medicaid premiums and co-pays, eliminating three-month retroactive eligibility, eliminating the transitional program, and limiting adult dental and vision and other benefits.

In August, HSD reported to the Medicaid Advisory Committee the department hoped to have final approval from the federal Centers for Medicare and Medicaid Services (CMS) by October 2018 on New Mexico's Medicaid waiver application for Centennial Care 2.0. As of early December, CMS has not issued final approval for the Medicaid waiver renewal and CMS indicates it will not approve roll-backs of certain benefits nor premium increases but will approve several changes in areas including purchasing based on outcomes and behavioral health.

Medicaid Behavioral Health. Centennial Care 2.0 includes funding for supportive housing, the evidence-supported approach known as screening, brief intervention and referral to treatment, accredited adult residential treatment centers, and social detoxification services. It also would expand the use of Medicaid health homes treating co-occurring serious mental illness and substance use disorders and would waive the exclusion in federal law that prohibits Medicaid reimbursement for private and state-run “institutions of mental disease” that provide inpatient psychiatric services.

Under the Centennial Care 2.0 enhancements to behavioral health services, HSD will offer the state's first-ever Medicaid reimbursement for adult residential treatment centers for substance abuse disorders (SUDs). However, the benefits from this change may take time to be realized. According to HSD's Behavioral Health Services Division, only two of the current 18 residential treatment providers are accredited, a requirement for Medicaid reimbursement. HSD and the Department of Health promulgated the licensing regulations, and HSD is still developing its reimbursement model.

For FY20, HSD requested and the committee recommends \$8.9 million more general fund revenue compared with FY19 for the Medicaid Behavioral Health Program. The request represented an approximate 8.8 percent increase from the FY19 operating budget.

Income Support Program. The Income Support Program includes funding and support for the Temporary Assistance for Needy Families (TANF) program, Supplemental Nutrition Assistance Program (SNAP), General Assistance (GA), Low-Income Home Energy Assistance Program (LIHEAP), and other programs. These programs assist eligible low-income families through cash, food, medical, and employment and energy assistance so they can achieve self-sufficiency. The Human Services Department's FY20 budget request for the Income Support Program was \$957.1 million from all revenue sources, a \$11.9 million, or 1.2 percent, decrease from the FY19 operating budget, but included an additional \$2.1 million from the general fund, an increase of 4.8 percent. Federal funds were reduced because of declining TANF caseloads, while general fund support was requested to fund workforce and client needs associated with the consent decree in the Debra Hatten-Gonzales lawsuit. LFC recommends the requested level of funding but, based on current projections, reduces general fund revenue from the \$502 thousand requested to \$402 thousand to maintain the minimum state Supplemental Nutrition Assistance Program benefit of \$25 for elderly and disabled people.

HSD requested and LFC recommends an additional \$1.2 million in general fund revenue for administrative costs for the Income Support Program, including \$150 thousand for the eligibility IT system, \$139 thousand for additional training for field staff, an additional \$208 thousand to support clients' income verification, and an addition \$447 thousand for postage to notify clients on the status of their applications, re-certifications, or their benefits. This funding is needed to comply with the consent decree in the Debra Hatten-Gonzales lawsuit.

The long-running Debra Hatten-Gonzales lawsuit asserted there were systemic problems associated with eligibility and enrollment determinations in the Medicaid and Supplemental Nutrition Assistance Program (SNAP, formerly food stamps). The 3rd Judicial District Court mandated the Human Services Department use the services of a court-appointed special master to mediate between HSD and the plaintiff.

The special master issued his final report in February 2018 and concluded there were management problems with HSD's Income Support Division's (ISD) field operations. To be in compliance with federal regulations, the management needed accountable actions to improve the timeliness of eligibility determination approvals, reduce lobby wait times, and improve regional management performance.

HSD and the plaintiff together filed a motion to reinstate auto-closures for applications for Medicaid and SNAP benefits. Activating month-end auto-closures helped to ensure accurate eligibility denials for incomplete applications and allowed HSD to better use available resources to process in a timely manner a higher percentage of applications and renewals. HSD indicates, as of September 2018, the timeliness of approved expedited SNAP applications was 99 percent, and 98.5 percent of regular SNAP applications were processed timely. HSD and the plaintiff jointly proposed a new consent decree that removes requirements HSD has already met and lays out processes, goals, and metrics to culminate the suit and move forward.

Supplemental Nutrition Assistance Program (SNAP). The recommendation supports the request for federal SNAP funds totaling \$660 million, \$17.3 million less than the FY19 operating budget. In New Mexico, monthly SNAP caseloads have been slowly increasing. HSD projects a SNAP caseload of 225,353 for FY20, an increase of 1,665 people, or just less than 1 percent. The SNAP caseload in July 2017 was 218,138, a 15.8 percent decrease from the previous year. The October 2018 SNAP caseload was up 0.6 percent from a year ago and included 455,531 individuals, 263,371 adults and 192,160 children.

Alleged Overpayments for SNAP. In September, the U.S. Department of Agriculture (USDA) invoiced HSD for \$164 million of alleged overpayments for Supplemental Nutrition Assistance Program (SNAP) food benefits provided to low-income families from 2014 through 2016. HSD argues it provided SNAP benefits to income-eligible families based on court orders associated with the Hatten-Gonzales lawsuit and with the knowledge of the USDA's Food and Nutrition Service (FNS). HSD filed an appeal with the USDA and reports FNS does not have the authority on which to make its claim. The HSD appeal triggered a 60-day initial review and respond process by the USDA that could result in further reviews, hearings, negotiations and possibly ongoing litigation moving forward into 2019.

Temporary Assistance for Needy Families (TANF). Under the TANF program, states receive a federal block grant to provide cash assistance and work support programs to low-income families. States have broad discretion to meet the program's four stated goals to (1) provide assistance to needy families so children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two parent families. States have discretion to meet TANF goals but are required to report on work participation rates of TANF clients. Failure to meet federally established work rates could trigger penalties.

The TANF caseload saw significant increases during the economic recession, peaking in December 2010 at 21,514 cases, or about 54,802 recipients. However, since the beginning of 2011, the number of TANF cases has steadily declined and the caseload in October 2018 was 11,128, with 7,319 adults and 21,264 children.

The FY20 request and recommendation for TANF cash assistance is \$48.6 million. The recommendation maintains FY19 operating levels of funding for the vocational training and wage subsidy programs. In FY19, the program solicited requests for proposals to contract with a new vendor, and the department selected the current vendor.

TANF Transfers. Transfers to the Children, Youth, and Families Department for prekindergarten, home-visiting, and supportive housing are flat with the previous year, as are transfers to the Public Education Department for prekindergarten and the Graduation, Reality and Dual-Role Skills (GRADS) program. LFC recommends an additional \$3 million in federal TANF funds be transferred to the Children, Youth and Families Department for childcare. The LFC projected ending TANF balance for FY20 is \$9.1 million, excluding an estimated \$10 million in TANF contingency funds expected in FY19 and maybe continuing into FY20. TANF contingency funds are awarded in the year following the state request and are based on economic conditions during the request year.

Behavioral Health Services Division. The Behavioral Health Services Division's (BHSD) FY20 budget request was \$60.3 million from all sources, an increase of 1.2 percent over FY19. The general fund request of \$37.8 million was an increase of \$764 thousand, or 2.1 percent, over the FY19 operating budget. LFC recommends the requested level of funding but does not include \$263 thousand in general fund revenue to fill a behavioral health utilization review management specialist, a behavioral health provider organization financial auditor, and a program auditor for external behavioral health provider organizations. The department's request and the LFC recommendation both include additional general fund support, including \$300 thousand to provide accreditation assistance for adult residential treatment centers, \$100 thousand for the Linkages housing program for individuals struggling with precarious housing due to behavioral health issues, and \$100 thousand for care coordination for justice-involved individuals transitioning from jails and prisons in an effort to reduce recidivism.

HSD reports, particularly since Medicaid expansion, the number of individuals receiving behavioral health services increased for FY14 through FY17. However, HSD reports the number of individuals receiving behavioral health services declined in FY18, from 174,052 in FY17 to 113,559 in FY18, a decrease of 35 percent.

Child Support Enforcement Division. The recommendation supports the Child Support Enforcement Division's (CSED) \$31.2 million request for FY20, including \$7.7 million from the general fund, which is flat with FY19. CSED receives a match rate of approximately 66 percent federal funds to 34 percent state funds and receives additional federal incentive payments for meeting performance targets. CSED has struggled in recent years to meet multiple performance targets.

Program Support. The recommendation supports the Program Support request totaling \$55.6 million for FY20, including an increase of \$253 thousand in general fund revenue, a 1.6 percent increase over the FY19 operating budget. The additional funding supports the maintenance and operations contract for the department's Medicaid management information system (MMIS) system used to process Medicaid and other transactions.

RECOMMENDED LANGUAGE:

The appropriations to the medical assistance program of the human services department assume the state will receive an enhanced federal medical assistance percentage rate for those enrolled in the new adult category through fiscal year 2020 as provided for in the federal Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Should the federal government reduce or rescind the federal medical assistance percentage rates established by the federal Patient Protection and Affordable Care Act, the human services department shall reduce or rescind eligibility for the new adult category.

The internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include one million two hundred fifty-five thousand four hundred dollars (\$1,255,400) from the tobacco settlement program fund for the breast and cervical cancer treatment program and six million five hundred sixty-three thousand nine hundred dollars (\$6,563,900) from the tobacco settlement program fund for medicaid programs.

Notwithstanding the provisions of Section 27-10-3 NMSA 1978, the internal service funds/interagency transfers appropriations to the medical assistance program of the human services department include thirty-four million five hundred eighty thousand dollars (\$34,580,000) from the county-supported medicaid fund.

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) to support lower-tier rate adjustments to address rate disparity among federally qualified health centers and two hundred thousand dollars (\$200,000) to support expanding graduate medical education positions in family medicine and psychiatry programs and start new residencies, especially in rural settings.

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 forty-eight million five hundred seventy-six thousand six hundred dollars (\$48,576,600) from the federal temporary assistance for needy families block grant to provide cash assistance grants to participants as defined in the New Mexico Works Act, including wage subsidies for participants, two clothing allowances per year, diversion payments and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include nineteen million six hundred fifty-one thousand dollars (\$19,651,000) from the federal temporary assistance for needy families block grant for job training and placement and job-related transportation services, employment-related costs and a transitional employment program. The funds for the transitional employment program and the wage subsidy program may be used interchangeably.

The federal funds appropriations to the income support program of the human services department include thirty-six million five hundred twenty-seven thousand five hundred dollars (\$36,527,500) from the federal temporary assistance for needy families block grant for transfer to the children, youth and families department for childcare programs, five million dollars (\$5,000,000) for home-visiting programs, fourteen million one hundred thousand dollars (\$14,100,000) for prekindergarten and nine hundred thousand dollars (\$900,000) for a supportive housing project.

The federal funds appropriations to the income support program of the human services department include three million five hundred thousand dollars (\$3,500,000) from the federal temporary assistance for needy families block grant for transfer to the public education department for prekindergarten and two hundred thousand dollars (\$200,000) for the graduation, reality and dual-role skills program.

The appropriations to the income support program of the human services department include seven million two hundred twenty thousand dollars (\$7,220,000) from the general fund and three million eighty thousand three hundred dollars (\$3,080,300) from federal funds for general assistance.

Any unexpended balances remaining at the end of fiscal year 2020 from the other state funds appropriations derived from reimbursements received from the social security administration for the general assistance program shall not revert.

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)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	832,220.5	847,622.8	910,263.0	879,009.9	3.7
Other Transfers	212,548.9	195,458.9	206,479.9	214,756.3	9.9
Federal Revenues	4,165,967.7	4,157,386.9	4,316,568.1	4,263,943.8	2.6
Other Revenues	69,731.4	62,228.3	74,590.3	74,836.3	20.3
SOURCES TOTAL	5,280,468.5	5,262,696.9	5,507,901.3	5,432,546.3	3.2
USES					
Personal Services and Employee Benefits	12,432.9	12,512.0	12,638.6	12,638.6	1.0
Contractual Services	56,401.2	60,135.8	63,323.9	62,831.7	4.5
Other	5,203,681.8	5,190,049.1	5,431,938.8	5,357,076.0	3.2
TOTAL USES	5,272,515.9	5,262,696.9	5,507,901.3	5,432,546.3	3.2
FTE					
Permanent	172.5	172.5	172.5	172.5	0.0
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	183.5	183.5	183.5	183.5	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Percent of children ages two to twenty years enrolled in medicaid managed care who had at least one dental visit during the measurement year	68%	70%	67%	67%	70%
* Explanatory	Percent of infants in medicaid managed care who had six or more well-child visits with a primary care physician before the age of fifteen months	57%	59%			
* 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	85%	84%	88%	88%	88%
Outcome	Percent of recipients in medicaid managed care ages eighteen through seventy-five with diabetes who had a HbA1c test during the measurement year	60%	77%	86%	86%	86%
Outcome	Percent of hospital readmissions for children in medicaid managed care, ages two to seventeen, within thirty days of discharge	7%	5%	6%	<6%	<6%
* Outcome	Percent of hospital readmissions for adults in medicaid managed care, eighteen and over, within thirty days of discharge	10%	7%	<10%	<10%	<10%
* Outcome	Percent of member birth deliveries who received a prenatal care visit in the first trimester or within forty-two days of eligibility	77%	73%	83%	80%	83%
Explanatory	Expenditures for children and youth receiving services through medicaid school-based service programs, in millions	\$16.7	\$17.2			
Quality	Percent of members reporting satisfaction with centennial care services	81%	82%	82%	82%	83%
Outcome	Rate of short-term complication admissions for medicaid managed-care members with diabetes	211	663	325	600	400

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of medicaid managed-care members, ages five through sixty-four, identified as having persistent asthma and dispensed appropriate medications they remained on during half of the treatment year	NEW	56%	50%	50%	50%
Explanatory	Number of jail-involved individuals made eligible for medicaid prior to release	NEW	2,784			
* Outcome	Rate per one thousand members of emergency room use categorized as nonemergent care	NEW	.47	0.25	.50	.45
Explanatory	Number of medicaid managed-care members being served by patient-centered medical homes and health homes over previous year	NEW	1,325,333			
Output	Number of cumulative medicaid members who received treatment for hepatitis c	NEW	1,418	1,200	1,200	1,400
Output	Percent of provider payments included in value-based purchasing arrangements	NEW	28%	10%	10%	11%
Outcome	Percent of medicaid managed-care members with a nursing facility level of care being served in the community	NEW	86%	75%	75%	80%

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 healthcare.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
SOURCES			<u>Agency Request</u>	<u>LFC Recommendation</u>	
General Fund Transfers	97,663.0	101,214.0	110,153.0	110,153.0	8.8
Federal Revenues	390,105.0	401,071.0	421,066.0	421,066.0	5.0
SOURCES TOTAL	487,768.0	502,285.0	531,219.0	531,219.0	5.8
USES					
Other	487,768.0	502,285.0	531,219.0	531,219.0	5.8
TOTAL USES	487,768.0	502,285.0	531,219.0	531,219.0	5.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 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	9%	7%	5%	5%	5%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative and medicaid programs	124,580	94,419	165,000	N/A	165,000
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in math (eighth grade)	NEW	NEW	2.5%	2.5%	2.5%
Outcome	Percent reduction in the gap between children in school who are receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in reading (fifth grade)	NEW	NEW	5%	5%	5%

INCOME SUPPORT

The purpose of the income support program is to provide cash assistance and supportive services to eligible low-income families so they can achieve self-sufficiency. Eligibility requirements are established by state law within broad federal statutory guidelines.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	43,526.9	44,188.2	46,295.5	46,195.5	4.5
Federal Revenues	871,981.9	924,164.0	910,110.9	910,642.0	-1.5
Other Revenues	950.5	695.5	695.5	695.5	0.0
Fund Balance	300.0	0.0	0.0	0.0	
SOURCES TOTAL	916,759.3	969,047.7	957,101.9	957,533.0	-1.2
USES					
Personal Services and Employee Benefits	53,772.5	58,452.4	58,452.4	58,452.4	0.0
Contractual Services	41,743.3	39,641.2	42,756.8	42,756.8	7.9
Other	819,033.1	870,954.1	855,892.7	856,323.8	-1.7
TOTAL USES	914,548.9	969,047.7	957,101.9	957,533.0	-1.2
FTE					
Permanent	1,133.0	1,133.0	1,133.0	1,133.0	0.0
Term	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	1,148.0	1,148.0	1,148.0	1,148.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	52%	52%	52%	52%	53%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	55%	60%	62%	62%	63%
* Outcome	Percent of eligible children in families with incomes of one hundred thirty percent of the federal poverty level participating in the supplemental nutrition assistance program	92%	No Report	93%	93%	94%
Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year	55%	No Report	52%	52%	56%
Outcome	Percent of expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness within seven days	92%	98%	96%	96%	98%
Outcome	Percent of regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness within thirty days	93%	99%	98%	N/A	99%
Outcome	Percent of individuals who obtain employment within ninety days of successfully completing job skills or vocational training	NEW	No Report	N/A	N/A	50%
Outcome	Rate of participants' retention in employment after ninety days	NEW	No Report	N/A	50%	50%

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to lead and oversee the provision of an integrated and comprehensive behavioral health prevention and treatment system so that the program fosters recovery and supports the health and resilience of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
		<u>FY18</u>	<u>FY19</u>	<u>Agency</u>	<u>Percent</u>
		<u>2017-2018</u>	<u>2018-2019</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	37,039.7	37,073.0	37,836.7	1.3
	Federal Revenues	25,027.8	22,580.7	22,507.5	-0.3
	SOURCES TOTAL	62,067.5	59,653.7	60,344.2	0.7
USES					
	Personal Services and Employee Benefits	2,618.1	2,923.9	3,187.9	0.0
	Contractual Services	57,325.0	54,832.1	55,216.7	0.7
	Other	2,027.9	1,897.7	1,939.6	2.2
	TOTAL USES	61,971.0	59,653.7	60,344.2	0.7
FTE					
	Permanent	38.0	37.0	37.0	0.0
	Term	7.0	7.0	5.0	-28.6
	TOTAL FTE POSITIONS	45.0	44.0	42.0	-4.5

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of youth on probation served by the behavioral health collaborative and medicaid programs	61%	63%	62%	62%	64%
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	52%	No Report	72%	72%	72%
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	43%	47%	50%	50%	50%
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	64%	64%	70%	70%	70%
Explanatory	Number of health homes established statewide	2	10			
* 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	15%	No Report	25%	25%	35%
Explanatory	Number of suicides of youth served by the behavioral health collaborative and medicaid programs	No Report	No Report			
Quality	Percent of members reporting satisfaction with behavioral health services	86%	No Report	85%	85%	85%
Outcome	Percent of adults diagnosed with major depression who remained on an antidepressant medication for at least one hundred eighty days	35%	No Report	35%	35%	35%
Explanatory	Number of people served through telehealth in the rural and frontier counties	NEW	No Report			
Outcome	Percent of emergency department visits, for medicaid managed-care members age thirteen and older, with a principal diagnosis of alcohol or other drug dependence, who had a follow-up visit for mental illness within seven days and thirty days of emergency department visit	NEW	No Report	40%	40%	40%
Outcome	Reduction in the incidence of disruptive behaviors, as measured by the spleen instrument, in classrooms participating in the pax good behavior games	NEW	NEW	100%	75%	75%

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)					
	FY18	FY19	FY20 - 2019-2020		Percent Incr (Decr)
	2017-2018 <u>Actuals</u>	2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	7,095.0	7,736.8	7,736.8	7,736.8	0.0
Federal Revenues	20,113.7	20,501.4	20,501.4	20,501.4	0.0
Other Revenues	2,978.0	3,016.4	3,016.4	3,016.4	0.0
SOURCES TOTAL	30,186.7	31,254.6	31,254.6	31,254.6	0.0
USES					
Personal Services and Employee Benefits	17,309.2	19,683.5	19,683.5	19,683.5	0.0
Contractual Services	5,970.5	6,608.0	6,608.0	6,608.0	0.0
Other	4,856.7	4,963.1	4,963.1	4,963.1	0.0
TOTAL USES	28,136.4	31,254.6	31,254.6	31,254.6	0.0
FTE					
Permanent	0.0	378.0	378.0	378.0	0.0
TOTAL FTE POSITIONS	0.0	378.0	378.0	378.0	0.0

PERFORMANCE MEASURES

		FY17	FY18	FY19	FY20	FY20
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Amount of child support collected, in millions	\$139.6	\$139.8	N/A	N/A	\$141
* Outcome	Percent of current support owed that is collected	56%	57%	62%	62%	62%
* Outcome	Percent of cases with support orders	83%	80%	85%	85%	85%
* Outcome	Percent of cases having support arrears due for which arrears are collected	61%	62%	67%	67%	67%
Output	Total dollars collected in child support obligations for each dollar expended by the child support enforcement program	NEW	\$3.66	\$3.75	\$3.75	\$4.50

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)					
	FY18	FY19	FY20 - 2019-2020		Percent Incr (Decr)
	2017-2018 <u>Actuals</u>	2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	15,309.6	15,878.6	16,131.8	16,131.8	1.6
Federal Revenues	36,172.2	36,973.4	38,797.8	38,797.8	4.9
Other Revenues	0.0	711.4	711.4	711.4	0.0
SOURCES TOTAL	51,481.8	53,563.4	55,641.0	55,641.0	3.9
USES					
Personal Services and Employee Benefits	16,066.1	17,580.2	18,585.2	18,585.2	5.7
Contractual Services	19,103.3	20,157.2	21,149.9	21,149.9	4.9
Other	16,312.4	15,826.0	15,905.9	15,905.9	0.5
TOTAL USES	51,481.8	53,563.4	55,641.0	55,641.0	3.9
FTE					
Permanent	269.0	263.0	263.0	263.0	0.0
TOTAL FTE POSITIONS	269.0	263.0	263.0	263.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Percent of intentional violation cases in the supplemental nutrition assistance program referred to the investigations bureau that were completed within a quarter	100%	100%			
Output	Percent of timely final decisions on administrative disqualification hearings	100%	100%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date	100%	91%	N/A	N/A	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau	11%	8%	15%	15%	
Outcome	Rate of return on investments for medicaid program integrity recoveries	NEW	\$10.15	\$4.00	\$4.00	\$10.25

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)					
	FY18 2017-2018	FY19 2018-2019	FY20 – 2019-2020		Percent Incr (Decr)
	<u>Actuals</u>	<u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	8,832.6	9,116.2	10,707.9	9,816.2	7.7
Other Transfers	4,265.6	4,341.7	7,084.9	7,976.6	83.7
Federal Revenues	50,874.4	49,993.3	47,719.3	47,719.3	-4.5
SOURCES TOTAL	63,972.6	63,451.2	65,512.1	65,512.1	3.2
USES					
Personal Services and Employee Benefits	24,881.2	25,582.7	26,473.9	26,473.9	3.5
Contractual Services	11,848.8	10,664.6	9,767.6	9,767.6	-8.4
Other	26,253.1	27,203.9	29,270.6	29,270.6	7.6
TOTAL USES	62,983.1	63,451.2	65,512.1	65,512.1	3.2
FTE					
Permanent	400.0	400.0	403.0	403.0	0.8
Term	109.0	108.0	108.0	108.0	0.0
TOTAL FTE POSITIONS	509.0	508.0	511.0	511.0	0.6

AT A GLANCE:

The Workforce Solutions Department (WSD) FY20 general fund request was \$10.7 million, 17 percent above the FY19 operating budget. Nationally, state agencies supporting unemployment benefits and workforce development funding are struggling with declining federal support. Federal revenues are projected to decline \$2.2 million below the FY19 operating budget in New Mexico. The FY20 LFC general fund recommendation includes an additional \$700 thousand to offset declining fund balances and a reduced transfer from the Workers' Compensation Administration.

In FY18, WSD met a majority of performance targets but struggled to meet targeted performance in relation to new Workforce Innovation and Opportunity Act (WIOA) requirements. Youth services were prioritized in WIOA, including targeting more federal funds for this group. In FY18, local workforce boards struggled to locate and serve more unemployed and underemployed youth, serving only 816, well below the target of 1,400.

BUDGET ISSUES:

The WSD budget request increased total revenues 3.2 percent, or \$1.5 million, above FY18 actual expenditures. The requested \$10.7 million general fund request primarily supports the Unemployment Insurance and Labor Relations programs. Additionally, the agency request included a \$1.5 million transfer from the Workers' Compensation Administration (WCA). Historically, due to the stability of revenues and large fund balances, WCA has transferred between \$900 thousand and \$1.5 million to WSD for general operations.

Prior to the Great Recession that began in December 2007, New Mexico maintained the second healthiest UI trust fund in the nation. However, as a result of the recession and payouts of unemployment benefits, many state UI funds, including New Mexico's, were in danger of becoming insolvent. Nationally, states went into debt by \$47 billion to pay unemployment benefits. In March 2008, prior to height of the recession, New Mexico's fund balance was \$557 million; during the third quarter of FY15, the New Mexico fund balance had dropped to \$64.3 million. However, by the end of FY18 the fund increased to \$444.8 million. Total employer contributions during FY18 were \$172.7 million and benefit payouts were \$145.5 million. In addition, legislation passed during the 2016 legislative session created an additional employer history factor to calculate unemployment insurance taxes, resulting in average rate reductions in 2017 and 2018.

Personnel. For FY20, WSD requested a small increase in the number of FTE and increased funding for personnel by \$891.2 thousand. A majority of the increased funding for personnel in the Labor Relations Program. In March 2018, WSD settled a lawsuit regarding investigations and enforcement of the state's wage payment laws, resulting in an increased workload for the Labor Relations Program. A majority of the agency request for additional personnel funding is a result of increased to address wage-theft claims. The LFC recommendation supports the agency request of \$26.5 million and 3 additional FTE.

Fund Balance. The agency requested \$5.8 million of fund balance revenues. The LFC recommends increasing the use of fund balances an additional \$891.7 thousand above the agency request. The fund balance recommendation is captured in the other transfers category. A majority of the fund balance used in the recommendation is from the Employment Security Department (ESD) penalty and interest fund; the ESD fund balance is projected to be nearly \$2 million after FY20 appropriations. This projection may increase if the agency receives increased penalty payments or does not fully expend appropriated balances. WSD reported the continued use of ESD fund balance will cause the fund to be mostly depleted, resulting in the possible need for substantial increases of general fund revenues in FY21. LFC also recommends a transfer from WCA slightly over \$1 million throughout the agency, \$200 thousand less than the previous fiscal year.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the unemployment insurance program of the workforce solutions department include four hundred fifty thousand dollars (\$450,000) from the workers' compensation administration fund of the workers' compensation administration.

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include six hundred thousand dollars (\$600,000) from the workers' compensation administration fund of the workers' compensation administration.

UNEMPLOYMENT INSURANCE

The purpose of the unemployment insurance program is to administer an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.

BUDGET SUMMARY (dollars in thousands)						
			FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)	
SOURCES						
General Fund Transfers	1,022.2	254.4	1,386.3	1,253.0	392.5	
Other Transfers	1,456.3	1,421.7	2,124.4	2,257.7	58.8	
Federal Revenues	6,121.2	7,101.3	5,084.5	5,084.5	-28.4	
SOURCES TOTAL	8,599.7	8,777.4	8,595.2	8,595.2	-2.1	
USES						
Personal Services and Employee Benefits	6,964.6	7,166.9	7,102.9	7,102.9	-0.9	
Contractual Services	389.5	347.1	243.9	243.9	-29.7	
Other	1,246.7	1,263.4	1,248.4	1,248.4	-1.2	
TOTAL USES	8,600.8	8,777.4	8,595.2	8,595.2	-2.1	
FTE						
Permanent	131.7	133.0	133.0	133.0	0.0	
Term	50.0	50.0	50.0	50.0	0.0	
TOTAL FTE POSITIONS	181.7	183.0	183.0	183.0	0.0	

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	89%	95%	89%	80%	90%
Output	Percent of all first payments made within fourteen days after the waiting week	91%	93%	85%	85%	90%
Output	Percent accuracy rate of claimant separation determinations	93%	95%	90%	85%	92%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a new unemployment insurance claim, in minutes	18	17	20	20	18
* Output	Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification, in minutes	15	13	15	20	15

LABOR RELATIONS

The purpose of the labor relations program is to provide employment rights information and other work-site-based assistance to employers and employees.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,193.1	1,373.2	1,822.9	1,822.9	32.7
Other Transfers	2,444.1	1,686.2	2,353.3	2,353.3	39.6
Federal Revenues	586.8	619.3	258.8	258.8	-58.2
SOURCES TOTAL	4,224.0	3,678.7	4,435.0	4,435.0	20.6
USES					
Personal Services and Employee Benefits	1,744.5	1,797.9	2,296.4	2,296.4	27.7
Contractual Services	22.6	9.9	5.7	5.7	-42.4
Other	2,330.1	1,870.9	2,132.9	2,132.9	14.0
TOTAL USES	4,097.2	3,678.7	4,435.0	4,435.0	20.6
FTE					
Permanent	30.4	31.0	34.0	34.0	9.7
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	31.4	32.0	35.0	35.0	9.4

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of wage claims investigated and resolved within ninety days	93%	86%	90%	90%	90%
Output	Number of targeted public works inspections completed	2,126	1,802	2,000	1,800	1,800
* Output	Average number of days to investigate and issue a determination on a charge of discrimination	192	176	200	200	185
Outcome	Number of apprentices registered and in training	1,392	1,632	1,320	1,320	1,400
* Output	Number of compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	6	6

WORKFORCE TECHNOLOGY

The purpose of the workforce technology program is to provide and maintain customer-focused, effective and innovative information technology services for the department and its service providers.

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	General Fund Transfers	4,745.9	6,838.3	6,541.1	6,041.1	-11.7
	Other Transfers	83.9	797.7	2,091.4	2,591.4	224.9
	Federal Revenues	10,014.2	6,582.8	4,791.6	4,791.6	-27.2
	SOURCES TOTAL	14,844.0	14,218.8	13,424.1	13,424.1	-5.6
USES						
	Personal Services and Employee Benefits	3,623.3	3,632.5	3,617.5	3,617.5	-0.4
	Contractual Services	8,366.9	8,278.0	7,582.0	7,582.0	-8.4
	Other	2,280.1	2,308.3	2,224.6	2,224.6	-3.6
	TOTAL USES	14,270.3	14,218.8	13,424.1	13,424.1	-5.6
FTE						
	Permanent	39.0	39.0	36.0	36.0	-7.7
	Term	8.0	8.0	8.0	8.0	0.0
	TOTAL FTE POSITIONS	47.0	47.0	44.0	44.0	-6.4

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Percent of time the unemployment framework for automated claims and tax services is available during scheduled uptime	99%	99%	99%	99%	99%

EMPLOYMENT SERVICES

The purpose of the employment services program is to provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	General Fund Transfers	1,546.3	183.5	441.9	183.5	0.0
	Other Transfers	0.0	0.0	0.0	258.4	
	Federal Revenues	11,007.6	13,003.2	11,952.4	11,952.4	-8.1
	SOURCES TOTAL	12,553.9	13,186.7	12,394.3	12,394.3	-6.0
USES						
	Personal Services and Employee Benefits	6,532.3	6,626.0	6,686.9	6,686.9	0.9
	Contractual Services	2,361.5	1,173.9	1,073.3	1,073.3	-8.6
	Other	3,382.8	5,386.8	4,634.1	4,634.1	-14.0
	TOTAL USES	12,276.6	13,186.7	12,394.3	12,394.3	-6.0
FTE						
	Permanent	109.0	109.0	109.0	109.0	0.0
	Term	41.0	40.0	40.0	40.0	0.0
	TOTAL FTE POSITIONS	150.0	149.0	149.0	149.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of recently separated veterans entering employment	45%	50%	50%	45%	50%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services	37%	41%	40%	40%	40%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Total number of individuals receiving Wagner-Peyser employment services	82,499	42,351	100,000	100,000	100,000
* Outcome	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services	55%	54%	56%	55%	55%
Outcome	Percent of individuals who have received Wagner-Peyser employment services retaining employment services after six months	78%	79%	78%	75%	78%
* Outcome	Average six-month earnings of individuals entering employment after receiving Wagner-Peyser employment services	\$13,624	\$13,610	\$13,600	\$13,500	\$13,600
Outcome	Percent of recently separated veterans retaining employment after six months	72%	71%	71%	70%	71%
Outcome	Average six-month earnings of people entering employment after receiving veterans' services	\$17,148	\$16,329	\$17,000	\$16,000	\$16,500

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction and administrative support to each agency program to achieve organizational goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
SOURCES				<u>Agency Request</u>	<u>LFC Recommendation</u>	
	General Fund Transfers	325.1	466.8	515.7	515.7	10.5
	Other Transfers	281.3	436.1	515.8	515.8	18.3
	Federal Revenues	23,144.6	22,686.7	25,632.0	25,632.0	13.0
	SOURCES TOTAL	23,751.0	23,589.6	26,663.5	26,663.5	13.0
USES						
	Personal Services and Employee Benefits	6,016.5	6,359.4	6,770.2	6,770.2	6.5
	Contractual Services	708.3	855.7	862.7	862.7	0.8
	Other	17,013.4	16,374.5	19,030.6	19,030.6	16.2
	TOTAL USES	23,738.2	23,589.6	26,663.5	26,663.5	13.0
FTE						
	Permanent	90.0	88.0	91.0	91.0	3.4
	Term	9.0	9.0	9.0	9.0	0.0
	TOTAL FTE POSITIONS	99.0	97.0	100.0	100.0	3.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	71%	100%	72%	72%	80%
Output	Number of youth receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	770	816	1,400	1,400	1,400
Outcome	Percent of youth who entered employment or are enrolled in postsecondary education or advanced training after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	57%	60%	59%	59%	59%
* Output	Number of adult and dislocated workers receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	3,013	2,360	2,900	2,700	2,700

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of individuals who enter employment after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	65%	67%	70%	70%	70%
* Output	Percent of individuals who retain employment after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	86%	89%	89%	89%	89%

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the Worker's Compensation Act (Sections 52-1-1 through 52-1-70 and Sections 52-5-1 through 52-5-22 NMSA 1978), Occupational Disease Disablement Act (Sections 52-3-1 through 52-3-60 NMSA 1978), and Health Care Provider Act (52-4-1 through 52-4-5 NMSA 1978). WCA is responsible for monitoring the insurance industry to ensure compliance with accepted performance standards, mediating and adjudicating contested workers' compensation claims, and regulating workers' compensation self-insurance activity.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	11,828.9	12,162.2	11,292.2	10,963.4	-9.9
Fund Balance	0.0	0.0	0.0	1,177.0	
SOURCES TOTAL	11,828.9	12,162.2	11,292.2	12,140.4	-0.2
USES					
Personal Services and Employee Benefits	8,141.4	8,671.2	8,908.5	8,725.7	0.6
Contractual Services	239.1	472.1	479.5	479.5	1.6
Other	1,813.1	1,768.9	1,904.2	1,885.2	6.6
Other Financing Uses	1,500.0	1,250.0	0.0	1,050.0	-16.0
TOTAL USES	11,693.6	12,162.2	11,292.2	12,140.4	-0.2
FTE					
Permanent	122.0	122.0	122.0	122.0	0.0
TOTAL FTE POSITIONS	122.0	122.0	122.0	122.0	0.0

AT A GLANCE:

In FY18 the agency reverted 3.3 percent of total personnel funding, but the FY20 request included a 2.8 percent increase in the personal services and employee benefits category to provide a 4.5 percent pay increase for judges and 2 percent increase for other staff. Importantly, the request did not include the transfer of \$1.3 million to the Workforce Solutions Department (WSD) for FY20 as was included in previous year operating budgets. LFC recommends continuing the transfer to WSD at slightly over \$1 million, reduced \$200 thousand from the FY19 operating budget. WCA met a majority of targeted performance outcomes in FY18.

BUDGET ISSUES:

WCA receives funding from quarterly fees of \$2 collected from employees and matched with an employer contribution of \$2. A 30-cent assessment supports the uninsured employer's fund, for a combined total assessment of \$17.20 per employee per year. The 30-cent assessment is used to pay claims filed against employers noncompliant with the workers' compensation insurance law. The base assessment for workers' compensation has not increased since it was first established in 1993. Despite increased employment statewide, WCA reported declining revenues and is working with the Taxation and Revenue Department to analyze this issue. Additionally, the agency's FY20 projected fund balance was nearly \$2 million. In 2017, WCA reported nearly 95 percent of formal workers' compensation claims were resolved without a trial and 97 percent of employers were determined to be in compliance with insurance requirements.

The agency's FY20 request included a \$235.8 thousand, or 2.8 percent, increase for personnel. The request included a 5 percent vacancy rate and a 4.5 percent compensation increase for agency judges and 2 percent increase for agency staff. As of October 2018, 8 FTE were vacant agencywide, a 7 percent vacancy rate. The LFC recommendation slightly increases personnel by \$54.5 thousand, or 0.6 percent, and does not fund compensation increases.

The agency request for the contractual services category was relatively flat with the FY19 operating budget. However, WCA requested a 9 percent increase in the other category for IT equipment and building maintenance. The LFC recommendation supports the agency request for contractual services and makes small miscellaneous adjustments to the other category to more closely align with actual expenditures.

In FY17, the agency received \$12.1 million in revenues. WCA reported collections of assessments declined from \$12 million in FY16 to \$11 million in FY18, but the agency is expected to have nearly \$2 million in fund balances at the end of FY20. Given the declining revenue projections, the LFC recommendation reduces the transfer to the Workforce Solutions Department (WSD) by \$200 thousand and increases the use of fund balances by \$1.2 million.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the workers' compensation administration program of the workers' compensation administration in the other financing uses category includes four hundred fifty thousand dollars (\$450,000) from the workers' compensation administration fund for the unemployment insurance program of the workforce solutions department and six hundred thousand dollars (\$600,000) from the workers' compensation administration fund for the labor relations program of the workforce solutions department.

WORKERS' COMPENSATION ADMINISTRATION

The purpose of the workers' compensation administration program is to assure the quick and efficient delivery of indemnity and medical benefits to injured and disabled workers at a reasonable cost to employers.

BUDGET SUMMARY (dollars in thousands)					
			FY20 - 2019-2020		Percent Incr (Decr)
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
Other Revenues	10,963.4	11,267.3	10,392.1	10,063.3	-10.7
Fund Balance	0.0	0.0	0.0	1,177.0	
SOURCES TOTAL	10,963.4	11,267.3	10,392.1	11,240.3	-0.2
USES					
Personal Services and Employee Benefits	7,831.2	8,337.4	8,573.2	8,390.4	0.6
Contractual Services	231.5	372.1	375.8	375.8	1.0
Other	1,423.6	1,307.8	1,443.1	1,424.1	8.9
Other Financing Uses	1,500.0	1,250.0	0.0	1,050.0	-16.0
TOTAL USES	10,986.3	11,267.3	10,392.1	11,240.3	-0.2
FTE					
Permanent	118.0	118.0	118.0	118.0	0.0
TOTAL FTE POSITIONS	118.0	118.0	118.0	118.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Outcome	Percent of formal claims resolved without trial	97%	95%	95%	≥95%	≥95%
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	0.5	0.5	≤0.6	≤0.6	≤0.6
* Outcome	Percent of employers determined to be in compliance with insurance requirements of the Workers' Compensation Act after initial investigations	97%	97%	96%	≥95%	≥95%
Outcome	Percent of employers in the risk reduction program who pass the follow up inspections	89%	80%	≥90%	≥95%	≥95%
Outcome	Percent of formal complaints and applications resolved within six months of filing	NEW	81%	≥75%	≥75%	≥75%

UNINSURED EMPLOYERS FUNDBUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
Other Revenues	865.5	894.9	900.1	900.1	0.6
SOURCES TOTAL	865.5	894.9	900.1	900.1	0.6
USES					
Personal Services and Employee Benefits	310.2	333.8	335.3	335.3	0.4
Contractual Services	7.6	100.0	103.7	103.7	3.7
Other	389.5	461.1	461.1	461.1	0.0
TOTAL USES	707.3	894.9	900.1	900.1	0.6
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

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Percent of reimbursements collected of claims expense paid out on a fiscal year basis	NEW	26%	≥33%	≥33%	≥30%

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,647.6	5,648.6	6,198.6	6,148.6	8.9
Other Transfers	191.5	197.6	198.2	198.2	0.3
Federal Revenues	39,084.8	44,681.6	38,940.0	38,940.0	-12.9
Fund Balance	835.0	0.0	0.0	0.0	
SOURCES TOTAL	45,758.9	50,527.8	45,336.8	45,286.8	-10.4
USES					
Personal Services and Employee Benefits	16,312.7	20,554.1	20,680.7	20,680.7	0.6
Contractual Services	6,232.7	7,817.7	4,633.2	4,633.2	-40.7
Other	22,931.0	21,901.0	19,763.1	19,713.1	-10.0
Other Financing Uses	254.9	255.0	259.8	259.8	1.9
TOTAL USES	45,731.3	50,527.8	45,336.8	45,286.8	-10.4
FTE					
Permanent	204.0	204.0	176.0	176.0	-13.7
Term	117.0	117.0	145.0	145.0	23.9
Temporary	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	323.0	323.0	321.0	321.0	-0.6

AT A GLANCE:

The FY20 LFC general fund recommendation is \$500 thousand, or 8.9 percent, over the FY19 operating budget. The Division of Vocational Rehabilitation requested an increase of \$550 thousand, or 9.7 percent, over FY19 levels. The recommendation provides the general fund support for the agency to reach the “maintenance of effort” spending level necessary to draw certain federal dollars and to match an additional \$3 million from the total available federal award for pre-employment transition services for high school students with disabilities. Overall, the recommendation is a decrease from the FY19 operating budget commensurate with the division’s requested reduction in federal carryover revenues. The LFC recommendation also includes continued revenue transfers from the Commission for Deaf and Hard-of-Hearing Persons and Commission for the Blind to leverage federal funds and provide services to their constituents.

BUDGET ISSUES:

The Division of Vocational Rehabilitation, which provided rehabilitative services to 10,272 New Mexicans in FY18, is primarily funded through leveraged federal revenues, with a 10 percent state match required for supported employment and independent living grants and a 23 percent state match required for the rehabilitation services grant.

For FY20, the agency requested \$45.3 million overall, a decrease of \$5.7 million in federal funds and an increase of \$550 thousand from the general fund from the FY19 operating budget. The decrease in federal funds was due to the expectation prior-year carryover funds would be exhausted. The transfer of funds from the Commission for Deaf and Hard-of-Hearing Persons was \$91.5 thousand, and the transfer from the Commission for the Blind was \$100 thousand. The LFC recommendation continues these transfers to continue leveraging federal revenues to provide vocational rehabilitation services to visually impaired and deaf and hard-of-hearing people.

The general fund recommendation of \$6.1 million is 8.9 percent over the FY19 operating budget and FY18 actual expenditures. The recommendation fully funds the division's request in the personal services and employee benefits, contractual services and other financing uses categories. Similar to previous years, the agency struggles to fill vacancies, with close to 55 funded but vacant FTE as of October 2018. The agency reports 38 FTE remain vacant in the Disability Determination Program because of salary levels, job complexity, and performance demands. The committee continues to support appropriations significantly above expenditure levels in the personal services and employee benefits category with the goal that additional federally funded staff will be hired and work to increase the number of clients.

Program Funding. The LFC recommendation of \$24.3 million for the Rehabilitation Services Program represents a 14.4 percent reduction from the operating budget due to a 20 percent requested reduction in federal carryover funds. The general fund recommendation of \$5.5 million represents a 10 percent increase over the operating budget. This general fund revenue along with the \$91.5 thousand transfer from the Commission for Deaf and Hard-of-Hearing Persons and \$100 thousand from the Commission for the Blind qualify as state matching funds to leverage federal funds and to meet maintenance of effort requirements.

The Independent Living Services Program contracts with providers throughout the state to provide community-based independent living services and supports to people with disabilities. The committee recommends \$650 thousand in general fund support and \$832 thousand in federal revenues for the program.

The Disability Determination Program is entirely federally funded through the Social Security Administration. The program adjudicates eligibility for supplemental security income (SSI) and social security disability insurance (SSDI) for all applicants from New Mexico. Currently, over 130 thousand, or 6 percent, of New Mexicans are receiving disability benefits as a direct result of Disability Determination Program services. Statewide, aggregate monthly benefits are estimated to be approximately \$1.1 million. The LFC recommendation supports the requested \$13.6 million in federal funds, an 8 percent drop from FY19.

Agency vacancies continue to be a significant concern because enrollment determinations directly affect timely provision of benefits to eligible New Mexicans. Because the revenue source is federal, personnel funding is \$3 million above FY18 expenditure levels; however, it is unlikely the agency will be able to fill all the FTE to meet the requested appropriations. Nevertheless, the agency and the State Personnel Office should consider a targeted hiring process to accelerate filling funded vacant FTE in FY20.

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 one hundred thousand dollars (\$100,000) from the commission for the blind to match with federal funds to provide rehabilitation services to blind or visually impaired New Mexicans.

The internal service funds/interagency transfers appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other category includes ninety-one thousand five hundred dollars (\$91,500) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

The federal funds appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other financing uses category includes two hundred thousand dollars (\$200,000) for the independent living program of the commission for the blind to provide services to blind or visually impaired New Mexicans.

The internal service funds/interagency transfers appropriation to the independent living program of the division of vocational rehabilitation in the other category includes six thousand seven hundred dollars (\$6,700) from the commission for the blind to match with federal funds to provide independent living services to blind or visually impaired New Mexicans.

The federal funds appropriation to the independent living program of the division of vocational rehabilitation in the other financing uses category includes fifty-nine thousand eight hundred dollars (\$59,800) for the independent living program of the commission for the blind to provide services to blind or visually impaired New Mexicans.

Any unexpended balances in the division of vocational rehabilitation remaining at the end of fiscal year 2020 from appropriations made from the general fund shall not revert and may be expended in fiscal year 2021.

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	4,998.6	4,998.6	5,548.6	5,498.6	10.0
Other Transfers	191.5	191.5	191.5	191.5	0.0
Federal Revenues	22,396.5	23,232.3	18,648.7	18,648.7	-19.7
Fund Balance	650.0	0.0	0.0	0.0	
SOURCES TOTAL	28,236.6	28,422.4	24,388.8	24,338.8	-14.4
USES					
Personal Services and Employee Benefits	8,360.5	10,484.0	10,530.3	10,530.3	0.4
Contractual Services	4,040.0	3,346.4	1,595.5	1,595.5	-52.3
Other	15,628.1	14,392.0	12,063.0	12,013.0	-16.5
Other Financing Uses	200.0	200.0	200.0	200.0	0.0
TOTAL USES	28,228.6	28,422.4	24,388.8	24,338.8	-14.4
FTE					
Permanent	115.0	115.0	105.0	105.0	-8.7
Term	51.0	51.0	61.0	61.0	19.6
Temporary	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	168.0	168.0	166.0	166.0	-1.2

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	863	949	860	1,000	1,000
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	39%	41%	45%	45%	45%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	99%	99%	99%	99%	99%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed and earning at least minimum wage	98%	99%	98%	97%	99%

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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	649.0	650.0	650.0	650.0	0.0
Other Transfers	0.0	6.1	6.7	6.7	9.8
Federal Revenues	727.7	805.4	832.0	832.0	3.3
Fund Balance	185.0	0.0	0.0	0.0	
SOURCES TOTAL	1,561.7	1,461.5	1,488.7	1,488.7	1.9

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
USES						
	Personal Services and Employee Benefits	82.4	75.8	0.0	0.0	-100.0
	Contractual Services	0.0	0.0	51.5	51.5	
	Other	1,424.4	1,330.7	1,377.4	1,377.4	3.5
	Other Financing Uses	54.9	55.0	59.8	59.8	8.7
	TOTAL USES	1,561.7	1,461.5	1,488.7	1,488.7	1.9
FTE						
	Permanent	1.0	1.0	0.0	0.0	-100.0
	TOTAL FTE POSITIONS	1.0	1.0	0.0	0.0	-100.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Output	Number of independent living plans developed	508	584	550	600	600
* Output	Number of individuals served for independent living	500	996	610	630	630

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)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Federal Revenues	11,467.4	14,799.2	13,614.6	13,614.6	-8.0
	SOURCES TOTAL	11,467.4	14,799.2	13,614.6	13,614.6	-8.0
USES						
	Personal Services and Employee Benefits	4,859.7	6,722.9	6,513.3	6,513.3	-3.1
	Contractual Services	1,948.0	3,602.7	2,610.3	2,610.3	-27.5
	Other	4,658.1	4,473.6	4,491.0	4,491.0	0.4
	TOTAL USES	11,465.8	14,799.2	13,614.6	13,614.6	-8.0
FTE						
	Permanent	58.0	58.0	44.0	44.0	-24.1
	Term	52.0	52.0	66.0	66.0	26.9
	TOTAL FTE POSITIONS	110.0	110.0	110.0	110.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Efficiency	Average number of days for completing an initial disability claim	112	109	100	100	100
Quality	Percent of initial disability determinations completed accurately	96.5%	94.9%	97.0%	97.0%	97.0%

ADMINISTRATIVE SERVICES

The purpose of the administration services program is to provide leadership, policy development, financial analysis, budgetary control, information technology services, administrative support and legal services to the division of vocational rehabilitation. The administration services program function is to ensure the division of vocational rehabilitation achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES						
	Federal Revenues	4,493.2	5,844.7	5,844.7	5,844.7	0.0
	SOURCES TOTAL	4,493.2	5,844.7	5,844.7	5,844.7	0.0
USES						
	Personal Services and Employee Benefits	3,010.1	3,271.4	3,637.1	3,637.1	11.2
	Contractual Services	244.7	868.6	375.9	375.9	-56.7
	Other	1,220.4	1,704.7	1,831.7	1,831.7	7.4
	TOTAL USES	4,475.2	5,844.7	5,844.7	5,844.7	0.0
FTE						
	Permanent	30.0	30.0	27.0	27.0	-10.0
	Term	14.0	14.0	18.0	18.0	28.6
	TOTAL FTE POSITIONS	44.0	44.0	45.0	45.0	2.3

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	3	7	3	7	3
Outcome	Number of working days between disbursements of federal funds from federal treasury to deposit of such funds into state treasury	1	1	1	1	1

STATUTORY AUTHORITY:

Sections 28-10-1 through 28-10-8 NMSA 1978 created the Governor's Commission on Disability. The commission has 15 members, with nine appointed by the governor. Six members are representatives of other state agencies: the secretaries of the Human Services, Workforce Solutions, Children, Youth and Families and Aging and Long-Term Services departments 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 their full participation in their communities.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,183.1	1,180.8	1,274.7	1,209.1	2.4
Federal Revenues	428.5	498.0	465.4	465.4	-6.5
Fund Balance	0.0	123.5	100.0	100.0	-19.0
SOURCES TOTAL	1,611.6	1,802.3	1,840.1	1,774.5	-1.5
USES					
Personal Services and Employee Benefits	965.3	1,039.5	1,035.4	1,035.1	-0.4
Contractual Services	204.2	269.6	202.2	202.2	-25.0
Other	442.1	493.2	602.5	537.2	8.9
TOTAL USES	1,611.6	1,802.3	1,840.1	1,774.5	-1.5
FTE					
Permanent	10.0	10.0	10.0	10.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

AT A GLANCE:

The Governor's Commission on Disability's (GCD) request for general fund revenue was \$1.3 million, an 8 percent increase over the FY19 operating budget. The commission requested \$32.6 thousand less federal revenue but maintained the use of \$100 thousand in fund balances. The agency anticipates its fund balance will be depleted in FY20 and requested general fund revenue to replace some of the fund balance annually appropriated for the past three years. The request also included additional funding to purchase assistive technology equipment and devices for clients, home modifications for persons with disabilities, and quality of life independent living services.

The committee recommends just over a 2 percent increase in general fund revenue to fund additional equipment and services for persons with disabilities and includes use of \$100 thousand in fund balances to support agency operations. The recommendation supports the agency's request for personnel costs and contractual funding for the children's helmet safety program but reduces contractual and other spending to more closely align with FY18 actual expenditures. Additionally, the commission requested \$20.7 thousand for information technology rates, but LFC recommends \$15 thousand for the rates approved by the Department of Finance and Administration in the FY20 agency instructions.

The commission conducts architectural plan reviews to improve accessibility for people with disabilities, and its residential accessibility modifications program (RAMP) has tripled in size over the past few years. GCD should seek grants and other revenue sources to support expansion of these services. The commission had no audit findings in FY17 and met all performance targets except the percentage of constituent inquiries addressed, which ended the year at 99.5 percent.

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	990.1	984.4	1,074.3	1,009.0	2.5
Federal Revenues	428.5	498.0	465.4	465.4	-6.5
Fund Balance	0.0	123.5	100.0	100.0	-19.0
SOURCES TOTAL	1,418.6	1,605.9	1,639.7	1,574.4	-2.0
USES					
Personal Services and Employee Benefits	896.5	969.0	964.5	964.5	-0.5
Contractual Services	149.7	199.4	152.0	152.0	-23.8
Other	372.4	437.5	523.2	457.9	4.7
TOTAL USES	1,418.6	1,605.9	1,639.7	1,574.4	-2.0
FTE					
Permanent	9.0	9.0	9.0	9.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of requested architectural plan reviews and site inspections completed	96.8%	100%	99%	99%	99%
Output	Number of technology assistance program devices loaned statewide	770	659	550	550	600
Output	Number of technology assistance program outreach presentations, trainings and events	104	202	125	125	150
Outcome	Percent of constituent inquiries addressed	99.3%	99.5%	99%	99%	99%

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	193.0	196.4	200.4	200.1	1.9
SOURCES TOTAL	193.0	196.4	200.4	200.1	1.9
USES					
Personal Services and Employee Benefits	68.8	70.5	70.9	70.6	0.1
Contractual Services	54.5	70.2	50.2	50.2	-28.5
Other	69.7	55.7	79.3	79.3	42.4
TOTAL USES	193.0	196.4	200.4	200.1	1.9
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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of individuals receiving education or training on brain injury issues who demonstrate increased knowledge as evidenced by pre- and post-training tests	95%	96%	96%	96%	96%
Output	Number of individuals who received technical assistance regarding brain injury	3,191	3,406	3,200	3,200	3,300

STATUTORY AUTHORITY:

The Developmental Disabilities Planning Council (DDPC) was created to comply with the federal Developmental Disabilities Assistance and Bill of Rights Act and functions as a statewide planning and advocacy agency for people with developmental disabilities (Sections 28-16A NMSA 1978). The council is composed of no fewer than 18 members and at least 60 percent of the members must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. The council includes the Office of Guardianship, responsible for providing guardianship services to individuals assigned by the judiciary as being unable to manage their financial affairs (Section 45-5-310 NMSA 1978).

MISSION:

The Developmental Disabilities Planning Council will engage in advocacy, capacity building, and systemic change activities to contribute to a culturally competent and coordinated system of community services, supports, and other forms of assistance that are individual- and family-centered and -directed and to enable individuals with disabilities to exercise self-determination, be independent, be productive, and be integrated and included in all facets of community life.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	5,072.4	5,133.0	5,133.0	5,133.0	0.0
Other Transfers	414.4	625.0	625.0	625.0	0.0
Federal Revenues	497.0	497.0	501.8	501.8	1.0
Fund Balance	263.3	263.3	398.0	398.0	51.2
SOURCES TOTAL	6,247.1	6,518.3	6,657.8	6,657.8	2.1
USES					
Personal Services and Employee Benefits	982.9	1,179.5	1,344.6	1,344.6	14.0
Contractual Services	4,591.8	4,837.0	4,811.4	4,811.4	-0.5
Other	511.1	501.8	501.8	501.8	0.0
TOTAL USES	6,085.8	6,518.3	6,657.8	6,657.8	2.1
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	18.0	18.0	18.0	18.0	0.0

AT A GLANCE:

The council's FY20 request from the general fund was flat with the FY19 operating budget. However, the council's request would increase revenue from Office of Guardianship fund balances by \$134.7 thousand, a 51.2 percent increase. The personnel cost request in the Office of Guardianship (OOG) is sufficient to fill 2 vacant FTE, including an attorney position, and would slightly reduce allocations for corporate guardianship contracts. The request for the Developmental Disabilities Planning Council (DDPC) Program was relatively flat with the FY19 operating budget.

Given the sizable \$3.2 million in OOG fund balances, the LFC recommendation supports the council's request for a 51.2 percent increase in the use of fund balance revenue. The LFC recommendation recognizes the need to ensure OOG legal services are not diminished and fully funds the council's request to fill vacancies, including an attorney position. Additionally, LFC supports language for budget adjustment request increases to ensure the council has access to fund balances to reduce the corporate guardianship case backlog. However, the recommendation does not support the request for continued nonreverting language given the likelihood of continued growth in fund balances.

BUDGET ISSUES:

Following the U.S. Marshal Service 2017 raid and subsequent closure of Ayudando Guardians, an OOG contractor, the Office of the State Auditor (OSA) issued an emergency risk advisory against DDPC. OSA's report revealed widespread failure of OOG to oversee contract guardians, including Ayudando Guardians. The advisory stated OOG had few systems in place or resources to conduct contract oversight duties and only 2-of-21 guardianship contracts were monitored throughout FY17.

However, in August 2018, OOG entered into 41 new contracts totaling \$4.2 million for FY19. OOG may be ill-equipped to oversee all of these contracts given OSA's findings of little oversight. OOG recently executed two separate \$50 thousand contracts with Disabilities Rights New Mexico (DRNM) and Veritas Athena to conduct guardianship contract oversight. However, the executive director of DRNM is a council member and this contract may not be in compliance with the procurement code.

These two contracts are somewhat duplicative of recent efforts undertaken by the Administrative Office of the Courts and OSA to step up guardian oversight. Following the Ayudando scandal, the Legislature appropriated \$1 million from OOG's fund balances to the Administrative Office of the Courts, and the state enacted several key guardianship reforms related to transparency and oversight. One key reform allows for annual audits of guardians and requires guardians to comply with the new audits. To implement this provision, the Administrative Office of the Courts entered into a memorandum of understanding with OSA that requires OSA to audit OOG contractors and includes language listing each of the contractors. OOG also has contract oversight functions in-house with three compliance officers, two social workers, and an attorney position.

Currently, corporate guardianship services has a six month wait list and the wait list negatively affects other government services. In one example, a recent *LFC Health Notes* report found that increased lengths of stay are driving up costs at the Adult Psychiatric Division of the Behavioral Health Institute in Las Vegas. Many clients of the division can be difficult to place and may end up spending months or even years in the extended care units at the division sometimes because clients are waiting for the appointment of a guardian by the Office of Guardianship.

However, neither the oversight nor the wait-list issues are the result of a lack of budgetary resources. For several years, OOG received more than adequate general fund appropriations and the office was not required to revert year-end funds, allowing fund balances to accumulate, topping out at \$3.4 million in FY18. In FY18, OOG spent about \$200 thousand to transfer nearly 200 guardianships from Ayudando to other guardians. Even with this one-time expenditure, OOG will likely continue to grow fund balances by another \$300 thousand from unspent FY18 revenue.

The agency added several new performance measures for FY20, which should allow for improved oversight of corporate guardianship contractors. New measures are related to wait-list trends, comprehensive service reviews and investigations, and complaints lodged against contractors. LFC also recommends converting the measure on the number of guardianship investigations completed from explanatory to outcome based.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for persons with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY (dollars in thousands)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	704.0	690.4	690.4	690.4	0.0
Other Transfers	75.0	75.0	75.0	75.0	0.0
Federal Revenues	497.0	497.0	501.8	501.8	1.0
SOURCES TOTAL	1,276.0	1,262.4	1,267.2	1,267.2	0.4
USES					
Personal Services and Employee Benefits	460.0	580.7	585.5	585.5	0.8
Contractual Services	310.5	305.6	305.6	305.6	0.0
Other	357.6	376.1	376.1	376.1	0.0
TOTAL USES	1,128.1	1,262.4	1,267.2	1,267.2	0.4
FTE					
Permanent	7.0	7.0	7.0	7.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

PERFORMANCE MEASURES						
		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
Output	Number of individuals with developmental disabilities and family members trained on leadership, self-advocacy and disability-related issues	0	3,050	1,000	3,100	3,100
Output	Number of outreach and training activities conducted statewide focused on accessing community supports	NEW	193	125	200	200

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of contacts with individuals with developmental disabilities and family members to assist in accessing information on local, community-based health resources	NEW	9,891	550	9,900	9,900
Output	Number of training opportunities for individuals with developmental disabilities to become leaders and train and mentor others with developmental disabilities	NEW	86	50	90	90
Outcome	Percent of projects that promote meaningful employment opportunities and public awareness that people with developmental disabilities can work	NEW	100%	100%	100%	100%
Output	Number of presentations, training, and technical assistance provided statewide that promote individualized and inclusive educational opportunities within the school system for students with developmental disabilities	NEW	167	50	170	170

OFFICE OF GUARDIANSHIP

The purpose of the office of guardianship is to enter into, monitor and enforce guardianship contracts for income-eligible persons and to help file, investigate and resolve complaints about guardianship services provided by contractors to maintain the dignity, safety and security of the indigent and incapacitated adults of the state.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	4,368.4	4,442.6	4,442.6	4,442.6	0.0
Other Transfers	339.4	550.0	550.0	550.0	0.0
Fund Balance	263.3	263.3	398.0	398.0	51.2
SOURCES TOTAL	4,971.1	5,255.9	5,390.6	5,390.6	2.6
USES					
Personal Services and Employee Benefits	522.9	598.8	759.1	759.1	26.8
Contractual Services	4,281.3	4,531.4	4,505.8	4,505.8	-0.6
Other	153.5	125.7	125.7	125.7	0.0
TOTAL USES	4,957.7	5,255.9	5,390.6	5,390.6	2.6
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	10.0	10.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of comprehensive service reviews conducted	NEW	NEW	NEW	16	16
* Outcome	Average amount of time spent on wait list	NEW	NEW	NEW	6 Months	6 Months
Output	Number of corporate guardianship contractor complaints received by the contractor	NEW	NEW	NEW	10	10
* Outcome	Number of guardianship investigations completed	NEW	1			20
Explanatory	Number of corporate guardianship contractor complaints processed by office of guardianship within state rule guidelines	NEW	NEW			
Outcome	Average number of people on the wait list each month	NEW	NEW	NEW	50	50

STATUTORY AUTHORITY:

The Miners' Hospital of New Mexico was created by the state constitution and is guided by Sections 23-3-1 through 23-3-3 NMSA 1978 and its enabling statute provides for the free or reduced-cost treatment and care of resident miners. The hospital is a beneficiary of the land grant permanent fund. Miners who have the ability to pay for their care are billed for services. The facility operates a rural health clinic, a 37-bed long-term care facility, and a 25-bed critical access hospital that also provides healthcare to nonminers. An outreach program exclusively for miners uses a mobile van equipped to do chest x-rays, pulmonary function tests, and audiology tests. Revenues from Medicare, Medicaid, third-party payers, and private patient payments also support the hospital. The hospital does not receive general fund appropriations and all revenues are nonreverting.

MISSION:

The mission of the Miners' Hospital of New Mexico, an agency of the state of New Mexico, is to be the leader in healthcare, 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	8,679.2	6,300.0	6,500.0	6,500.0	3.2
Federal Revenues	10,034.1	7,517.4	10,615.7	10,225.4	36.0
Other Revenues	14,311.7	16,734.0	14,880.0	14,537.0	-13.1
SOURCES TOTAL	33,025.0	30,551.4	31,995.7	31,262.4	2.3
USES					
Personal Services and Employee Benefits	16,738.9	18,459.8	18,865.4	18,865.4	2.2
Contractual Services	7,956.7	4,252.3	5,986.8	5,253.5	23.5
Other	7,176.6	7,839.3	7,143.5	7,143.5	-8.9
TOTAL USES	31,872.2	30,551.4	31,995.7	31,262.4	2.3
FTE					
Permanent	207.5	207.5	235.0	235.0	13.3
Term	16.5	16.5	20.0	20.0	21.2
Temporary	34.0	0.0	3.0	3.0	
TOTAL FTE POSITIONS	258.0	224.0	258.0	258.0	15.2

AT A GLANCE:

The Miners' Hospital of New Mexico requested an increase of \$1.4 million, or 4.7 percent, in additional funding over the FY19 operating budget to support the rising costs of medical supplies, pharmaceuticals, and services. Given the variability in patient revenue collected in the past few years, the LFC recommends a 2.3 percent increase for additional nursing services, supplies, and medications.

BUDGET ISSUES:

The hospital requested a \$2.9 million increase in federal Medicare revenue and a reduction of almost \$2 million in other revenues from individual patients compared with the FY19 operating budget. The hospital requested an increase of \$1.7 million, or 41 percent, for contractual spending compared with the FY19 operating budget primarily for traveling nurses. Concurrently, the hospital requested authorization for an additional 31 FTE for 12 double-filled positions and 34 temporary positions not eligible for benefits. These positions have been filled for years per approval from the State Personnel Office and the Department of Finance and Administration, but authorization of the FTE will allow them to receive employee benefits, enhancing recruitment and retention.

The LFC recommendation supports the agency request to authorize 31 FTE to reflect actual expenditures and FTE levels. The personnel cost increase of 2.2 percent over FY19 is associated with employee benefits because employees in positions converted from temporary to permanent status will be entitled to employee benefits. Authorizing these positions will correct the FTE count and assure all hired personnel are eligible to receive benefits. LFC recommends an increase of \$1 million, or 24 percent, for contractual spending compared with FY19 levels primarily for contract nurses. The hospital expended \$6.9 million in FY18 for contract nurses, and the recommendation combines an increase in contractual funding with the authorization of additional FTE in an effort to maintain sufficient staffing levels while controlling costs for expensive contract nurses. The LFC recommendation also assumes slightly less growth than requested for Medicare and individual patient revenues. However, if these revenues materialize, they can be added to the budget using budget adjustment authority.

As healthcare reform changes are implemented by Medicare and Medicaid, the facility reports it is being proactive and working to implement value-based purchasing models that will reward quality and value over quantity for care delivered to its patients.

Miners' Trust Fund. The Ferguson Act and the Enabling Act for New Mexico of 1898 and 1910, respectively, set aside 50 thousand acres of trust land, income from which supports miners' hospital. Royalty revenue is deposited in a land grant permanent fund for the hospital. The principal in the fund was \$149.2 million at the end of FY18, up from \$142 million at the end of FY17. Annually, a portion of the fund is deposited into the miners' trust income fund which grew to about \$17.7 million at the end of FY18 from \$12.7 million at the end of FY17. The hospital is appropriated about \$6 million annually from the income fund. The LFC recommendation funds \$6.5 million from the income fund. The hospital traditionally limits using the funds to operating the hospital for miners, but a limited patient base and the difficulty in recruiting and retaining staff may result in the revenue and fund balances in these designated funds continuing to grow when they could be more fully leveraged to provide health services for the people of the region.

Rural Hospital Operations. In the 25-bed critical access acute care facility, the hospital's services are similar to other rural and county hospitals where people from all over northern New Mexico, not just miners, are served. This portion of the hospital is state-owned and receives patient revenues from third-party insurance payers, Medicare, and Medicaid. In past years, the hospital's net patient revenues have increased, and in FY16, the hospital transferred \$1.3 million to the Human Services Department (HSD) to provide the state match for Medicaid funds. However, the hospital has made no further transfers to HSD because patient revenue has varied, and legislative language requesting the hospital transfer funds to leverage Medicaid dollars was vetoed for the past three years.

Performance. The hospital's 2014 audit contained an undesirable disclaimed opinion, meaning the agency was unable to support its financial statements. In the 2015 audit, the hospital had 13 findings; in the 2016 audit, it had 12. In the 2017 audit, the most recent, the hospital had 10 new findings and a majority of the 12 prior-year findings remained unresolved. The findings were related to financial reporting and internal financial controls, lack of controls over the patient revenue cycle, failure to adhere to monthly closing schedules, lack of documentation for individuals qualifying for indigent care, late submission of the audit report, inappropriate use of fuel cards, exceeding travel and per diem limits, incomplete inventory valuations, and improper disposal of fixed assets.

In FY18, the hospital met just over half of its performance targets and did well on infection control, patient falls, patient readmissions, and medication errors. These measures are important because the Centers for Medicare and Medicaid Services can withhold federal funds for patient reimbursements if the hospital does not perform well. The hospital did not meet performance targets for outpatient visits, occupancy rates, surgeries performed, average length of stay, and accounts receivable.

Capital Outlay. For FY20, the hospital is requesting reauthorization of unexpended capital outlay appropriations from prior years to fund \$300 thousand in parking lots repairs and \$120 thousand to purchase three vans to transport long-term care patients.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the healthcare program of miners' hospital of New Mexico include six million five hundred thousand dollars (\$6,500,000) 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

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
Outcome	Percent of budgeted revenue collected	100%	100%	100%	100%	100%
Outcome	Annual percent of healthcare-associated infections	0.1%	1.2%	<1.5%	<1.5%	<1.5%
Outcome	Average patient length of stay, in days, for the acute care facility	4.9	4.8	3	3	3
Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	2%	3%	<4%	<4%	<4%
Output	Number of outpatient visits	9,337	14,089	12,000	12,000	13,000
Output	Number of visits to the outreach clinic	431	347	700	400	425
Output	Number of surgeries performed	1,126	702	950	N/A	925

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of occupancy at nursing home based on licensed beds	73%	70%	80%	80%	80%
Efficiency	Gross number of days in accounts receivable	63	96	50	50	50
* Quality	Percent of patients readmitted to the hospital within thirty days with the same or similar diagnosis	1%	1%	<2%	<2%	<2%
Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes	24%	4%	<12%	<12%	<12%
* Quality	Percent of emergency room patients returning to the emergency room with same or similar diagnosis within seventy-two hours of their initial visit	1.2%	0.1%	<1%	<1%	<1%
Quality	Percent of acute care patients screened for appropriate pneumococcal vaccine status and administered vaccine prior to discharge when indicated	0%	90%	>85%	>85%	>85%
Quality	Rate of medication errors per one thousand medications administered	0.1%	0.1%	<1%	<1%	<1%
Outcome	Percent of patients who return to mobile outreach clinic every three years to evaluate the progression of their pulmonary disease disability	68%	62%	70%	70%	70%
Quality	Annual percent occupancy of adult residential shelter care homes based on licensed beds	NO DATA	NO DATA	NO DATA	50%	50%
Output	Percent occupancy in acute care facility based on number of licensed beds	21%	34%	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, Administration, Medical Cannabis, and Health Certification, Licensing and Oversight.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	283,269.5	292,148.9	309,712.4	311,112.4	6.5
Other Transfers	32,376.2	35,438.4	35,937.9	36,867.2	4.0
Federal Revenues	92,520.6	106,359.2	107,674.2	101,991.8	-4.1
Other Revenues	105,039.4	109,141.3	110,090.4	110,658.9	1.4
Fund Balance	1,936.2	0.0	0.0	0.0	
SOURCES TOTAL	515,141.9	543,087.8	563,414.9	560,630.3	3.2
USES					
Personal Services and Employee Benefits	189,591.1	208,965.8	208,596.3	206,891.7	-1.0
Contractual Services	70,778.9	74,797.8	76,190.5	76,821.7	2.7
Other	135,641.7	141,567.6	152,721.5	144,991.1	2.4
Other Financing Uses	113,128.3	117,756.6	125,906.6	131,925.8	12.0
TOTAL USES	509,140.0	543,087.8	563,414.9	560,630.3	3.2
FTE					
Permanent	2,528.5	2,505.5	2,505.5	2,505.5	0.0
Term	992.0	1,013.0	1,013.0	1,013.0	0.0
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	3,535.5	3,533.5	3,533.5	3,533.5	0.0

AT A GLANCE:

Aside from filling IT staff vacancies, the majority of the department's request is in the Developmental Disabilities Support Division (DDSD). Within DDSD, the department requested a general fund increase of \$15.2 million, or 9.8 percent more than the FY19 operating budget, primarily to implement developmental disability provider rate adjustments and to offset the increased average cost to provide services on the developmental disabilities Medicaid waivers. Requested amounts would also make costs associated with the Jackson class action lawsuit concerning disability services recurring and pay for caseload increases in the Family, Infant, Toddler Program.

The LFC recommendation supports much of the department's request but includes funding to take approximately 308 people off the waiting list for developmental disabilities services and funding to improve services for roughly 4,000 people who will remain on the waiting list. If the department chooses, it could make significant improvements in the next year. A recent LFC evaluation of the two Medicaid waiver programs for people with developmental disabilities, so-called because services are alongside those traditionally offered by Medicaid, made several recommendations on cost-containment and prompted conversations to start the reform process, which could include either creating a new supports waiver or reforming the current waivers.

Additional advancements the department is in the position to make include improving direct-care staff recruitment and retention following significant raises for nurses in FY19, making in-patient services for substance use disorders more self-sustaining, and ending the 30-year Jackson class-action lawsuit. Also, a forthcoming LFC program evaluation department's early childhood programs promises to help the department improve services for young children.

BUDGET ISSUES:

The budget request did not indicate the department is fully positioning itself to make needed changes. For example, the department requested \$4 million because the average cost of services for people on the Mi Via and developmental disabilities Medicaid waivers is increasing. However, the department has no plans to manage the cost increases. Also, the length of time people wait to access developmental disabilities Medicaid waiver services continues to increase, but the department did not request any funding to serve people and remove them from the waiting list. In the Facilities Management Program, several behavioral health and substance misuse programs stand to experience significant Medicaid windfalls. However, the department has no apparent plan to reprioritize current funding to improve services or increase the program's reach.

Services for People With Developmental Disabilities. The request for general fund revenue for the Developmental Disabilities Support Division was a \$15.2 million, or 9.8 percent, increase over the FY19 operating budget. The request included \$4 million for average individual budget increases for people receiving services on the developmental disability (DD) and Mi Via Medicaid waivers, \$1.6 million for 2 percent increases in DD waiver provider rates, \$3 million for anticipated Jackson lawsuit trial expenses, \$1.4 million for increased Family, Infant, Toddler Program (FIT) caseloads, \$5.1 million for FIT provider rate increases based on a rate study conducted in 2017, and \$113.5 thousand for personnel costs in the DD dental clinic, moved to the division in FY19. The department did not request funding to remove people from the waiting list to receive services under either the DD Medicaid waiver or the Mi Via waiver.

The LFC recommendation supports much of the request but includes \$7 million to add approximately 308 slots for people awaiting placement on the two Medicaid waivers for people with developmental disabilities. With multiple budgetary demands within DDS, the committee recommends implementing roughly half of the requested rate increase for FIT. LFC did not recommend the requested \$3 million for Jackson lawsuit litigation in the base because this is a nonrecurring cost. Instead, LFC recommended a special appropriation for this purpose.

The committee also recommends \$1.5 million, with language, to improve services for people on the waiting list, who can wait longer than 10 years before placement into a slot. Currently 6,436 people are on the central registry, a database used to track developmental disabilities clients who are either waiting for developmental disability Medicaid waiver services or have signed up to be on one of the waivers but have not yet been determined eligible. Of those on the registry, 4,085 are Medicaid beneficiaries who receive services through a managed care organization with an additional 1,036 clients receiving services on the Medicaid community benefit. The community benefit provides more services than traditional Medicaid, such as assisted living, employment supports, and environmental modifications. At the same time, using unmatched general fund revenue, the Department of Health provides nontraditional Medicaid services to people on the registry. The Human Services Department and the Department of Health have not analyzed both programs to ensure there are no gaps or duplication. The \$1.5 million, with language, is intended to address service gaps, reduce duplication, and improve these services.

Need for Reform. A recent LFC evaluation of the developmental disabilities (DD) and Mi Via Medicaid waivers prompted discussion of whether the state should begin reforming the two waivers that provide services to people with developmental disabilities. Key recommendations included instituting the Community First Choice option to leverage a greater Medicaid match rate for people on the waiver waiting list and working to improve cost-containment following several years of litigation. However, the department's request reflects little if any movement in the direction of reforming services for people with developmental disabilities or in implementing LFC evaluation recommendations. Moreover, the department's request for \$4 million to supplement average cost increases signals the department lacks a plan to contain costs in the near future.

Limited cost-containment capability – a result of litigation and other structural issues – is contributing to average annual cost growth in each of the Medicaid waivers for people with developmental disabilities. As noted in a recent evaluation of the two waivers, total expenditures have continued to increase while enrollment in the developmental disabilities waiver is leveling out. The majority of overall spending increases are because of sharp increases in enrollment and average cost increases in the Mi Via waiver. For example, the average individual cost to provide services to people on Mi Via more than doubled from \$29 thousand in FY10 to \$60 thousand in FY17. The report found expenditures on some of the more expensive services, such as in-home supports, grew from less than 9 percent of total Mi Via costs in FY12 to 40 percent of total costs in FY17. Average annual client budgets are growing closer to established caps. Furthermore, some Mi Via clients require a waiver from the individual annual budget cap.

The report recommended working toward improved cost-containment by implementing an evidence-based assessment and allocation tool to determine appropriate levels of services. Several years ago, the department ended its use of an evidence-based tool, the supports intensity scale, after a lawsuit and settlement over how it implemented the tool. However, under the settlement the department was not required to stop using the tool. The department should consider either reinstituting the tool with proper safeguards in place or finding another evidence-based tool to determine appropriate service levels and types. The report also recommended monitoring budget allocation trends over time to determine the need for increased oversight and validation of client budgets.

Developmental Disabilities Provider Rates. In July 2018, the department announced it began the process to submit a developmental disabilities (DD) waiver plan amendment to the federal government to request a 2 percent across-the-board rate adjustment for DD service providers. The amendment would have to undergo a public comment period and would not be effective until January 2019. The rate increase will cost \$1.6 million in general fund revenue annually. The department requested a supplemental appropriation for FY19 and a base increase for FY20. Additionally, the department hired an independent contractor to conduct a rate study that should be complete by June 30, 2019.

The request also included \$5.1 million in general fund revenue to fund a Family, Infant, Toddler Program provider rate increase, based on a rate study conducted in 2017. The study included an analysis of market salaries, provider wages, provider revenues and expenses, and a time study. Recommended rate changes range from decreasing home and community services in a group setting by 7.7 percent to increasing individual service center based services by as much as 85 percent. Given all the budget pressures within DDSD, the LFC recommendation includes \$2.6 million to implement about half the rate increase.

Family, Infant, Toddler Caseload Increase. The number of children served in the FIT Program has increased by 2,923 children since FY14, or about 23 percent. Because of this, the Department of Health's FY20 base general fund revenue request included \$1.4 million to serve the additional children in the federal Individuals with Disabilities Education Act (IDEA) Part C entitlement program. The increased caseload required the Legislature to approve, \$1.3 million supplemental appropriation for FY18; the program will require a \$1.4 million supplemental appropriation for FY19. Revenue to run FIT in FY20 includes \$23.5 million from the general fund and a projected \$29 million in federal revenue from Medicaid and IDEA Part C grants. About one-third of the children served through the FIT program are Medicaid eligible, and FIT transferred about \$8 million in FY18 to Medicaid, where it was matched with about \$20.4 million in Medicaid revenue. Revenue to serve the other two-thirds of FIT children comes primarily from a mix of general fund revenue and federal IDEA Part C grants.

Behavioral Health, Substance Misuse, and Long-Term Care Facilities. The department's request for the Facilities Management Division increased general fund revenue by \$250 thousand and assumed a \$1 million increase in patient revenue. The requested amount from the general fund would allow for bed replacement on a recurring schedule. The department also requested a \$2.6 million reduction for personnel costs because of a high number of funded but unfilled positions. LFC's recommendation did not include the requested \$250 thousand for bed replacement because the program reverted about \$2.1 million in FY18. However, the LFC recommendation did include \$750 thousand with matching revenue for an average 11.5 percent psychiatric technician salary adjustment.

Direct Care Staff Salaries. In FY19, nurses at the department's facilities received an average 20 percent salary adjustment on top of the legislatively appropriated average 2 percent adjustment for all state employees and 2.5 percent targeted toward Department of Health direct-care staff. The plan cost \$5.9 million and the department is paying for it with improved billing, a reduction in contracted nursing staff, and reduced overtime, a strategy long supported by LFC. Given the adjustments, and pending a statewide salary study, department nurses should not require an extraordinary increase in FY20.

Certain critical classifications were not a part of the FY19 nurse salary plan. With a \$12.94 average hourly salary and a nearly 40 percent vacancy rate among psychiatric technicians, the LFC recommendation includes funding for an average 11.5 percent psychiatric technician salary adjustment. The adjustment is on top of an earlier FY18 effort by the department, which increased psychiatric technician salaries by an average of 10 percent, or \$1.08 hourly. The recommended adjustment equates to an average of \$1.29 hourly starting in July 2019 and should improve recruitment and retention.

Greater Self-Sustainability. Several behavioral health and substance use disorder units within Department of Health facilities could soon experience substantial Medicaid windfalls. Starting in January 2019, services provided by the inpatient medical detoxification and inpatient social rehabilitation units at Turquoise Lodge Hospital in Albuquerque and the Rehabilitation Center in Roswell are expected to become eligible for Medicaid reimbursement. Additionally, the Rehabilitation Center in Roswell recently opened a 28-day accredited residential treatment center and these services are also expected to be fully Medicaid reimbursable. Moreover, in July 2019, behavioral health services of the Adult Psychiatric Division at the Behavioral Health Institute in Las Vegas are expected to become reimbursable after the Human Services Department submits a state plan amendment. Medicaid has historically covered very few inpatient mental health services for adults, with Medicaid reimbursement, primarily limited to acute or emergency situations where hospitalization is medically necessary. However, driven by the national opioid addiction crisis, the Center for Medicare and Medicaid Services (CMS) recently took steps to make many behavioral health and substance abuse inpatient services more accessible.

The LFC recommendation includes language requiring the department to evaluate and plan for how the facilities can fully leverage this newly available Medicaid funding. The language requests the department to report its findings to the governor, Legislative Health and Human Services Committee, and LFC.

Additionally, Turquoise Lodge Hospital plans to move the hospital from its current shared space with Bernalillo County to leased space at the Gibson Medical Center in Albuquerque while administrators plan, design, and construct a new facility. The department's FY20 capital outlay request included \$278.8 thousand for programming and schematics, and the hospital anticipates a \$1.3 million request for FY21 to design a new hospital building. The hospital's immediate plans call for a one-day staff and patient move to the leased space in March 2019. Administrators claim the move to the leased space will result in a projected \$2 million increase in patient revenues because, the hospital will receive joint commission accreditation status soon after the move allowing the hospital to leverage more Medicaid revenue under pending Medicaid state plan changes. The projected increase in revenue will offset an anticipated \$30 thousand increase in rent. The hospital will also increase capacity from 32 beds to 40 beds and will increase space for additional intensive outpatient treatment tracks which are fully Medicaid reimbursable.

The department should also save about \$500 thousand annually from refinancing the existing debt from the construction of Fort Bayard Medical Center through a New Mexico Finance Authority public project revolving fund lease-purchase agreement. The \$55.2 million in from the deal include allocations for infrastructure and repairs at the facility, including an amount to switch the hospital's water supply from the village of Santa Clara to a spring on campus. The campus springs project will improve the life span of the hospital's plumbing infrastructure because the current Santa Clara water is hard and campus spring water is soft.

Public Health. In recent years, the Public Health Program has requested more budget authority for the federal Women, Infants, and Children supplemental food program than needed and in FY20 requested \$11.3 million more in federal revenue than was spent in FY18. The LFC recommendation for the program adjusts revenue from the Women, Infants, and Children program by \$6 million to resemble FY18 expenditures. If more revenue for the program becomes available because of increased caseloads, Section 6-3-23 (D) NMSA 1978 allows for federal revenue budget increases.

To address the teen pregnancy and unplanned pregnancy rates, the LFC recommendation includes a special appropriation of \$1.1 million for a long-acting reversible contraceptive (LARC) mentorship program available for expenditure in FY19 and FY20. To be effective, contraception must be used correctly and reliably. A 2015 LFC evaluation on teen pregnancy noted LARC devices are the most effective form of reversible birth control for young adults. LARCs, either implanted or injected, are highly effective because they do not rely on the user to remember to use them correctly and consistently. In New Mexico, Medicaid pays for LARC insertion but provider training has been inconsistent.

LFC and the Attorney General project \$35 million in total tobacco settlement revenue in FY20. By statute, half of this revenue is automatically transferred to the tobacco settlement permanent fund and the other half to the tobacco settlement program fund for distribution to beneficiaries, including the Department of Health. The LFC recommendation maintains tobacco settlement revenue for the Department of Health at levels commensurate with the FY19 operating budget and funds initiatives to promote breast and cervical cancer screenings, tobacco cessation and prevention, diabetes prevention and control, and harm reduction to prevent hepatitis C, HIV, and AIDS.

Epidemiology and Laboratory Services. The Epidemiology and Response Program requested a \$150 thousand increase in general fund revenue and a \$1.2 million increase in federal revenue from emerging infections grants. The program currently has 36 vacancies with nearly 14 funded in the FY19 base, and the request would fund another 7.2 vacant FTE in FY20. From FY17 through FY19, the program received appropriations totaling nearly \$1.4 million to fill Vital Records Bureau staff vacancies. The program likely cannot fill all of the funded vacancies it currently has. The LFC general fund recommendation for the program is flat with the FY19 operating budget.

The department requested no change for the Laboratory Services Program in FY20 and the LFC recommendation supports the request.

Health Quality and Regulation. For FY20, the program requested \$250 thousand in general fund revenue to fill vacancies. In FY19, the Health Certification, Licensing, and Oversight Program received a \$746.6 thousand, 17.8 percent increase in general fund revenue. The increase was primarily to fill vacancies and ensure the program is conducting all statutorily required surveys of hospitals and other healthcare facilities. Since the beginning of FY19, the program has filled only four of the 50 positions vacant in July 2019. The LFC recommendation does not support the requested increase in general fund revenue.

The Health Certification, Licensing, and Oversight Program does not provide quarterly performance results even though substandard care has been reported at nursing homes and other licensed entities the program oversees. Performance results for FY18 were received months after the end of the year. The purpose of the Health Certification, Licensing and Oversight Program is to ensure quality healthcare and to conduct investigations of abuse neglect and exploitation. Given the important function the program serves, performance reporting needs improvement.

Administrative Services and Medical Cannabis. For FY20, the cover letter included with the department's budget request states the department request included \$1.7 million to fill vacant IT positions. However, the department only requested a \$626.1 thousand increase over the FY19 operating budget for personnel costs, with much of the rest of the requested \$1.7 million in general fund revenue used to offset assumed reductions in federal and other revenue. The total FY20 request for the Administration Program would increase spending 13.8 percent over FY18 expenditures.

As documented in the March 2016 LFC Post-Session Review, for FY17 the department requested and the Legislature appropriated \$1.6 million to consolidate all IT functions from various programs to the Administration Program. For FY18, the Legislature appropriated another \$570.6 thousand for the same purpose and in FY19 another \$250 thousand. Because of the repeated appropriations for IT personnel, recent department wide reversions nearing \$6 million, and \$700 thousand transferred out of the personal services and employee benefits category, the FY20 LFC recommendation for the Administration Program is flat with the FY19 operating budget.

Of the 16 findings in the department's FY16 audit, most were resolved, with four repeated in the FY17 audit. The FY17 audit had 10 findings in total but none included a material weakness. FY17 audit findings included inconsistent recording of interagency transactions, inappropriate tracking of pharmacy inventory, and insufficient documentation to determine client eligibility for services in the federal Women, Infants, and Children program.

The requested amount from licensing fees for the Medical Cannabis Program is a \$16.4 thousand increase over the FY19 operating budget. The LFC recommendation supports the program's request. In November 2018, the number of active medical cannabis patients was 66,725, a 47 percent increase from the same period one year ago. Likewise, there were 7,563 active personal production licenses, a 15.5 percent increase from the prior year. However, in quarter three of 2018 the total number of cannabis plants in production was 12,741, or a 5.2 percent decrease from the prior year. The price remained relatively stable and was \$9.98 per gram in the third quarter of 2018. By statute, unspent revenue to the program in any fiscal year reverts to the general fund.

RECOMMENDED LANGUAGE:

The general fund appropriation to the health certification, licensing and oversight program of the department of health in the other category includes three hundred thousand (\$300,000) for receivership services.

The internal service funds/interagency transfers appropriations to the public health program of the department of health include five million four hundred thirty-five thousand two hundred dollars (\$5,435,200) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred fifteen thousand five hundred dollars (\$715,500) from the tobacco settlement program fund for diabetes prevention and control services, two hundred ninety-three thousand dollars (\$293,000) from the tobacco settlement program fund for harm reduction services 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 facilities management program of the department of health in the personal services and employee benefits category includes seven hundred fifty thousand dollars (\$750,000) for an average eleven-and-five-tenths percent salary adjustment effective the first full pay period after July 1, 2019 for all psychiatric technicians in budgeted positions with satisfactory job performance and a completed probationary period.

The department of health shall evaluate and plan for the ways in which department of health facilities can fully leverage newly available medicaid funding generated through recent federal and state medicaid policy changes for fiscal year 2020 and report a plan to use this newly available funding to the governor, legislative health and humans services committee and legislative finance committee on or before October 30, 2019.

The general fund appropriation to the developmental disabilities support program of the department of health includes two million six hundred thousand dollars (\$2,600,000) to support rate adjustments for family, infant, toddler program service providers, one million six hundred thousand dollars (\$1,600,000) to support rate adjustments for developmental disabilities medicaid waiver service providers, seven million dollars (\$7,000,000) for the state match of the federal medical assistance percentage to increase the number of allocated slots for home- and community-based medicaid waiver services, one million four hundred thousand dollars (\$1,400,000) to serve more children in the family, infant, toddler program and one million five hundred thousand dollars (\$1,500,000) to address service gaps, reduce duplication and improve services for people on the developmental disabilities central registry.

The general fund appropriation to the developmental disabilities support program of the department of health in the other financing uses category includes four million dollars (\$4,000,000) for the state match of the federal medical assistance percentage for average cost increases. The department of health shall develop a plan to address increasing average per capita cost increases for fiscal year 2020 and report the plan to the governor, legislative health and human services committee and legislative finance committee on or before October 30, 2019.

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 healthcare.

BUDGET SUMMARY (dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	48,246.5	49,775.3	49,775.3	49,775.3	0.0
Other Transfers	14,595.1	14,664.5	14,733.1	15,440.5	5.3
Federal Revenues	58,658.9	69,804.4	69,984.4	63,984.4	-8.3
Other Revenues	40,482.5	41,349.1	41,449.1	41,449.1	0.2
Fund Balance	35.0	0.0	0.0	0.0	
SOURCES TOTAL	162,018.0	175,593.3	175,941.9	170,649.3	-2.8
USES					
Personal Services and Employee Benefits	46,502.3	52,020.2	52,167.7	50,167.7	-3.6
Contractual Services	38,093.9	42,356.9	42,456.9	43,164.3	1.9
Other	74,520.9	80,753.9	80,855.0	76,855.0	-4.8
Other Financing Uses	462.3	462.3	462.3	462.3	0.0
TOTAL USES	159,579.4	175,593.3	175,941.9	170,649.3	-2.8
FTE					
Permanent	289.5	276.5	276.5	276.5	0.0
Term	533.0	544.0	544.0	544.0	0.0
TOTAL FTE POSITIONS	822.5	820.5	820.5	820.5	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>	
*	Explanatory	Percent of adolescents who smoke	10.6%	TBD			
	Quality	Percent of female public health office family planning clients ages fifteen to nineteen who were provided most or moderately effective contraceptives	61.2%	61.0%	≥62.0%	≥59.5%	≥62.0%
	Explanatory	Percent of third-grade children considered obese	19.4%	TBD			
	Explanatory	Percent of adults who are considered obese	29.2%	TBD			
	Explanatory	Percent of adults who smoke	16.6%	TBD			
	Explanatory	Numbers of births to teens ages fifteen to nineteen per one thousand females ages fifteen to nineteen	27.6	TBD			
	Outcome	Percent of participants in the national diabetes prevention program who were referred by a healthcare provider through the agency-sponsored referral system	NEW	0%	≥50%	≥25%	≥25%
	Outcome	Number of successful overdose reversals per client enrolled in the New Mexico department of health harm reduction program	NEW	NEW	≥0.25	0.30	0.30
	Explanatory	Diabetes hospitalization rate per 1,000 persons with diagnosed diabetes	162.3	TBD			
	Output	Percent of children in healthy kids, healthy communities with increased opportunities for healthy eating in public elementary schools	NEW	89%	≥65%	≥89%	≥89%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of New Mexico adult cigarette smokers who access New Mexico department of health cessation services	NEW	2.8%	≥3.0%	≥2.5%	≥3.0%
* Quality	Percent of school-based health centers funded by the department of health that demonstrate improvement in their primary care or behavioral healthcare focus area	NEW	NEW	≥95%	≥95%	≥95%
Outcome	Percent of older adults who have been vaccinated against pneumococcal disease	NEW	NEW	≥75%	≥75%	≥75%
* Outcome	Percent of preschoolers ages nineteen to thirty-five months indicated as being fully immunized	NEW	NEW	≥65%	≥65%	≥65%
Output	Number of teens who successfully complete teen outreach prevention programming	NEW	325	≥350	≥264	≥325

EPIDEMIOLOGY AND RESPONSE

The purpose of the epidemiology and response program is to monitor health, provide health information, prevent disease and injury, promote health and healthy behaviors, respond to public health events, prepare for health emergencies and provide emergency medical and vital registration services to New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>FY20 - 2019-2020 LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	11,802.7	9,915.7	10,065.7	9,915.7	0.0
Other Transfers	736.0	614.2	660.8	660.8	7.6
Federal Revenues	15,003.1	15,951.5	17,207.1	17,207.1	7.9
Other Revenues	520.8	625.1	411.1	411.1	-34.2
Fund Balance	125.9	0.0	0.0	0.0	
SOURCES TOTAL	28,188.5	27,106.5	28,344.7	28,194.7	4.0
USES					
Personal Services and Employee Benefits	13,080.4	14,162.7	14,777.7	14,627.7	3.3
Contractual Services	8,309.2	6,511.4	7,067.3	7,067.3	8.5
Other	6,561.8	6,432.4	6,499.7	6,499.7	1.0
TOTAL USES	27,951.4	27,106.5	28,344.7	28,194.7	4.0
FTE					
Permanent	56.0	57.0	57.0	57.0	0.0
Term	132.0	134.0	134.0	134.0	0.0
TOTAL FTE POSITIONS	188.0	191.0	191.0	191.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of vital records customers satisfied with the service they received	Not Report	99.6%	≥95%	≥95%	≥95%
Output	Percent of the New Mexico population served during mass distribution of antibiotics or vaccinations through public or private partnerships in the event of a public health emergency	12.2%	14.7%	≥18%	≥19%	≥19%
Quality	Percent of hospitals certified for stroke care	14.0%	16.2%	≥20%	≥22%	≥22%
* Explanatory	Drug overdose death rate per one hundred thousand population	24.8	TBD			
* Explanatory	Alcohol-related death rate per one hundred thousand population	66.0	TBD			
Explanatory	Fall-related death rate per one hundred thousand adults aged sixty-five years or older	91.6	TBD			
Explanatory	Cardiovascular disease death rate per one hundred thousand population	195.8	TBD			

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Sexual assault rate per one hundred thousand population	921	TBD			
Outcome	Percent of county and tribal health councils that include in their plans evidence-based strategies to reduce alcohol-related harms	NEW	11%	≥12%	≥15%	≥15%
* Outcome	Percent of retail pharmacies that dispense naloxone	34%	72.6%	≥67%	≥80%	≥80%
* Outcome	Percent of opioid patients also prescribed benzodiazepines	NEW	NEW	≤10%	≤5%	≤5%

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>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	7,199.6	7,578.0	7,578.0	7,578.0	0.0
Other Transfers	975.8	808.0	778.0	778.0	-3.7
Federal Revenues	2,267.4	2,868.3	3,108.1	3,108.1	8.4
Other Revenues	1,290.3	1,930.7	1,863.1	1,863.1	-3.5
SOURCES TOTAL	11,733.1	13,185.0	13,327.2	13,327.2	1.1
USES					
Personal Services and Employee Benefits	6,737.3	8,161.0	8,060.3	8,060.3	-1.2
Contractual Services	310.4	318.1	299.8	299.8	-5.8
Other	4,671.6	4,705.9	4,967.1	4,967.1	5.6
TOTAL USES	11,719.3	13,185.0	13,327.2	13,327.2	1.1
FTE					
Permanent	84.0	84.0	84.0	84.0	0.0
Term	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	134.0	134.0	134.0	134.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within 15 calendar days	61.2%	44.0%	≥90%	≥90%	≥90%

FACILITIES MANAGEMENT

The purpose of the facilities management program is to provide oversight for department of health facilities that provide health and behavioral healthcare services, including mental health, substance abuse, nursing home and rehabilitation programs in both facility- and community-based settings, and serve as the safety net for the citizens of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY20 - 2019-2020</u>				
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <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	58,125.8	59,595.5	59,845.5	60,345.5	1.3
Other Transfers	2,905.3	4,431.8	4,431.8	4,431.8	0.0
Federal Revenues	4,862.7	5,058.3	4,995.5	4,995.5	-1.2
Other Revenues	56,247.8	58,731.4	59,809.9	60,378.4	2.8
SOURCES TOTAL	122,141.6	127,817.0	129,082.7	130,151.2	1.8
USES					
Personal Services and Employee Benefits	88,478.4	95,405.7	92,837.5	94,156.0	-1.3
Contractual Services	9,538.5	11,314.8	11,547.9	11,547.9	2.1
Other	21,489.7	21,096.5	24,697.3	24,447.3	15.9
TOTAL USES	119,506.6	127,817.0	129,082.7	130,151.2	1.8
FTE					
Permanent	1,789.0	1,773.0	1,773.0	1,773.0	0.0
Term	4.0	5.0	5.0	5.0	0.0
Temporary	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	1,808.0	1,793.0	1,793.0	1,793.0	0.0

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Efficiency	Percent of eligible third-party revenue collected at all agency facilities	92%	88%	≥93%	≥93%	≥95%
* Efficiency	Percent of operational beds occupied	80%	81%	No Request		80%
* Efficiency	Vacancy rate for direct care positions	24.0%	25.1%	No Request		20%
Quality	Percent of long-term care residents experiencing one or more falls with major injury	NEW	3.9%	≤0.5%	≤3.0%	≤3.0%
Quality	Number of significant medication errors per one hundred patients	NEW	NEW	≤2.0	≤2.0	≤2.0

DEVELOPMENTAL DISABILITIES SUPPORT

The purpose of the developmental disabilities support program is to administer a statewide system of community-based services and support to improve the quality of life and increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 - 2019-2020		Percent Incr (Decr)
			Agency <u>Request</u>	LFC <u>Recommendation</u>	
SOURCES					
General Fund Transfers	148,664.2	154,710.2	169,923.7	172,923.7	11.8
Other Transfers	9,107.6	9,154.0	9,354.0	9,354.0	2.2
Federal Revenues	3,227.5	2,830.8	2,830.8	2,830.8	0.0
Other Revenues	1,315.6	1,385.0	1,385.0	1,385.0	0.0
Fund Balance	387.7	0.0	0.0	0.0	
SOURCES TOTAL	162,702.6	168,080.0	183,493.5	186,493.5	11.0
USES					
Personal Services and Employee Benefits	12,775.2	14,114.1	14,224.6	14,227.6	0.8
Contractual Services	12,474.1	12,045.7	12,245.7	12,245.7	1.7
Other	24,715.9	24,625.9	31,578.9	28,556.7	16.0
Other Financing Uses	112,666.0	117,294.3	125,444.3	131,463.5	12.1
TOTAL USES	162,631.2	168,080.0	183,493.5	186,493.5	11.0
FTE					
Permanent	88.0	95.0	95.0	95.0	0.0
Term	94.0	94.0	94.0	94.0	0.0
TOTAL FTE POSITIONS	182.0	189.0	189.0	189.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <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	73%	72%	≥90%	≥95%	≥95%
* Explanatory	Number of individuals receiving developmental disabilities waiver services	4,691	4,618			
* Explanatory	Number of individuals on the developmental disabilities waiver waiting list	4,234	4,834			
Outcome	Percent of adults on the developmental disabilities waiver who receive employment supports	NEW	NEW	≥35%	≥34%	≥34%
Outcome	Percent of participants on the developmental disability waiver who have a general event report	NEW	NEW	NEW	≤33%	≤33%

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 healthcare and that vulnerable populations are safe from abuse, neglect and exploitation.

BUDGET SUMMARY (dollars in thousands)					
FY20 - 2019-2020					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	4,192.6	5,010.0	5,260.0	5,010.0	0.0
Other Transfers	3,170.4	4,404.0	4,840.2	4,840.2	9.9
Federal Revenues	2,058.1	2,422.8	2,442.8	2,442.8	0.8
Other Revenues	2,009.4	1,961.7	1,997.5	1,997.5	1.8
SOURCES TOTAL	11,430.5	13,798.5	14,540.5	14,290.5	3.6
USES					
Personal Services and Employee Benefits	9,391.1	11,490.7	12,221.0	11,971.0	4.2
Contractual Services	568.5	649.3	815.1	815.1	25.5
Other	1,297.5	1,658.5	1,504.4	1,504.4	-9.3
TOTAL USES	11,257.1	13,798.5	14,540.5	14,290.5	3.6
FTE					
Permanent	57.0	57.0	57.0	57.0	0.0
Term	115.0	114.0	114.0	114.0	0.0
TOTAL FTE POSITIONS	172.0	171.0	171.0	171.0	0.0

PERFORMANCE MEASURES

		FY17 <u>Actual</u>	FY18 <u>Actual</u>	FY19 <u>Budget</u>	FY20 <u>Request</u>	FY20 <u>Recomm</u>
* Outcome	Abuse rate for developmental disability waiver and mi via waiver clients	7%	7%	≤8%	≤7%	≤7%
* Outcome	Re-abuse rate for developmental disabilities waiver and mi via waiver clients	18%	6%	≤16%	≤8%	≤7%
* Explanatory	Percent of long-stay nursing home residents receiving psychoactive drugs without evidence of psychotic or related conditions	NEW	15.9%			
* Quality	Percent of abuse, neglect and exploitation investigations completed according to established timelines	NEW	NEW	NEW	90%	90%

MEDICAL CANNABIS PROGRAM

The purpose of the medical cannabis program is to provide qualified patients with the means to legally and beneficially consume medical cannabis in a regulated system for alleviating symptoms caused by debilitating medical conditions and their medical treatments and to regulate a system of production and distribution of medical cannabis to ensure an adequate supply.

		BUDGET SUMMARY (dollars in thousands)				
		<u>FY20 - 2019-2020</u>				
		FY18	FY19		Percent	
		2017-2018	2018-2019	Agency	LFC	
		<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	
					<u>Incr</u> <u>(Decr)</u>	
SOURCES						
	Other Revenues	3,172.6	3,158.3	3,174.7	3,174.7	0.5
	SOURCES TOTAL	3,172.6	3,158.3	3,174.7	3,174.7	0.5
USES						
	Personal Services and Employee Benefits	1,674.4	1,628.0	1,698.0	1,698.0	4.3
	Contractual Services	488.5	423.5	503.5	503.5	18.9
	Other	706.0	1,106.8	973.2	973.2	-12.1
	TOTAL USES	2,868.9	3,158.3	3,174.7	3,174.7	0.5
FTE						
	Term	21.0	28.0	28.0	28.0	0.0
	TOTAL FTE POSITIONS	21.0	28.0	28.0	28.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Quality	Percent of complete medical cannabis client applications approved or denied within thirty calendar days of receipt	90.5%	99.0%	≥99.0%	≤98.5%	≥98.5%
Efficiency	Percent of registry identification cards issued within five business days of application approval	99%	99%	≥99%	≤95%	≥98%

ADMINISTRATION

The purpose of the administration program is to provide leadership, policy development, information technology, administrative and legal support to the department of health so it achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
				<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES						
	General Fund Transfers	5,038.1	5,564.2	7,264.2	5,564.2	0.0
	Other Transfers	886.0	1,361.9	1,140.0	1,361.9	0.0
	Federal Revenues	6,442.9	7,423.1	7,105.5	7,423.1	0.0
	Other Revenues	0.4	0.0	0.0	0.0	
	Fund Balance	1,387.6	0.0	0.0	0.0	
	SOURCES TOTAL	13,755.0	14,349.2	15,509.7	14,349.2	0.0
USES						
	Personal Services and Employee Benefits	10,952.0	11,983.4	12,609.5	11,983.4	0.0
	Contractual Services	995.8	1,178.1	1,254.3	1,178.1	0.0
	Other	1,678.3	1,187.7	1,645.9	1,187.7	0.0
	TOTAL USES	13,626.1	14,349.2	15,509.7	14,349.2	0.0
FTE						
	Permanent	165.0	163.0	163.0	163.0	0.0
	Term	43.0	44.0	44.0	44.0	0.0
	TOTAL FTE POSITIONS	208.0	207.0	207.0	207.0	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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 – 2019-2020		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	11,372.5	11,415.2	11,970.2	11,970.2	4.9
Other Transfers	26,457.5	31,753.8	32,872.2	32,872.2	3.5
Federal Revenues	19,232.8	24,345.4	23,777.4	23,777.4	-2.3
Other Revenues	52,737.1	41,490.1	40,781.9	40,781.9	-1.7
Fund Balance	1,860.4	10,196.2	4,608.7	4,608.7	-54.8
SOURCES TOTAL	111,660.3	119,200.7	114,010.4	114,010.4	-4.4
USES					
Personal Services and Employee Benefits	41,507.6	47,638.4	47,847.6	47,847.6	0.4
Contractual Services	8,759.4	13,588.1	12,629.6	12,629.6	-7.1
Other	16,085.4	26,576.5	21,484.0	21,484.0	-19.2
Other Financing Uses	25,845.4	31,397.7	32,049.2	32,049.2	2.1
TOTAL USES	92,197.8	119,200.7	114,010.4	114,010.4	-4.4
FTE					
Permanent	289.5	287.5	286.5	286.5	-0.3
Term	348.0	348.0	348.0	348.0	0.0
TOTAL FTE POSITIONS	637.5	635.5	634.5	634.5	-0.2

AT A GLANCE:

The Environment Department (NMED) requested a general fund increase of \$555 thousand and a corresponding reduction in the hazardous waste fund, one of the agency's many special revenue funds. Overall, the request represents a 4.4 percent decrease from the FY19 operating budget. The decreases are a result of a reduction in federal and fee-generated program revenues. The FY20 agency request reflects a slight shift in funding for personnel from the Resource Management and Water Protection Programs to the Environmental Protection Program to reduce the unfunded vacancy rate, the largest in the agency. The LFC recommendation supports the agency's request.

BUDGET ISSUES:

The agency relies heavily on special revenue from various types of application, certification, and permitting fees and funds for implementing federal laws for its operations. The recommendation includes \$45.3 million from these sources. From the corrective action fund (CAF), the largest single special revenue fund, the agency requested \$19.5 million to cover expenditures budgeted in the request. The source of these funds is the petroleum products loading fee of \$150 per 8,000 gallons of gasoline or diesel fuel, approximately 2 cents per gallon. The primary use of the CAF is clean-up of spills of fuel from gas station storage tanks; however, the agency also relies on the fund to cover personnel costs for approximately 150 FTE across the agency. The agency's vacancy rate across all programs is about 18 percent, half of which is funded. The agency notes the most difficult positions to recruit and retain are technical positions, engineers, and scientists because state salaries are not competitive with the private sector.

Water Infrastructure. Water was the primary focus of the 2014 capital outlay bill, with \$83.5 million appropriated for 200 storage, delivery, and treatment projects. NMED was tasked with overseeing \$53.2 million of the appropriation for local projects. From the original appropriation, however, 16 projects with balances totaling \$6.5 million are still active. The Legislature also appropriated \$10 million to improve and expand Bradner Dam; the project has a balance of \$2.2 million and is set to be complete in 2019. Despite the investment in water systems in recent years, New Mexico still faces significant water infrastructure issues, with an estimated \$1 billion statewide need.

More than 167 thousand New Mexicans were receiving water that did not meet health-based standards at the end of FY18. This figure is driven by infrastructure failures and poor operations and maintenance and by fires and subsequent flooding and other outside events. While the need to improve water infrastructure is clear, NMED has experienced difficulty in attracting local governments to apply for funding through the clean water state revolving loan fund (CWSRF) -- also known as the wastewater facility construction loan fund -- and the rural infrastructure revolving loan fund (RIRLF). This is because some local governments do not have capacity to take on more debt despite relatively low interest rates. In FY18, NMED awarded \$26.9 million in water project funding to 14 public water systems. Statewide, cash balances in CWSRF are \$150 million, and \$84 million is currently unobligated.

Environmental Issues. New Mexico is recovering from three large environmental contamination events. First, the Gold King mine spill cleanup will continue over five years at an estimated cost of \$10 million. In total, three million gallons of wastewater contaminated with toxic metals spilled into rivers in Colorado, New Mexico, and Utah during excavation work of the mine. Long-term cleanup efforts have not been identified as the U.S. Environmental Protection Agency (EPA) searches for a permanent solution from the superfund. In the meantime, NMED has asked for a special appropriation of \$2 million for FY19 and FY20 to provide technical support for the discovery phase of litigation against the EPA. NMED also requested a second special appropriation of \$1.3 million to clean up or match federal funds for clean-up of a number of hazardous waste sites across the state.

Second, in December, NMED approved funding for seven projects in the first funding cycle of New Mexico's Volkswagen settlement allocation. The projects will reduce nitrogen oxide emissions by 117.8 tons in communities in New Mexico. The projects include new school buses in the Gallup-McKinley and Albuquerque School Districts, a new public works vehicle for San Juan County, electric ground support equipment and associated infrastructure for Southwest Airlines and the Albuquerque International Sunport, and compressed-natural-gas-powered refuse vehicles. With the initial \$5.9 million award, NMED expects to leverage \$13.5 million in matching funding from project award partners to reduce nitrogen oxide emissions in New Mexico.

Third, remediation of the Carlsbad brine well began in fall of 2018. The \$43 million project consists of filling the cavern with over 833,355 cubic feet of a combination of high and low mobility grout and the removal and disposal of over 74 thousand barrels of brine. Such efforts are necessary to prevent collapse of the cavern between waste-isolation-pilot-project routes (U.S. 285 and U.S. 180/62), a Burlington Northern Santa Fe railway facility, and the Carlsbad Irrigation Districts southern main canal.

WATER PROTECTION

The purpose of the water protection program is to protect and preserve the ground, surface and drinking water resources of the state for present and future generations. The program also helps New Mexico communities develop sustainable and secure water, wastewater and solid waste infrastructure through funding, technical assistance and project oversight.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,178.1	2,198.1	2,198.1	2,198.1	0.0
Other Transfers	7,490.4	8,346.1	9,361.2	9,361.2	12.2
Federal Revenues	9,199.3	13,185.4	12,966.4	12,966.4	-1.7
Other Revenues	116.2	129.6	100.0	100.0	-22.8
SOURCES TOTAL	18,984.0	23,859.2	24,625.7	24,625.7	3.2
USES					
Personal Services and Employee Benefits	12,209.2	14,838.2	14,720.9	14,720.9	-0.8
Contractual Services	4,859.5	6,017.0	6,036.9	6,036.9	0.3
Other	1,915.3	3,004.0	3,867.9	3,867.9	28.8
TOTAL USES	18,984.0	23,859.2	24,625.7	24,625.7	3.2
FTE					
Permanent	72.0	72.0	72.0	72.0	0.0
Term	117.0	117.0	117.0	117.0	0.0
TOTAL FTE POSITIONS	189.0	189.0	189.0	189.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Percent of facilities operating under a groundwater discharge permit inspected each year	66%	54%	65%	65%	65%
Explanatory	Number of permitted facilities where monitoring results demonstrate compliance with groundwater standards	71%	1482			
* Outcome	Percent of assessed stream and river miles meeting water quality standards	47%	35%	50%	70%	70%
Explanatory	Percent of population served by community water systems that meet all applicable health-based drinking water standards	97%	92%			
Explanatory	Dollar amount of new loans made from the rural infrastructure and the clean water revolving fund programs	\$11,279	\$22,484			
Explanatory	Capital outlay dollars dispersed	NEW	NEW			
Explanatory	Dollar amount of new loans made from the clean water state revolving fund	NEW	NEW			
Explanatory	Dollar amount of new loans made from the rural infrastructure fund program	NEW	NEW			
Explanatory	Loan program dollars dispersed	NEW	NEW			

RESOURCE PROTECTION

The purpose of the resource protection program is to monitor and provide regulatory oversight of the generation, storage, transportation and disposal of wastes in New Mexico. The program also oversees the investigation and cleanup of environmental contamination covered by the Resource Conservation and Recovery Act.

BUDGET SUMMARY
(dollars in thousands)

			<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	1,365.1	1,380.1	1,935.1	1,935.1	40.2
Other Transfers	5,989.1	8,112.0	7,335.8	7,335.8	-9.6
Federal Revenues	4,087.3	4,539.1	4,319.0	4,319.0	-4.8
SOURCES TOTAL	11,441.5	14,031.2	13,589.9	13,589.9	-3.1
USES					
Personal Services and Employee Benefits	8,616.8	9,912.1	9,946.9	9,946.9	0.4
Contractual Services	1,291.4	2,158.1	1,748.2	1,748.2	-19.0
Other	1,533.3	1,961.0	1,894.8	1,894.8	-3.4
TOTAL USES	11,441.5	14,031.2	13,589.9	13,589.9	-3.1
FTE					
Permanent	37.0	34.0	35.0	35.0	2.9
Term	99.0	99.0	98.0	98.0	-1.0
TOTAL FTE POSITIONS	136.0	133.0	133.0	133.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements	87%	88	85%	95%	95%
* Outcome	Percent of permitted active solid waste facilities and infectious waste generators inspected found to be in substantial compliance with New Mexico solid waste rules	98%	94	95%	95%	95%
Output	Percent of large quantity hazardous waste generators inspected yearly	NEW	NEW	20%	20%	20%
Explanatory	Percent of large quantity hazardous waste generators in compliance with applicable standards	NEW	32			
Explanatory	Percent of landfills compliant with groundwater sampling and reporting requirements	97%	96%			

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to ensure New Mexicans breathe healthy air, to protect public health and the environment through specific programs that provide regulatory oversight of food service and food processing facilities, on-site treatment and disposal of liquid wastes, public swimming pools and baths and medical radiation and radiological technologist certification and to ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	5,245.1	5,260.1	5,260.1	5,260.1	0.0
Other Transfers	10,926.4	12,545.1	13,534.9	13,534.9	7.9
Federal Revenues	3,557.6	4,102.5	3,990.3	3,990.3	-2.7
Other Revenues	0.0	0.0	26.4	26.4	
SOURCES TOTAL	19,729.1	21,907.7	22,811.7	22,811.7	4.1
USES					
Personal Services and Employee Benefits	15,374.4	16,478.9	16,889.3	16,889.3	2.5
Contractual Services	627.9	1,458.7	1,504.0	1,504.0	3.1
Other	3,726.8	3,970.1	4,418.4	4,418.4	11.3
TOTAL USES	19,729.1	21,907.7	22,811.7	22,811.7	4.1
FTE					
Permanent	137.5	137.5	136.5	136.5	-0.7
Term	101.0	101.0	102.0	102.0	1.0
TOTAL FTE POSITIONS	238.5	238.5	238.5	238.5	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Percent of swimming pools and spas in compliance with state standards	100%	100%			
* Outcome	Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	95%	96%	98%	98%	98%
Explanatory	Percent of days with good or moderate air quality index rating	88%	90%			
Outcome	Percent of ionizing and non-ionizing radiation registrants and licensees in compliance with applicable standards	NEW	100%	100%	100%	100%
Outcome	Percent of priority item food-related violations issued during food establishment inspections that are corrected within timeframes specified	NEW	100%	100%	100%	100%
Output	Percent of radioactive material licensees inspected within timeframes due	NEW	NEW	95%	95%	95%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to all programs within the department. This support allows the department to operate in the most responsible, efficient and effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <u>Budgeted</u>	<u>Agency</u> <u>Request</u>	<u>LFC</u> <u>Recommendation</u>	<u>Percent</u> <u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,584.2	2,576.9	2,576.9	2,576.9	0.0
Other Transfers	2,051.6	2,750.6	2,640.3	2,640.3	-4.0
Federal Revenues	2,388.6	2,518.4	2,501.7	2,501.7	-0.7
Other Revenues	23.0	25.0	5.0	5.0	-80.0
SOURCES TOTAL	7,047.4	7,870.9	7,723.9	7,723.9	-1.9
USES					
Personal Services and Employee Benefits	5,307.2	6,409.2	6,290.5	6,290.5	-1.9
Contractual Services	362.7	454.3	540.5	540.5	19.0
Other	868.4	1,007.4	892.9	892.9	-11.4
TOTAL USES	6,538.3	7,870.9	7,723.9	7,723.9	-1.9
FTE					
Permanent	43.0	44.0	43.0	43.0	-2.3
Term	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	74.0	75.0	74.0	74.0	-1.3

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	94%	92%	98%	98%	98%
Output	Percent of positive outcomes of legal action	NEW	NEW	NEW	95%	95%

STATUTORY AUTHORITY:

The Office of the Natural Resources Trustee (ONRT) was created by Sections 75-7-1 through 75-7-5 NMSA 1978. To carry out the statutorily required responsibilities, ONRT is authorized to assess natural resource damages throughout the state, negotiate and settle damage claims without legal intervention, and manage natural resource restoration plans. Settlements paid by responsible parties into the natural resources trustee fund are used to fund the costs of natural resource damage assessments and the costs of natural resource restoration activities. The natural resources trustee fund is also used as the repository for settlement monies reimbursed to the agency for actual costs incurred by the agency in the investigation, recovery, and settlement process. ONRT is administratively attached to the Environment Department.

MISSION:

The Office of the Natural Resources Trustee is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or oil discharges into water. Natural resources include air, surface water, groundwater, and biological and geological resources.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	247.3	251.8	266.0	266.0	5.6
Fund Balance	2,509.7	1,544.5	2,056.2	2,056.2	33.1
SOURCES TOTAL	2,757.0	1,796.3	2,322.2	2,322.2	29.3
USES					
Personal Services and Employee Benefits	277.0	280.6	291.5	291.5	3.9
Contractual Services	2,461.8	1,496.1	2,008.5	2,008.5	34.2
Other	18.2	19.6	22.2	22.2	13.3
TOTAL USES	2,757.0	1,796.3	2,322.2	2,322.2	29.3
FTE					
Permanent	3.8	3.8	3.8	3.8	1.3
TOTAL FTE POSITIONS	3.8	3.8	3.8	3.8	1.3

AT A GLANCE:

ONRT has recently overseen the restoration of watersheds along the Burro Cienega and Mimbres River to enhance wildlife habitat, installation of wastewater lines in Silver City to discourage use of septic systems, remediation of a nitrate plume in Albuquerque's South Valley to improve water quality, and stabilization of exposed toxic mine tailings at two sites in Grant County to contain environmental pollution.

Contract negotiations are underway for five restoration projects in the Questa area supported by the \$4 million Chevron Questa mine settlement. ONRT, along with co-trustees the Navajo Nation and Zuni Pueblo, has been waiting for two years for a final agreement to close the settlement agreement to clean up the Fort Wingate Army Depot, which has delayed restoration projects.

ONRT requested a \$512 thousand, or 23 percent, increase from fund balance, mostly for contracts to conduct preliminary natural resource damage assessments. ONRT's general fund appropriation request was 6 percent over the FY19 operating budget. Unreserved fund balance is projected to be \$2.6 million at the end of FY20. The committee recommendation fully funds the agency request.

NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION

The purpose of the natural resources trustee program is to restore or replace natural resources injured or lost due to releases of hazardous substances or oil into the environment.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of acres of habitat benefiting from restoration	9,607	13,820	7,750	11,500	11,500
Outcome	Number of acre-feet of water conserved, restored or protected	1,018	1,092	950	950	950

STATUTORY AUTHORITY:

Sections 9-22-1 through 9-22-20 NMSA 1978 establish the Veterans' Services Department and Section 23-4-1 through 23-4-7 NMSA 1978 established the Veterans' Home and placed it under the Veterans' Services Department. The secretary is appointed by the governor with confirmation by the Senate. The department consists of the Health Care Coordination, Field Services, State Benefits, and Administrative Services divisions.

The department supports 180 thousand veterans statewide through outreach services in the department's 19 field offices and contractors who provide rural, women, and Native American veterans. The agency administers the Military Honors Program that ensures deceased veterans receive a military funeral complete with bugler and flag ceremony.

MISSION:

The Veterans' Services Department operates the long-term care facility for veterans in Truth or Consequences; disseminates information regarding laws beneficial to veterans, their surviving spouses, and dependent children; assists veterans and their dependents in the preparation and initiation of claims against the United States as a result of military service; and assists veterans, their surviving spouses, and their children in establishing the benefits and privileges to which they are entitled.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 Actuals	FY19 2018-2019 Budgeted	FY20 – 2019-2020		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,795.4	3,839.9	5,939.9	5,746.9	49.7
Federal Revenues	4,304.4	4,587.6	4,223.1	4,223.1	-7.9
Other Revenues	9,714.4	10,280.7	10,695.2	10,695.2	4.0
Fund Balance	239.7	0.0	400.0	54.5	
SOURCES TOTAL	18,053.9	18,708.2	21,258.2	20,719.7	10.8
USES					
Personal Services and Employee Benefits	13,898.7	14,222.8	15,434.9	15,408.3	8.3
Contractual Services	1,730.9	1,575.1	1,875.0	2,001.1	27.0
Other	2,996.2	2,910.3	3,948.3	3,310.3	13.7
TOTAL USES	18,625.8	18,708.2	21,258.2	20,719.7	10.8
FTE					
Permanent	266.0	268.0	276.3	268.5	0.2
Term	15.8	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	281.8	281.0	289.3	281.5	0.2

AT A GLANCE:

The department's base request for general fund revenue was flat. However, the department, which assumed operational oversight of the Veterans' Home in Truth or Consequences in FY18, requested two expansion items: including \$2.1 million in general fund revenue for operation of the Veterans' Home and \$400 thousand in enterprise revenues with 5 FTE for veterans' cemetery operation at Fort Stanton, Gallup, and Angel Fire. The request would also transfer 4.5 FTE from the Veterans' Services Program to the home but does not transfer the funding.

The Veterans' Home in Truth or Consequences remains a committee priority. The LFC recommendation includes an additional \$1.35 million in general fund revenues for the Veterans' Home expansion. Additionally, LFC recommends \$231 thousand in general fund revenues and \$54.5 thousand in enterprise revenues to partially fund the cemetery expansion. LFC does not support adding the full \$2.1 million in general fund revenue to the Veterans' Home's recurring budget but encourages the department to increase revenue from patients to make the hospital more self-sustainable. In the Veterans' Services Program, recurring enterprise and license plate fee fund balance revenue is insufficient to fund the 5 FTE expansion for cemeteries. The LFC recommendation uses more general fund and less fund balance revenue than requested to partially fund the expansion. LFC also recommends \$300 thousand in general fund revenue for Veterans' Integration Centers. For both programs, the committee recommends increased budget authority language in the event more internally generated revenue becomes available for hospital and cemetery operations.

BUDGET ISSUES:

The department recently hired an audit consulting firm to fix the Veterans' Home's broken financial system. At the time of this recommendation, neither the Veterans' Services Department (VSD) nor the Department of Finance and Administration were confident in reported FY18 revenues which could be off. VSD expects to submit a request for a deficiency appropriation for FY18 and a supplemental appropriation for FY19.

The recommendation recognizes the need to staff the Veterans' Home and partially supports the expansion request with \$900 thousand to fill direct-care staff vacancies. The recommendation includes \$257 thousand, transferred from the Veterans' Services Program (VSP) to the Healthcare Coordination Program for administrative personnel costs. However, the recommendation does not support adding FTE because currently 61 positions are vacant. The recommendation also funds 40 percent of the requested expansion in the other category. The request included \$1 million in the other category for questionable items and would have nearly doubled expenditures on utilities and quadruple the care and support line item over FY18 expenditures. Utilities were in use for nearly three quarters in FY18 in the new Alzheimer's skilled nursing facility and the cost of utilities will likely not double as requested.

Additionally, while the department's request shifted FTE from administration in the Veterans' Services Program (VSP) to the Healthcare Coordination Program, the request did not shift funding for these positions. The LFC recommendation adjusts the department's base funding request to move \$257 thousand to the coordination program for 4.5 FTE. The recommendation also includes \$285.5 thousand to partially support the requested expansion in VSP, an offset.

Increased Department Responsibility. Results are mixed one year after a significant Veterans' Services Department mission expansion. In FY18, the department successfully assumed oversight of the Angel Fire Vietnam Veterans' Memorial, opened the Fort Stanton Veterans' Cemetery, constructed the new Gallup Veterans' Cemetery, and made plans to break ground on a third Angel Fire cemetery. However, the department's oversight of the Veterans' Home remains a primary concern because of delays in reaching full occupancy in the new Alzheimer's skilled nursing facility, poor survey and accreditation results, slow progress improving facility conditions in the old Carrie Tingley building, and revenues well below expenditures.

Veterans' Home Facilities and Operation. Many of the delays, budgetary challenges, and facilities issues at the home originated long before the department assumed operations. However, with the transfer, fiscal and operating problems of state hospitals are more evident. VSD inherited the aged Carrie Tingley hospital building with many deficiencies. VSD also inherited the new state-of-the-art Alzheimer's, which lacked a realistic staffing plan.

As of October 2018, full occupancy and federal Veterans' Affairs licensure of the Alzheimer's unit was still delayed due to deteriorating heating systems, inadequate cooling, and other facilities issues in the Carrie Tingley building. The department has only been able to fill about 23 of the 59 beds in the unit and costs have gone up even as revenues have remained the same or declined.

The Veterans' Home operates under one federal Veterans' Affairs (VA) license and deficiencies in the old wing are delaying VA licensure of the new Alzheimer's unit. Adequate cooling in the dining facility continues to be the primary concern; temperatures regularly reach 85 degrees in the summer. The Facilities Management Division (FMD) is working to replace the heating ventilation and air conditioning (HVAC) system, but the design and installation of the system for the dining facility alone may be more than current appropriations will allow. FMD also reports replacement of the HVAC system might be delayed further due to historic preservation concerns.

The Veterans' Home also paid \$85.4 thousand in penalties according to the Centers for Medicare and Medicaid Services website. The home received three level H deficiencies defined as occurring in a pattern resulting in actual harm but not immediate jeopardy, for patient neglect, lack of care planning, and two nurses not washing their hands before or after inserting catheters. Immediately after the findings, administrators at the home blamed the problems on poor recruitment and retention. Because of the findings, the department's leadership decided to reduce the patient census to 112 of the 135 licensed beds until staffing levels improved. The reduced census led to reduced patient revenue for a significant portion of FY18 and might effect FY19.

Because of these issues and other challenges leading to poor revenue collections, the most recent FY18 department projections indicate the home overspent its budget by nearly \$4 million, and the department will require a significant deficiency appropriation on top of the \$300 thousand supplemental appropriation received last year. For FY19, projections are not much better and indicate a \$2.75 million shortfall for the year. However, the FY19 projection assumes revenue collections at the home will improve, which is possible if census levels can be elevated. Given the shortfall of around 30 percent and the inherent staffing problems in this rural location, the Veteran's Home is highly unlikely to ever be a self-sustaining operation. However, this should not deter the state from seeking to make the home as self-sustaining as possible.

Performance. Some of the reported FY18 performance results seem to conflict with revenue data. For example, in one of its performance measures, the department reported it collected nearly 88 percent of eligible third-party revenue. Given the Veterans' Home's revenue shortfall, the reported results are unlikely.

BASE EXPANSION:

The department requested two expansion items including \$2.1 million in general fund revenue for operation of the Veterans' Home and \$400 thousand in enterprise revenues with 5 FTE for veterans' cemetery operation at Fort Stanton, Gallup, and Angel Fire. The LFC recommendation partially supports both of the requests. The recommendation recognizes the need to staff the Veterans' Home and partially supports the expansion request with \$900 thousand to fill direct-care staff vacancies and funds 40 percent of the requested expansion in the other category.

Veterans' Cemeteries. The department assumes staffing each of the cemeteries will require 4 FTE for a total expansion of 16 FTE once all cemeteries are completed. The department's base in FY18 already included 7 FTE to operate the Fort Stanton and Gallup cemeteries and the expansion request would add an additional 5 FTE for a total of 12. In 2017, the department completed construction of the Fort Stanton Veterans' Cemetery and in 2018 will likely complete construction of the Gallup Veterans' Cemetery and break ground on the Angel Fire cemetery, set for construction adjacent to the Vietnam Veterans' Memorial. Given the amount of time it has taken to become fully operational, the Angel Fire cemetery will likely not be operational at the start of FY20, and winter conditions will slow construction, the first burials might not occur until FY21.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank	(Program)	Agency Request	LFC Recommendation
1 Cemetery Operations - 5 FTE	(P726)	400.0	285.5
1 Veterans' Home	(P803)	2,100.0	1,350.0
TOTAL		2,500.0	1,635.5

VETERANS' SERVICES

The purpose of the veterans' services program is to carry out the mandates of the New Mexico legislature and the governor to provide information and assistance to veterans and their eligible dependents to obtain the benefits to which they are entitled to improve their quality of life.

BUDGET SUMMARY (dollars in thousands)

	FY18 2017-2018 Actuals	FY19 2018-2019 Budgeted	FY20 - 2019-2020		Percent Incr (Decr)
			Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	3,776.4	3,820.9	3,820.9	4,120.9	7.9
Federal Revenues	574.4	320.0	370.0	370.0	15.6
Fund Balance	239.7	0.0	400.0	54.5	
SOURCES TOTAL	4,590.5	4,140.9	4,590.9	4,545.4	9.8
USES					
Personal Services and Employee Benefits	3,047.2	3,139.4	3,350.9	3,167.9	0.9
Contractual Services	442.0	255.5	456.0	631.5	147.2
Other	854.1	746.0	784.0	746.0	0.0
TOTAL USES	4,343.3	4,140.9	4,590.9	4,545.4	9.8
FTE					
Permanent	54.0	56.0	56.5	56.5	0.8
Term	5.8	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	59.8	59.0	59.5	59.5	0.8

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Quality	Percent of veterans surveyed who rate the services provided by the agency as satisfactory or above	98%	95%	90%	90%	95%
Explanatory	Number of veterans and families of veterans served by agency programs	32,000	No Report			
* Output	Number of businesses established by veterans with assistance provided by the veterans' business outreach center	NEW	18	14	16	18
* Outcome	Percent of eligible deceased veterans and family members interred in a regional state veterans' cemetery	NEW	6%	10%	10%	10%

HEALTHCARE COORDINATION

The purpose of the healthcare coordination program is to provide nursing and alzheimer's care services to veterans, surviving spouses, and gold star parents and to develop and coordinate veterans programs and outreach, including transitional living, housing and healthcare programs.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	19.0	19.0	2,119.0	1,626.0	8,457.9
Federal Revenues	3,730.0	4,267.6	3,853.1	3,853.1	-9.7
Other Revenues	9,714.4	10,280.7	10,695.2	10,695.2	4.0
SOURCES TOTAL	13,463.4	14,567.3	16,667.3	16,174.3	11.0
USES					
Personal Services and Employee Benefits	10,851.5	11,083.4	12,084.0	12,240.4	10.4
Contractual Services	1,288.9	1,319.6	1,419.0	1,369.6	3.8
Other	2,142.1	2,164.3	3,164.3	2,564.3	18.5
TOTAL USES	14,282.5	14,567.3	16,667.3	16,174.3	11.0
FTE					
Permanent	212.0	212.0	219.8	212.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	222.0	222.0	229.8	222.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Quality	Percent of long-term care residents experiencing facility acquired pressure injuries	<4%	<4%	<2%	<2%	<2%
* Explanatory	Customer overall satisfaction	NEW	90%			
* Efficiency	Percent of eligible third-party revenue collected at the facility	NEW	88%	95%	95%	95%
Quality	Number of residents requiring re-hospitalization within thirty days of admission	NEW	0%	<3	<3	<3
* Quality	Percent of long-term care residents experiencing one or more falls with major injury	<4%	3%	<4%	<4%	<4%

STATUTORY AUTHORITY:

The Children, Youth and Families Department (CYFD) was created in 1992 pursuant to Sections 9-2A-1 through 9-2A-18 NMSA 1978. The department is responsible for state policies and programs to support children, youth, and families in need in such a manner as to promote self-sufficiency and to coordinate an integrated system of care and services for children, youth, and families among the various state agencies.

MISSION:

The mission of the Children, Youth and Families Department is to serve and support children and families and supervise youth in a responsive community-based system of care that is client-centered, family-focused, and culturally competent.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr <u>(Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	249,217.1	279,879.1	301,177.5	308,478.6	10.2
Other Transfers	53,649.4	55,628.1	55,850.4	58,850.4	5.8
Federal Revenues	206,239.7	175,824.0	182,215.0	182,215.0	3.6
Other Revenues	4,862.4	4,651.9	4,851.9	4,851.9	4.3
Fund Balance	2,880.6	2,530.7	2,530.7	2,530.7	0.0
SOURCES TOTAL	516,849.2	518,513.8	546,625.5	556,926.6	7.4
USES					
Personal Services and Employee Benefits	134,919.6	139,509.7	148,653.0	148,639.6	6.5
Contractual Services	96,743.8	113,254.9	123,566.6	135,566.6	19.7
Other	255,508.0	265,749.2	274,405.9	272,720.4	2.6
TOTAL USES	487,171.4	518,513.8	546,625.5	556,926.6	7.4
FTE					
Permanent	2,198.6	2,200.8	2,303.8	2,225.8	1.1
Term	65.0	75.0	79.0	79.0	5.3
TOTAL FTE POSITIONS	2,263.6	2,275.8	2,382.8	2,304.8	1.3

AT A GLANCE:

The FY20 general fund request was \$21.3 million, or 7.6 percent, above the FY19 operating budget, including \$3 million for childcare assistance, \$3 million for early prekindergarten, \$2 million for home visits to families and \$4.7 million to reduce caseloads in the Protective Service Program. In total, the agency requested \$546.6 million, of which \$301.2 million was from the general fund.

The LFC recommendation increases general fund appropriations to the agency by \$28.6 million and adjusts Juvenile Justice Facilities, Behavioral Health, Program Support, and Early Childhood Services programs. Despite increased personnel funding in recent years, turnover rates in FY18 remained high, resulting in average caseloads above the nationally recommended levels. Direct service workers provide crucial intervention to the most vulnerable children in New Mexico; high caseloads and constant workforce turnover hinder the quality of services. To continue supporting direct service, the FY20 recommendation increases the general fund appropriation for personnel in the Protective Services Program by \$4.7 million above the FY19 operating budget. The committee's recommendation increases the Early Childhood Services Program by \$3 million from the federal Temporary Assistance for Needy Families (TANF) grant for childcare assistance. It also increases the general fund appropriation for early prekindergarten by \$4.5 million, prekindergarten by \$10 million, home-visiting services by \$2 million, and workforce supports by \$3 million above the FY19 operating budget.

BUDGET ISSUES:

CYFD's challenge is to improve prevention and intervention services for children and families. The Protective Services Program is responsible for intervening when a child has been abused or neglected. However, recent changes in federal funding sources could allow the agency to shift services toward more prevention and early intervention for struggling families. The new federal Family First Prevention Services Act expands the way federal foster care funding, provided under Title IV-E of the Social Security Act, can be used by states. The act authorizes states to use federally matched funding for evidence-based prevention and early intervention services. Previously this funding was used to only help with the costs for foster care maintenance support, state administrative expenses, staff training, adoption assistance, and kinship guardianship assistance. Mental health treatment, substance abuse prevention and treatment, and in-home parenting skills programs will be eligible for a 50 percent federal matched reimbursement beginning in October of 2019, with the match rising to each state's federal medical assistance Percentages (FMAP) in October 2026, currently 72.3 percent in New Mexico. The federal Health and Human Services Department has yet to publish guidelines authorizing allowable reimbursements, resulting in uncertainty for states planning system reforms. New leadership in the agency should closely re-evaluate opportunities to maximize federal revenues for prevention and early intervention services in the Protective Services Program.

Increasingly high maltreatment rates and poor educational outcomes have made child well-being a priority investment for the state. In hopes of improving short- and long-term outcomes for children and families, the Legislature has increased investments in early child well-being services. The Early Childhood Services program (ECS) has traditionally been the chief vehicle for providing early prevention services to New Mexico families with young children. Services like home visits from paraprofessionals and childcare assistance promote family stability and early learning, development, and safety for children. Through prevention services, taxpayers can save significant resources by decreasing the need for more costly remediation later. The FY20 committee recommendation increases general fund revenue for Early Childhood Services by \$19.5 million, including an additional \$10 million for prekindergarten, \$4.5 million for early prekindergarten, \$2 million for home visits to families, and \$3 million to support quality workforce through wage supplements and educational scholarships. In addition, the recommendation increases funding for childcare assistance by \$3 million from TANF.

In FY18, CYFD submitted close to \$32.4 million, 6 percent of the overall operating budget, in budget adjustment requests (BARs), transferring available funding between categories and program or increasing the budget from federal grants. A majority of increases were for the Early Childhood Services (ECS) program for childcare assistance and from Juvenile Justice Services to Protective Services for personnel expenditures. During FY18, ECS submitted nearly \$20 million in BARs from all funding sources for childcare to meet projected expenditures, including nearly \$4 million from unexpended home visits funding. In FY19, the agency received an additional \$25 million for increased childcare assistance costs. A majority of increased funding for personnel was for the Protective Services Program, including a \$1.8 million transfer from the Juvenile Justice Services Program.

Capital Outlay. Renovations for the CYFD Child Wellness Center in Albuquerque will cover three of the five buildings at the recently acquired Pinetree Corporate Center. The renovation will not include heating, ventilation, and air conditioning (HVAC) replacement in two of the three to-be-renovated buildings, roofing work, or playground work. The project will accommodate CYFD's receiving center, protective services staff, family visitation space, the statewide central intake call center, support services, juvenile justice staff, information technology, and the agency's training academy. In total, 525 staff will move to the facility from leased space. The renovation contract amount was \$11.4 million; a contingency of \$840 thousand brings the total potential renovation cost to \$12.2 million. With \$7.8 million spent to acquire the facility, this fully allocates the \$20 million appropriated during the 2018 session. In October of 2018, CYFD requested \$29 million for a second phase of renovations at the Albuquerque property. Initially, the project was estimated to cost significantly less, close to \$29 million in total, before the Pinetree Corporate Center property was selected. The additional renovations would allow CYFD to move Protective Services and Early Childhood Services staff from leased space at the agency's Lamberton and Maloof locations. The lease savings from the first phase were about \$1.9 million. However, the agency request absorbed those savings into miscellaneous other costs. The LFC recommendation makes adjustments agency wide for those savings.

Juvenile Justice. The Juvenile Justice Facilities Program (JJF) provides prevention, intervention, and aftercare services for delinquent youth in New Mexico. JJF continues to train staff and supervisors on a rehabilitative and regionalization care model. In FY19, the program requested to reduce personnel funding by \$2 million due to declining caseloads. However, the FY20 budget request for JJF increases general fund revenue by \$2 million, or 3 percent, for personnel compensation. The agency implemented an average of 6.5 percent compensation increase for juvenile direct service employees in addition to the 2 percent increase approved for all state employees. The agency interpreted language providing additional compensation increases for adult correctional employees as also applying to JJF. The requested \$2 million general fund increase is a direct result of CYFD implementing the additional compensation increase.

In FY17, 11,419 youth were referred to the juvenile justice system for services. A majority of referred juveniles are handled informally through local community rehabilitative programs. Evidence shows incarceration in juvenile facilities may have serious and lifelong negative impacts on committed youth. New Mexico is following the national trend of declining juvenile justice populations. Only about 177 youth, or about 1.6 percent, who are referred to JJS are committed to a juvenile facility. Since CYFD began the implementation of the *Cambiar* initiative in 2008, fewer offenders are entering the juvenile justice system and those who do are less likely to commit new offenses. However, the cost of secure juvenile commitment increased about 30 percent during this time period. As of August 2018, only 147 of the 286 available beds in secure facilities were used by committed youths. The average daily population of clients in custody decreased 3 percent between fiscal 2017 and 2018, the continuation of a trend that started in FY12.

As a result of the declining population, the committee recommendation for personnel is about \$500 thousand below the agency request. In addition, the LFC recommendation also reduce the general fund appropriation due to lease savings resulting from the agency relocating staff from a leased facility in Albuquerque to a state-owned facility.

Child Protective Services. At the beginning of FY19, 2,651 children were in foster care in the Protective Services Program, 36 more than during the same time in FY18. Staff turnover rates fluctuated between 28 percent and 33 percent. Between FY17 and FY18, total reports of maltreatment declined, around 2 percent, to an average of nearly 3,300 reports every month; of those, an average of 1,800 cases per month were accepted for investigation. While total reports declined, more reports of child maltreatment were accepted for further investigation during FY18. The increase of children in care, volume of reports, and accepted reports all increase caseloads for caseworkers. The Child Welfare League of America recommends permanency planning workers have an average caseload of 12 to 15 and conduct 12 investigations per worker per month. In FY18, New Mexico averaged 23 cases for permanency and placement workers and 12 for investigations. However, the agency request for the Protective Services program assumes a vacancy rate of 8.3 percent, while as of November 2018, the State Personnel Office reported the program had 140 vacant FTE, a nearly 15 percent vacancy rate. With this in mind, the committee recommendation increases base personnel funding to the agency request and increases the number of FTE but also recommends the agency evaluate and reclassify previously authorize and vacant FTE to reduce caseloads.

Protective Services Performance. Neglect and abuse affect a child's emotional, physiological, and behavioral health. In FY19, the agency continued reporting a high number of children subjected to repeat maltreatment. An LFC evaluation found 36 percent of children who are the victim of a substantiated maltreatment case will be abused or neglected again before age 18. Nationally, the Casey Foundation reports, an estimated 37.4 percent of all children experience a child protective services investigation by age 18. Costs of child maltreatment are substantial and result in general expenses to taxpayers and specific expenses to victims. The Protective Services Program did not meet a majority of performance targets in FY18, including repeat maltreatment rates, reunification rates, and length of care. Most concerning, the rate of repeat maltreatment remains nearly double the national benchmark, meaning children who experience substantiated maltreatment are experiencing another case of maltreatment in a relatively short timeframe of six months.

While significant additional resources have been provided to the agency, increasingly low economic and social indicators are hindering efforts by the agency to reduce stress on the child welfare system. However, reducing child maltreatment and placement in foster care by 10 percent could save tens of millions of dollars and improve lifelong outcomes for at-risk families. LFC reported CYFD does not dedicate sufficient resources for prevention and early intervention services in protective services to reduce repeat maltreatment.

Due to rising caseloads and strains on the protective services system, the LFC general fund recommendation for the Protective Services Program increases base personnel funding by \$4.7 million to reduce caseloads. The committee recommendation also supports the agency request to expand reunification and domestic violence services and increases revenue to fund the agency's newly validated safety assessment tool and make miscellaneous adjustments to maximize federal revenue.

Early Childhood Services. New Mexico continues to show leadership in early childhood care and education funding. Since FY12, early childhood program appropriations have doubled. ECS provides services to children up to 14 years, including quality childcare and nutrition, prekindergarten, early childhood development, and home-visiting services. In FY19, the Legislature increased appropriations to ECS for prekindergarten, childcare assistance, and paraprofessional home visits to families with young children. The FY20 committee recommendation increases general fund appropriations by an additional \$10 million for prekindergarten, \$4.5 million for early prekindergarten, \$2 million for home visits, and \$3 million to support quality workforce through wage supplements and educational scholarships. In addition, the recommendation increases funding for childcare assistance by \$3 million from TANF.

Childcare Assistance. Administered by CYFD, childcare assistance in New Mexico is projected to serve over 20 thousand children up to age 14 at a cost of \$139 million in FY19. The program subsidizes the cost of childcare for families with incomes up to 200 percent of the federal poverty level (FPL). As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance. The newest federal childcare block grant funding framework released in early 2018 provided the state an additional \$18 million in discretionary funds, allowing the state to maintain enrollment despite growing average costs per child. Despite increased federal revenues, overall childcare assistance spending remained relatively stable due to declining fund balances previously used to sustain the program (See Volume III, Childcare Assistance Sources and Uses).

Increased provider rates for the highest levels of quality care contributed to increased spending as more providers qualify for the reimbursements rates for centers with five stars. Childcare providers can qualify as a five star provider by either meeting quality standards in the state's tiered rating quality improvement system, Focus, or through an approved national accrediting body. Provider rates have grown 76 percent from an average monthly rate of \$326 in 2013 to \$577 in FY19. At \$577 per child per month, it will cost an additional \$6 million for every 1,000 additional children served. Total direct spending for childcare assistance in FY18 reached \$135.2 million, nearly \$19 million above anticipated spending in CYFD's FY18 operating budget. In FY19, childcare assistance received an additional \$22 million from the general fund and \$3 million from TANF. As more providers obtain the highest quality rating, the projected average monthly subsidy will increase. While the cost per child continues to rise, enrollment in the first few months of FY19 was slightly below projections and may result in a small revenue carry-forward to FY21. The LFC recommendation increases TANF transfers from the Human Services Department for childcare assistance by \$3 million.

Prekindergarten. New Mexico prekindergarten is an early education program for 3- and 4-year-olds implemented by CYFD and the Public Education Department (PED). The program is available to families for half-day or extended-day services. In FY18, over 9,000 children received prekindergarten services, including extended-day services.

LFC has consistently found prekindergarten programs improve math and reading proficiencies for low-income 4-year-olds and lower special education rates, lower retention rates, and lessens the negative effects of mobility. LFC has also found prekindergarten programs deliver a positive return on investment for New Mexico taxpayers based on improvement in test scores through the 11th grade. Low-income students who participated in prekindergarten performed significantly better on the third-grade PARCC assessment than peers who did not participate, however, this pattern was not consistent for non-low-income students. New Mexico continues to compare favorably with other states for funding of prekindergarten. According to the National Institute of Early Education Research (NIEER), 33 percent of 4-year-olds in the United States of America. were enrolled in prekindergarten programs in 2017, and the average state spending was \$5,008 per child enrolled. NIEER reports at 35 percent, New Mexico ranked 15th in the nation for 4-year-olds enrolled in prekindergarten programs in 2017 and ranked 20th for state spending at \$5,040 per child. The NIEER report also noted New Mexico prekindergarten enrollment grew 6 percent in 2017 above the previous year. The LFC recommendation includes an additional \$10 million to expand 4-year-old prekindergarten.

Early Prekindergarten. LFC analysis indicates New Mexico has the capacity to serve near 70 percent of 4-year-olds statewide when considering childcare assistance, Head Start, and prekindergarten. However, service capacity for 3-year-olds is low. Prior to FY16, prekindergarten was only available to 4-year-olds, but policymakers expanded the program to include 3-year-olds. Considering this and the positive outcomes associated with prekindergarten, the agency was appropriated \$4 million to pilot prekindergarten for 3-year-olds in FY16. Early prekindergarten also proved exceedingly popular statewide and by FY19 grew to \$8.5 million. The LFC recommendation includes an additional \$4.5 million for early prekindergarten in FY20.

Head Start. Head Start programs, completely federally funded and not administered by the state, serves children from birth to age 5 and provide early education, health, and parental support services. The number of awarded slots declined slightly in FY19 to 7,361 statewide, 72 below the previous year. The state needs to better coordinate childcare, prekindergarten, and Head Start to maximize the effective use of federal resources.

Home-visiting. Home-visiting programs available to pregnant women and families with new babies and young children assist in addressing maternal and child health issues, support positive parenting practices, and provide access to support services. Home-visiting services are an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home visits provide the first opportunity to address risk factors that may limit a child's development.

Previous reports on home visits by providers contracted by CYFD show a higher percentage of children in the program receive well-child visits compared with children on Medicaid who do not participate in this program. This is particularly relevant as half of the individuals participating in home-visiting services are on Medicaid and earn only about \$20 thousand a year. Evidence-based home-visiting programs in New Mexico continue to show a positive return on investment and positive child outcomes.

In FY19, CYFD is contracting for 3,403 families to receive state-funded home-visiting services. The reported significant difficulty in recruiting and retaining families for home visits resulted in nearly \$4 million intended for home visits transferred to childcare assistance in FY18. Further research on and support for enrolling families will be necessary for successful home-visiting expansion. Some research suggests using local community medical providers as a referral mechanism can assist home-visit providers destigmatize services while targeting at-risk families. Despite struggles in enrollment, policymakers have continued incrementally increasing funding of home-visiting services to allow communities time to develop quality infrastructure for programming. Continued attention is needed to ensure family engagement and improved performance of funded programs under the standards-based accountability system. The LFC recommendation increases general fund revenue for home visits by \$2 million in FY20 to continue expanding services.

Medicaid-Funded Home-Visiting. To maximize federal revenues, CYFD, in collaboration with the Human Services Department, is piloting Medicaid-funded home visits in 2019 as part of a broader waiver request. The pilot is expected to offer Medicaid-funded home-visiting services to an estimated additional 200 families in at least three counties. The communities will be selected based on health-outcome data provided by the Department of Health and community provider capacity.

Behavioral Health Services. Behavioral Health Services focuses on access and services for youth mental health and substance abuse services and the program includes licensing and certification authority and quality management services. Access to behavioral health services is essential in assisting youth with substance abuse issues or behavioral problems. The FY20 request included a \$1 million general fund increase for infant mental health teams and \$1 million for expanded shelter care services. Infant mental health teams target relationship between the child and the primary caregiver with therapeutic and developmental services designed to reduce both the acute and chronic behavioral, social, and emotional disorders and disruptions. The service is designed to reduce toxic stress and major trauma for at-risk families. The committee recommendation increases the general fund appropriation to expand infant mental health teams by \$1 million and \$500 thousand for expanded shelter care services.

Program Support. Program Support consists of the office of the secretary, administrative services, and information technology. The FY20 general fund request was flat with the FY19 operating budget. The LFC recommendation reduces the general fund appropriation because the agency will save money through relocating Albuquerque staff from a leased facility to a state-owned facility. In addition, the agency has requested \$30 million from the general fund to continue planning the replacement of the legacy child protective services IT system. LFC staff has identified the project as high-risk due to the agency struggle to implement other large IT projects.

BASE EXPANSION:

For FY20, CYFD requested an expansion in the Protective Services Program for an additional 102 personnel including \$5.1 million, with \$3.9 million from the general fund. The LFC recommendation supports the agency request for additional personnel funding to reduce caseloads; however, the committee recommendation includes this funding in the base (see Child Protective Services).

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include fifty-five million six hundred twenty-seven thousand five hundred dollars (\$55,627,500) from the federal temporary assistance for needy families block grant: thirty-six million five hundred twenty-seven thousand five hundred dollars (\$36,527,500) for child care, fourteen million one hundred thousand dollars (\$14,100,000) for prekindergarten and five million dollars (\$5,000,000) for home visiting.

The internal service funds/interagency transfers appropriations to the protective services program of the children, youth and families department include nine hundred thousand dollars (\$900,000) from the temporary assistance for needy families block grant to New Mexico for supportive housing.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program)	Agency Request	LFC Recommendation
<u>1</u>	<u>Expansion FTE-102</u>	<u>(P578)</u>	<u>5,098.0</u>	<u>0.0</u>
TOTAL			5,098.0	0.0

JUVENILE JUSTICE FACILITIES

The purpose of the juvenile justice facilities program is to provide rehabilitative services to youth committed to the department, including medical, educational, mental health and other services that will support their rehabilitation

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	73,104.6	68,904.7	70,904.7	69,918.1	1.5
	Other Transfers	327.8	423.9	423.9	423.9	0.0
	Federal Revenues	448.8	400.0	400.0	400.0	0.0
	Other Revenues	1,986.2	1,516.5	1,516.5	1,516.5	0.0
	Fund Balance	83.7	845.9	845.9	845.9	0.0
	SOURCES TOTAL	75,951.1	72,091.0	74,091.0	73,104.4	1.4
USES						
	Personal Services and Employee Benefits	53,171.5	52,004.1	54,007.4	53,994.0	3.8
	Contractual Services	11,378.9	14,130.1	14,130.1	14,130.1	0.0
	Other	7,653.5	5,956.8	5,953.5	4,980.3	-16.4
	TOTAL USES	72,203.9	72,091.0	74,091.0	73,104.4	1.4
FTE						
	Permanent	943.3	891.8	891.8	891.8	0.0
	TOTAL FTE POSITIONS	943.3	891.8	891.8	891.8	0.0

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Turnover rate for youth care specialists	21%	31%	18%	20%	18%
Outcome	Percent of clients who successfully complete formal probation	83%	86%	85%	85%	85%
Outcome	Percent of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	9.5%	10.7%	8.0%	13.0%	9.0%
* Outcome	Recidivism rate for youth discharged from active field supervision	New	NA	12%	12%	12%
* Outcome	Recidivism rate for youth discharged from commitment	New	NA	34%	40%	30%
* Outcome	Percent of juvenile justice division facility clients age 18 and older who enter adult corrections within two years after discharge from a juvenile justice facility	11.0%	6.9%	NA	10.0%	9.0%
Outcome	Percent of clients with improvement in reading on standardized pre- and post-testing	45%	64%	NA	45%	55%
Outcome	Percent of clients with improvement in math on standardized pre- and post-testing	60%	41%	NA	60%	60%
* Output	Number of physical assaults in juvenile justice facilities	398	284	<300	<355	<285

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	<u>FY18</u>	<u>FY19</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2017-2018</u>	<u>2018-2019</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
General Fund Transfers	88,217.8	95,515.5	102,813.9	102,813.9	7.6
Other Transfers	1,568.2	2,188.2	2,289.4	2,289.4	4.6
Federal Revenues	56,558.0	52,828.5	54,835.0	54,835.0	3.8
Other Revenues	1,794.9	2,235.4	2,235.4	2,235.4	0.0
SOURCES TOTAL	148,138.9	152,767.6	162,173.7	162,173.7	6.2
USES					
Personal Services and Employee Benefits	57,802.8	59,848.0	66,307.5	66,307.5	10.8
Contractual Services	21,549.8	24,994.1	27,570.3	27,570.3	10.3
Other	65,297.6	67,925.5	68,295.9	68,295.9	0.5
TOTAL USES	144,650.2	152,767.6	162,173.7	162,173.7	6.2
FTE					
Permanent	921.8	938.0	1,041.0	963.0	2.7
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	927.8	944.0	1,047.0	969.0	2.6

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	88.9%	89.4%	93%	NA	93%
Output	Percent of clients receiving domestic violence services who create a personalized safety plan with the support of agency staff prior to discharge from services	NEW	NEW	90%	90%	90%
* Outcome	Percent of children in foster care for more than eight days, who achieve permanency within twelve months of entry into foster care	NEW	NA	42.0%	40.5%	42.0%
* Outcome	Rate of maltreatment victimizations per one hundred thousand days in foster care	NEW	NA	8%	<=8.5%	<=8.5%
* Output	Turnover rate for protective services workers	NEW	NA	20%	20%	20%
* Outcome	Percent of children in foster care for twenty-four months at the start of a twelve month period, who achieve permanency within that twelve months	NEW	NA	32%	30.3%	32%
* Outcome	Percent of children in foster care for twelve to twenty-three months at the start of a twelve-month period, who achieve permanency within that twelve months	NEW	NA	44%	43.6%	44%
* Outcome	Percent of children who were victims of a substantiated maltreatment report during a twelve-month period, who were victims of another substantiated maltreatment allegation within twelve months of their initial report	NEW	NA	10%	<=9.1%	<=9.1%
Outcome	Percent of families with a completed investigation who engaged in prevention services for 30 days or more	NEW	NEW	NEW	18%	18%

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)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		Actuals	Budgeted			(Decr)
SOURCES						
	General Fund Transfers	60,371.8	86,439.4	96,439.4	105,939.4	22.6
	Other Transfers	51,098.9	52,627.5	52,627.5	55,627.5	5.7
	Federal Revenues	140,300.5	114,152.7	119,730.3	119,730.3	4.9
	Other Revenues	1,081.3	900.0	1,100.0	1,100.0	22.2
	Fund Balance	2,796.9	1,684.8	1,684.8	1,684.8	0.0
	SOURCES TOTAL	255,649.4	255,804.4	271,582.0	284,082.0	11.1
USES						
	Personal Services and Employee Benefits	10,088.2	9,907.7	10,385.4	10,385.4	4.8
	Contractual Services	48,560.6	59,821.2	66,819.2	79,319.2	32.6
	Other	176,022.8	186,075.5	194,377.4	194,377.4	4.5
	TOTAL USES	234,671.6	255,804.4	271,582.0	284,082.0	11.1
FTE						
	Permanent	126.5	127.5	127.5	127.5	0.0
	Term	55.0	59.0	63.0	63.0	6.8
	TOTAL FTE POSITIONS	181.5	186.5	190.5	190.5	2.1

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of licensed childcare providers participating in high-quality programs	NEW	38%	35%	38%	40%
Outcome	Percent of children receiving subsidy in high-quality programs	NEW	60%	53%	59%	60%
Outcome	Percent of children receiving childcare assistance with substantiated abuse or neglect referrals during the childcare assistance participating period	NEW	NEW	1.3%	1.3%	1.3%
Outcome	Percent of families receiving home-visiting services for at least six months that have one or more protective-services-substantiated abuse or neglect referrals during the participating period	NEW	NEW	5.0%	5.0%	5.0%
* Outcome	Percent of parents participating in home visits who demonstrate progress in practicing positive parent-child interactions	NEW	NA	40%	45%	45%
* Outcome	Percent of children in prekindergarten funded by the children, youth and families department showing measurable progress on the school readiness fall-preschool assessment tool	NEW	NA	93%	94%	94%
Outcome	Percent of children in New Mexico childcare assistance who have attended four or five star programs for eight months or longer showing measurable progress on the school readiness fall preschool assessment tool	NEW	NEW	NEW	85%	85%

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to provide coordination and management of behavioral health policy, programs and services for children.

BUDGET SUMMARY (dollars in thousands)					
	FY18	FY19	FY20 - 2019-2020		Percent Incr (Decr)
	2017-2018 Actuals	2018-2019 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	14,385.3	15,831.7	17,831.7	17,328.6	9.5
Other Transfers	590.2	317.0	438.1	438.1	38.2
Federal Revenues	2,686.4	2,095.7	902.6	902.6	-56.9
SOURCES TOTAL	17,661.9	18,244.4	19,172.4	18,669.3	2.3
USES					
Personal Services and Employee Benefits	2,541.7	5,061.8	5,264.6	5,264.6	4.0
Contractual Services	14,159.6	12,749.1	13,486.6	12,986.6	1.9
Other	491.6	433.5	421.2	418.1	-3.6
TOTAL USES	17,192.9	18,244.4	19,172.4	18,669.3	2.3
FTE					
Permanent	33.0	72.5	72.5	72.5	0.0
Term	0.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	33.0	78.5	78.5	78.5	0.0

PERFORMANCE MEASURES

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
* Outcome	Percent of infants served by infant mental health teams with a team recommendation for unification who have not had additional referrals to protective services	88%	91%	92%	90%	90%
* Output	Percent of children, youth and families department children and youth involved in the estimated target population who are receiving services from community behavioral health clinicians	NEW	NEW	75%	75%	75%

PROGRAM SUPPORT

The purpose of program support is to provide the direct services divisions with functional and administrative support so they may provide client services consistent with the department's mission and also support the development and professionalism of employees.

BUDGET SUMMARY (dollars in thousands)					
	FY18	FY19	FY20 - 2019-2020		Percent Incr (Decr)
	2017-2018 Actuals	2018-2019 Budgeted	Agency Request	LFC Recommendation	
SOURCES					
General Fund Transfers	13,137.6	13,187.8	13,187.8	12,478.6	-5.4
Other Transfers	64.3	71.5	71.5	71.5	0.0
Federal Revenues	6,246.0	6,347.1	6,347.1	6,347.1	0.0
SOURCES TOTAL	19,447.9	19,606.4	19,606.4	18,897.2	-3.6
USES					
Personal Services and Employee Benefits	11,315.4	12,688.1	12,688.1	12,688.1	0.0
Contractual Services	1,094.9	1,560.4	1,560.4	1,560.4	0.0
Other	6,042.5	5,357.9	5,357.9	4,648.7	-13.2
TOTAL USES	18,452.8	19,606.4	19,606.4	18,897.2	-3.6
FTE					
Permanent	174.0	171.0	171.0	171.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	178.0	175.0	175.0	175.0	0.0

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the U.S. Constitution and Article XVIII, Sections 1 and 2, of the New Mexico Constitution. The department is established and governed by the New Mexico Military Code (Sections 20-1-1 through 20-12-73 NMSA 1978). The governor is the commander in chief of the state military forces. An adjutant general, appointed by the governor for a five-year term, directs the department.

MISSION:

The department's primary mission is to provide the necessary infrastructure to support the Army and Air National guards, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	6,557.2	7,064.1	7,092.3	7,092.3	0.4
Other Transfers	190.5	178.2	190.1	190.1	6.7
Federal Revenues	13,392.0	16,704.3	16,856.5	16,856.5	0.9
Other Revenues	78.1	66.8	78.0	78.0	16.8
Fund Balance	670.0	0.0	0.0	0.0	
SOURCES TOTAL	20,887.8	24,013.4	24,216.9	24,216.9	0.8
USES					
Personal Services and Employee Benefits	8,665.9	9,885.6	9,853.6	9,853.6	-0.3
Contractual Services	2,555.4	3,273.9	3,496.4	3,496.4	6.8
Other	9,286.4	10,853.9	10,866.9	10,866.9	0.1
TOTAL USES	20,507.7	24,013.4	24,216.9	24,216.9	0.8
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
Term	111.0	125.0	128.0	124.0	-0.8
TOTAL FTE POSITIONS	144.0	158.0	161.0	157.0	-0.6

AT A GLANCE:

The Department of Military Affairs (DMA) requested a \$203.5 thousand, or 0.8 percent, increase over the FY19 operating level, including a 0.3 percent decrease in the personal services and employee benefits category, a 6.8 percent increase in the contractual services category, and a 0.1 percent increase in the other services category. The request included a 0.4 percent increase from the general fund, an almost 1 percent increase in federal funds, and a 6.7 percent increase in other transfers. The department requested an increase in the contractual services category of \$225.5 thousand from internal service funds from increased Public Education Department meal reimbursements and federal funds from cooperative funding agreements with the federal government for operating and training costs related to the National Guard.

The committee recommendation supports the personal services and employee benefits category request to ensure federal matching rates. The recommendation also supports requested contractual service category increases and slight increases in the other category to reflect IT and other published rate changes.

BUDGET ISSUES:

The department had an average vacancy rate of 10 percent in FY18 and 13 percent in the first four months of FY19. In FY18, the agency had sufficient budget to transfer \$145.4 thousand of general fund revenue to the personal services and employee benefits category from the other category to cover salary shortfalls. To maintain low vacancy rates, DMA requested an additional \$28.2 thousand from the general fund.

The department requested, and the recommendation supports, a \$222.5 thousand, or 6.8 percent, increase in the contractual services category. The increase includes \$183.5 thousand of federal funds from federal cooperative funding agreements. The department also requested a \$40.2 thousand increase from internal service funds to support food costs at the Youth Challenge Academy, including increased Public Education Department meal reimbursement rates.

Legislation enacted in 2015 allows the department to reimburse service members group life insurance premiums from the general fund. There is no federal match for premiums; reimbursements are made solely from the general fund. Last session, the Legislature increased appropriations to the fund by \$356.6 thousand to resolve a shortfall incurred by increasing premium costs. The department requested and the committee recommends maintaining current funding levels for premiums.

Performance data indicates more youth are being educated and trained at the New Mexico Youth Challenge Academy, which may help reduce juvenile recidivism and reduce incarceration costs. The academy, in Roswell, aims to prevent at-risk youth from entering the criminal justice system by teaching self-discipline, leadership, and responsibility in a military-style environment. In FY18, 290 students registered and 218, or 75 percent, graduated. Of the FY18 graduates, 58 percent earned a high school equivalency. Registration at the academy has grown an average 6 percent over the last three years with a 10 percent increase in graduates. Over the same timeframe, 4 percent more students earned a high school equivalency. The general fund cost per participant is \$4,500 thousand for a 22-week academy, compared with the almost \$76 thousand cost of a 22-week stay at the Children, Youth and Family Department's Youth Diagnostic Development Center in FY17.

The National Guard was at 95 percent manpower in FY18. Forty personnel deployed around the world in FY18 to support U.S. Army and Air Force missions. The National Guard assisted citizens within the state and in Texas, the Virgin Islands, Puerto Rico, and California by responding to natural disasters and other events.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent strength of the New Mexico national guard	98%	95%	98%	98%	98%
Outcome	Percent of New Mexico national guard youth challenge academy cadets who graduate	NEW	NEW	NEW	100%	100%
* Output	Percent of New Mexico national guard youth challenge academy cadets who earn their high school equivalency, annually	NEW	NEW	NEW	58%	70%
Explanatory	Total cost of deferred maintenance requests	NEW	NEW			
Output	Number of New Mexico national guard service member life insurance premiums reimbursed versus the number of reimbursements eligible	NEW	NEW	NEW	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. The 15 board members are appointed by the governor and confirmed by the senate.

MISSION:

The Parole Board grants, denies, or revokes parole, conducts investigations, summons witnesses, and adopts rules and regulations for the effective discharge of board duties. The Parole Board also provides recommendations to the governor on applications for executive clemency.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	476.2	482.8	539.4	519.8	7.7
SOURCES TOTAL	476.2	482.8	539.4	519.8	7.7
USES					
Personal Services and Employee Benefits	314.4	337.7	375.4	373.9	10.7
Contractual Services	7.7	7.8	8.6	8.6	10.3
Other	132.3	137.3	155.4	137.3	0.0
TOTAL USES	454.4	482.8	539.4	519.8	7.7
FTE					
Permanent	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

AT A GLANCE:

Last year, only 10 of the 15 Adult Parole Board positions were filled on average. The board is staffed by six employees, including an appointed director, charged with ensuring parole hearings run efficiently. In FY18, the Parole Board conducted 3,811 parole hearings, 70, or 2 percent, more hearings than in FY17. Of the total hearings held, 62 percent resulted with a parole certificate issued.

The board's request was a \$56.6 thousand, or 12 percent, increase from the FY19 operating budget. The board strives to remain fully staffed to maintain efficient operations but has struggled with vacancies over the last three fiscal years. The board has worked with the State Personnel Office to reclassify positions into higher pay bands to attract qualified candidates. In September 2018, the board had one staff vacancy of a total six employees. The recommendation is \$519.8 thousand from the general fund, including \$36.2 thousand in the personal services and employee benefits category to reduce vacancies and accommodate increased health insurance rates.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	36	62	35	35	35
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	96%	95%	95%	95%	100%
Explanatory	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1	1			
Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving all relevant information needed	99%	95%	98%	97%	100%

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)						
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	FY20 – 2019-2020		Percent Incr (Decr)	
			<u>Agency Request</u>	<u>LFC Recommendation</u>		
SOURCES						
General Fund Transfers	13.2	13.2	13.9	8.3	-37.1	
SOURCES TOTAL	13.2	13.2	13.9	8.3	-37.1	
USES						
Contractual Services	4.8	4.9	5.6	0.0	-100.0	
Other	7.3	8.3	8.3	8.3	0.0	
TOTAL USES	12.1	13.2	13.9	8.3	-37.1	
FTE						
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	0.0	

AT A GLANCE:

The Juvenile Public Safety Advisory Board (JPSAB) budget request was \$13.9 thousand, or 5.3 percent above the FY19 operating budget. The board requested an additional \$700 from the general fund for increased audit costs. JPSAB may have up to seven members at any time but currently only has three and has never had more than four.

In FY18, JPSAB reported 59 percent of juvenile clients successfully completed their term of supervised release, an increase from 52 percent the previous fiscal year. The board reported additional life skills programming in juvenile reintegration centers resulted in improved performance.

The FY20 committee recommendation is \$8.3 thousand from the general fund for board travel, flat with the FY19 operating budget. The committee recommendation does not support continued audit cost for the board independent of the Children, Youth and Families Department (CYFD). CYFD provides JPSAB with all administrative support services, and LFC recommends the board audit be funded through the CYFD operating budget.

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of clients reviewed at forty days	89%	94%	89%	89%	92%
Outcome	Percent of clients successfully completing term of supervised release	52.5%	59.3%	65.0%	53.8%	63%

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 Corrections Department (NMCD) is to provide a balanced approach to corrections, from incarceration to community-based supervision, with training, education, and rehabilitation programs and services that provide opportunities for offenders to successfully transition to communities.

BUDGET SUMMARY (dollars in thousands)					
<u>FY20 – 2019-2020</u>					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	297,280.8	305,469.9	323,410.4	319,134.1	4.5
Other Transfers	14,749.7	17,646.0	16,346.0	17,144.8	-2.8
Federal Revenues	88.1	0.0	0.0	0.0	
Other Revenues	17,841.7	14,806.1	14,870.9	15,369.6	3.8
Fund Balance	4,393.3	1,332.8	1,967.6	1,279.2	-4.0
SOURCES TOTAL	334,353.6	339,254.8	356,594.9	352,927.7	4.0
USES					
Personal Services and Employee Benefits	141,201.3	147,047.5	153,834.0	153,592.9	4.5
Contractual Services	59,443.5	60,325.6	66,255.7	62,893.8	4.3
Other	127,724.5	131,881.7	136,505.2	136,441.0	3.5
Other Financing Uses	225.2	0.0	0.0	0.0	
TOTAL USES	328,594.5	339,254.8	356,594.9	352,927.7	4.0
FTE					
Permanent	2,402.0	2,402.0	2,402.0	2,402.0	0.0
Term	35.0	45.0	45.0	45.0	0.0
TOTAL FTE POSITIONS	2,437.0	2,447.0	2,447.0	2,447.0	0.0

AT A GLANCE:

The Corrections Department (NMCD) FY20 total budget request was \$356.6 million, an increase of \$17.3 million, or 5.1 percent. Of the total request, \$323.4 million is from the general fund, a \$17.9 million increase, or 5.9 percent, over the FY19 operating budget. The majority of the requested increase was for inmate population growth, unfunded salaries and overtime, medical contract increases, and additional transitional living beds.

The LFC recommendation increases the agency's general fund budget by \$13.7 million, or 4.5 percent compared with the FY19 operating budget, to fully fund salaries and overtime, improve availability of evidence-based programming within prisons, provide a 10 percent raise to state-employed behavioral and mental health professionals, increase bed space at transitional living centers, and bolster programming provided on-site at halfway houses.

BUDGET ISSUES:

NMCD ended FY18 with a \$3.5 million shortfall, mostly the result of high hours of overtime worked by correctional officers, which will be covered with special appropriation balances from FY17. For FY19, NMCD received a \$2.9 million general fund budget increase. NMCD also received \$5.3 million for compensation increases and \$4.3 million in nonrecurring funds for overdue Department of Information Technology radio costs. The department also received a special appropriation for \$900 thousand for body scanners at state prisons.

NMCD submitted two FY18 year-end budget adjustment requests (BAR) transferring almost \$3 million among programs and categories, about 1 percent of the agency's total budget. The first BAR transferred \$795.3 thousand from the Program Support Program and \$565.8 thousand from the Community Offender Management Program to the Inmate Management and Control (IMAC) Program's personnel category, a total transfer of \$1.4 million. The second BAR transferred a total \$1.6 million from the contractual services category to the personnel category within IMAC. Both BARs helped cover salary and benefit shortfalls due to overtime.

Revenue projections from both the state land maintenance fund and the land grant permanent fund for distribution to NMCD look to remain flat compared with FY19 recommended revenue. However, the department will receive an additional \$7 million over projections in FY19 from the state land maintenance fund due to a land lease sale in October 2018. The recommendation uses the additional revenue to pay past-due radio communications fees to the Department of Information Technology and to cover shortfalls at prisons.

For FY20, the department requested a total \$17.9 million of additional general fund revenue, including \$6.1 million to fully fund overtime costs and salaries for correctional officers, \$6.2 million for private prison costs due to population growth and medical contract cost-of-living adjustments, and \$2.2 million to add 48 beds for women and 40 beds for men at transitional living centers.

The recommendation increases general fund revenue by \$13.7 million, or 4.5 percent, including \$3 million for overtime, \$3 million to fully fund salaries and benefits, \$2.8 million for highest-rated, evidence-based programming for inmates and offenders at halfway houses, \$2.2 million for additional transitional living beds, \$1.4 million for increased food costs and maintenance agreements, and \$1 million for medical contract cost-of-living adjustments.

Inmate Population Trends and Recidivism. The FY18 average population of 7,325 inmates was a 7.9 percent increase from FY10 but a 1.3 percent reduction from the all-time high in FY16 and 0.3 percent below the prior-year's average. The New Mexico Sentencing Commission (NMSC) reported the women's prison population increased 4 percent per year over the last five years versus 2 percent per year for men over the same time period. NMSC estimates show both the men's and the women's population is projected to grow 1.4 percent through FY20, which could cost almost \$4 million.

Recidivism, calculated as a return to prison within three years of release from prior incarceration, accounted for 41 percent of all admissions in FY17. In the same year, NMCD reported a recidivism rate of 50 percent, the highest rate in a decade. A 2018 LFC program evaluation found parole revocations drove recidivism rates and cost the state \$40 million in FY17. The evaluation also found 75 percent of violations in FY17 were for substance abuse or absconding and an additional 15 percent of violations were caused by new criminal charges, all of which were for possession of a controlled substance.

To reduce recidivism, best practices indicate a reentry plan should be developed at the time of an inmate's admission to prison, evidence-based programs should be provided during incarceration to address substance use and other needs, comprehensive reentry resources should be provided to each inmate on release, and evidence-based programming should be provided to offenders once they are on parole. Although the department spends about 90 percent of funding on evidence-based programming for inmates and those on probation and parole, the number of individuals served by these programs is unknown. If a parolee is released to a halfway house, no programming is provided on-site. Without participation and completion data, ascertaining the effectiveness of programming and its impact on the recidivism rate is difficult.

The department has reduced the number of release-eligible inmates (REIs), those held in prison past their release date, by half since 2012. However, between 2017 and 2018, private prisons held almost double the number of release-eligible inmates than public facilities held. The department claims difficulty in finding housing placements for offenders has driven the REI rate. LFC, Corrections Department, and Mortgage Finance Authority staff have been working to identify housing options to reduce recidivism rates and ease placement concerns through additional transitional housing options and housing vouchers. Additionally, the department should consider performance-based funding for private prison providers to ensure best outcomes.

To help reduce recidivism and REI rates, the recommendation includes \$2.8 million for implementing the highest-rated, evidence-based programming within prisons and at halfway houses. The Pew-MacArthur Results First Initiative and the Washington State Institute for Public Policy have developed models to calculate the return on investment to taxpayers from evidence-based prevention and intervention programs and policies using tens of thousands of national studies. The \$2.8 million in the recommendation is for programming that achieves the highest marks from these models. Additionally, the recommendation includes \$2.2 million to increase available beds at transitional living centers and \$209.2 thousand for 10 percent pay increases for state behavioral and mental health staff. The recommendation also provides \$233.5 thousand to fully fund the recidivism reduction office within the department to ensure the fidelity of programming and collection of needed performance data.

Although cost savings resulting from reduced recidivism rates should be reinvested into evidence-based programs, any state prison savings as a result of a population decrease are likely to be minimal due to fixed overhead costs, like the number of correctional officers in prisons and program administration. A percent decrease among medium security male inmates in private prisons could save almost \$1 million. However, the medium security, or level three, inmate population housed at private prisons has remained relatively stable, while other security level populations have declined, meaning savings are not likely to be realized at private facilities. For meaningful savings, the inmate population would have to decrease at a rate that safely allows fewer officers to be on duty or the closure of facilities.

Critical Staff Issues. Vacancy rates among correctional officers have remained between 21 percent and 24 percent over the last three years, with vacancies as high as 50 percent in some facilities, despite large targeted pay increases. NMCD reported FY18 correctional officer vacancy rates were 22 percent, while probation and parole officers maintained an 18 percent vacancy rate. The department's chronic vacancies among custody staff results in high overtime costs and a dangerous prison environment, such as the spiking presence of illegal drugs and increased violence in prisons. In FY18, inmate-on-inmate violence hit a 10-year high with 32 assaults resulting in serious injury and a 49 percent recidivism rate, among the highest in recent years.

The Legislature appropriated \$4.5 million in FY17 to help the department increase correctional officer salaries. Recognizing continued critical vacancy rates and increasing violence within prisons, the Legislature included 8.5 percent pay increases for correctional officers and probation and parole officers in FY19. Employee health insurance rate increases have also contributed to additional funding needs at NMCD, with rates up 5 percent over FY19. The department requested, and the recommendation includes, an additional \$798 thousand to cover the rate increases.

The department continues to evaluate ways to enhance retention, including providing housing in rural areas and providing pay differentials for those who work in remote locations. The department has also adopted 12-hour shifts in some facilities instead of eight-hour shifts to help reduce overtime costs and improve officer quality of life; however, not all facilities have been willing to switch shift lengths. Additionally, the State Personnel Office dedicated a staff member part time to help NMCD process new hires, and the department has begun a "certification-by-waiver" academy to hire experienced officers more quickly.

Healthcare and Private Prison Contracts. In May 2016, NMCD decided not to renew the inmate healthcare contract with Corizon Health and instead chose Centurion LLC to provide health services. Centurion also provides service in Florida, Massachusetts, Minnesota, Mississippi, Tennessee, and Vermont. In the same year, the agency contracted with Boswell for pharmacy services, a change from past contracts where healthcare and pharmacy were handled by the same vendor, and with MHM Correctional Services to provide gender-responsive, trauma-informed behavioral health services to the female population. All three health contracts include payment escalators between 2 percent and 4 percent per year although appropriation levels have remained flat. The pharmaceutical contract uses a per inmate per month payment that increases by two percent per year for each of the four years of the contract. The recommendation includes \$1 million for 2 percent cost-of-living adjustments for the health, pharmaceutical, and behavioral health contracts.

To help contain costs, NMCD started a program in early 2018 with Christus St. Vincent Hospital in Santa Fe that allows the department to purchase HIV drugs at "340b" federal discount pricing levels. A Christus St. Vincent infectious disease doctor has begun providing telehealth visits to all inmates infected with HIV statewide, allowing NMCD to purchase the drugs through the hospital at the federal rate. As a result of the program, the department expects to save \$400 thousand per year. The department will continue to pursue 340b pricing with the hospital for cancer and rheumatology treatments. However, the department has not used 340b for hepatitis C drugs as prices continue to fall precipitously due to market pressure, relieving the need for the reduced pricing. As a result, the department did not request any increases to the base budget for hepatitis C drug costs.

Private prisons account for \$89.5 million, or 26 percent, of NMCD's FY19 total budget. Private prisons have not received a consumer price index (CPI) adjustment within the last five years. Lack of CPI increases for private contractors could be creating disparities between public and private facilities, including exacerbating vacancy rates and noncompetitive pay. In response, the Legislature included \$1.5 million for private prison guard pay increases in FY19. The department requested an increase of \$2.9 million in FY20 for private prisons to accommodate Sentencing Commission population growth projections of 1.4 percent per year over the next few years. For FY20, the recommendation includes \$214 thousand for salary increases for guards at the CoreCivic facility in Grants, which were underfunded in FY19, but no additional funding for CPI increases or population growth because LFC expects inmate populations will remain stable.

Facilities. The state's prisons suffer from a significant number of infrastructure problems. The most common needs include new roofs, heating and cooling systems, security equipment, fire suppression, and sewer system maintenance. The state's prison facilities have a total \$300 million in capital needs.

Facility condition indices for NMCD show it is more expensive to repair some of the department's buildings than to replace them. The largest disparity in repair versus replacement costs are at the Southern New Mexico Correctional Facility and Central New Mexico Correctional Facility. High maintenance costs, the distances between facilities, and the need for ancillary services, such as healthcare and behavioral health, are risk and cost drivers that could be minimized by building a larger facility closer to a population center. A 2014 LFC report showed a new 192-bed medium security housing unit to replace existing facilities would provide cost savings of \$2.6 million over 10 years. Legislative and executive staff have discussed the potential for building a new prison or new housing units to supplant beds at old and inefficient facilities. The parties agreed to develop a request for proposals to study prison design, construction costs, and identify programming needs and \$200 thousand for the project was appropriated in 2018. However, no funds have been expended and little progress has been made as the department believes more funds are needed to complete the study. An additional \$300 thousand is recommended to fully fund the project.

RECOMMENDED LANGUAGE:

The general fund appropriation to the inmate management and control program of the corrections department in the other category includes two million dollars (\$2,000,000) to implement highest-rated, evidence-based inmate programming.

The general fund appropriation to the inmate management and control program of the corrections department in the personal services and employee benefits category includes two hundred nine thousand two hundred dollars (\$209,200) for a ten percent pay increase for behavioral health and mental health staff.

The general fund appropriation to the inmate management and control program of the corrections department in the personal services and employee benefits category includes two hundred thirty-three thousand five hundred dollars (\$233,500) to fully fund the office of recidivism reduction.

The general fund appropriation to the community offender management program of the corrections department in the contractual services category includes seven hundred fifty thousand dollars (\$750,000) to implement highest-rated, evidence-based programming at halfway houses.

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)					
			FY20 - 2019-2020		
	FY18 2017-2018	FY19 2018-2019	Agency	LFC	Percent
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	257,420.4	261,349.1	275,482.2	270,982.6	3.7
Other Transfers	14,549.7	17,446.0	16,146.0	16,944.8	-2.9
Federal Revenues	12.5	0.0	0.0	0.0	
Other Revenues	3,574.4	1,259.8	1,259.8	1,767.0	40.3
Fund Balance	27.9	611.6	1,300.0	611.6	0.0
SOURCES TOTAL	275,584.9	280,666.5	294,188.0	290,306.0	3.4
USES					
Personal Services and Employee Benefits	111,029.3	113,360.7	119,437.3	119,345.0	5.3
Contractual Services	51,407.3	52,659.6	55,932.6	54,477.8	3.5
Other	109,846.1	114,646.2	118,818.1	116,483.2	1.6
TOTAL USES	272,282.7	280,666.5	294,188.0	290,306.0	3.4
FTE					
Permanent	1,837.0	1,837.0	1,837.0	1,837.0	0.0
Term	33.0	33.0	33.0	33.0	0.0
TOTAL FTE POSITIONS	1,870.0	1,870.0	1,870.0	1,870.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Vacancy rate of correctional officers in public facilities	NEW	22%	15%	20%	15%
* Outcome	Vacancy rate of correctional officers in private facilities	NEW	NEW	NEW	20%	20%
Explanatory	Percent turnover of correctional officers in public facilities	2%	28%			
* Output	Number of inmate-on-inmate assaults with serious injury	5	30	8	8	8
* Output	Number of inmate-on-staff assaults with serious injury	2	7	2	2	2
Output	Percent of eligible inmates who earn a general educational development certificate	73%	78%	80%	80%	80%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Explanatory	Percent of participating inmates who have completed adult basic education	63%	78%			
Outcome	Percent of prisoners reincarcerated within thirty-six months due to new charges or pending charges	19%	17%	18%	18%	15%
* Explanatory	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	10%	18%			
Outcome	Percent of standard healthcare requirements met by medical contract vendor	96%	100%	98%	98%	100%
Explanatory	Percent of inmate grievances resolved informally	88%	88%			
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release on the previous sex offense conviction	19%	3%	15%	15%	15%
* Outcome	Percent of release-eligible female inmates incarcerated past their scheduled release date	8%	9%	6%	6%	6%
Explanatory	Percent of random monthly drug tests administered to at least ten percent of the inmate population that test positive for drug use	5%	5%			
* Outcome	Percent of release-eligible male inmates incarcerated past their scheduled release date	9%	9%	6%	6%	6%
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	23%	11%	75%	75%	75%
Outcome	Percent of inmates who have filled out a YES New Mexico application at time of release	95%	98%	98%	98%	98%
* Outcome	Percent of prisoners reincarcerated within thirty-six months	NEW	49%	40%	45%	40%
Explanatory	Number of escapes	NEW	0			
Outcome	Percent of eligible inmates enrolled in educational, cognitive, vocational and college programs	NEW	54%	45%	45%	55%
Outcome	Percent of project ECHO hepatitis c clients who cleared the virus within the prescribed time for treatment	NEW	97%	95%	95%	95%
Outcome	Percent of chronic care clients seen on a timely basis	NEW	96%	93%	93%	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)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
Other Revenues	11,661.4	10,851.5	10,916.3	10,907.8	0.5
Fund Balance	2,027.7	64.8	11.2	11.2	-82.7
SOURCES TOTAL	13,689.1	10,916.3	10,927.5	10,919.0	0.0
USES					
Personal Services and Employee Benefits	1,723.2	2,132.2	2,140.7	2,132.2	0.0
Contractual Services	642.7	51.4	51.4	51.4	0.0
Other	9,154.1	8,732.7	8,735.4	8,735.4	0.0
Other Financing Uses	225.2	0.0	0.0	0.0	
TOTAL USES	11,745.2	10,916.3	10,927.5	10,919.0	0.0
FTE					
Permanent	30.0	30.0	30.0	30.0	0.0
Term	2.0	12.0	12.0	12.0	0.0
TOTAL FTE POSITIONS	32.0	42.0	42.0	42.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Percent of inmates receiving vocational or educational training assigned to corrections industries	NEW	NEW	>20%	>20%	>20%

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020</u>		<u>Percent Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	28,498.3	31,576.6	34,593.6	35,312.6	11.8
Federal Revenues	2.0	0.0	0.0	0.0	
Other Revenues	2,430.6	2,540.0	2,540.0	2,540.0	0.0
Fund Balance	2,337.7	656.4	656.4	656.4	0.0
SOURCES TOTAL	33,268.6	34,773.0	37,790.0	38,509.0	10.7
USES					
Personal Services and Employee Benefits	19,302.3	21,178.5	21,536.9	21,444.9	1.3
Contractual Services	6,882.3	7,059.4	9,262.5	7,809.4	10.6
Other	6,630.7	6,535.1	6,990.6	9,254.7	41.6
TOTAL USES	32,815.3	34,773.0	37,790.0	38,509.0	10.7
FTE					
Permanent	376.0	376.0	377.0	376.0	0.0
TOTAL FTE POSITIONS	376.0	376.0	377.0	376.0	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of prisoners reincarcerated within thirty-six months due to technical parole violations	25%	22%	20%	20%	20%
Explanatory	Percent turnover of probation and parole officers	1%	0%			
* Outcome	Percent of contacts per month made with high-risk offenders in the community	96%	99%	95%	95%	95%
* Quality	Average standard caseload per probation and parole officer	112	114	100	110	100
Output	Percent of absconders apprehended	28%	29%	32%	30%	30%
Explanatory	Number of offenders on the waiting list for intensive or high-risk supervision	<40	<20			
* Output	Percent of male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	21%	26%	21%	25%	21%
* Output	Percent of female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	19%	21%	18%	20%	18%
* Outcome	Vacancy rate of probation and parole officers	NEW	18%	15%	15%	15%

PROGRAM SUPPORT

The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	<u>FY18</u> 2017-2018 <u>Actuals</u>	<u>FY19</u> 2018-2019 <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	11,362.1	12,544.2	13,334.6	12,838.9	2.3
Other Transfers	200.0	200.0	200.0	200.0	0.0
Federal Revenues	73.6	0.0	0.0	0.0	
Other Revenues	175.3	154.8	154.8	154.8	0.0
SOURCES TOTAL	11,811.0	12,899.0	13,689.4	13,193.7	2.3
USES					
Personal Services and Employee Benefits	9,146.5	10,376.1	10,719.1	10,670.8	2.8
Contractual Services	511.2	555.2	1,009.2	555.2	0.0
Other	2,093.6	1,967.7	1,961.1	1,967.7	0.0
TOTAL USES	11,751.3	12,899.0	13,689.4	13,193.7	2.3
FTE					
Permanent	159.0	159.0	158.0	159.0	0.0
TOTAL FTE POSITIONS	159.0	159.0	158.0	159.0	0.0

PERFORMANCE MEASURES

		<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Request</u>	<u>FY20</u> <u>Recomm</u>
Explanatory	Graduation rate of correctional officer cadets from the corrections department training academy	69%	66%			
Explanatory	Percent of employee union grievances resolved prior to arbitration	100%	100%			
Quality	Percent of audit findings resolved from prior year	33%	81%	85%	50%	85%

STATUTORY AUTHORITY:

The Crime Victims Reparation Commission was created by Section 31-22-4 NMSA 1978 to protect the New Mexicans 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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,324.0	5,742.2	5,901.1	5,774.2	0.6
Federal Revenues	9,700.7	14,448.9	23,080.0	23,080.0	59.7
Other Revenues	994.1	896.0	944.0	944.0	5.4
Fund Balance	97.2	138.2	200.0	200.0	44.7
SOURCES TOTAL	13,116.0	21,225.3	30,125.1	29,998.2	41.3
USES					
Personal Services and Employee Benefits	1,496.9	1,610.1	1,950.5	1,950.5	21.1
Contractual Services	587.9	2,666.5	3,829.5	3,702.6	38.9
Other	10,430.9	16,948.7	24,345.1	24,345.1	43.6
TOTAL USES	12,515.7	21,225.3	30,125.1	29,998.2	41.3
FTE					
Permanent	16.0	16.0	19.0	19.0	18.8
Term	8.0	8.0	10.0	10.0	25.0
TOTAL FTE POSITIONS	24.0	24.0	29.0	29.0	20.8

AT A GLANCE:

As crime rates have risen, revenue to the commission from crime victim reparation fees has increased, as have applications for victim compensation. In FY19, the commission's general fund budget doubled compared with FY18, reflecting a transfer of \$2.4 million from the Department of Health and an additional \$1 million general fund increase for sexual assault service providers. The commission requested a 2.8 percent increase of general fund revenues for FY20, mostly for additional staff members to help manage increased caseloads. The commission also requested an additional \$8.6 million, or 59.7 percent, of federal funds from federal victims of crime funds. The recommendation increases general fund revenues 0.6 percent and matches the agency's request for personnel and federal funds.

BUDGET ISSUES:

New Mexico was the second most violent state in the nation in 2017, behind only Alaska, according to the most recent year of FBI crime statistics available. According to FBI data, the rate of violent crime was 598 crimes per 100 thousand in population in 2014, 658 in 2015, 703 in 2016, and 784 in 2017. Recent local data shows crime rates in Albuquerque and the remainder of the state began to decline in 2018. However, the steady rise in violent crime has necessitated additional victim compensation. In FY18, the commission approved \$1.9 million in payments to victims of crime for hospital stays, funerals, lost wages, and rent and relocation. It approved \$9.1 million in grants to local organizations to provide shelter, counseling, and other assistance. In FY18, 3,707 reparation applications were received, a 20 percent increase from FY17, and 2,584, or 70 percent, were approved, a 12 percent increase from FY17.

In FY19, the Victim Compensation Program budget more than doubled compared with FY18 due to the transfer of \$2.4 million from the Department of Health and an additional \$1 million general fund increase, both of which were for sexual assault service providers and sexual assault services. The commission uses the funds to contract with the Rape Crisis Center, the Coalition of Sexual Assault Programs, and similar providers. The FY20 recommendation includes the entire \$3.4 million increase for sexual assault services in the contractual services category. The recommendation also supports the addition of a financial specialist FTE to manage the additional funding.

In the Victim Compensation Program, the request includes, and the recommendation supports, adding 2 investigator FTE to reduce high caseloads resulting from increased applications. Overall, the committee recommendation is \$32 thousand, or 0.6 percent, above the FY19 general fund revenue operating budget. The committee recommendation matches the agency request in the personal services and employee benefits category and the other uses category.

The agency projects mandatory crime victims reparation fees of \$75 per felony conviction and \$50 per misdemeanor to generate \$396 thousand in FY20, flat with FY19 operating budget levels and about 19 percent of the average \$2 million made in payments to victims every year. Revenue generated from fees has grown since the fee schedule was enacted in 2015, but the commission must continue to educate the courts and district attorneys on fee assessments and rates. Fee collection remains lower than expected because the courts have not comprehensively trained judges throughout the state on the fees, and the Administrative Office of the Courts has not granted the commission's request to conduct training for judges.

The Federal Grants Administration Program is solely supported by federal funds. The program receives federal funds from the Victims of Crime Act (VOCA), Violence Against Women Act, and the federal Sexual Assault Services formula grant, allowing the agency to fund almost 120 projects statewide. Federal funds to the commission increased \$6.5 million, or 39 percent, between FY19 and FY20 because Congress allowed expenditures from the fund to exceed spending caps. The funds are passed on to direct service agencies to assist victims of crime. The recommendation supports the additional 2 FTE reflected in the Federal Grants Administration Program request. Of the 2 FTE being added, 1 additional FTE was added to the commission in mid-FY18 to assist in federal grant management compliance. The other FTE, a grant administrator, will be added in FY20 as required by the federal government to ensure compliance with federal laws. The recommendation matches the agency request in the Federal Grants Administration Program.

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)

		<u>FY20 - 2019-2020</u>			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	2,324.0	5,742.2	5,901.1	5,774.2	0.6
Other Revenues	994.1	896.0	944.0	944.0	5.4
Fund Balance	97.2	138.2	200.0	200.0	44.7
SOURCES TOTAL	3,415.3	6,776.4	7,045.1	6,918.2	2.1
USES					
Personal Services and Employee Benefits	1,030.4	1,054.5	1,213.4	1,213.4	15.1
Contractual Services	227.0	2,582.3	3,759.2	3,632.3	40.7
Other	1,557.6	3,139.6	2,072.5	2,072.5	-34.0
TOTAL USES	2,815.0	6,776.4	7,045.1	6,918.2	2.1
FTE					
Permanent	16.0	16.0	19.0	19.0	18.8
TOTAL FTE POSITIONS	16.0	16.0	19.0	19.0	18.8

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Efficiency	Average number of days to process applications	94	104	90	90	90
Explanatory	Number of victims receiving direct advocacy	NEW	NEW			
Outcome	Percent of payment for care and support paid to providers	65%	65%	65%	65%	65%
* Outcome	Percent of payment for care and support paid to individual victims	100%	100%	100%	100%	100%
Explanatory	Number of crime victims compensation applications received	NEW	NEW			
Efficiency	Percent of sexual assault service provider programs that receive compliance monitoring via desk audit	NEW	NEW	NEW	90%	95%
* Explanatory	Number of sexual assault service provider programs funded throughout New Mexico	NEW	NEW			

FEDERAL GRANT ADMINISTRATION

The purpose of the federal grant administration program is to provide funding and training to nonprofit providers and public agencies so they can provide services to victims of crime.

BUDGET SUMMARY
(dollars in thousands)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Federal Revenues	9,700.7	14,448.9	23,080.0	23,080.0	59.7
SOURCES TOTAL	9,700.7	14,448.9	23,080.0	23,080.0	59.7
USES					
Personal Services and Employee Benefits	466.5	555.6	737.1	737.1	32.7
Contractual Services	360.9	84.2	70.3	70.3	-16.5
Other	8,873.3	13,809.1	22,272.6	22,272.6	61.3
TOTAL USES	9,700.7	14,448.9	23,080.0	23,080.0	59.7
FTE					
Term	8.0	8.0	10.0	10.0	25.0
TOTAL FTE POSITIONS	8.0	8.0	10.0	10.0	25.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Efficiency	Percent of subgrantees who receive compliance monitoring via desk audits	100%	100%	95%	95%	100%
* Efficiency	Percent of site visits conducted	41%	39%	40%	40%	45%
Outcome	Percent of monitored subgrantees in compliance with quarterly performance measure to provide effective services to victims of crime	100%	100%	95%	95%	100%
Explanatory	Number of crime victim service provider programs funded throughout New Mexico	NEW	NEW			

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to DPS. 9-28-1 through 9-28-7 NMSA 1978 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	117,369.0	124,408.6	124,408.6	124,408.6	0.0
Other Transfers	3,777.4	6,843.1	6,843.1	6,843.1	0.0
Federal Revenues	6,278.3	13,718.1	13,718.1	13,718.1	0.0
Other Revenues	6,396.2	7,676.3	7,676.3	7,676.3	0.0
Fund Balance	303.6	1,040.0	1,040.0	1,040.0	0.0
SOURCES TOTAL	134,124.5	153,686.1	153,686.1	153,686.1	0.0
USES					
Personal Services and Employee Benefits	100,076.5	110,301.2	110,302.9	110,301.2	0.0
Contractual Services	3,765.1	5,482.7	5,808.4	5,482.7	0.0
Other	29,713.2	37,902.2	37,574.8	37,902.2	0.0
TOTAL USES	133,554.8	153,686.1	153,686.1	153,686.1	0.0
FTE					
Permanent	1,122.0	1,122.0	1,118.0	1,118.0	-0.4
Term	125.0	125.0	125.0	125.0	0.0
Temporary	55.3	55.3	55.3	55.3	0.0
TOTAL FTE POSITIONS	1,302.3	1,302.3	1,298.3	1,298.3	-0.3

AT A GLANCE:

The Department of Public Safety (DPS) has seen significant state investments in state police officers, including an a 18 percent increase in pay since FY14. Overall, general fund appropriations to the department have increased an average 4 percent per year over the last five years. In FY19, state police officers received an 8.5 percent pay increase, making state police pay comparable with large, metropolitan police agencies around the state.

Although the department initially submitted a flat budget request, the agency submitted a list of budget priorities in October 2018 totaling \$3.5 million, or 2.8 percent over the FY19 operating budget. DPS not officially resubmit the budget request to reflect these items. The list included \$1.6 million to fund vacant and new IT positions, \$860 thousand for additional staff at the Law Enforcement Academy, and \$315 thousand for personnel and equipment to manage body camera footage. DPS did not request any funding for additional recruit schools or staff pay increases.

The department is overfunded in the Law Enforcement Program due to a \$2.5 million, or 2.6 percent, funded vacancy rate. Historically, the Legislature has supported the additional funding to allow the department, as needed, to adjust police officer pay, absorb better-than-expected recruitment outcomes, and host additional recruit or lateral schools for law enforcement officers from other agencies. The committee recommendation keeps the agency's budget flat compared with the FY19 operating budget and retains the agency's ability to budget personnel funds.

BUDGET ISSUES:

The DPS general fund request was flat compared with FY19, but the agency's list of priorities totaled \$3.5 million, or 2.8 percent, above the FY19 operating budget. The agency kept all other sources of revenue flat compared with FY19.

Although DPS did not request any funding for the police officer pay plan or additional recruit schools for FY20, significant investments have been made to keep state police officer salaries competitive statewide. Over the last five years, \$10 million has been allocated to develop a more competitive police officer pay plan to address stubbornly high officer vacancy rates. As a result, state police officer pay has become comparable, and in some cases higher, than salaries at large agencies like the Albuquerque Police Department (APD), a main competitor for qualified officers. An APD officer with one year of experience has an average base salary of \$29 per hour while a DPS patrolman with the same experience makes \$28 per hour. Both APD and DPS sergeants make \$35 an hour, while a DPS lieutenant makes \$42 an hour, two more dollars than an APD Lieutenant. Benefits, like competitive retirement plans, are also key factors in recruiting more officers.

In FY18, the agency submitted budget adjustment requests to increase the personal services and employee benefits category in both the Law Enforcement Program and the Statewide Law Enforcement Support Program with \$779 thousand of federal grant funds specifically available for federal sexual assault kit initiatives, DWI reduction efforts, and other programs. The agency transferred \$60 thousand of general fund revenue resulting from vacancy savings from the personnel category to the contractual services category within the Program Support Program to hire contract employees. However, the department increased the personnel category within the Statewide Law Enforcement Support Program with \$110 thousand in concealed handgun carry fund balances due to lower than expected vacancy rates in the Concealed Carry Unit.

The committee recommendation is flat compared with the FY19 operating budget. Excess funding in the personal services and employee benefits categories agencywide has allowed the department to provide internal pay adjustments as needed and conduct additional recruit schools. For example, in early FY18, DPS used \$1.1 million of internally sourced funds to update the officer pay plan. Given the high level of vacancy savings in the department, the recommendation uses \$700 thousand of vacancy savings to support additional Law Enforcement Academy staff the agency requested in its list of budget priorities.

Officer Strength. Despite higher pay and parity with competing agencies, recruiting and retaining state police officers remains a top priority for DPS. Of the department's authorized 737 officers, the agency averaged a force of 654 officers in FY18, a 16 percent vacancy rate. The agency has not produced a forecast of officer strength within the last year; however, the LFC estimates officer ranks will remain stable through FY20 but could be negatively affected by officer retirements.

Officer vacancy rates are exacerbated by other police forces relying on the department's services. In many areas of New Mexico, DPS is the only law enforcement presence. In FY18, the department investigated 63 crime scenes for other police agencies, an increase from the 51 processed in FY17 but lower than the 73 processed in FY16. DPS does not charge other agencies for these services or for bomb disarming teams, air missions, or other specialized services.

Pay is not the only factor involved in state police officer retention. The areas in which they are stationed, signing and anniversary bonuses and other fringe benefits, and education debt repayment could help the department retain officers. In New Mexico, like other states, DPS has shortened academy length and testing policies to begin hiring officers more quickly. Other strategies to better use manpower include increased use of federal grants and other funding sources to focus on communities in need, analytic policing system maps, joint enforcement with local forces, and directed patrols focusing on serious crimes.

Law Enforcement Support. DPS, to mitigate vacancies and create efficiencies, consolidated its 18 dispatch centers throughout the state into three centers in Albuquerque, Las Vegas, and Las Cruces in 2017 and 2018. However, in October 2018, dispatcher vacancy rates were 22 percent, the same rate as a year ago and reflecting multiple years of high vacancies. Dispatcher vacancies critically impact officer and public safety, increasing the risk of missed radio transmissions and abandoned emergency calls. DPS dispatchers are paid an average \$18 per hour, compared with \$23 per hour on average in Albuquerque, and have not received a targeted raise since FY16, when the department internally reallocated \$425 thousand to increase starting pay 14 percent and average pay 13 percent. However, vacancy rates have not improved.

In FY16, DPS allocated \$258 thousand from its base budget to provide a 10 percent increase in pay for forensic scientists; however, scientists have not seen a targeted pay increase since. Vacancy rates among forensic scientists were as low as 12 percent in early FY18, but in October 2018 vacancy rates were 24 percent. Training of forensic scientists can take one to two years before full productivity is reached and high turnover rates increase the number of nonproductive hours.

In FY17, a special appropriation of \$1.2 million was made to start processing backlogged sexual assault evidence kits. The department is within 100 kits of completing the sexual assault kit backlog of 1,388 kits. The department continues to ensure all backlogged kits have been submitted to the department for testing before officially marking the backlog cleared.

The Legislature in 2016 authorized \$7.5 million for the new Santa Fe Crime Lab and Evidence Center: \$500 thousand in severance tax bond proceeds for plan and design and \$7 million in general obligation bond proceeds for the first phase of construction. The current facility is too small to meet the department's needs, putting it at high risk for evidence cross-contamination. Evidence and records are currently housed in five different facilities, creating further inefficiencies, and space being used for forensic analysis does not meet General Services Department regulations. To date, DPS is near completion of architecture and engineering drawings using the \$500 thousand and will begin spending the \$7 million on construction of the evidence center in fall 2019. DPS estimates \$27 million more will be needed to complete the facility.

Data Sharing. A 2018 LFC program evaluation on Bernalillo County crime found the state and localities lack the data to perform agency analysis and make data-informed decisions. To help address the lack of data, the state Supreme Court's ad hoc Pre-Trial Release Committee recommended, and the state enacted in 2016, a centralized data clearinghouse for criminal histories. The goal of the database was to allow judges to more quickly assess risk during arraignment and sentencing with information from multiple agencies, including federal databases, district attorneys, public defenders, DPS, district courts, and the Corrections and Children, Youth and Families departments. DPS was appropriated \$600 thousand to develop and maintain the database. Currently, 22 of 33 counties are served by the clearinghouse, which is not and may not be able to be automated. Instead six full-time employees at DPS are tasked with pulling data from individual databases as needed. The department has not requested, and the committee recommendation does not include, additional funding to automate the system.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the law enforcement program of the department of public safety include ninety-four thousand five hundred dollars (\$94,500) from the weight distance tax identification permit fund. Any unexpended balances in the motor transportation bureau of the law enforcement program of the department of public safety remaining at the end of fiscal year 2020 from appropriations made from the weight distance tax identification permit fund shall revert to the weight distance tax identification permit fund.

LAW ENFORCEMENT

The purpose of the law enforcement program is to provide the highest quality of law enforcement services to the public and ensure a safer state.

BUDGET SUMMARY (dollars in thousands)					
		FY20 - 2019-2020			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	101,100.9	107,715.3	107,715.3	107,715.3	0.0
Other Transfers	2,615.2	6,041.2	6,041.2	6,041.2	0.0
Federal Revenues	4,646.9	7,890.9	7,890.9	7,890.9	0.0
Other Revenues	1,398.3	2,390.0	2,390.0	2,390.0	0.0
Fund Balance	303.6	350.0	350.0	350.0	0.0
SOURCES TOTAL	110,064.9	124,387.4	124,387.4	124,387.4	0.0
USES					
Personal Services and Employee Benefits	85,611.3	94,024.6	94,024.6	94,024.6	0.0
Contractual Services	1,473.9	2,701.1	2,701.1	2,701.1	0.0
Other	23,009.3	27,661.7	27,661.7	27,661.7	0.0
TOTAL USES	110,094.5	124,387.4	124,387.4	124,387.4	0.0
FTE					
Permanent	963.0	963.0	962.0	962.0	-0.1
Term	64.0	64.0	64.0	64.0	0.0
Temporary	55.3	55.3	55.3	55.3	0.0
TOTAL FTE POSITIONS	1,082.3	1,082.3	1,081.3	1,081.3	-0.1

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of enforcement operations for sales to intoxicated persons	797	612	800	800	800
Explanatory	Number of state police crime scenes investigated or processed	NEW	53			
* Explanatory	Percent of state police cadets who graduate per recruit class	NEW	84%			
Explanatory	Number of alcohol source investigations conducted statewide by special investigation unit agents	NEW	71			
Output	Number of data-driven traffic-related enforcement projects held	NEW	1,926	1,700	1,700	1,900
Output	Number of driving-while-intoxicated saturation patrols conducted	NEW	3,184	975	975	1,000
Output	Number of tobacco outlets visited during sales enforcement operations by special investigation unit agents	NEW	1,064	900	900	1,100
Explanatory	Number of commercial motor vehicle citations issued annually	NEW	19,024			
Explanatory	Number of criminal investigations conducted by investigation bureau agents	NEW	925			
Explanatory	Number of minor compliance and underage enforcement operations conducted annually	NEW	477			
Explanatory	Number of crime scenes investigated or processed statewide for other police agencies	NEW	63			
* Explanatory	Rate of commissioned state police officer turnover	NEW	NEW			
Explanatory	Number of drug-related investigations conducted by narcotics agents	NEW	866			
* Explanatory	Rate of commissioned state police officer vacancies	NEW	NEW			
Output	Number of licensed alcohol premises inspections conducted	NEW	3,835	4,500	3,750	4,500
* Output	Number of commercial motor vehicle safety inspections conducted	NEW	88,078	70,000	70,000	88,000
* Output	Number of driving-while-intoxicated arrests	NEW	2,574	2,250	2,250	2,250
Output	Number of driving-while-intoxicated checkpoints conducted	NEW	200	200	200	200
Explanatory	Number of motor carrier safety trainings completed	114	58			
Explanatory	Rate of commercial motor vehicles out-of-service compared with the current national level	+1.6%	-1.4%			

STATEWIDE LAW ENFORCEMENT SUPPORT PROGRAM

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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 - 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	12,201.1	12,523.1	12,523.1	12,523.1	0.0
Other Transfers	656.7	660.0	660.0	660.0	0.0
Federal Revenues	547.0	2,273.0	2,273.0	2,273.0	0.0
Other Revenues	4,997.9	5,286.3	5,286.3	5,286.3	0.0
Fund Balance	0.0	690.0	690.0	690.0	0.0
SOURCES TOTAL	18,402.7	21,432.4	21,432.4	21,432.4	0.0
USES					
Personal Services and Employee Benefits	10,795.0	11,952.1	11,973.1	11,952.1	0.0
Contractual Services	2,021.9	2,629.3	2,935.3	2,629.3	0.0
Other	5,107.5	6,851.0	6,524.0	6,851.0	0.0
TOTAL USES	17,924.4	21,432.4	21,432.4	21,432.4	0.0
FTE					
Permanent	112.0	112.0	110.0	110.0	-1.8
Term	52.0	52.0	52.0	52.0	0.0
TOTAL FTE POSITIONS	164.0	164.0	162.0	162.0	-1.2

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of forensic firearm and toolmark cases completed	NEW	113%	90%	90%	100%
* Outcome	Percent of forensic latent fingerprint cases completed	NEW	105%	90%	90%	100%
Outcome	Percent of sexual assault evidence kits dated prior to July 1, 2015 that are completed	NEW	40%	15%	100%	100%
Output	Average number of days to complete a civil fingerprint applicant	NEW	1	2	2	1
Explanatory	Percent of complaint cases reviewed and adjudicated annually by the law enforcement academy	NEW	99%			
* Outcome	Percent of forensic chemistry cases completed	NEW	91%	90%	90%	100%
* Outcome	Percent of forensic biology and DNA cases completed	NEW	116%	65%	65%	100%

PROGRAM SUPPORT

The purpose of program support is to manage the agency's financial resources, assist in attracting and retaining a quality workforce and provide sound legal advice and a clean pleasant working environment.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
		<u>FY18</u>	<u>FY19</u>	<u>Agency</u>	<u>Percent</u>
		<u>2017-2018</u>	<u>2018-2019</u>	<u>Request</u>	<u>Incr</u>
		<u>Actuals</u>	<u>Budgeted</u>		<u>(Decr)</u>
SOURCES					
	General Fund Transfers	4,067.0	4,170.2	4,170.2	0.0
	Other Transfers	505.5	141.9	141.9	0.0
	Federal Revenues	1,084.4	3,554.2	3,554.2	0.0
	SOURCES TOTAL	5,656.9	7,866.3	7,866.3	0.0
USES					
	Personal Services and Employee Benefits	3,670.2	4,324.5	4,305.2	0.0
	Contractual Services	269.3	152.3	172.0	0.0
	Other	1,596.4	3,389.5	3,389.1	0.0
	TOTAL USES	5,535.9	7,866.3	7,866.3	0.0
FTE					
	Permanent	47.0	47.0	46.0	-2.1
	Term	9.0	9.0	9.0	0.0
	TOTAL FTE POSITIONS	56.0	56.0	55.0	-1.8

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of audit findings resolved from the prior fiscal year's annual external audit	100%	67%	90%	90%	100%
Output	Number of site visits made to sub-grantees	NEW	24	6	10	25

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Sections 9-28-1 through 9-28-7 NMSA 1978 (Homeland Security and Emergency Management Act) to consolidate and coordinate homeland security and emergency management functions for the state and to act as a conduit for federal assistance and cooperation.

MISSION:

The department's mission is to lead New Mexico's efforts in protecting life and property against all threats and hazards by integrating and managing comprehensive and coordinated protective actions, preparedness programs, mitigation projects, response activities, and recovery efforts prior to, during, and following emergencies or disasters.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	2,481.4	2,897.0	3,284.6	3,128.8	8.0
Other Transfers	150.8	138.5	170.0	170.0	22.7
Federal Revenues	13,487.2	16,224.2	24,621.2	24,621.2	51.8
Other Revenues	110.0	55.0	55.0	0.0	-100.0
SOURCES TOTAL	16,229.4	19,314.7	28,130.8	27,920.0	44.6
USES					
Personal Services and Employee Benefits	4,329.1	4,979.1	5,338.5	5,210.8	4.7
Contractual Services	1,254.1	2,312.6	853.3	853.3	-63.1
Other	5,895.1	12,023.0	21,939.0	21,855.9	81.8
TOTAL USES	11,478.3	19,314.7	28,130.8	27,920.0	44.6
FTE					
Permanent	16.0	16.0	16.0	15.0	-6.3
Term	49.0	49.0	50.0	45.0	-8.2
TOTAL FTE POSITIONS	65.0	65.0	66.0	60.0	-7.7

AT A GLANCE:

The Homeland Security and Emergency Management Department's request for FY20 included a \$387.6 thousand, or 13 percent, general fund revenue increase and a \$8.4 million, or 52 percent, increase in federal revenue. Overall, the requested budget is \$8.8 million, or 46 percent, higher than the FY19 operating budget. The increase in federal funds is due to requirements to obligate funds on award of subgrantee agreements and will not impact the agency's operations. The LFC recommendation increases general fund revenue by \$231.8 thousand to support personnel services and keeps other general fund revenue uses flat compared with FY19.

BUDGET ISSUES:

The Homeland Security and Emergency Management Department (DHSEM) has sustained reductions in general fund revenue over the last three fiscal years mostly as a result of statewide solvency measures. The budget reductions resulted in DHSEM transferring \$936 thousand to the personal services and employee benefits category in FY17 and \$150 thousand in FY18. The department has averaged a 22 percent vacancy rate over the last two fiscal years partially due to a lack of general fund revenue to draw federal match dollars. However, the department reports improved recruitment and retention of qualified staff over the last year. Of the 66 positions at the agency, only three are funded solely through the general fund. The department requested an additional \$325.5 thousand of general fund revenue, or 16 percent, in the personal services and employee benefits category to help reduce vacancy rates and better use federal matching rates. The recommendation includes an additional \$231.8 thousand from general fund revenue, or 11 percent, for personnel. Lastly, the LFC recommendation matches the requested funding level for contractual services and makes slight general fund reductions to reflect actual expenditures in the other category.

Department leadership focused on better financial management and timely audits after being nine months late in FY16. The FY17 audit was timely and had 14 findings, an improvement over previous years, for issues that included grant management practices and financial controls.

The department processed just over \$42 million in federal disaster relief payments to New Mexico communities in FY17. Many of the projects had been open for years with little to no payments made. The funds are distributed to communities devastated by natural disasters and many are reimbursed by the federal government. The department struggles to accurately capture the true level of federal funding received and passed through to localities, resulting in the \$8.4 million increase in the budget request. The Department of Finance and Administration and legislative staff are evaluating options to better reflect federal funding levels.

12-10D-4 NMSA 1978 formed the Statewide Interoperable Communications Working Group to advise and support the department on emergency response and homeland security needs related to public safety communications interoperability. The current communications system is disorganized and lacks a single set of radio frequencies to unite all cities, counties, tribes, and state agencies in the event of an emergency. Local agencies are not required to purchase uniform communications systems, meaning that some proprietary systems may not be compatible with a statewide system. The department is currently drafting public safety interoperability communications plans. Building the required 700 megahertz interoperable system in New Mexico could cost between \$120 million to \$150 million; upgrading one radio tower costs \$1.7 million.

New Mexico's "fusion center", formally known as the New Mexico All Source Intelligence Center (NMASIC), located at DHSEM, is a potential tool that would benefit from more robust resources. NMASIC provides tactical and strategic analysis, information, and training to public safety agencies and collaborates with all public safety agencies to address intelligence questions developed at the state, local, territorial, tribal, and national levels. Intelligence issues include cybersecurity and the protection of critical infrastructure. Currently, 79 fusion centers are operating in all 50 states. Among concerns related to the New Mexico's fusion center are its limited cybersecurity measures, especially for state-owned databases that contain large volumes of sensitive public data, and the potential impact of cybersecurity compromises to public and private sector partners.

HOMELAND SECURITY AND EMERGENCY MANAGEMENT PROGRAM

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Percent of statewide eligibility compliance for pre- and postmitigation funding	NEW	49%	70%	70%	70%
Outcome	Percent of federal permanent work funding for projects to improve sites affected by disaster	NEW	47%	70%	70%	70%
Outcome	Percent of local jurisdictions' emergency communications data entered in to federal communication assets database	NEW	59%	80%	80%	80%
* Outcome	Percent of compliance of all federal-grants-measuring visits	NEW	70%	100%	100%	100%

STATUTORY AUTHORITY:

Sections 67-1-1 through 67-16-14 NMSA 1978 codify laws pertaining to the 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)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Transfers	1,471.0	3,519.4	3,519.4	3,519.4	0.0
Federal Revenues	413,546.4	401,275.3	401,542.8	401,542.8	0.1
Other Revenues	477,768.9	459,246.4	480,738.0	480,738.0	4.7
Fund Balance	0.0	22,295.7	0.0	0.0	-100.0
SOURCES TOTAL	892,786.3	886,336.8	885,800.2	885,800.2	-0.1
USES					
Personal Services and Employee Benefits	146,022.0	162,164.6	163,311.6	162,160.8	0.0
Contractual Services	220,882.9	411,307.6	410,785.4	411,356.6	0.0
Other	257,538.1	312,864.6	311,703.2	312,282.8	-0.2
Other Financing Uses	6,000.0	0.0	0.0	0.0	
TOTAL USES	630,443.0	886,336.8	885,800.2	885,800.2	-0.1
FTE					
Permanent	2,447.0	2,450.0	2,450.0	2,450.0	0.0
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,503.5	2,506.5	2,506.5	2,506.5	0.0

AT A GLANCE:

Department of Transportation (NMDOT) revenue come from two sources: state road fund, primarily used for highway maintenance, and federal funding awards, primarily used for construction and debt service payments. The FY20 request assumes no growth in federal revenue and a \$21.5 million, or 5 percent, increase in state road fund (SRF) revenue. The SRF increase was offset by a \$22 million reduction in use of SRF balance.

The LFC recommendation fully funds the NMDOT request.

BUDGET ISSUES:

NMDOT is responsible for construction and maintenance activities on the 30 thousand miles of the state road system, which includes state and national highway systems. Data from NMDOT's annual road condition survey shows deterioration across all road types over the past four years. In FY17, NMDOT reported 89 percent of national highway system (NHS) lane miles were rated in fair condition or better, down 5 percent from FY14. However, only 79 percent of non-NHS lane miles were rated in fair condition or better.

State Road Fund. NMDOT forecasts state road fund (SRF) revenue every January and July and budgets all of the anticipated revenue in the request. In FY20, NMDOT expects an increase of approximately \$21.5 million, or 5 percent, over the FY19 operating budget. The increase is driven by increases in special fuel tax, the weight distance tax assessed on commercial trucking, and vehicle registrations. Both special fuels and weight distance revenue sources are closely linked to the health of the national economy, while the gas tax, which increased 1.1 percent, is more closely related to the state population and economy. In addition to existing revenue sources, the Legislature began providing a portion of the motor vehicle excise tax to NMDOT in FY19 for operations. In FY20, motor vehicle excise tax revenue is expected to total \$6.6 million; however, this additional revenue will be dedicated to remediation of the Carlsbad brine well through fiscal year 2021.

The single largest revenue source for the state road fund is the gasoline tax of 17 cents per gallon. However, this revenue source has not grown over the past 13 years. In FY07, the gas tax raised \$114.6 million; in FY19, the tax is expected to raise \$115 million. The stagnant revenue is attributable to a combination of low population growth, increasing fuel efficiency, and an aging population. By FY22, special fuels revenue will likely contribute as much as the gas tax to the SRF. Currently, 76.3 percent of gas tax revenue goes to the road fund with the remainder going to local governments. For special fuels, 90.5 percent of revenue goes to the road fund and the remainder to the local government road fund.

Federal Revenue. Federal funds provided to the state require a match of between 8 percent and 20 percent. In New Mexico, the state road fund is used to provide these matching funds. Federal revenue has also stagnated over the last several fiscal years. From FY15 through FY19, federal revenues decreased by \$7 million, or 2 percent. For FY20, NMDOT requested \$401.3 million in federal revenue, an increase of \$267 thousand over the previous fiscal year. In addition to federal revenue apportioned to states in accordance with federal legislation, the Federal Highway Administration also redistributes funds left unspent at the end of the year. By expending all federal funds for the past several years and completing projects timely, NMDOT became eligible to receive \$62.7 million in redistribution funds in FY18.

Fund Balance. The total amount of available fund balance is determined during the January revenue forecasting process. During the legislative session, the House Transportation Committee follows a consensus process to budget available fund balance to meet priorities of NMDOT, the Legislature, and the executive. As of December 2018, the department had a fund balance of \$27.9 million.

In FY19, \$19.3 million in fund balance was added through the consensus process to the agency request of \$3 million. This amount included \$10 million for roads ineligible to receive federal matching funds.

Debt Service. LFC remains concerned with the impact of debt service payments on the ability of NMDOT to provide adequate road construction and maintenance. NMDOT has \$1.2 billion in total outstanding debt that must be paid between FY20 and FY27. The FY20 debt service totals \$155 million: \$119 million from federal disbursements; \$28 million from the SRF; and \$8 million from the highway infrastructure fund.

In summer 2018, NMDOT restructured \$420 million in debt associated with the Rail Runner. The restructuring extended the term of the debt payments by three years and removed two balloon payments that were to occur in FY25 and FY26. Extending the term of the debt payments allowed NMDOT to convert variable rate bonds to fixed rate bonds and secure a lower interest rate.

Maintenance and Construction Needs. NMDOT reports the number of lane miles in poor condition increased 31 percent from 3.5 thousand in FY14 to 4.6 thousand in FY17. The continued deterioration of New Mexico's roads is concerning because maintenance and repair costs increase dramatically as conditions deteriorate. The per-lane-mile cost to maintain a road in good condition is estimated to be \$15 thousand, a road in fair condition costs an average \$180 thousand per lane-mile, and a road in poor condition requiring major rehabilitation or reconstruction costs between \$500 thousand and \$1.5 million per lane-mile.

For FY19, the department, in its annual report to the Legislature, estimates total unfunded construction and maintenance needs at \$344 million, including \$276 million to rehabilitate and construct roads, and \$50 million for bridge replacement and repair. The department also projects a funding shortfall of \$136 million for maintenance activities.

For several years, NMDOT has been moving toward a data-based project selection process. The Federal Highway Administration requires state departments of transportation develop a transportation asset management plan (TAMP) that includes performance measures and targets for pavement and bridge conditions. The statewide focus of the TAMP will likely help the overall health of the transportation system by prioritizing needs of the network rather than individual transportation districts.

The LFC recommendation funds the agency's budget request and provides nonrecurring special appropriations, including \$98 million to accelerate projects on the Statewide Transportation Improvement Program (STIP) and \$250 million for major investment projects identified by the Legislature. Another \$53 million is also included for local road projects. In addition to this nonrecurring funding, \$100 million in recurring revenue for NMDOT will be considered in a tax stabilization package to be introduced in the 2019 session. For a list of potential projects to be funded through nonrecurring appropriations, see LFC *Volume III*.

Personnel. The department reported a 20 percent vacancy rate as of November 2018, up sharply from the 12 percent reported in FY15. NMDOT has worked to increase the number of employees with compensation initiatives, including increasing the salaries of engineers, engineering technicians, surveyors, and IT professionals. While salaries have increased, NMDOT continues struggling to recruit and retain engineering staff, as well as maintenance workers and equipment operators. NMDOT competes with private companies, particularly in oil-producing regions of the state, for skilled employees. During oil boom times, attracting individuals to state employment is difficult. Additionally, how salaries for laborers and equipment operators compare with the broader labor market is unclear because the State Personnel Office has not completed a pay study for these employees.

For FY20, the department requested an increase of \$1.1 million split between the Programs and Infrastructure and Transportation and Highway Operations programs. LFC analysis shows the FY19 operating budget contains \$13.5 million in vacancy savings for personnel and holds the category in those programs flat.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Article 21 of Chapter 6 NMSA 1978, any funds received by the New Mexico finance authority from the department of transportation in fiscal year 2018 as an annual administrative fee for issuing state transportation bonds pursuant to Sections 67-3-59.3 and 67-3-59.4 NMSA 1978 shall not be deposited into the local transportation infrastructure fund.

The internal services funds/interagency transfers appropriations to the modal program of the department of transportation includes three million two hundred nineteen thousand four hundred dollars (\$3,219,400) from the weight distance tax identification permit fund to hire contract workers, purchase equipment for commercial truck permitting and maintain and fund capital improvements for the port-of-entry facilities.

PROJECT DESIGN AND CONSTRUCTION

The purpose of the project design and construction program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY (dollars in thousands)

		FY20 - 2019-2020				
		FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr <u>(Decr)</u>
SOURCES						
	Federal Revenues	388,296.3	365,883.0	366,133.0	366,133.0	0.1
	Other Revenues	171,402.6	160,366.0	172,482.6	172,482.6	7.6
	Fund Balance	0.0	10,440.0	0.0	0.0	-100.0
	SOURCES TOTAL	559,698.9	536,689.0	538,615.6	538,615.6	0.4
USES						
	Personal Services and Employee Benefits	22,587.8	25,388.8	25,960.0	25,388.8	0.0
	Contractual Services	164,880.8	326,065.3	324,358.5	324,929.7	-0.3
	Other	164,642.9	185,234.9	188,297.1	188,297.1	1.7
	Other Financing Uses	3,000.0	0.0	0.0	0.0	
	TOTAL USES	355,111.5	536,689.0	538,615.6	538,615.6	0.4
FTE						
	Permanent	346.0	340.0	340.0	340.0	0.0
	Term	20.0	18.0	18.0	18.0	0.0
	TOTAL FTE POSITIONS	366.0	358.0	358.0	358.0	0.0

PERFORMANCE MEASURES

		FY17 Actual	FY18 Actual	FY19 Budget	FY20 Request	FY20 Recomm
* Outcome	Percent of projects in production let to bid as scheduled	65%	54%	>67%	>67%	>67%
* Quality	Percent of final cost-over-bid amount (less gross receipts tax) on highway construction projects	-1.0%	-0.2%	<3.0%	<3.0%	<3.0%
* Outcome	Percent of projects completed according to schedule	94%	86%	>88%	>88%	>88%

HIGHWAY OPERATIONS

The purpose of the highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	<u>FY18</u>	<u>FY19</u>	<u>Agency</u>	<u>LFC</u>	<u>Percent</u>
	<u>2017-2018</u>	<u>2018-2019</u>	<u>Request</u>	<u>Recommendation</u>	<u>Incr</u>
	<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES					
Federal Revenues	3,000.0	3,000.0	3,000.0	3,000.0	0.0
Other Revenues	233,583.1	229,078.6	235,190.2	235,190.2	2.7
Fund Balance	0.0	3,532.0	0.0	0.0	-100.0
SOURCES TOTAL	236,583.1	235,610.6	238,190.2	238,190.2	1.1
USES					
Personal Services and Employee Benefits	97,561.8	106,240.8	106,820.4	106,240.8	0.0
Contractual Services	35,437.9	49,407.6	49,698.6	49,698.6	0.6
Other	69,423.4	79,962.2	81,671.2	82,250.8	2.9
Other Financing Uses	3,000.0	0.0	0.0	0.0	
TOTAL USES	205,423.1	235,610.6	238,190.2	238,190.2	1.1
FTE					
Permanent	1,811.0	1,813.0	1,813.0	1,813.0	0.0
Term	16.7	16.7	16.7	16.7	0.0
TOTAL FTE POSITIONS	1,827.7	1,829.7	1,829.7	1,829.7	0.0

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of statewide pavement lane miles preserved	3,668	2,853	>2,550	>2,550	>2,750
Outcome	Percent of noninterstate lane miles rated fair or better	82%	81%	>75%	>68%	>75%
Outcome	Percent of interstate lane miles rated fair or better	93%	90%	>91%	>90%	>90%
* Outcome	Number of combined systemwide lane miles in poor condition	4,515	4,675	<6,925	<6,925	<5,500
Outcome	Percent of national highway system lane miles rated fair or better	90%	88%	>86%	>86%	>86%
Outcome	Percent of non-national highway system lane miles rated fair or better	79%	79%	>65%	>65%	>75%
Outcome	Number of interstate miles in poor condition	296	427	<425	<425	<425
Outcome	Number of noninterstate miles in poor condition	4,219	4,248	<6,500	<6,500	<5,000
* Outcome	Percent of bridges in fair, or better, condition based on deck area	96%	96%	>90%	90%	90%

PROGRAM SUPPORT

The purpose of program support is to provide management and administration of financial and human resources, custody and maintenance of information and property and management of construction and maintenance projects.

BUDGET SUMMARY
(dollars in thousands)

		<u>FY20 - 2019-2020</u>			
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
Other Revenues	42,867.3	42,486.0	43,248.6	43,248.6	1.8
Fund Balance	0.0	262.6	0.0	0.0	-100.0
SOURCES TOTAL	42,867.3	42,748.6	43,248.6	43,248.6	1.2
USES					
Personal Services and Employee Benefits	21,995.1	25,340.4	25,340.4	25,340.4	0.0
Contractual Services	1,923.6	4,321.9	4,615.4	4,615.4	6.8
Other	11,265.4	13,086.3	13,292.8	13,292.8	1.6
TOTAL USES	35,184.1	42,748.6	43,248.6	43,248.6	1.2
FTE					
Permanent	233.0	237.0	237.0	237.0	0.0
Term	3.8	5.8	5.8	5.8	0.0
TOTAL FTE POSITIONS	236.8	242.8	242.8	242.8	0.0

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Quality	Number of external audit findings	4	5	<5	<5	<5
Efficiency	Percent of invoices paid within thirty days	90%	91%	>90%	>90%	>90%
* Outcome	Vacancy rate of all programs	14.0%	16.6%	<13.0%	<13.0%	<13.0%
Output	Number of employee injuries	78	87	<90	<90	<85
Output	Number of employee injuries occurring in workzones	34	37	<45	<45	<40

MODAL

The purpose of the modal program is to provide federal grants management and oversight of programs with dedicated revenues, including transit and rail, traffic safety and aviation.

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	Other Transfers	1,471.0	3,519.4	3,519.4	3,519.4	0.0
	Federal Revenues	22,250.1	32,392.3	32,409.8	32,409.8	0.1
	Other Revenues	29,915.9	27,315.8	29,816.6	29,816.6	9.2
	Fund Balance	0.0	8,061.1	0.0	0.0	-100.0
	SOURCES TOTAL	53,637.0	71,288.6	65,745.8	65,745.8	-7.8
USES						
	Personal Services and Employee Benefits	3,877.3	5,194.6	5,190.8	5,190.8	-0.1
	Contractual Services	18,640.6	31,512.8	32,112.9	32,112.9	1.9
	Other	12,206.4	34,581.2	28,442.1	28,442.1	-17.8
	TOTAL USES	34,724.3	71,288.6	65,745.8	65,745.8	-7.8
FTE						
	Permanent	57.0	60.0	60.0	60.0	0.0
	Term	16.0	16.0	16.0	16.0	0.0
	TOTAL FTE POSITIONS	73.0	76.0	76.0	76.0	0.0

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Annual number of riders on park and ride	247,067	239,953	>235,000	>235,000	>240,000
Outcome	Percent of airport runways in satisfactory or better condition	64%	62%	>57%	>57%	>60%
Explanatory	Annual number of riders on the rail runner, in millions	835,070	787,634			
* Outcome	Number of traffic fatalities	374	359	<364	<357	<355
* Outcome	Number of alcohol-related traffic fatalities	154	118	<135	<143	<135
Outcome	Number of non-alcohol-related traffic fatalities	220	241	<217	<220	<220
Outcome	Number of occupants not wearing seatbelts in motor vehicle fatalities	138	114	<135	<133	<133
Outcome	Number of pedestrian fatalities	69	89	<70	<72	<72
Outcome	Number of rural traffic fatalities	221	196	<218	<211	<209
Outcome	Number of urban traffic fatalities	153	163	<146	<146	<146
Outcome	Number of rural alcohol-related traffic fatalities	87	67	<81	<70	<70
Outcome	Number of urban alcohol-related traffic fatalities	67	51	<66	<66	<65

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)					
	FY20 – 2019-2020				
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	Agency <u>Request</u>	LFC <u>Recommendation</u>	Percent Incr (Decr)
SOURCES					
General Fund Transfers	11,065.3	11,246.6	11,246.6	14,497.6	28.9
Other Transfers	19.2	45.0	45.0	45.0	0.0
Federal Revenues	29,687.7	28,202.1	29,752.2	29,752.2	5.5
Other Revenues	4,329.3	4,138.2	4,134.1	4,134.1	-0.1
Fund Balance	0.0	19.2	0.0	0.0	-100.0
SOURCES TOTAL	45,101.5	43,651.1	45,177.9	48,428.9	10.9
USES					
Personal Services and Employee Benefits	17,596.7	19,175.0	19,297.8	22,548.8	17.6
Contractual Services	17,261.0	20,138.3	21,175.0	21,175.0	5.1
Other	4,303.8	4,337.8	4,705.1	4,705.1	8.5
Other Financing Uses	2,706.2	0.0	0.0	0.0	
TOTAL USES	41,867.7	43,651.1	45,177.9	48,428.9	10.9
FTE					
Permanent	147.2	145.9	154.2	154.2	5.7
Term	127.0	93.9	129.0	129.0	37.4
Temporary	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	275.2	240.8	283.2	283.2	17.6

AT A GLANCE:

The Public Education Department (PED) requested \$45.2 million for FY20, a \$1.5 million, or 3.5 percent increase from the FY19 operating budget, which includes new federal grants. LFC recommends \$48.4 million for FY20, a \$4.8 million, or 10.9 percent, increase from FY19 funding levels, which includes a \$3.3 million general fund increase so the department can fulfill oversight and administrative duties required to ensure students are provided a sufficient education. The department's engagement with multiple lawsuits, oversight of failing schools, administration of new federal grants, and reliance on regional education cooperatives will require the agency to expand operational capacity to effectively address all issues.

BUDGET ISSUES:

In FY19, a now-retired 1st Judicial District Court judge ruled in New Mexico's education sufficiency lawsuit, the combined *Yazzie v. New Mexico* and *Martinez v. New Mexico* cases, that state funding levels and the distribution methods for public schools failed to provide a uniform and sufficient education for all school-aged children, particularly those at risk of falling academically behind. The judge ruled against PED's claim that it could not control districts' spending to ameliorate the education gap suffered by at-risk students, noting the department failed "to exercise its authority over the districts to require that the money that is allocated is used for programs known to advance the educational opportunities for at-risk students." Testimony during the trial also highlighted PED's failure to account for educational materials, staff positions relating to Native American education, monitor programs for English language learners, and consult with tribes and schools on the education of Native American students. Additionally, the court noted that PED failed to provide verifiable evidence that its programs were working.

PED's budget request for FY20 totals \$45.2 million, a \$1.5 million, or 3.5 percent increase from the FY19 operating budget. This increase is primarily due to four federal grants relating to Title I low-income school improvement, school health, charter schools, and early literacy. PED's FY20 general fund request of \$11.2 million was flat with FY19 levels, and changes to funding levels for each expenditure category were primarily attributable to changes in other state and federal funds. In response to staffing and oversight deficiencies highlighted by the court, LFC recommends an FY20 operating budget of \$48.4 million, a \$4.8 million, or 10.9 percent, increase from FY19 funding levels. The LFC's FY20 general fund recommendation is \$14.5 million, a \$3.3 million, or 29 percent, increase from FY19 levels.

PED's request for the personal services and employee benefits category totaled \$19.3 million, an overall increase of \$122.8 thousand, or 0.6 percent, from the department's FY19 operating level. The amount was a \$1.7 million, or 10 percent, increase from FY18 expenditure levels. Since FY16, PED has used portions of department-administered "below-the-line" special appropriations, intended to directly support school districts and charter schools, for department personnel. These amounts do not appear in the department's budget request. In FY19, the department budgeted \$539 thousand in the department's personal services and employee benefits category from PED special appropriations, \$196 thousand less than the amount budgeted in FY18. Statutory provisions authorize PED to budget funds for department personnel from appropriations for Native American education, prekindergarten, and K-3 Plus extended school year programs; however, the use of other special appropriations masks actual operating budget costs and diverts funding away from direct services.

The department request included 283.2 FTE, a significantly higher number than the 240.8 FTE authorized by the Legislature in FY19, but did not include a request for expansion. Given the substantial increase in PED special appropriations requested for FY20, the department may be planning for additional personnel costs to be covered by overhead from special appropriations. (See "Public School Support: Agency 993") In FY18, PED averaged 226.3 FTE, filling some vacant positions and improving from FY17's average of 223.9 FTE. The LFC recommendation for the personal services and employee benefits category totals \$22.5 million, a \$3.3 million increase from PED's request to address staffing and administrative concerns expressed by the court. The committee recommendation authorizes 283.2 FTE for FY20 and specifies the oversight responsibilities of the department.

Operations. PED has made progress on some key agency processes, including the completion of formula and program compliance audits. (See "Performance: Public Education Department," *Volume 1*) Accurate data collection and reporting ensures equitable distribution of formula funds and other categorical grant funding and improves collection of performance data. Additionally, adoption of K-3 Plus programs continues to grow, with several schools now piloting longer school years in fourth and fifth grade as well.

Since FY10, annual audits have noted issues between PED and state-chartered charter schools regarding fiscal management, financial internal controls, and oversight. The FY17 audit for PED, state-chartered charter schools, and the Division of Vocational Rehabilitation contained 187 findings – slightly worse than the FY16 audit, which reported 178 findings. PED's oversight responsibility continues to grow as the Public Education Commission (PEC) and school districts authorize new charter schools.

PED contracts with regional education cooperatives (RECs) to implement programs and initiatives statewide, an acknowledgement the department lacks operational capacity to run these programs internally. Detail on the REC contracts continues to be lacking, resulting in limited oversight over contractual expenditures. Historically, PED has contracted services through RECs (particularly REC 9) and directed RECs to procure services through sole source subcontracts, with each level of procurement often including its own indirect costs. As such, concerns continue to exist regarding the transparency and cost-effectiveness of PED's method for procuring services through the RECs. (See "Regional Education Cooperatives, Agency 930")

Legal and Administrative Challenges. In addition to the *Yazzie* and *Martinez* education sufficiency lawsuit, PED is under litigation for decisions surrounding the department's school turnaround efforts, teacher evaluation system, and decision to close several charter schools.

In FY18, PED identified four elementary schools: Hawthorne, Whittier, and Los Padillas in Albuquerque and Dulce Elementary School in Dulce for "more rigorous intervention," the highest priority classification under New Mexico's federal Every Student Succeeds Act plan for school improvement. PED identified these schools due to chronic F school grades and required the schools to choose between closure, significant restructure of programming, eventual closure and promotion of other schooling options, or conversion to a charter school. All schools submitted plans to significantly restructure programs by extending instructional time, increasing educator compensation and performance incentives, and providing additional coaching and professional development for staff. Disagreements on the plans between the department and schools resulted in plan changes directed by PED. Additionally, Albuquerque filed a lawsuit against PED over the department's directive to eventually close Hawthorne Elementary School.

The teacher evaluation process is still being challenged in two lawsuits. The first lawsuit argues the state's teacher evaluation system is unfair and could put teachers at risk of being punished or fired. The other lawsuit claims the evaluation system unlawfully takes control of teacher evaluations and supervision away from local school districts. Due to a 2015 court injunction, PED has not been able to use the teacher evaluations to inform employment, advancement, or licensure decisions; however, the department continues to adjust and integrate the evaluation scores into its policies and initiatives. For FY18, the department made adjustments to the evaluation system, reducing the weight on test scores and increasing the number of allowable teacher absences. In FY19, PED distributed excellence in teaching awards to teachers based on exemplary evaluation scores. Additionally, the department directed the more rigorous intervention schools to include ways to increase the number of highly effective or exemplary teachers in the restructuring plans.

In FY18, PED upheld charter revocation decisions made by the Public Education Commission (PEC) to close two charter schools, New Mexico Connections Academy and Taos International School, based on low academic performance. Both charter schools appealed the department's decision and received rulings to continue operating. The New Mexico Connections Academy appeal argued the state did not define standards of excellence and recommended consideration of performance measures other than state grades. Because of PEC's initial revocation decision, the school reported that FY19 enrollment dropped from 1,856 students to 1,033 students and the school lost about 20 teachers. Because the charter school's funding was based on prior year membership, the school received about \$6 million more in FY19 formula funding than justified by its membership. As a completely online charter school, the academy does not have the same fixed costs as a traditional brick-and-mortar school, further highlighting loopholes in the formula for virtual schools.

Special Education Maintenance of Effort. According to PED, the state is on track to meet special education maintenance-of-effort (MOE) requirements of the federal Individuals with Disabilities Education Act (IDEA). The state must meet a spending threshold to draw federal special education funds. Between FY11 and FY14, state special education funding levels fluctuated between \$8 million and \$35 million below required MOE levels, totaling \$85.6 million in shortfalls over the period. Beginning in FY15, special education funding levels consistently grew above the MOE level of \$435 million from FY09. Estimates recently provided by the department indicate that growth in special education program units and the unit value may result in an FY19 state special education funding level of \$466 million, exceeding the FY18 estimated funding level of \$451 million and FY17 actual funding level of \$450 million. These projected trends suggest New Mexico will likely meet MOE requirements in FY19 but simultaneously establish a higher MOE required funding level for future fiscal years.

In FY16, PED claimed the department negotiated a settlement with the U.S. Department of Education (USDE) that obligated the state to pay up to \$9 million for five years to address prior MOE shortfalls. To date, no documentation of this settlement has been provided to the committee. In FY17, the state auditor noted the MOE liability could potentially reach \$69 million and flagged the lack of documentation on the issue.

BASE EXPANSION:

The committee recommendation includes \$3.3 million for 42.4 FTE to ensure the department meets statutory requirements and exercises appropriate authority over educational programs at school districts and charter schools.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public education department includes three million two hundred fifty-one thousand dollars (\$3,251,000) for the department to meet statutory requirements pursuant to the Indian Education Act; meet statutory requirements pursuant to the Hispanic Education Act; exercise appropriate authority over school districts and charter schools to ensure students at risk of falling behind academically are provided adequate instruction by qualified personnel, culturally-responsive curricula, reasonably up-to-date materials and evidence-based interventions; and exercise appropriate authority over school districts and charter schools to ensure every student is provided the programs, services and supports necessary to have the opportunity to satisfy New Mexico's graduation requirements and on graduation be ready to attend college, pursue a career and participate in civic duties.

BASE EXPANSION LISTING FY20 - 2019-2020

Agency Rank		(Program) (P527)	Agency Request	LFC Recommendation
1	General Fund expansion - 42.4 FTE		0.0	3,251.0
TOTAL			0.0	3,251.0

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Average processing time for school district budget adjustment requests processed, in days	3.5	8	9	9	5
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices	18	23	24	24	20
Output	Number of local education agencies audited for funding formula components and program compliance	21	28	20	20	30
Outcome	Percent of section four public education special funds reverting annually	0.96%	1.20%	<1%	<1%	<1%
Outcome	Percent of section four public education special appropriations made to the public education department for the current fiscal year awarded by September 30 annually	79.5%	94.5%	80%	80%	90%
Explanatory	Percent of teachers meeting or exceeding state evaluation standards	71.3%	74.5%			
Explanatory	Number of teachers and administrators participating in public-education-department-led professional development training	NEW	19,803			
Explanatory	Percent of teachers passing all strands of professional dossiers on the first submittal	80%	73%			
Output	Percent of eligible children served in state-funded prekindergarten	29.1%	29%	36.4%	TBD	50%
* Output	Number of eligible children served in state-funded prekindergarten	8,572	8,427	9,974	TBD	13,700
Output	Percent of eligible children served in kindergarten-three plus	21%	20%	TBD	TBD	100%
* Output	Number of eligible children served in kindergarten-three plus	13,778	15,976	TBD	TBD	65,000
Outcome	Percent of students in kindergarten-three-plus meeting benchmark on early reading skills	15.4%	11.8%	75%	75%	75%
Explanatory	Number of charter schools authorized	99	97			
Explanatory	Total funded student membership in charter schools	24,302	24,627			
Explanatory	Total funded student membership in school districts	307,068	304,412			
Outcome	Number of classrooms exceeding statutory class-load maximums	NEW	NEW	NEW	NEW	<200
Explanatory	Number of classrooms taught primarily by long-term substitutes	NEW	NEW			
* Output	Number of eligible children served in kindergarten-five plus	NEW	18,222	NEW	NEW	98,000
Output	Percent of eligible children served in kindergarten-five plus	NEW	NEW	NEW	NEW	100%
Explanatory	Number of eligible children served in afterschool extended learning time programs	NEW	NEW			
Outcome	Percent of first-year teachers participating in department-approved teacher mentorship programs	NEW	NEW	NEW	NEW	100%
Outcome	Percent of first-year principals participating in department-approved principal mentorship programs	NEW	NEW	NEW	NEW	100%
Explanatory	Average dollars expended per-pupil	NEW	NEW			
Explanatory	Average dollars expended per-pupil for at-risk students	NEW	NEW			

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Instructional material dollars expended per-pupil on culturally relevant resources	NEW	NEW			
Explanatory	Instructional material dollars expended per-pupil	NEW	NEW			
Quality	Percent of teachers certified and trained to teach bilingual and multicultural education	NEW	NEW	NEW	NEW	50%
Quality	Percent of teachers certified and trained to teach special education	NEW	NEW	NEW	NEW	50%
Explanatory	Number of classrooms taught primarily by alternatively licensed teachers	NEW	NEW			
Output	Percent of state-funded prekindergarten programs operating five days a week	NEW	NEW	NEW	NEW	100%
Explanatory	Number of consultations with New Mexico tribes and tribal stakeholders on improving the educational success of Native American students.	NEW	NEW			
Explanatory	Number of consultations with stakeholders on improving the educational success of Hispanic students.	NEW	NEW			

Statutory Authority:

The Regional Cooperative Education Act, Sections 22-2B-1 to 22-2B-6 NMSA 1978, provides for the formation of regional education cooperatives (RECs) among local school boards or other state-supported educational institutions to provide education-related services. These services may include technical assistance, staff development, cooperative purchasing, fiscal management, and the administration of federal programs, among others. The Public Education Department (PED) is authorized to approve the existence and operation of RECs, classified as individual state agencies administratively attached to the PED and exempt from the provisions of the State Personnel Act. Each REC is governed by a regional education coordinating council composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

At a Glance:

RECs generate most of their revenue from federal grants and state-directed reimbursements and receive a general fund appropriation to alleviate cash flow issues. Volatile REC cash balances may be contributing to higher overhead costs, and an REC in the Four Corners region is still pending authorization from PED. For FY20, LFC recommends \$1 million from the general fund, divided evenly among the RECs, with \$103.9 thousand of the appropriation contingent on the full authorization and operation of the Four Corners REC.

Budget Issues:

Reimbursable programs constitute approximately 75 percent to 85 percent of all REC funding. RECs generate most of this revenue from special education services (including federal grants), certain federal funds for low-income students, and state-directed activities. RECs also contract with other educational institutions and organizations to offer a wide range of specialized services for each individual region, providing 63 districts and six state institutions with ancillary staffing, financial management, professional development, and similar services. RECs contend the reimbursement basis for services required by the federal Cash Management Improvement Act of 1990 necessitates cash balances to pay for upfront programmatic costs until reimbursements are paid. Additionally, other funds from state and federal sources are typically restricted to specified uses and thus prohibited for operational expenditures. RECs typically use the recurring general fund appropriation for the executive director position.

REC revenues from all sources have grown since 2009, when the Legislature added revenue-generating provisions for RECs in Section 22-2B-5 NMSA 1978. A 2007 LFC evaluation noted the nine RECs requested a total of \$2.7 million in FY08 (about \$300 thousand per REC) to cover costs for executive directors, business managers and program coordinators, auditing, and upkeep of facilities. This general fund appropriation need declined in the last decade, as RECs increased other sources of revenue. However, more recently, REC services have received greater attention due to a ruling on the *Yazzie* and *Martinez* education sufficiency lawsuits, concerns about student safety after the Aztec high school shooting, and growth in PED special programs. With demand for training, technical assistance, and personnel such as counselors and security guards, RECs may have to expand operational capabilities to address local needs and improve district efficiencies.

According to PED's operating budget management system, total budgeted revenues for RECs between FY09 and FY18 nearly doubled, from \$26.9 million to \$51.2 million. Over that same period, seven out of nine RECs increased budgeted revenues, and four RECs increased their revenues by twofold or more. However, substantial growth in state flow-through grants and outstanding reimbursements have created financial volatility for RECs, given significant fluctuations in cash positions each year. In FY17, combined, unrestricted cash balances for all nine RECs totaled \$4.3 million, a 19 percent decrease from FY16 (\$5.2 million) but a 168 percent increase from FY15 (\$1.6 million).

Uncertainty surrounding reimbursements and unrestricted cash balances may be contributing to higher overhead costs. In FY17, intergovernmental agreements between PED and REC 9 for NMTeach included nearly \$500 thousand of indirect service costs from subcontracting services. Indirect service costs accrued from three layers of procurement: PED contracting with REC 9, REC 9 subcontracting with the Southern Regional Education Board (SREB), and SREB subcontracting with multiple consultants for various services. SREB's consultants included former PED and REC 9 employees, who received consulting rates between \$1,000 per day to \$3,000 per day, with several earning over \$170 thousand in total for their services in FY17. Although a 2016 LFC evaluation noted REC procurements must follow provisions of the Procurement Code, their exemption from oversight by the General Services Department might be creating a less transparent – and potentially costly – method of procuring services.

For FY19, the REC general fund request is \$1 million, including \$103.9 thousand for an REC in the Four Corners region and a \$935.1 thousand appropriation divided evenly among the other nine RECs. To date, PED has not yet authorized an REC 1 for the Four Corners region. The department is still working with school districts within the region to develop a plan for the proposed REC. The LFC recommendation supports the agency budget request but includes language making the appropriation for REC 1 contingent on authorization by PED and full operation in FY20.

Section 22-2B-3 NMSA 1978 allows PED to authorize the existence and operation of RECs. On PED's authorization, local school boards and other state-supported educational institutions may form cooperatives to provide education-related services. Prior to 2002, the northwest corner received services from regional cooperative center (RCC) 1. However, when the now-defunct state Board of Education authorized RCCs to become RECs in 2002, RCC 1 did not receive approval and ceased operations.

RECOMMENDED LANGUAGE:

The general fund appropriation to the four corners regional education cooperative is contingent on authorization of a four corners regional education cooperative by the public education department pursuant to Section 22-2B-3 NMSA 1978 and full operation in fiscal year 2020.

BUDGET SUMMARY (dollars in thousands)

Regional Education Cooperative	FY18 (2017-2018) Actuals					FY19 (2018-2019) Budgeted				
	General Fund ¹	Other State Funds	Inter-Agency Transfer	Federal Funds	TOTAL	General Fund ²	Other State Funds	Inter-Agency Transfer	Federal Funds	TOTAL
Four Corners REC #1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$103.8	\$0.0	\$0.0	\$0.0	\$103.8
Northwest REC #2 (Gallina)	\$103.9	\$3,975.0	\$0.0	\$706.7	\$4,785.6	\$103.8	\$3,819.4	\$0.0	\$420.1	\$4,343.3
High Plains REC #3 (Raton)	\$103.9	\$5,939.4	\$0.0	\$262.3	\$6,305.6	\$103.8	\$2,749.4	\$0.0	\$262.0	\$3,115.2
Northeast REC #4 (Las Vegas)	\$103.9	\$601.5	\$0.0	\$431.0	\$1,136.4	\$103.8	\$574.7	\$0.0	\$445.4	\$1,123.9
Central REC #5 (Albuquerque)	\$103.9	\$3,082.1	\$0.0	\$5,277.0	\$8,463.0	\$103.8	\$4,122.1	\$0.0	\$5,588.9	\$9,814.8
REC #6 (Clovis)	\$103.9	\$478.7	\$0.0	\$1,525.2	\$2,107.8	\$103.8	\$800.0	\$0.0	\$1,000.0	\$1,903.8
Lea REC #7 (Hobbs)	\$103.9	\$765.2	\$3,120.3	\$433.5	\$4,422.9	\$103.8	\$2,471.1	\$0.0	\$414.7	\$2,989.6
Pecos Valley REC #8 (Artesia)	\$103.9	\$1,346.8	\$0.0	\$329.0	\$1,779.7	\$103.8	\$381.0	\$0.0	\$260.4	\$745.2
REC #9 (Ruidoso)	\$103.9	\$16,350.3	\$0.0	\$3,073.1	\$19,527.3	\$103.8	\$3,809.6	\$0.0	\$4,548.5	\$8,461.9
Southwest REC #10 (T or C)	\$103.9	\$574.0	\$133.0	\$405.0	\$1,215.9	\$103.8	\$575.0	\$133.0	\$600.0	\$1,411.8
TOTAL	\$935.0	\$33,113.0	\$3,253.3	\$12,442.8	\$49,744.1	\$1,038.0	\$19,302.3	\$133.0	\$13,540.0	\$34,013.3

Regional Education Cooperative	FY20 (2019-2020) Agency Request					FY20 (2019-2020) LFC Recommendation				
	General Fund	Other State Funds	Inter-Agency Transfer	Federal Funds	TOTAL	General Fund	Other State Funds	Inter-Agency Transfer	Federal Funds	TOTAL
Four Corners REC #1	\$103.9	\$500.0	\$0.0	\$0.0	\$603.9	\$103.9	\$500.0	\$0.0	\$0.0	\$603.9
Northwest REC #2 (Gallina)	\$103.9	\$3,953.1	\$0.0	\$786.7	\$4,843.7	\$103.9	\$3,953.1	\$0.0	\$786.7	\$4,843.7
High Plains REC #3 (Raton)	\$103.9	\$4,132.4	\$0.0	\$262.5	\$4,498.8	\$103.9	\$4,132.4	\$0.0	\$262.5	\$4,498.8
Northeast REC #4 (Las Vegas)	\$103.9	\$376.9	\$0.0	\$445.5	\$926.3	\$103.9	\$376.9	\$0.0	\$445.5	\$926.3
Central REC #5 (Albuquerque)	\$103.9	\$3,082.1	\$0.0	\$4,455.0	\$7,641.0	\$103.9	\$3,082.1	\$0.0	\$4,455.0	\$7,641.0
REC #6 (Clovis)	\$103.9	\$478.7	\$0.0	\$973.9	\$1,556.5	\$103.9	\$478.7	\$0.0	\$973.9	\$1,556.5
Lea REC #7 (Hobbs)	\$103.9	\$840.9	\$1,410.4	\$330.6	\$2,685.8	\$103.9	\$840.9	\$1,410.4	\$330.6	\$2,685.8
Pecos Valley REC #8 (Artesia)	\$103.9	\$260.4	\$0.0	\$512.8	\$877.1	\$103.9	\$260.4	\$0.0	\$512.8	\$877.1
REC #9 (Ruidoso)	\$103.9	\$15,000.0	\$0.0	\$3,000.0	\$18,103.9	\$103.9	\$15,000.0	\$0.0	\$3,000.0	\$18,103.9
Southwest REC #10 (T or C)	\$103.9	\$975.0	\$133.0	\$600.0	\$1,811.9	\$103.9	\$975.0	\$133.0	\$600.0	\$1,811.9
TOTAL	\$1,039.0	\$29,599.5	\$1,543.4	\$11,367.0	\$43,548.9	\$1,039.0	\$29,599.5	\$1,543.4	\$11,367.0	\$43,548.9

Source: RECA and LFC Files

¹ General fund support was appropriated to RECs in FY18 through a flow-through PED special appropriation, item (d).

² In FY19, the Legislature directly appropriated \$103.8 thousand to each REC and earmarked \$103.8 thousand to establish a new REC in the Four Corners region.

STATUTORY AUTHORITY:

The Public School Facilities Authority (PSFA) was created in 2003 to staff the Public School Capital Outlay Council (PSCOC) pursuant to the Public School Capital Outlay Act, Section 22-24-9 NMSA 1978. Under the direction of PSCOC, PSFA is responsible for providing support and oversight in administering construction grants, deficiencies correction, and statewide, standards-based programs; assisting school districts with the development and implementation of five-year master plans and preventive maintenance plans; and overseeing all state-funded public school construction. The director, versed in construction, architecture, or project management, is selected by the council.

The membership of the council consists of a representative from the Governor's Office, the secretary of the Department of Finance and Administration, the secretary of the Public Education Department, the president of the New Mexico School Boards Association, the director of the Construction Industries Division of the Regulation and Licensing Department, the president of the State Board of Education, the director of the Legislative Finance Committee, the director of the Legislative Council Service, and the director of the Legislative Education Study Committee.

MISSION:

The mission of PSFA is to support quality public education by encouraging and assisting districts with prudent planning, construction, and maintenance of appropriate physical environments to foster successful student learning, to involve active community participation in the education process, and to assist policymakers and New Mexico taxpayers with current and accurate financial and technical information and recommendations.

BUDGET SUMMARY (dollars in thousands)					
	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
Other Revenues	5,647.4	5,171.8	5,346.8	5,346.8	3.4
SOURCES TOTAL	5,647.4	5,171.8	5,346.8	5,346.8	3.4
USES					
Personal Services and Employee Benefits	3,945.4	3,952.6	4,127.6	4,127.6	4.4
Contractual Services	80.5	94.7	94.7	94.7	0.0
Other	1,133.0	1,124.5	1,124.5	1,124.5	0.0
TOTAL USES	5,158.9	5,171.8	5,346.8	5,346.8	3.4
FTE					
Permanent	51.0	46.0	49.0	49.0	6.5
Term	4.0	3.0	0.0	0.0	-100.0
Temporary	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	55.0	49.0	50.0	50.0	2.0

AT A GLANCE:

PSFA's FY20 budget request was \$5.3 million, a 3.4 percent increase over its FY19 operating budget of \$5.2 million. The increase was restricted to the personal services and employee benefits category, with the request for the contractual services and other categories flat with the FY19 operating budget. In FY18, the agency reverted an estimated \$494.5 thousand, or 8.8 percent, of the \$5.6 million FY18 operating budget. Of that reversion, \$371.8 thousand was from the personal services and employee benefits category. On average, the agency has reverted 8.2 percent of its annual operating budget since FY13. The request included 50 FTE, an addition of 1 temporary FTE that PSFA has historically paid for with vacancy savings but which was unauthorized; the request formalizes the agency's past practice. The LFC recommendation supports the agency's budget request.

BUDGET ISSUES:

The public school capital outlay fund (PSCOF), a nonreverting fund that receives supplemental severance tax bond revenue, provides grants to schools and funds PSFA's operating budget. Legislative appropriations from the PSCOF, decreased revenue, and project delays due to insufficient funds resulted in significantly lower grant assistance in FY17 (\$81.8 million) and FY18 (\$87 million); comparatively, average annual grant assistance between FY12 and FY16 was \$188.1 million. PSFA reported PSCOF balances to be more than \$600 million prior to FY12; at the end of FY18, PSCOF balances were about \$265 million. Although state revenues are recovering and projected to increase further in FY20, these effects have not yet returned PSCOF balances or grant assistance to previous levels. PSFA projects FY19 annual grant assistance will total \$108.7 million, \$79.4 million less than the FY12 to FY16 average; however, awards are expected to increase to \$170.5 million in FY20 and \$194.4 million in FY21.

Core Administrative Functions. PSFA's operational expenses for "core administrative functions" are limited to 5 percent of the average annual grant assistance over the past three years. The unusually low award cycles between FY17 and FY19 caused the three-year average annual grant assistance to decrease from \$157.7 million in FY18 to a projected \$92.5 million in FY20. The agency's FY20 budget request of \$5.3 million, while an increase of only \$175 thousand over its FY19 operating budget, exceeds this limit by about \$722 thousand, or 0.8 percent. This is a significant outlier, as PSFA expects awards will increase in FY20, averaging \$170.5 million annually between FY20 and FY23. To stabilize PSFA's budget and insulate the budget cap from temporary, short-term declines in awards, LFC recommends amending the Public School Capital Outlay Act to calculate the limit based on a five-year average awards amount, rather than a three-year average. This would also align with PSFA's five-year project cycle. PSFA projects the average of the previous five years of awards will be \$132.2 million in FY20, of which its requested budget represents only 4 percent. Between FY20 and FY23, PSFA's anticipated flat \$5.3 million budget would range from 3.7 percent to 4.3 percent of a five-year average; comparatively, the same budget ranges from 3.1 percent to 5.8 percent of a three-year average.

School Condition. The overall condition of school facilities is measured using the statewide average facility condition index (FCI) and the weighted New Mexico condition index (wNMCI). The FCI reflects a ratio of the cost of repair and improvement against the cost to replace the facility, so a lower number reflects a building in better condition. The wNMCI measures both the condition of the building, similarly to FCI, and the facility's educational usefulness as measured by adequacy standards. The state uses the wNMCI to rank every facility in terms of relative need for awards. In January 2018, PSCOC changed the methodology for calculating FCI and wNMCI. In addition to better aligning with industry standards, this change increased the weight factor for systems beyond their useful life, allowing PSCOC to identify and better focus on systems that need to be replaced. As a result, the FCI and wNMCI values measured after January 2018 are not comparable to those values in prior years. Using the new methodology, the statewide average FCI and wNMCI as of June 30, 2018, were 50.2 percent and 23.8 percent, respectively; the same values calculated using the old methodology would be about 32.6 percent and 14.9 percent.

Between FY05 and FY18, PSCOC awarded over \$2.6 billion to fund capital projects and lease assistance for school districts, charter schools, the New Mexico School for the Blind and Visually Impaired, and the New Mexico School for the Deaf. During that same period, the statewide average FCI improved from 66.7 percent to 50.2 percent. PSFA estimates an average of \$154 million in state spending may be required annually in FY18 through FY23 to maintain the current FCI. The average wNMCI for all school districts improved from 40.5 percent in FY05 to 23.8 percent in FY18. At the end of FY18, 25 schools had a wNMCI greater than 50 percent. In the first round of FY19 standards-based awards, PSCOC awarded 11 new projects in nine districts. PSFA anticipates disbursing \$42.8 million in FY19 for these and previously-approved projects. While the need for large-scale renovation or replacement of school buildings has been greatly reduced, the Legislature and PSCOC have expanded programs aimed at improving existing facilities and extending their useful life by repairing or replacing essential systems, increasing facility security, adding capacity for prekindergarten students, providing faster Internet speeds for students and teachers, and promoting effective maintenance policies.

Systems Initiative. In FY17, PSCOC began piloting a systems-based award application process to address improvements in roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation, and air conditioning systems. PSCOC awarded \$23.4 million to 10 projects in eight school districts in the first and second rounds of systems awards in FY18. In its first round of systems awards in FY19, PSCOC received 26 applications from 14 districts, and awarded \$15.8 million to 24 projects in 13 districts. PSFA estimates demand for system initiatives funding will continue to increase in subsequent years as more school districts understand eligibility criteria and identify qualifying projects.

Security Funding. Laws 2018, Chapter 80, (House Bill 306) and Laws 2018, Chapter 71, (Senate Bill 239) appropriated funding from the PSCOF to plan, design, and install security systems in public schools. In response, PSFA researched best practices, conducted site visits and school security workshops across the state, and conducted surveys to define eligible project types and develop evaluation criteria for a new security projects funding program. Forty-seven school districts submitted applications for 288 projects in the first round of security awards; in FY19, PSCOC awarded \$16 million to 222 projects in 46 districts. From FY20 to FY22, PSCOC can allocate up to \$30 million in additional security awards. In addition, PSFA is currently developing proposed revisions to the statewide adequacy standards that may include security, which could make security-based projects eligible for other PSCOC funding.

Prekindergarten Facilities. Between FY07 and FY18, the Legislature appropriated funds from the PSCOF to the Public Education Department (PED) for the renovation and construction of prekindergarten facilities. During the 2018 session, the Legislature reauthorized an unexpended \$5 million from PED's 2016 appropriation to PSFA and authorized PSFA to award those funds, which is otherwise not permitted under the Public School Capital Outlay Act. In June 2018, PSCOC awarded the entire \$5 million to 10 districts for 14 projects expected to serve over 450 students. Due to anticipated demand for additional prekindergarten facility funding, LFC recommends amending the Public School Capital Outlay Act to include a prekindergarten program similar to the systems and security programs.

Broadband. The Legislature established the broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs. The program was originally set to run from FY14 to FY19, but Laws 2017, Chapter 142, (Senate Bill 64) removed the time limit for the initiative, allowing PSCOC to continue the program. Although the governor vetoed SB64, the New Mexico Supreme Court ruled in April 2018 that the governor's vetoes on it and nine other bills were invalid based on her lack of sufficient explanation for the vetoes. Between FY14 and FY18, PSCOC awarded \$10.8 million to support fiber and Wi-Fi projects. PSCOC budgeted \$3 million for BDCP awards in FY19 and anticipates similar expenditure levels in FY20 through FY23. Although virtually all public schools are connected to fiber, overall school connection speeds remain low compared with other states. In FY18, New Mexico averaged about 340 kilobytes per second (Kbps) per student, significantly lower than the national average of 524 Kbps per student.

Maintenance. PSCOC promotes effective maintenance practices as a way to decrease repairs resulting from deferred maintenance, which can be very costly and increase school wNMCI rankings prematurely. The facility maintenance assessment report (FMAR), a tool introduced in FY13 to measure maintenance effectiveness, indicates the FY18 statewide average maintenance score is 71 percent, a significant improvement from 60 percent in FY13 and an increase from 64 percent in FY17. A score above 70 percent is considered satisfactory and this marks the first year the statewide average has reached this level.

Lease Assistance. In addition to awards for capital projects, PSCOC also provides funding (primarily to charter schools) to assist with payments on leased space. Despite being a discretionary program, lease assistance awards have grown every year except FY18 and reached \$15.7 million in FY19. In 2018, PSFA determined the majority of lease assistance recipients were significantly overreporting their square footage eligible for lease assistance and were receiving a total of about \$3.7 million in excess payments. Nevertheless, PSCOC chose to award FY18 lease assistance based on the 2017 self-reported square footage rather than PSFA-verified amounts. Given these issues and others encountered during the FY19 lease assistance process, PSFA will work with stakeholders to establish a better process. Because leased space is not ideal for most charters, better, longer-term facility arrangements for charter schools, such as occupying excess capacity in existing public school facilities, should be explored.

Zuni Litigation. The Zuni lawsuit concerning the allocation of public school capital outlay was reopened in 2014, and Gallup-McKinley County Schools (GMCS) filed an amended complaint in 2015, which included PSCOC as a defendant. GMCS was primarily concerned that, because of the district's low bonding capacity and high capital needs, the district could not afford school construction above the technical definition of adequacy for facilities such as teacherages, auxiliary gyms, and additional playing fields. In 2017, an 11th Judicial District judge dismissed the Zuni and Gallup school districts and individual Zuni plaintiffs from the lawsuit, but in 2018 granted a motion to substitute the school boards as plaintiffs in place of the districts. A trial is set for May 2019.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the public school facilities authority includes five million three hundred forty-six thousand eight-hundred dollars (\$5,346,800) from the public school capital outlay fund less any amount in excess of the limitation established in Section 22-24-4(G) NMSA 1978.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the public school facilities oversight program is to oversee public school facilities in all eighty-nine school districts to ensure correct and prudent planning, building and maintenance using state funds and to ensure adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Average cost per square foot of leases funded with lease assistance	\$13.75	\$14.57	<\$15.00		
Explanatory	Average number of months from substantial completion to financial closeout	35.2	8	17		
Explanatory	Number of change orders in current fiscal year	111	107			
Explanatory	Average number of months between initial award to occupancy	66	11			
Explanatory	Average number of months from initial award to commencement of construction	50	58			
Explanatory	Average cost per square foot of new construction	\$279	\$272			
Explanatory	Statewide public school facility condition index measured on December 31 of prior calendar year	32.1%	50.2%			
Explanatory	Statewide public school facility maintenance assessment report score measured on December 31 of prior calendar year	63.6%	71.1%			
Explanatory	Average megabits per second per student for schools	NEW	0.340			
Explanatory	Average square foot per student of all schools	NEW	219.0			
Explanatory	Average square foot per student of new construction	NEW	172.0			
Explanatory	Total annual dollar change from initial award state match estimate to actual award state match	NEW	\$105,117.6			
Explanatory	Average square foot per student of middle schools	NEW	NEW	NEW		
Explanatory	Average square foot per student of high schools	NEW	NEW	NEW		
Explanatory	Average square foot per student of new construction, high schools	NEW	NEW	NEW		
Explanatory	Average square foot per student of elementary schools	NEW	NEW	NEW		
Explanatory	Average square foot per student of new construction, elementary schools	NEW	NEW	NEW		
Explanatory	Average square foot per student of new construction, middle schools	NEW	NEW	NEW		

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB) was created pursuant to the Education Trust Act in Sections 21-21K-1 through 21-21K-7 NMSA 1978. As required by Internal Revenue Code 529, ETB is administered by the state of New Mexico. ETB is administratively attached to the Higher Education Department and administers the education trust fund, which includes all funds received pursuant to college investment agreements as part of the state's qualified tuition program.

ETB is governed by a five-person board that includes the secretary of the Higher Education Department and appointees of the governor, the Speaker of the House of Representatives, and the president pro tem of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

ETB administers the state's federally authorized college savings plan, a flexible, convenient, and tax-efficient means for families to save for college costs, including tuition, fees, room, books, and supplies.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 Actuals</u>	<u>FY19 Operating Budget</u>	<u>FY20 Request</u>
Sources			
Fund Balance	1,965.5	2,290.9	2,340.4
TOTAL REVENUES	1,965.5	2,290.9	2,340.4
Uses			
Personal Services and Employee Benefits	207.0	364.2	502.3
Contractual Services	1,232.2	1,549.8	1,653.4
Other	526.3	376.9	184.7
Other Financing Uses	0.0	0.0	0.0
TOTAL USES	1,965.5	2,290.9	2,340.4
TOTAL FTE POSITIONS	2.0	2.0	4.0

AT A GLANCE:

ETB, self-supported through a minor administrative fee on its plans, requested an additional FTE for FY20, increasing the personal services and employee benefits category by \$138.1 thousand. After removing the additional staff request, ETB's FY20 base budget request is 3.8 percent lower than its FY19 operating budget but 12.4 percent higher than the FY18 actual expenditures.

BUDGET ISSUES:

Currently, the board's budget is established through an annual budget adjustment request and is based on the Higher Education Department's budget authority. It is not included in the General Appropriation Act (GAA). Given the board's size, functions, revenue sources and restricted uses, and lack of policies and practices consistent with state agencies included in the GAA, LFC recommends the board's budget authority remain outside of the GAA.

ETB has accumulated a fund balance of more than \$8.6 million, according to the board's FY17 audit report, more than a \$1 million increase to fund balance over the prior year.

In prior years, policymakers considered using some of this fund balance to support student financial aid throughout the state. As lottery tuition scholarship support for students continues to decline, the Legislature should again consider use of ETB's fund balance to fill in financial aid gaps.

The Education Trust Board's efforts focus on increasing total education savings plan accounts, with targeted initiatives to increase New Mexico participants. The tax advantage 529 plans allow participants the flexibility to save money with one of two plans offered by ETB: the Education Plan or the Scholar's Edge. In the plan design, participants can select an age-based plan – tied to the number of years until the beneficiary will need the college funds – or they can invest directly into a mutual fund or exchange traded fund. As the 529 plans mature, the total value of the plans will begin to lose asset value without increased participants, or increased contributions, or market appreciation of the investments. In FY18, the redemptions from the plans outpaced contributions by \$76 million.

PERFORMANCE ISSUES:

ETB manages approximately \$2.4 billion in gross assets in its two college savings plans, the Education Plan and Scholar's Edge.

The Education Plan, with assets of \$535 million, had 22,353 accounts as of June 30, 2018, 49 percent held by New Mexico residents. The New Mexico accounts grew by 6.1 percent in FY18 and had an average portfolio balance of \$23,749. The much larger Scholar's Edge plan, with assets of \$1.9 billion, has 104,981 accounts with 10 percent of the accounts started by New Mexico residents. New accounts for New Mexico residents have grown 2.8 percent year-over-year. The average portfolio balance is \$16,492 for the Scholars Edge.

The Education Plan is a direct-sold plan, offering age-based and static investment options, including active-managed funds and index funds, directly to plan participants. It consists of 27 pre-defined age-based investment portfolios and 18 underlying investments into mutual funds or exchange traded funds (ETFs), providing participants with a flexible set of options depending on the participant risk profile. The Education Trust Board reports investment returns in the Education Plan have generally out-performed the median for its categories. The longer maturity funds (i.e., age 0-6 program) have shown stronger performance compared with the shorter-term programs (i.e., age 13-18 program). As an example, the Morningstar Direct™ median (an industry leading monitor of performance of mutual funds and ETFs) for the age-based 0-6 program shows an approximate 7.8 percent annual return, where the Education Plan produced a 9 percent average annual return. However, for the age-based 13-18 category, the Morningstar Direct™ median shows a 3.95 percent annual return compared with the Education Plan's 3.25 percent.

The Scholar's Edge is a broker-sold plan, consisting of \$1.9 billion in age-based, custom choice, and static portfolios. The plan offers 44 pre-defined age-based investment portfolios and 31 underlying investments into mutual funds or exchange traded funds. The Education Trust Board reports investment returns in the Scholar's Edge have generally out-performed the median for its categories. The table below compares the three-year risk-return for the two plans offered by the Education Trust Board to the Morningstar Direct™ median for plans of similar structure. The returns shown are approximate.

<u>Age-based plan</u>	<u>The Education Plan (median return)</u>	<u>The Scholar's Edge (median return)</u>
Age 0 – 6	9.1 percent (7.8 percent)	7.4 percent (6.3 percent)
Age 7 – 12	6.1 percent (5.9 percent)	5.9 percent (5.5 percent)
Age 13 – 18	3.3 percent (3.9 percent)	3.6 percent (3.3 percent)
Age 19+	1.6 percent (1.5 percent)	2.0 percent (1.1 percent)

For FY20, the board expects to work with its program manager to improve the number of in-state accounts, asset values, and ultimately, the longevity of the plans. Both in FY17 and in FY18, the program manager has not met its targets for these objectives.

STATUTORY AUTHORITY:

Pursuant to Section 21-1-26 NMSA 1978, the Higher Education Department (HED) determines an adequate level of funding for institutions of higher education and recommends the equitable distribution of available funds among them. Responsibilities of the department include implementing the Postsecondary Education Planning Act, the Postsecondary Education Articulation Act, the Student Loan Act, the Education Trust Act, degree 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)

	FY18 2017-2018 <u>Actuals</u>	FY19 2018-2019 <u>Budgeted</u>	<u>FY20 – 2019-2020</u>		Percent Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recommendation</u>	
SOURCES					
General Fund Transfers	34,496.2	34,538.6	35,640.3	36,840.3	6.7
Other Transfers	42,285.7	42,285.7	42,315.7	42,315.7	0.1
Federal Revenues	9,489.8	9,964.1	9,595.1	9,595.1	-3.7
Other Revenues	508.1	529.2	508.1	508.1	-4.0
Fund Balance	0.0	0.0	6,150.0	150.0	
SOURCES TOTAL	86,779.8	87,317.6	94,209.2	89,409.2	2.4
USES					
Personal Services and Employee Benefits	3,258.4	3,935.7	4,521.2	4,352.0	10.6
Contractual Services	1,655.4	1,652.9	2,018.7	1,901.0	15.0
Other	76,706.9	81,729.0	87,669.3	83,156.2	1.7
TOTAL USES	81,620.7	87,317.6	94,209.2	89,409.2	2.4
FTE					
Permanent	31.0	34.0	36.0	36.0	5.9
Term	15.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	46.0	50.0	52.0	52.0	4.0

AT A GLANCE:

For FY20, the department requested a general fund appropriation of \$35.6 million, \$1.1 million, or 3.1 percent, more than the \$34.5 million the agency received from the general fund in FY19. The increase would augment staff and provide more funding for student loan repayment programs.

LFC recommends a \$2.3 million increase, or 6.6 percent, in general fund appropriations to fully staff the department, which has had difficulty in prior years staffing critical areas for data collection, financial oversight, and student aid programs. The recommendation includes \$2 million additional funding for the adult education program, increasing to \$7.2 million.

LFC recommends \$100 million nonrecurring general fund appropriations for three separate initiatives: \$25 million for the teacher loan repayment program, which would help to incentivize more College of Education graduates to enter the classroom; \$50 million for the college affordability fund, which has been depleted of funds; and \$25 million to the university endowment fund to incentivize private donors to give to colleges and universities.

BUDGET ISSUES:

In prior years, HED focused on collaboration among colleges and universities for the benefit of students. This included using its rulemaking authority to accomplish its trifecta initiative: common course numbering (articulation and transfer agreements), meta majors, and redesigning the general education core curriculum, which institutions must adopt by August 2019. Additionally, other HED initiatives addressed college preparedness, including a redesign of college remediation courses and the use of dual-credit courses for high school students. Comprehensively, the HED initiatives should improve student outcomes: increase retention rates and improve on-time graduation rates.

The department's request used \$6 million of fund balances from the lottery tuition fund for FY20. While fund balances are sufficient in FY19, the use of the fund balance for FY20 cannot be assured. Thus, the LFC recommendation eliminates the use of fund balance for the lottery scholarships and reduces spending to the estimated level of revenue from the New Mexico Lottery in FY20, \$42 million.

Personnel. The department has a 28 percent vacancy rate. Some vacant positions require advanced education or experience at the postsecondary level and have been difficult to fill because competing employers, such as colleges and universities, offer higher salaries. In spite of these challenges, HED has filled a couple of positions since the start of FY19, including a chief information officer, an institutional finance analyst, and other key positions.

Adult Education. Of the 1.1 million adults over age 25 in New Mexico, more than 240 thousand have not finished high school. Another 162 thousand do not speak English or do not speak English well. These adults cannot fully participate in work and community opportunities. HED engages these adults through its adult education division to help adults improve basic literacy and earn a high school degree. Only 23 thousand adults per year, or 6 percent of the eligible population, are served by HED's programs, offered mainly by two-year colleges throughout the state. The LFC recommendation includes \$2 million over the FY19 operating budget of \$5.2 million to increase the number of adults who earn a high school degree, or high school equivalency, and who transition into postsecondary education.

Policy Development and Institutional Financial Oversight Program. For the last several years, HED stepped up efforts to monitor the fiscal health of state colleges and universities. Two institutions and one university department – the University of New Mexico athletic department, Northern New Mexico College, and Luna Community College – are on enhanced fiscal oversight by HED. Last year, New Mexico Highlands University was removed from the list by complying with HED guidance. Institutions on enhanced fiscal oversight are often at risk of losing accreditation, meaning students would lose access to federal financial aid in addition to lost job opportunities with a credential from an unaccredited institution.

General fund appropriations to the Policy Development and Institutional Financial Oversight Program, which includes all HED staff, total \$12.4 million in the FY19 operating budget, after adjusting for the \$11.3 million flow-through to colleges and universities for a 2 percent compensation increase. From general fund revenues, \$3.8 million is recommended as flow-through for various programs outside of HED and \$7.2 million for adult education, \$2 million more than FY19. Overall, the LFC recommends a \$2.3 million increase in general fund revenues for FY20, which reflects an 18.6 percent increase over FY19.

The program is also responsible for administration of several grant programs, including the federally funded GEAR UP – Gaining Early Awareness for Undergraduate Programs – grant that pays for high school outreach, and the capital outlay oversight unit, which develops annual capital project recommendations. The federal GEAR UP grant will expire in FY20. HED is competing to continue the program with an application to the U.S. Department of Education.

Similar to FY19, LFC recommends language allowing the department to withhold a portion of general fund allotments to institutions or programs under enhanced fiscal oversight to provide HED more leverage in its accountability efforts. LFC also recommends \$153 thousand for Western Interstate Commission for Higher Education dues.

Student Financial Aid Program. Revenue into the Student Financial Aid program represents general fund appropriations for financial aid programs, supporting students pursuing a postsecondary degree in New Mexico or pursuing a postsecondary degree through an out-of-state institution, who provides educational programs not available in New Mexico, such as dental or veterinarian school. Because funding may exceed demand, general fund appropriations to the Student Financial Aid Program do not revert, allowing these funds to be budgeted over multiple fiscal years.

The FY20 HED request of \$22.7 million is a 2.2 percent increase over FY19. The request for an additional \$500 thousand is for law and medical school loan repayment programs and for an increase in the wartime veterans scholarships. The LFC recommends funding for these programs at the FY19 levels.

The primary revenue to the program is from the lottery tuition fund, which receives revenue from the New Mexico Lottery. The FY20 request estimates the lottery tuition fund at \$48 million, \$42 million in lottery revenues and \$6 million from lottery tuition fund balance. The LFC recommends \$42 million from lottery revenues and does not budget the fund balance, estimated to be expended in FY19.

In total, LFC recommends \$64.7 million for the Student Financial Aid Program, an increase of 1 percent from the FY19 levels. The LFC recommends support for the HED request to budget \$30 thousand from the Board of Nursing to support nursing loan repayment programs.

FY18 lottery revenues for scholarships rebounded slightly from prior year lows to \$40.2 million, representing a 7.7 percent year-over-year increase. Without additional support, LFC projects the scholarship will cover 65 percent of average tuition rates, 13 percent lower than the FY19 scholarship rate.

RECOMMENDED LANGUAGE:

For the Higher Education Subsection. On approval of the higher education department, the state budget division of the department of finance and administration may approve increases in budgets of agencies in this subsection whose other state funds exceed amounts specified with the exception of the policy development and institutional financial oversight program of the higher education department. 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.

For the Higher Education Subsection. The department of finance and administration shall, as directed by the secretary of higher education, withhold from an educational institution or program that the higher education department places under an enhanced fiscal oversight program a portion, up to ten percent, of the institution's or program's general fund allotments. On written notice by the secretary of higher education that the institution or program has made sufficient progress toward satisfying the requirements imposed by the higher education department under the enhanced fiscal oversight program, the department of finance shall release the withheld allotments. Money withheld in accordance with this provision and not released at the end of fiscal year 2020 shall revert to the general fund. The secretary of the department of finance and administration shall advise the legislature through its officers and appropriate committees, in writing, of the status of all withheld allotments.

Except as otherwise provided, any unexpended balances remaining at the end of fiscal year 2019 shall not revert to the general fund.

For the Higher Education Department. The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the other category includes seven million two hundred thirty-five thousand nine hundred dollars (\$7,235,900) to provide adults with education services and materials and access to high school equivalency tests, one hundred thirty-eight thousand three hundred dollars (\$138,300) for workforce development programs at community colleges that primarily educate and retrain recently displaced workers, four hundred sixty-one thousand one hundred dollars (\$461,100) for the high skills program, ninety-two thousand six hundred dollars (\$92,600) for English-learner teacher preparation and one hundred eighty-three thousand nine hundred dollars (\$183,900) to the tribal college dual-credit program fund.

The general fund appropriation to the policy development and institutional financial oversight program of the higher education department in the contractual services category includes six hundred ninety-six thousand one hundred dollars (\$696,100) for an adult literacy program.

Any unexpended balances in the policy development and institutional financial oversight program of the higher education department remaining at the end of fiscal year 2019 from appropriations made from the general fund shall revert to the general fund.

POLICY DEVELOPMENT AND INSTITUTIONAL FINANCIAL OVERSIGHT

The purpose of the policy development and institutional financial oversight program is to provide a continuous process of statewide planning and oversight within the department's statutory authority for the state higher education system and to ensure both the efficient use of state resources and progress in implementing a statewide agenda.

BUDGET SUMMARY
(dollars in thousands)

		FY20 - 2019-2020				
		FY18	FY19	Agency	LFC	Percent
		2017-2018	2018-2019	Request	Recommendation	Incr
		<u>Actuals</u>	<u>Budgeted</u>			<u>(Decr)</u>
SOURCES						
	General Fund Transfers	12,303.0	12,345.4	12,947.1	14,647.1	18.6
	Other Transfers	285.7	285.7	285.7	285.7	0.0
	Federal Revenues	9,489.8	9,964.1	9,255.1	9,255.1	-7.1
	Other Revenues	508.1	529.2	508.1	508.1	-4.0
	SOURCES TOTAL	22,586.6	23,124.4	22,996.0	24,696.0	6.8
USES						
	Personal Services and Employee Benefits	3,258.4	3,935.7	4,521.2	4,352.0	10.6
	Contractual Services	1,655.4	1,652.9	1,998.7	1,881.0	13.8
	Other	17,006.5	17,535.8	16,476.1	18,463.0	5.3
	TOTAL USES	21,920.3	23,124.4	22,996.0	24,696.0	6.8
FTE						
	Permanent	31.0	34.0	36.0	36.0	5.9
	Term	15.0	16.0	16.0	16.0	0.0
	TOTAL FTE POSITIONS	46.0	50.0	52.0	52.0	4.0

PERFORMANCE MEASURES

		<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY20</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of unemployed adult education students obtaining employment two quarters after exit	40.1%	40.1%	40%	40%	60%
* Outcome	Percent of adult education high-school-equivalency-test-takers who earn a high school equivalency credential	82.1%	83%	85%	85%	85%
Output	Average time for the private and proprietary schools division to approve or reject a license or registration application	20 days	20 days	20 days	20 days	20 days
Explanatory	Percent of fiscal watch program quarterly reports from institutions submitted to the department of finance and administration and the legislative finance committee	100%	100%			
Explanatory	Percent of dual-credit courses successfully completed annually	81%				
Explanatory	Number of dual-credit courses students enroll in within New Mexico public high schools and postsecondary institutions	54,051				
Efficiency	Agency performance rate on annual loss prevention and control audit conducted by the general services department	96%	96%	96%	100%	100%
Explanatory	Percent of New Mexico's workforce population, ages 25 through 64, with a postsecondary credential		59.5%			
Explanatory	Average number of credit hours accrued in the attainment of a bachelor's degree by students graduating from state-funded higher education institutions	138	141			
* Outcome	Percent of high-school-equivalency graduates entering postsecondary degree or certificate programs	69%	38.5%	69%	50%	69%
Explanatory	Average number of credit hours accrued in the attainment of an associate's degree by students graduating from state-funded higher education institutions	85	82.5			

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Percent of first-time, full-time, degree-seeking students, from the most recently available cohort, at state-funded universities who graduated within four years of their initial enrollment	41.1%	25.5%			
Explanatory	Percent of first-time, full-time, degree-seeking students, from the most recently available cohort, at state-funded community colleges who graduated within two years of their initial enrollment	9.34%	19.5%			

STUDENT FINANCIAL AID PROGRAM

The purpose of the student financial aid program is to provide access, affordability and opportunities for success in higher education to students and their families so that all New Mexicans may benefit from postsecondary education and training beyond high school.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY18 2017-2018 Actuals</u>	<u>FY19 2018-2019 Budgeted</u>	<u>FY20 - 2019-2020 Agency Request</u>	<u>LFC Recommendation</u>	<u>Percent Incr (Decr)</u>
SOURCES					
General Fund Transfers	22,193.2	22,193.2	22,693.2	22,193.2	0.0
Other Transfers	42,000.0	42,000.0	42,030.0	42,030.0	0.1
Federal Revenues	0.0	0.0	340.0	340.0	
Fund Balance	0.0	0.0	6,150.0	150.0	
SOURCES TOTAL	64,193.2	64,193.2	71,213.2	64,713.2	0.8
USES					
Contractual Services	0.0	0.0	20.0	20.0	
Other	59,700.4	64,193.2	71,193.2	64,693.2	0.8
TOTAL USES	59,700.4	64,193.2	71,213.2	64,713.2	0.8
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Explanatory	Percent of eligible state loan for service applicants receiving funds	55%	58%			
* Explanatory	Percent of eligible state loan repayment applicants receiving funds	28%	60%			

Student Financial Aid Program Detail (Dollars in Thousands)	FY18 Actual	FY19 OPBUD	FY20 Request	FY20 LFC Rec
Student Access and Achievement				
Lottery Scholarship*				
Other Transfer	42,000.0	42,000.0	42,000.0	42,000.0
Other Revenues	-	-	-	-
Fund Balance	-	-	-	-
Total Lottery Scholarship	42,000.0	42,000.0	42,000.0	42,000.0
Student Incentive Grant				
General Fund	11,000.0	11,000.0	11,000.0	11,000.0
College Affordability Endowed Scholarships				
Other Transfer	-	-	-	-
Work-Study				
General Fund	4,142.2	4,142.2	4,142.2	4,142.2
Vietnam Veterans Scholarship				
General Fund	65.0	65.0	65.0	65.0
NM Scholars				
General Fund	250.0	250.0	250.0	250.0
Peace Officer and Fire Fighter Fund				
General Fund	25.0	25.0	25.0	25.0
Merit-based Scholarships				
General Fund	-	-	-	-
Wartime Veterans Scholarship				
General Fund	180.0	180.0	280.0	180.0
Total Student Access and Achievement	15,662.2	15,662.2	15,762.2	15,662.2
Healthcare Workforce Development				
Nursing Student Loan for Service				
General Fund	450.0	450.0	450.0	450.0
Nurse Educator Loan For Service				
General Fund	65.0	65.0	65.0	65.0
Medical Student Loan Prog.				
General Fund	350.0	350.0	650.0	350.0
Primary Care Physician Tuition Waiver				
General Fund	150.0	150.0	150.0	150.0
Allied Health				
General Fund	100.0	100.0	100.0	100.0
Health Professional Loan Repayment				
General Fund	1,061.9	1,061.9	1,061.9	1,061.9
Dentistry Loan for Service				
General Fund	21.6	21.6	21.6	21.6
Dental Residency Program				
General Fund	750.0	750.0	750.0	750.0
Total Healthcare Workforce Development Programs	2,948.5	2,948.5	3,248.5	2,948.5

Student Financial Aid Program Detail (Dollars in Thousands)	FY18 Actual	FY19 OPBUD	FY20 Request	FY20 LFC Rec
Statewide Priority Professional Development				
Teacher Loan-for-Service				
General Fund	20.0	20.0	20.0	20.0
Teacher Loan Repayment				
General Fund	60.0	60.0	60.0	60.0
Graduate Scholarship				
General Fund	619.0	619.0	619.0	619.0
Minority Doctoral Assistance				
General Fund	75.0	75.0	75.0	75.0
WICHE Loan-for-Service				
General Fund	2,167.5	2,167.5	2,167.5	2,167.5
Public Service Law Loan Repayment				
General Fund	170.0	170.0	270.0	170.0
Social Worker Loan for Service				
General Fund	450.0	450.0	450.0	450.0
John R. Justice Loan Repayment				
Federal Funds	37.7	40.0	40.0	40.0
Total Statewide Priority Professional Development	3,599.2	3,601.5	3,701.5	3,601.5
Financial Aid Administration				
General Fund	21.0	21.0	21.0	21.0
GENERAL FUND TOTAL	22,193.2	22,193.2	22,693.2	22,193.2
GRAND TOTAL	64,230.9	64,233.2	64,733.2	64,233.2

*FY17 lottery figures in the HED request do not reflect actual transfers from liquor excise tax and the lottery tuition fund. Figures in this document were adjusted to reflect actual revenues received.

FY20 GENERAL FUND APPROPRIATIONS
(in thousands)

	FY19 OpBud	FY20 HED Request	FY20 LFC Rec.
INSTRUCTION and GENERAL INSTITUTIONAL I&G FUNDING			
<i>Percent of I&G Formula Based on Outcomes</i>	6.0%	10.0%	5.5%
<i>Percent of "New Money"</i>	2.0%	2.0%	2.5%
<i>Amount of "New Money" over FY19 Formula Funding</i>	\$11,291.8	\$11,684.4	\$14,605.5
<i>FY19 I&G Base Year</i>			
Base Year I&G	564,591.00	584,220.7	584,220.7
Base Adjustment Rate	4.0%	8.0%	3.0%
Base Adjustment Amount	(22,583.60)	(46,737.66)	(17,526.6)
FY19 Core Funding Level	542,007.40	537,483.0	566,694.1
<i>Outcomes Funding</i>			
Operating Base Adjustment	\$0.0	\$0.0	\$0.0
Hold Harmless	\$0.0	\$0.0	\$0.0
Hold-Harmless+ Funds	\$0.0	\$0.0	\$0.0
Workload Outcomes (Course Completion)	8,468.9	12,122.6	6,667.4
Statewide Outcomes Measures			
<i>Total Formula Certificates and Degrees</i>	9,485.1	17,526.6	8,997.0
<i>Total Workforce Certificates and Degrees</i>	4,573.2	7,887.0	4,337.8
<i>Total At-Risk Certificates and Degrees</i>	4,573.2	9,201.5	5,703.5
Subtotal Statewide Outcomes Measures	18,631.5	34,615.1	19,038.3
Mission-Differentiated Measures			
<i>Research Universities</i>	3,745.7	6,459.8	3,552.9
<i>Comprehensive Institutions</i>	712.9	1,166.7	641.7
<i>Community Colleges</i>	2,316.5	4,057.9	2,231.9
Subtotal Mission-Differentiated Measures	6,775.1	11,684.4	6,426.4
Total Outcomes Funding	33,875.5	58,422.1	32,132.1
<i>I&G Base Adjustments - compensation</i>	8,337.8	0.0	0.0
I&G Roll-ups	0.0	0.0	0.0
Rounding Adjustments	0.0	0.0	0.0
<i>Total Formula Funding</i>	584,220.7	595,905.1	598,826.2
UNM HEALTH SCIENCE CENTER I&G FUNDING	58,264.1	58,264.1	59,429.4
HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	642,484.8	654,169.2	658,255.6
Dollar Change from Prior Year Operating Budget	11,738.9	11,684.4	15,770.8
Percent Change from Prior Year Operating Budget	1.9%	1.8%	2.5%
OTHER CATEGORICAL			
Special Schools (I&G only)	6,209.7	6,209.7	6,209.7
Athletics	13,406.7	13,832.1	13,669.6
Public Television	3,153.6	3,215.0	3,153.6
Healthcare Workforce (incl. medical residencies, undergraduate & graduate nursing education, dental programs)	11,938.4	12,731.4	12,719.4
Other Research and Public Service Projects	91,746.6	96,218.3	93,636.0
Compensation and Other Adjustments			
Total RPSP (Excl. Special Schools I&G)	120,245.3	125,996.8	123,178.6
OTHER CATEGORICAL SUBTOTAL	126,455.0	132,206.5	129,388.3
Dollar Change from Prior Year Operating Budget	3,398.2	5,751.5	2,933.3
Percent Change from Prior Year Operating Budget	2.8%	4.5%	2.3%
TOTAL GAA SECTION 4 INSTITUTIONS	768,939.8	786,375.7	787,643.9
HIGHER EDUCATION DEPARTMENT	FTE: 52.0	FTE: 52.0	FTE: 52.0
Operating Budget and Flow-Through Programming	12,345.4	12,947.1	14,647.1
Student Financial Aid	22,193.2	22,693.2	22,193.2
Sanding			
HIGHER EDUCATION DEPARTMENT TOTAL	34,538.6	35,640.3	36,840.3
Dollar Change from Prior Year Operating Budget	42.4	1,101.7	2,301.7
Percent Change from Prior Year Operating Budget	0.1%	3.2%	6.7%
TOTAL HIGHER EDUCATION	803,478.4	822,016.0	824,484.2
Dollar Change from Prior Year Operating Budget	24,133.3	18,537.6	21,005.8
Percent Change from Prior Year Operating Budget	3.1%	2.3%	2.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY19	FY20			
	FY19 OPBUD	FY20 HED Request	FY20 LFC Rec	FY20 LFC over/(under) FY19 OPBUD	FY20 LFC over/(under) FY19 OPBUD
UNIVERSITY OF NEW MEXICO					
Instruction and general purposes	\$182,301.8	\$187,049.5	\$187,432.1	5,130.3	2.8%
Athletics	\$2,641.5	\$2,641.5	\$2,694.3	52.8	2.0%
Educational television and public radio	\$1,092.3	\$1,092.3	\$1,092.3	0.0	0.0%
NEW - Veterans Student Services	\$0.0	\$290.0	\$250.0	250.0	0.0%
Gallup Branch - I&G	\$8,486.2	\$8,290.4	\$8,500.6	14.4	0.2%
Los Alamos Branch - I&G	\$1,757.0	\$1,789.0	\$1,799.3	42.3	2.4%
Valencia Branch - I&G	\$5,309.7	\$5,383.6	\$5,426.9	117.2	2.2%
Taos Branch - I&G	\$3,410.6	\$3,517.9	\$3,519.2	108.6	3.2%
<i>Research & Public Service Projects:</i>					
Judicial selection	\$21.4	\$21.4	\$21.4	0.0	0.0%
Ibero-American education	\$83.7	\$83.7	\$83.7	0.0	0.0%
Manufacturing engineering program	\$523.1	\$523.1	\$523.1	0.0	0.0%
Wildlife law education	\$90.0	\$90.0	\$90.0	0.0	0.0%
Morrissey hall programs	\$103.6	\$103.6	\$103.6	0.0	0.0%
Disabled student services	\$176.1	\$178.7	\$176.1	0.0	0.0%
Minority student services	\$889.5	\$889.5	\$889.5	0.0	0.0%
Community-based education	\$530.2	\$530.2	\$530.2	0.0	0.0%
Corrine Wolf children's law center	\$160.0	\$160.0	\$160.0	0.0	0.0%
Student mentoring program	\$273.2	\$273.2	\$273.2	0.0	0.0%
Southwest research center	\$1,059.8	\$1,059.8	\$1,059.8	0.0	0.0%
Substance abuse program	\$69.0	\$69.0	\$69.0	0.0	0.0%
Resource geographic information system	\$61.6	\$61.7	\$61.7	0.1	0.2%
Southwest Indian law clinic	\$193.0	\$193.0	\$193.0	0.0	0.0%
Geospatial and population studies/bureau of business and economic research	\$360.2	\$360.2	\$360.2	0.0	0.0%
New Mexico historical review	\$44.6	\$44.6	\$44.6	0.0	0.0%
Utton transboundary resources center	\$321.9	\$341.2	\$321.9	0.0	0.0%
Land grant studies	\$122.1	\$122.1	\$122.1	0.0	0.0%
College degree mapping	\$68.8	\$68.8	\$0.0	(68.8)	-100.0%
Gallup - nurse expansion	\$192.1	\$192.1	\$192.1	0.0	0.0%
Gallup - workforce development programs	\$200.0	\$200.0	\$200.0	0.0	0.0%
Valencia - nurse expansion	\$155.8	\$155.8	\$155.8	0.0	0.0%
Taos - nurse expansion	\$223.8	\$223.8	\$223.8	0.0	0.0%
Total UNM	\$210,922.6	\$215,999.7	\$216,569.5	5,646.9	2.7%
UNM HEALTH SCIENCES CENTER					
Instruction and general purposes	\$58,264.1	\$58,264.1	\$59,429.4	1,165.3	2.0%
<i>Research & Public Service Projects:</i>					
NEW - Successful aging	\$0.0	\$1,200.0	\$0.0	0.0	0.0%
NEW - Child abuse evaluation services	\$0.0	\$0.0	\$150.0	150.0	0.0%
Undergraduate Nurse expansion	\$1,012.3	\$1,012.3	\$1,012.3	0.0	0.0%
Graduate nurse education	\$1,514.7	\$1,514.7	\$1,514.7	0.0	0.0%
Native American health center	\$255.7	\$255.7	\$255.7	0.0	0.0%
Native American suicide prevention	\$92.8	\$97.3	\$92.8	0.0	0.0%
Office of medical investigator	\$5,310.7	\$5,525.3	\$5,313.4	2.7	0.1%
Children's psychiatric hospital	\$7,067.0	\$7,076.6	\$7,076.6	9.6	0.1%
Carrie Tingley hospital	\$5,193.3	\$5,201.1	\$5,201.1	7.8	0.2%
Newborn intensive care	\$3,144.1	\$3,145.8	\$3,145.8	1.7	0.1%
Pediatric oncology	\$1,220.9	\$1,220.9	\$1,220.9	0.0	0.0%
Poison and drug information center	\$1,493.0	\$1,493.0	\$1,493.0	0.0	0.0%
Cancer center	\$2,549.0	\$2,549.0	\$2,549.0	0.0	0.0%
Hepatitis community health outcomes	\$2,046.1	\$2,046.1	\$2,196.1	150.0	7.3%
Internal medicine residencies	\$1,012.9	\$999.6	\$999.6	(13.3)	-1.3%
Psychiatry residencies	\$370.1	\$377.2	\$377.2	7.1	1.9%
General surgery/family community medicine residencies	\$307.7	\$313.9	\$313.9	6.2	2.0%
Total UNM/HSC	\$90,854.4	\$92,292.6	\$92,341.5	1,487.1	1.6%
Total UNM and UNM/HSC	\$301,777.0	\$308,292.3	\$308,911.0	7,134.0	2.4%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY19	FY20			
	FY19 OPBUD	FY20 HED Request	FY20 LFC Rec	FY20 LFC over/(under) FY19 OPBUD	FY20 LFC over/(under) FY19 OPBUD
NEW MEXICO STATE UNIVERSITY					
Instruction and general purposes	\$113,000.6	\$114,535.8	\$115,398.5	2,397.9	2.1%
Athletics	\$3,145.8	\$3,145.8	\$3,208.7	62.9	2.0%
Educational television and public radio	\$1,023.7	\$1,085.1	\$1,023.7	0.0	0.0%
Alamogordo Branch - Instruction and general purposes	\$7,028.9	\$6,716.3	\$6,956.1	(72.8)	-1.0%
Carlsbad Branch - Instruction and general purposes	\$3,944.0	\$3,961.7	\$4,009.1	65.1	1.7%
Dona Ana Branch - Instruction and general purposes	\$22,087.1	\$22,449.0	\$22,605.0	517.9	2.3%
Grants Branch - Instruction and general purposes	\$3,342.5	\$3,270.2	\$3,350.5	8.0	0.2%
Department of Agriculture	\$11,327.2	\$12,011.5	\$11,558.2	231.0	2.0%
Agricultural Experiment Station (AES) (Language)	\$13,853.6	\$14,314.9	\$14,130.7	277.1	2.0%
Cooperative Extension Service (CES)	\$12,781.2	\$12,791.6	\$12,781.2	0.0	0.0%
<i>Research & Public Service Projects:</i>					
STEM alliance for minority participation	\$307.6	\$307.6	\$307.6	0.0	0.0%
Mental health nurse practitioner	\$643.9	\$643.9	\$643.9	0.0	0.0%
Indian resources development	\$275.9	\$275.9	\$275.9	0.0	0.0%
Manufacturing sector development program	\$513.9	\$544.7	\$513.9	0.0	0.0%
Arrowhead center for business development	\$322.2	\$341.5	\$322.2	0.0	0.0%
Nurse expansion	\$700.2	\$700.2	\$700.2	0.0	0.0%
Alliance teaching & learning advancement	\$141.5	\$150.0	\$235.0	93.5	66.1%
Water resource research institute	\$628.3	\$666.0	\$728.3	100.0	15.9%
College assistance migrant program	\$202.0	\$202.0	\$202.0	0.0	0.0%
Autism Program		\$0.0	\$200.0	200.0	0.0%
Sunspot Solar Observatory Consortium		\$273.0	\$100.0	100.0	0.0%
Carlsbad - manufacturing sector development program	\$221.0	\$221.0	\$221.0	0.0	0.0%
Carlsbad - nurse expansion	\$108.9	\$108.9	\$108.9	0.0	0.0%
Dona Ana - dental hygiene program	\$206.0	\$206.0	\$206.0	0.0	0.0%
Dona Ana - nurse expansion	\$193.5	\$193.5	\$193.5	0.0	0.0%
Total NMSU	\$195,999.5	\$199,116.1	\$199,980.1	3,980.6	2.0%
NEW MEXICO HIGHLANDS UNIVERSITY					
Instruction and general purposes	\$26,958.6	\$27,637.5	\$27,715.8	757.2	2.8%
Athletics	\$2,088.1	\$2,213.4	\$2,129.9	41.8	2.0%
<i>Research & Public Service Projects:</i>				0.0	
NEW - Native american social work institute		\$100.0	\$50.0	50.0	0.0%
Advanced placement	\$213.3	\$226.1	\$213.3	0.0	0.0%
Minority student services	\$520.4	\$551.6	\$520.4	0.0	0.0%
Forest and watershed institute	\$294.9	\$312.6	\$294.9	0.0	0.0%
Nurse expansion	\$61.0	\$211.0	\$211.0	150.0	245.9%
Total NMHU	\$30,136.3	\$31,252.2	\$31,135.3	999.0	3.3%
WESTERN NEW MEXICO UNIVERSITY					
Instruction and general purposes	\$16,772.3	\$17,431.4	\$17,374.7	602.4	3.6%
Athletics	\$1,853.4	\$1,964.6	\$1,890.5	37.1	2.0%
<i>Research & Public Service Projects:</i>				0.0	
NEW - Nursing expansion (T or C)		\$300.0	\$300.0	300.0	0.0%
Instructional television	\$72.4	\$76.7	\$72.4	0.0	0.0%
Pharmacy and phlebotomy programs	\$57.2	\$121.2	\$57.2	0.0	0.0%
Web-based teacher licensure	\$129.2	\$137.0	\$129.2	0.0	0.0%
Child development center	\$193.6	\$205.2	\$205.2	11.6	6.0%
Nurse expansion	\$809.2	\$857.8	\$860.4	51.2	6.3%
Total WNMU	\$19,887.3	\$21,093.9	\$20,889.6	1,002.3	5.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY19	FY20			
	FY19 OPBUD	FY20 HED Request	FY20 LFC Rec	FY20 LFC over/(under) FY19 OPBUD	FY20 LFC over/(under) FY19 OPBUD
EASTERN NEW MEXICO UNIVERSITY					
Instruction and general purposes	\$26,674.5	\$27,739.4	\$27,638.2	963.7	3.6%
Athletics	\$2,082.0	\$2,206.9	\$2,123.6	41.6	2.0%
Educational television and public radio	\$1,037.6	\$1,037.6	\$1,037.6	0.0	0.0%
Roswell Branch - Instruction and general purposes	\$11,181.5	\$11,123.5	\$11,307.3	125.8	1.1%
Ruidoso Branch - Instruction and general purposes	\$1,980.8	\$1,963.3	\$1,999.0	18.2	0.9%
<i>Research & Public Service Projects:</i>					
Blackwater draw site and museum	\$89.4	\$89.4	\$89.4	0.0	0.0%
Student success programs	\$417.0	\$417.0	\$417.0	0.0	0.0%
Nurse expansion	\$328.0	\$328.0	\$328.0	0.0	0.0%
At-risk student tutoring	\$224.6	\$224.6	\$224.6	0.0	0.0%
Allied health	\$142.4	\$142.4	\$142.4	0.0	0.0%
Roswell branch - nurse expansion	\$68.5	\$272.9	\$100.0	31.5	46.0%
Roswell branch - airframe mechanics	\$55.3	\$58.6	\$75.1	19.8	35.8%
Special services program	\$56.6	\$118.6	\$118.6	62.0	109.5%
Total ENMU	\$44,338.2	\$45,722.2	\$45,600.8	1,262.6	2.8%
NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY					
Instruction and general purposes	\$26,650.2	\$27,177.5	\$27,303.6	653.4	2.5%
Bureau of mine safety	\$314.4	\$314.4	\$314.4	0.0	0.0%
Bureau of geology and mineral resources	\$3,942.9	\$4,542.9	\$4,021.8	78.9	2.0%
Petroleum recovery and research center	\$1,864.6	\$1,864.6	\$1,864.6	0.0	0.0%
Geophysical research center	\$1,088.7	\$1,088.7	\$1,088.7	0.0	0.0%
<i>Research & Public Service Projects:</i>					
NEW- Cybersecurity Education & Research Center		\$0.0	\$150.0	150.0	0.0%
Science and engineering fair	\$200.4	\$200.4	\$200.4	0.0	0.0%
Energetic materials research center	\$788.9	\$788.9	\$788.9	0.0	0.0%
Institute for complex additive systems analysis	\$805.9	\$805.9	\$805.9	0.0	0.0%
Cave and karst research	\$358.6	\$358.6	\$358.6	0.0	0.0%
Homeland security center	\$519.8	\$519.8	\$519.8	0.0	0.0%
Total NMIMT	\$36,534.4	\$37,661.7	\$37,416.7	882.3	2.4%
NORTHERN NEW MEXICO COLLEGE					
Instruction and general purposes	\$9,899.7	\$9,624.7	\$9,891.6	(8.1)	-0.1%
Athletics	\$352.1	\$373.2	\$359.1	7.0	2.0%
<i>Research & Public Service Projects:</i>				0.0	
Nurse expansion	\$233.0	\$233.0	\$233.0	0.0	0.0%
STEM	\$137.3	\$137.3	\$137.3	0.0	0.0%
Veterans center	\$116.9	\$116.9	\$116.9	0.0	0.0%
Total NNMC	\$10,739.0	\$10,485.1	\$10,737.9	(1.1)	0.0%
SANTA FE COMMUNITY COLLEGE					
Instruction and general purposes	\$9,615.3	\$9,978.0	\$9,951.2	335.9	3.5%
<i>Research & Public Service Projects:</i>					
NEW - First born, home visiting training & technical assistance		\$150.0	\$150.0	150.0	0.0%
Automechanics	\$45.9	\$0.0	\$0.0	(45.9)	-100.0%
Nurse expansion	\$253.9	\$253.9	\$253.9	0.0	0.0%
Radiography technician program	\$91.7	\$0.0	\$0.0	(91.7)	-100.0%
Small business development centers	\$4,066.6	\$4,310.6	\$4,216.6	150.0	3.7%
Total SFCC	\$14,073.4	\$14,692.5	\$14,571.7	498.3	3.5%
CENTRAL NM COMMUNITY COLLEGE					
Instruction and general purposes	\$55,497.9	\$58,045.8	\$57,699.7	2,201.8	4.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$179.6	\$179.6	\$179.6	0.0	0.0%
Total CNM	\$55,677.5	\$58,225.4	\$57,879.3	2,201.8	4.0%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY19	FY20			
	FY19 OPBUD	FY20 HED Request	FY20 LFC Rec	FY20 LFC over/(under) FY19 OPBUD	FY20 LFC over/(under) FY19 OPBUD
LUNA COMMUNITY COLLEGE					
Instruction and general purposes	\$6,717.3	\$6,447.8	\$6,664.5	(52.8)	-0.8%
Athletics	\$390.3	\$390.3	\$398.1	7.8	2.0%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$267.0	\$267.0	\$267.0	0.0	0.0%
Student retention and completion	\$530.6	\$530.6	\$530.6	0.0	0.0%
Total LCC	\$7,905.2	\$7,635.7	\$7,860.2	(45.0)	-0.6%
MESALANDS COMMUNITY COLLEGE					
Instruction and general purposes	\$3,877.3	\$3,758.5	\$3,866.7	(10.6)	-0.3%
Athletics	\$138.3	\$138.3	\$141.1	2.8	2.0%
<i>Research & Public Service Projects:</i>					
Wind training center	\$113.4	\$113.4	\$113.4	0.0	0.0%
Total MCC	\$4,129.0	\$4,010.2	\$4,121.2	(7.8)	-0.2%
NEW MEXICO JUNIOR COLLEGE					
Instruction and general purposes	\$5,333.9	\$5,465.5	\$5,479.6	145.7	2.7%
Athletics	\$454.6	\$481.9	\$463.7	9.1	2.0%
<i>Research & Public Service Projects:</i>					
Oil & gas management program	\$161.6	\$171.3	\$161.6	0.0	0.0%
Nurse expansion	\$282.9	\$299.9	\$308.2	25.3	8.9%
Lea county distance education consortium	\$27.5	\$29.2	\$27.5	0.0	0.0%
Total NMJC	\$6,260.5	\$6,447.8	\$6,440.6	180.1	2.9%
SAN JUAN COLLEGE					
Instruction and general purposes	\$23,121.7	\$23,288.8	\$23,539.4	417.7	1.8%
<i>Research & Public Service Projects:</i>					
Dental hygiene program	\$153.7	\$175.0	\$175.0	21.3	13.9%
Nurse expansion	\$198.3	\$250.0	\$250.0	51.7	26.1%
Total SJC	\$23,473.7	\$23,713.8	\$23,964.4	490.7	2.1%
CLOVIS COMMUNITY COLLEGE					
Instruction and general purposes	\$9,271.3	\$9,260.0	\$9,397.7	126.4	1.4%
<i>Research & Public Service Projects:</i>					
Nurse expansion	\$272.9	\$272.9	\$272.9	0.0	0.0%
Total CCC	\$9,544.2	\$9,532.9	\$9,670.6	126.4	1.3%
NEW MEXICO MILITARY INSTITUTE					
Instruction and general purposes	\$1,328.5	\$1,328.5	\$1,328.5	0.0	0.0%
Athletics	\$260.6	\$276.2	\$260.6	0.0	0.0%
Knowles legislative scholarship program	\$1,284.7	\$1,284.7	\$1,284.7	0.0	0.0%
Total NMMI	\$2,873.8	\$2,889.4	\$2,873.8	0.0	0.0%
NM SCHOOL FOR BLIND & VISUALLY IMPAIRED					
Instruction and general purposes	\$1,004.8	\$1,004.8	\$1,004.8	0.0	0.0%
<i>Research & Public Service Projects:</i>					
Early childhood center	\$361.9	\$361.9	\$361.9	0.0	0.0%
Low vision clinic programs	\$111.1	\$111.1	\$111.1	0.0	0.0%
Total NMSBV	\$1,477.8	\$1,477.8	\$1,477.8	0.0	0.0%
NM SCHOOL FOR THE DEAF					
Instruction and general purposes	\$3,876.4	\$3,876.4	\$3,876.4	0.0	0.0%
<i>Research & Public Service Projects:</i>					
Statewide outreach services	\$236.6	\$250.3	\$236.6	0.0	0.0%
Total NMSD	\$4,113.0	\$4,126.7	\$4,113.0	0.0	0.0%
TOTAL GENERAL FUND	\$803,478.4	\$822,016.0	\$824,484.3	21,005.9	2.6%

INSTITUTIONAL GENERAL FUND DETAIL
(in thousands)

Institution / Program (detail listed primarily in HB2 order, in thousands)	FY19	FY20			
	FY19 OPBUD	FY20 HED Request	FY20 LFC Rec	FY20 LFC over/(under) FY19 OPBUD	FY20 LFC over/(under) FY19 OPBUD
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	\$36,534.4	\$37,661.7	\$37,416.7	882.3	2.4%
New Mexico State University (954)	\$195,999.5	\$199,116.1	\$199,980.1	3,980.6	2.0%
UNM Total (952)	\$301,777.0	\$308,292.3	\$308,911.0	7,134.0	2.4%
University of New Mexico (952)	\$210,922.6	\$215,999.7	\$216,569.5	5,646.9	2.7%
UNM Health Sciences Center (952)	\$90,854.4	\$92,292.6	\$92,341.5	1,487.1	1.6%
Eastern New Mexico University (960)	\$44,338.2	\$45,722.2	\$45,600.8	1,262.6	2.8%
New Mexico Highlands University (956)	\$30,136.3	\$31,252.2	\$31,135.3	999.0	3.3%
Northern New Mexico College (964)	\$10,739.0	\$10,485.1	\$10,737.9	(1.1)	0.0%
Western New Mexico University (958)	\$19,887.3	\$21,093.9	\$20,889.6	1,002.3	5.0%
Central NM Community College (968)	\$55,677.5	\$58,225.4	\$57,879.3	2,201.8	4.0%
Clovis Community College (977)	\$9,544.2	\$9,532.9	\$9,670.6	126.4	1.3%
Luna Community College (970)	\$7,905.2	\$7,635.7	\$7,860.2	(45.0)	-0.6%
Mesalands Community College (972)	\$4,129.0	\$4,010.2	\$4,121.2	(7.8)	-0.2%
New Mexico Junior College (974)	\$6,260.5	\$6,447.8	\$6,440.6	180.1	2.9%
San Juan College (976)	\$23,473.7	\$23,713.8	\$23,964.4	490.7	2.1%
Santa Fe Community College (966)	\$14,073.4	\$14,692.5	\$14,571.7	498.3	3.5%
Subtotal - Universities and Community Colleges	\$760,475.2	\$777,881.8	\$779,179.4	18,704.2	2.5%
New Mexico Military Institute (978)	\$2,873.8	\$2,889.4	\$2,873.8	0.0	0.0%
New Mexico School for the Deaf (980)	\$4,113.0	\$4,126.7	\$4,113.0	0.0	0.0%
NM School for the Blind & Visually Impaired (979)	\$1,477.8	\$1,477.8	\$1,477.8	0.0	0.0%
Subtotal - Special Schools	\$8,464.6	\$8,493.9	\$8,464.6	0.0	0.0%
Grand Total Universities and Special Schools	\$768,939.8	\$786,375.7	\$787,644.0	18,704.2	2.4%
New Mexico Higher Education Department (950)	\$34,538.6	\$35,640.3	\$36,840.3	2,301.7	6.7%
TOTAL GENERAL FUND	\$803,478.4	\$822,016.0	\$824,484.3	21,005.9	2.6%
SUMMARY BY MAJOR FUNCTION					
University I&G (NNMC included eff. FY08)	\$402,257.7	\$411,195.8	\$412,754.5	10,496.8	2.6%
Community College I&G	\$181,963.0	\$184,709.3	\$186,071.8	4,108.8	2.3%
UNM/HSC I&G	\$58,264.1	\$58,264.1	\$59,429.4	1,165.3	2.0%
Special schools I&G	\$6,209.7	\$6,209.7	\$6,209.7	0.0	0.0%
Medical residencies	\$1,690.7	\$1,690.7	\$1,690.7	0.0	0.0%
Nursing programs	\$7,699.5	\$8,471.2	\$8,309.2	609.7	7.9%
Dental programs (incl residencies)	\$2,548.2	\$2,569.5	\$2,719.5	171.3	6.7%
Athletics	\$13,406.7	\$13,832.1	\$13,669.6	262.9	2.0%
Educational Television	\$3,153.6	\$3,215.0	\$3,153.6	0.0	0.0%
NMHED - Policy Dev. & Institutional Fin. Oversight	\$12,345.4	\$12,947.1	\$14,647.1	2,301.7	18.6%
NMHED - Student Financial Aid	\$22,193.2	\$22,693.2	\$22,193.2	0.0	0.0%
Other programs	\$91,746.6	\$96,218.3	\$93,636.0	1,889.4	2.1%
TOTAL GENERAL FUND	\$803,478.4	\$822,016.0	\$824,484.3	21,005.9	2.6%
HIGHER EDUCATION DEPARTMENT:					
Policy Development and Institutional Financial Oversight (P505)					
Personal Service and Employee Benefits (200)	\$2,627.2	\$4,521.2	\$4,352.1	1,724.9	65.7%
Contractual Services (300)	\$1,365.2	\$1,998.7	\$1,881.0	515.8	37.8%
Other (400)	\$8,353.0	\$6,427.2	\$8,414.0	61.0	0.7%
P505 Subtotal	\$12,345.4	\$12,947.1	\$14,647.1	2,301.7	18.6%
Student Financial Aid (P506)					
Other (400)	\$0.0		\$0.0	0.0	0.0%
P506 Subtotal	\$22,193.2	\$22,693.2	\$22,193.2	0.0	0.0%
HED total	\$34,538.6	\$35,640.3	\$36,840.3	2,301.7	6.7%
HED 300 Category Flow-Throughs					
Adult Literacy (Language)	\$696.1	\$696.1	\$696.1	0.0	0.0%
Total	\$696.1	\$696.1	\$696.1	0.0	0.0%
HED 400 Category Flow Throughs					
High Skills (Language)	\$461.1	\$461.1	\$461.1	0.0	0.0%
ABE Workforce (Language)	\$138.3	\$138.3	\$138.3	0.0	0.0%
Adult Basic Education (Language)	\$5,235.9	\$5,235.9	\$7,235.9	2,000.0	38.2%
MESA pass through to NMIMT	\$1,189.3	\$1,251.9	\$1,189.3	0.0	0.0%
ENLACE	\$881.3	\$881.3	\$881.3	0.0	0.0%
Tribal college dual credit (Language)	\$183.9	\$183.9	\$183.9	0.0	0.0%
English Language Learner Teacher Prep (Language)	\$92.6	\$92.6	\$92.6	0.0	0.0%
Total	\$8,182.4	\$8,245.0	\$10,182.4	2,000.0	24.4%

STATUTORY AUTHORITY:

Article XII, Section 11, of the New Mexico Constitution established the state educational institutions and the control and management of each institution by a board of regents. Other institutions are established by statute, pursuant to Chapter 21, Articles 13, 14, and 16A NMSA 1978. Most statutory provisions pertaining to postsecondary education can be found in Sections 21-1-1 through 21-30-10 NMSA 1978.

AT A GLANCE:

Overall, the LFC recommendation emphasizes the importance of student access and success, in light of an environment of declining enrollments. The basis of the recommendation provides incentives to colleges and universities to retain and graduate more of its current students, particularly financially at-risk students.

BUDGET ISSUES:

State general fund appropriations comprise 36.6 percent of total unrestricted revenues at colleges and universities, and has declined as a percentage of the overall state budget from 15 percent prior to the Great Recession in FY09 to 12.9 percent in FY19. Despite the reduction in state appropriations, New Mexico provides the sixth highest level of support to higher education nationwide, according to the National Center for Higher Education Management Systems. State support per student FTE has increased 3.3 percent since FY11 and higher education institutions have implemented cost-containment measures to become more efficient. During the same time, tuition and fee revenues increased by 11.3 percent, on average, at four-year universities and local property tax revenues increased by 16.5 percent, on average, for community colleges.

Fall semester enrollments for undergraduate students declined by 17.3 percent from peak enrollment in FY11 and now are at prerecession levels. Four-year universities experienced a 12.4 percent decline and two-year colleges experienced a 22.9 percent decline over this time period. The higher education system in New Mexico educates more than 105 thousand students, including part-time students. Converting to a full-time equivalent (FTE), enrollment was 80,145 in FY17, down by 4,823 student FTE from the prior year, or a 5.7 percent decline. Some colleges and universities in surrounding states, such as Arizona and Colorado, experienced increases in enrollment during the same time period.

Meanwhile, higher education institutions graduated more students. Since 2012, the number of completed degrees or certificates students have earned increased by 22 percent to approximately 24.5 thousand awards annually.

Recurring appropriations to higher education institutions include three components: (1) annual appropriation to the instruction and general funding formula (I&G), (2) direct appropriations to research and public service projects (RPSPs) at colleges and universities, and (3) appropriations to colleges and universities for compensation increases for faculty and staff. The I&G is an outcome-based formula, which redistributes a portion of the current year appropriation to colleges and universities and adds a new I&G incremental appropriation for the upcoming fiscal year.

FY19 general fund appropriations to higher education institutions were \$803.5 million, or 3.1 percent over FY18, including a 2 percent compensation increase for faculty and staff. The LFC recommends a 2.6 percent increase for higher education institutions in FY20, which includes a 2.5 percent increase in I&G funding, or \$15.8 million, and a 2.3 percent increase for RPSPs, or \$2.9 million.

Tuition Revenue and College Affordability. Governing boards at colleges and universities have authority to increase tuition if necessary. While New Mexico's in-state tuition rates are among the lowest in the nation, tuition revenue per FTE student has increased 26.8 percent since FY11. Last year, boards of regents increased tuition by 4.9 percent at four-year universities and 3.9 percent at two-year colleges. Tuition remains affordable because New Mexico offers tuition support to full-time, degree-seeking students through the legislative lottery scholarship fund. In FY19, because of volatility in lottery revenues, the Legislature decoupled the scholarship amount from cost of tuition at institutions, and rather, set a minimum flat scholarship amount, depending on the type of college or university in which a student enrolls: \$1,500/semester for a four-year research university, \$1,020/semester for a four-year comprehensive university, and \$380/semester for a two-year college. If revenues are higher than normal, the scholarship amount increases to a higher level. In FY19, based on the new method, scholarships were funded at 78 percent of average tuition cost; the minimum award was expected to fund 60 percent of average tuition cost. In FY19, lottery revenues for scholarships are estimated to rebound slightly from the prior-year low of \$40.2 million. LFC projects the scholarship will cover 65 percent of average tuition cost, 13 percent lower than the FY19 scholarship rate.

As a nonrecurring item, LFC recommends \$50 million for the college affordability endowment fund, which has been depleted from prior-year rescissions to support the state budget. Annually, the college affordability endowment fund provides \$2 million for need-based scholarships to students attending colleges or universities in New Mexico. The eligibility requirements are set by the Higher Education Department (HED).

Permanent Fund Revenue. Ten institutions are beneficiaries of income from the land maintenance fund and the land grant permanent fund. The revenue, derived from oil and gas activity on state trust land, has increased both from the recent increase in production and from growing investment returns. The five-year average annual revenue (FY13 to FY17) to these institutions is \$60.8 million. Fiscal year 2018 will outpace the five-year average by \$14.2 million. Fiscal year 2019 is estimated to outpace the five-year average by \$9.6 million. The growth has been particularly strong for special schools (the New Mexico Military Institute, School for the Deaf, and School for the Blind and Visually Impaired). The University of New Mexico benefited measurably, with revenues from one month in FY19 increasing more than the normal distribution for the entire year from the land maintenance fund.

Instruction and General Formula Funding. Since FY13, HED has used a performance funding formula, called the I&G formula or just I&G, to advance a recommendation for allocating annual appropriations to each of the state's 24 colleges and universities. The formula rewards performance by paying for success, as measured by a series of metrics. For example, institutions who graduate more students earn more performance funds. The metrics – total number of degrees or certificates awarded each year, total number of science, technology engineering, mathematics, or healthcare (STEMH) certificates or degrees awarded, total number degrees or certificates awarded to financially at-risk students, and total number of student credit hours completed – provide the basis for measuring student success.

Another set of performance metrics addresses institutional success: the total amount of research funding generated, the momentum of student progress measured at intervals of 30 and 60 credit hours completed, and the number of dual-credit courses delivered. Taken together, the metrics quantify each institution's level of performance relative to the system's overall performance. Each institution is rewarded accordingly. The total awards are based on a three-year rolling average, allowing for funding continuity to colleges and universities.

The Legislature sets the amount of performance funding each year. LFC recommends 5.5 percent of the appropriation be used for performance funding, which includes a base redistribution equal to 3 percent of the FY19 appropriation, or \$17.5 million, and 2.5 percent of new FY20 funding, or \$14.5 million. Taken together, total performance funding for FY20 is \$32.1 million. Additionally, the recommendation increases the incentive for graduating at-risk students by 4.5 percent, compared with FY19.

Based on the recommendation, four institutions would lose funding: Northern New Mexico College, New Mexico State University (NMSU)-Alamogordo, Luna Community College and Mesalands Community College. These institutions have all experienced substantial declines in enrollment, which has impacted their performance. For example, NMSU-Alamogordo enrollments dropped 38 percent from FY11 to FY17. A 2018 LFC performance evaluation of the performance-based formula found that several colleges or universities will lose a portion of state revenues, even while increasing awards. The formula is based on market share contributions, and small schools can be crowded out by larger schools. As such, the institutions advocate for a recommendation where only a small portion of the base budget is carved out for performance funding. The impact of shifts in the funding formula can be more harmful to those institutions whose budget is funded primarily from state appropriations. Typically, these institutions are community colleges where local voters have approved only the minimum property tax levy required by statute. Alamogordo is one of the institutions that imposes the minimum property tax levy; this branch campus is highly reliant on state funding.

Student Outcomes. The performance data show institutions are responding specifically to the completion incentive, which rewards the number of students completing certificate or degree programs. Since the introduction of the performance-based formula, New Mexico's colleges and universities have increased total awards by 22 percent, which includes sub-baccalaureate and graduate certificates, associate's, bachelor's and master's degrees, and terminal or doctoral degrees. However, last year, awards leveled off slightly, declining by 1.1 percent. Most of the growth has been in lower-level certificates and associate's degrees in general studies – indicating the formula may need to be refined to better promote bachelor's degrees and, ultimately, jobs. Other incentives in the formula seem insufficiently effective, likely because incentive levels are set too low. Neither degrees conferred to at-risk students nor STEMH awards have increased any more than average since formula implementation.

Research and Public Service Projects. Colleges and universities increased requests for new or expanded research and public service projects (RPSPs) by \$22 million. LFC recommends targeted support for select RPSPs, includes a 2 percent increase for athletic programs statewide and the Department of Agriculture, Bureau of Mines and other state agency programs. For healthcare initiatives, LFC supports the request to increase funding for nursing programs throughout the state, with a new nursing expansion for Western New Mexico University, and reprioritizing funding to UNM Health Sciences Center (UNM-HSC) for medical education programs. At NMSU, LFC recommends support for new programs for autism and additional funding to the Educators Rising program, Water Resources Research Institute, and Sunspot Observatory. At UNM, LFC recommends funding for a Veteran's Student Service Center. At New Mexico Institute of Mining and Technology, LFC recommends funding for a cybersecurity initiative, and at New Mexico Highlands University, funding for the Native American Social Work Institute.

University of New Mexico Health Sciences Center. In addition to I&G performance funding rewarding UNM for its degrees in health-related fields, LFC recommends an additional \$58.2 million to the UNM-HSC general instruction. UNM-HSC also receives nearly \$3 million from the tobacco settlement program fund for I&G and research and clinical purposes. Further, UNM-HSC's clinical operations have been a significant beneficiary of Medicaid expansion in recent years, and UNM-HSC continues to aid the state's efforts to meet its Medicaid-match obligations through intergovernmental transfers and other cooperative efforts.

LFC recommends a 2 percent increase over FY19 for UNM-HSC. Additionally, LFC recommends increased funding to support child abuse evaluations and the Project ECHO information technology program. Additionally, starting in FY18, the UNM HSC Comprehensive Cancer Center experienced revenue reduction from federal administrative rule changes to the 340B pharmacy program. The outcome has been a reduction in reimbursable expenses by \$4.5 million in FY18, estimated to rise to \$9.8 million in FY19. LFC recommends \$2 million from general fund to offset a portion of losses as a nonrecurring special appropriation.

Special Schools. HED requested \$8.5 million in general fund support for the state's three special-mission schools, flat with FY19. LFC recommends the HED request. Although general fund appropriations to the special schools comprise only 1 percent of total higher education general fund appropriations, the three schools receive 73.9 percent, or \$55.9 million, of land grant permanent fund and land maintenance fund revenues distributed to higher education institutions. Importantly, these distributions are on track to increase by as much as 34 percent in FY19. Although the increase is not expected to be recurring, LFC anticipates higher-than-average land maintenance and land grant permanent fund revenues in FY19.

Quality and Governance. HED released its study of governance of higher education institutions in New Mexico in October 2018. This effort built on prior-year work, during which the state adopted the "Route-to-66" attainment goal, which states 66 percent of adults in New Mexico will hold a postsecondary degree or certificate by 2030. HED's analysis on governance pointed to the need to improve student outcomes, which lag regional and national peer colleges and universities. To improve outcomes, New Mexico must provide a mechanism to coordinate strategic direction of the decentralized governing boards throughout the state.

Currently, each college or university is accountable to its own governing board, which may not have a broad view of statewide needs or attainment goals. The autonomy of the current governance structure can be positive, allowing institutions flexibility to respond to local and regional workforce demands. Further, the large number of institutions provides students with several college choices both close to home or in a new community. Access to higher education is an important value to New Mexicans, evidenced by the substantial support the state provides to higher education. However, institutions are not required to collectively meet statewide needs, and this may lead to a misalignment between graduates and available career opportunities. A side effect of the misalignment, New Mexico students have a higher student loan default rate, 18.3 percent, compared with the national average of 11.3 percent.

LFC recommends creation of a statewide coordinating council to improve higher education governance. The coordinating council would be composed of experts in finance and higher education policy and have powers and duties to approve major statewide policy issues affecting individual institutions and the system comprehensively. A coordinating council would provide strategic guidance and oversight to the higher education sector.

Framework for Data Collection and Performance Reporting. Performance data from the colleges and universities is critical to assessing higher education. To augment the effectiveness of a statewide coordinating council, a new system for data collection and performance reporting must be developed to support policy decision-making. Performance metrics should be descriptive, simple, and reported often to allow decision-makers to give real-time feedback on institutional efficiency and effectiveness. The current system is ineffective: published data lags by two years and focuses primarily on first-time, full-time students. The system has little information on nontraditional students, many of whom are part-time, adult learners, or transfer students. These students tend to be most at-risk for dropping out prior to completion and most in need of institutional guidance and support.

RECOMMENDED LANGUAGE:

For the Higher Education Subsection. The department of finance and administration shall, as directed by the secretary of higher education, withhold from an educational institution or program that the higher education department places under an enhanced fiscal oversight program a portion, up to ten percent, of the institution's or program's general fund allotments. On written notice by the secretary of higher education that the institution or program has made sufficient progress toward satisfying the requirements imposed by the higher education department under the enhanced fiscal oversight program, the department of finance shall release the withheld allotments. Money withheld in accordance with this provision and not released at the end of fiscal year 2020 shall revert to the general fund. The secretary of the department of finance and administration shall advise the legislature through its officers and appropriate committees, in writing, of the status of all withheld allotments.

For the University of New Mexico Health Sciences Center. The other state funds appropriation to the health sciences center of the university of New Mexico in the instruction and general purposes category includes five hundred eighty-one thousand five hundred dollars (\$581,500) from the tobacco settlement program fund.

For the Health Sciences Center Research and Public Service Projects. The other state funds appropriations to the health sciences center research and public service projects of the university of New Mexico include two million two hundred seventy-seven thousand six hundred dollars (\$2,277,600) from the tobacco settlement program fund.

For the New Mexico Institute of Mining and Technology. The general fund appropriation to the bureau of geology and mineral resources program of the New Mexico institute of mining and technology includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

UNM MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	48.7%	50%	48%	50%	50%
Output	Number of unduplicated degree awards in the most recent academic year		5,946	5,700	5,800	5,800
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		4.8	4.9	4.8	4.8
Output	Number of degrees awarded per one hundred full-time equivalent students		24	24	24	24
Output	Rate of athletes graduating in six years		49%	45%	49%	49%
Output	Number of public television local broadcast production hours		17,240	17,254	17,240	17,240
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	78.2%	74%	80%	77%	80%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	\$119	\$99	\$120	\$100	\$120

UNM GALLUP BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	61.7%	65.5%	65.5%	65.5%
Output	Number of certificates and associate degrees awarded within the most recent academic year		290	243	290	290
Output	Number of degrees awarded per one hundred full-time equivalent students		14.2	11.5	14	14.2
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$2.9	\$1.9	\$2	\$2.9
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4.4	4	4	4
Output	Number of nursing degrees awarded		22	41	26	26
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	11.9%	16.1%	12%	14%	14%

UNM LOS ALAMOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	28%	11%	10%	11%	11%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	60%	56%	57%	60%
Output	Number of certificates and associate degrees awarded within the most recent academic year		144	60	100	100
Output	Number of degrees awarded per one hundred full-time equivalent students		17.5	14.5	15	17.5
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$3.6	\$2.9	\$3	\$3.6
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3	3.2	3	3

UNM VALENCIA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	12.7%	22.5%	13%	13%	22.5%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	62.1%	65%	65%	65%
Output	Number of certificates and associate degrees awarded within the most recent academic year		222	240	225	225
Output	Number of degrees awarded per one hundred full-time equivalent students		11.9	22	14	14
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$3.2	\$1.9	\$2	\$3.2
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.8	2	4	3.5
Outcome	Number of nursing degrees awarded		7	18	14	14

UNM TAOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	10%	21%	10%	10%	21%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	NEW	45%	50%	50%	50%
Output	Number of certificates and associate degrees awarded within the most recent academic year		135	122	122	135
Output	Number of degrees awarded per one hundred full-time equivalent students		17.5	9	9	17.5
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$3.6	\$2.8	\$2.8	\$3.6
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.63	4	4	3.6
Output	Number of nursing degrees awarded		5	5	5	5

UNM HEALTH SCIENCES CENTER

The purpose of the instruction and general program at the university of New Mexico health sciences center is to provide educational, clinical and research support for the advancement of health of all New Mexicans.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of human poisoning exposures treated safely at home after New Mexico poison and drug information center contacted by a caller in a non-healthcare setting	81%		81%		
Outcome	External revenue for research from federal or nongovernmental sources, in millions		\$96	\$83	\$90	\$90
* Output	Pass rate of medical school students on United States medical licensing examination, step two clinical skills exam, on first attempt	93%	87%	98%	96%	96%
* Outcome	Percent of nursing graduates passing the requisite licensure exam on first attempt	97.7%	94.2%	97%	80%	97%
Output	Turnaround time for autopsy reports at the office of the medical investigator		<63 days	<58 days	<60 days	<60 days
Explanatory	Number of children's psychiatric hospital outpatient and community-based visits					
Outcome	Number of days to the next available appointment for orthopedic patients at Carrie Tingley hospital		1	1	1	1
Outcome	Average length of stay in newborn intensive care		13.3 days	14.5 days	14.2 days	14.2 days
Output	Percent of eligible patients entered on national-cancer-institute-approved therapeutic clinical trials in pediatric oncology		67%	95%	95%	95%
Explanatory	Number of New Mexico clinicians and staff attending extension for community healthcare outcomes educational events					
Output	Percent of university-of-New-Mexico-trained primary care residents practicing in New Mexico three years after completing residency		33%	38.5%	38.5%	38.5%
Output	Number of university of New Mexico cancer center clinical trials		242	750	275	275

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Pass rate of American nurses nursing standards on credentialing center family nurse practitioner certification exam on first attempt		100%	85%	85%	85%
Output	Pass rate of doctor of pharmacy graduates on the North American pharmacist licensure examination on first attempt	76%	86.8%	90%	90%	90%

NMSU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	46%	46%	48%	48%	48%
Output	Number of unduplicated degree awards in the most recent academic year		3,418	3,300	3,200	3,418
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$279.1	\$300	\$300	\$300
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		5.2	4.8	4.8	4.8
Output	Number of degrees awarded per one hundred full-time equivalent students		27	30	30	30
Output	Number of nursing degrees awarded		179	155	155	179
Outcome	Rate of athletes graduating in six years		80%	78%	80%	80%
Output	Number of public television local broadcast production hours		212	185	185	185
Outcome	Total dollars of grants and contracts leveraged by agricultural experiment station faculty and researchers, in millions		\$15.5	\$18	\$18	\$18
Output	Number of clientele contacts with the public by the cooperative extension service		6,577,883	650,000	650,000	650,000
Output	Number of inspections completed by the standards and consumer services division of the New Mexico department of agriculture		163,232	170,000	170,000	170,000
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	74%	74%	75%	75%	80%

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	8.3%	10%	14%	14%	14%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	56.5%	46%	55%	55%	55%
Output	Number of certificates and associate degrees awarded within the most recent academic year		110	180	180	180
Output	Number of degrees awarded per one hundred full-time equivalent students		13.2	18	18	18
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$0.8	\$1	\$0.3	\$1
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4.9	3	4.5	4

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	13%	14.8%	13%	16%	16%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	54.7%	51%	57%	55%	55%
Output	Number of certificates and associate degrees awarded within the most recent academic year		181	120	175	175
Output	Number of degrees awarded per one hundred full-time equivalent students		17.9	13	18	18
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$0.9	\$7	\$8	\$8
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4.2	4.2	4.2	4
Output	Number of nursing degrees awarded		8	25	20	25

NMSU DONA ANA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	13%	15%	14%	15%	15%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	60.3%	59%	63%	60%	63%
Output	Number of certificates and associate degrees awarded within the most recent academic year		1,404	1,600	1,500	1,600
Output	Number of degrees awarded per one hundred full-time equivalent students		19.4	23	21	23
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$1.4	\$1.3	\$1.3	\$1.4
Outcome	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4	4	4	4
Output	Number of nursing degrees awarded		8	23	23	23

NMSU GRANTS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	18.8%	23%	14%	20%	25%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	48.9%	43%	53%	53%	53%
Output	Number of certificates and associate degrees awarded within the most recent academic year		101	90	90	101
Output	Number of degrees awarded per one hundred full-time equivalent students		25.4	14	14.5	25.4
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$0.9	\$1.1	\$1	\$1
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.4	3.5	3.5	3.4

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	22.2%	21.5%	22%	20%	22%
Output	Number of unduplicated degree awards in the most recent academic year		917	790	800	800
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$15.4	\$15.5	\$20.7	\$20.7
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		4.7	4.7	4.6	4.6
Output	Number of degrees awarded per one hundred full-time equivalent students		18	21	18	21
Output	Number of nursing degrees awarded		48	55	50	55
Outcome	Rate of athletes graduating in six years		45%	24%	28%	45%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	45.2%	51.6%	53%	53%	53%

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of unduplicated degree awards in the most recent academic year		533	614	535	535
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		4	6	4	4
Output	Number of degrees awarded per one hundred full-time equivalent students		16	11	12	12
Output	Number of nursing degrees awarded		41	34	36	41
Outcome	Rate of athletes graduating in six years		31%	35%	32%	32%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	61%	58.9%	61%	57%	61%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	\$3.5	\$2.1	\$3	\$2.1	\$2.1
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	25.9%	25.7%	26%	25%	25%

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Number of unduplicated degree awards in the most recent academic year		1,021	1,060	1,075	1,075
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		5.2	4.8	4.75	4.7
Output	Number of degrees awarded per one hundred full-time equivalent students		30.8	32	33	33
Output	Number of nursing degrees awarded		56	50	56	56
Outcome	Rate of athletes graduating in six years		31.5%	42%	36%	36%
Output	Number of public television local broadcast production hours		341	175	185	350
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	63.1%	62.4%	65%	65%	65%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	\$5.2	\$4	\$6	\$5	\$5
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	31.5%	31.4%	34%	34%	34%

ENMU ROSWELL BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	30.6%	35.8	25%	25%	35.8%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	55.9%	50%	56%	55%	56%
Output	Number of certificates and associate degrees awarded within the most recent academic year		855	600	600	855
Output	Number of degrees awarded per one hundred full-time equivalent students		14	31	15	15
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$5	\$5	\$3	\$5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.7	3.5	3.5	3.5
Output	Number of nursing degrees awarded		21	24	24	24

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	19.3%	32.7%	18%	18%	32.7%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	29.7%	43.5%	35%	35%	43.5%
Output	Number of certificates and associate degrees awarded within the most recent academic year		104	126	126	126
Output	Number of degrees awarded per one hundred full-time equivalent students		15	17	17	17
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$2	\$1.7	\$1.7	\$2
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.5	3	3	3

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the work force, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	49.2%	47.2%	49%	50%	50%
Output	Number of unduplicated degree awards in the most recent academic year		408	330	350	350
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree	4.6	4.9	5	5	4.9
Output	Number of degrees awarded per one hundred full-time equivalent students	21.7	22.6	19	21	21
Output	Number of active hydrogeological assessment projects at the bureau of geology and mineral resources		6	8	7	8
Outcome	Percent of cost-sharing at the petroleum recovery research center from other external dollars		1:0	2:0	2:0	2:2
Outcome	Amount of external research funding from nonstate governmental sources at the geophysical research center, in millions		\$6.1	\$7.2	\$7.5	\$7.5
* Outcome	Percent of first-time, full-time freshman retained to the third semester	76.9%	75%	77%	77%	80%
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions	\$38	\$100.9	\$65	\$90	\$90

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	55%	58.0%	66.5%	66.5%	66.5%
* Output	Percent of a cohort of first-time, full-time, degree-seeking freshmen who complete a baccalaureate program within one hundred fifty percent of standard graduation time	18%	23%	25%	25%	25%
Output	Number of unduplicated degree awards within in the most recent academic year		188	146	70	188
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$6.8	\$5	\$5	\$5
Output	Average number of years taken by degree-seeking first-time, full-time undergraduate students to complete a baccalaureate degree		5.8	6	6	5.5
Output	Number of degrees awarded per one hundred full-time equivalent students		28	20	20	20
Output	Number of nursing degrees awarded		29	25	25	29
Outcome	Rate of athletes graduating in six years		37%	25%	25%	40%

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	15%	23%	11%	11%	25%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	50.8%	64%	50%	50%	65%
Output	Number of certificates and associate degrees awarded within the most recent academic year		887	650	650	900
Output	Number of degrees awarded per one hundred full-time equivalent students		15	10	10	15
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$8.1	\$2.5	\$2.5	\$2.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4	5	5	4
Output	Number of nursing degrees awarded		69	30	30	69
Output	Cost per job created or saved at the small business development centers		\$2,740	\$2,000	\$5,000	\$2,500

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	15.3%	23.8%	23%	24%	30%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	62.3%	62%	63%	63%	65%
Output	Number of certificates and associate degrees awarded within the most recent academic year		6,302	8,000	8,000	8,000
Output	Number of degrees awarded per one hundred full-time equivalent students		26	26	27	27
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$4.3	\$3.3	\$3.3	\$4.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.6	3.4	3.4	3.4
Output	Number of nursing degrees awarded		259	230	230	259

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	17%	29.6%	32%	35%	35%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	35.9%	43.3%	46%	60%	46%
Output	Number of certificates and associate degrees awarded within the most recent academic year		154	154	180	154
Output	Number of degrees awarded per one hundred full-time equivalent students		21	16	23	16
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$1	\$1.3	\$1.6	\$1
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.5	3	3	3.5
Output	Number of nursing degrees awarded		20	22	20	22
Output	Rate of athletes graduating in three years		28%	32%	60%	32%

MESALANDS COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	42.4%	48%	39%	40%	48%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	62.9%	77%	62%	65%	77%
Output	Number of certificates and associate degrees awarded within the most recent academic year		126	190	150	150
Output	Number of degrees awarded per one hundred full-time equivalent students		10	42	11	11
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$0.7	\$0.2	\$0.2	\$0.2
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4.1	4.6	4	4
Outcome	Rate of athletes graduating in three years		46%	55%	50%	55%

NEW MEXICO JUNIOR COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	22.3%	38.9%	30%	34%	40%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	58.7%	60.6%	60%	60%	60%
Output	Number of certificates and associate degrees awarded within the most recent academic year		340	325	330	340
Output	Number of degrees awarded per one hundred full-time equivalent students		21.2	20	22	22
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$0.6	\$1.5	\$1	\$1.5
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3	3	3	3
Output	Number of nursing degrees awarded		33	30	35	35
Output	Rate of athletes graduating in three years		48.6%	75%	75%	75%

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	17.3%	24%	17%	26%	26%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	61.9%	61%	61%	62%	62%
Output	Number of certificates and associate degrees awarded within the most recent academic year		1,298	1,400	1,400	1,400
Output	Number of degrees awarded per one hundred full-time equivalent students		16.9	16	17	17
Outcome	Amount of external dollars supporting all programs from federal or nongovernmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$4.4	\$4.1	\$4	\$4
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		3.8	4	3.8	3.5
Output	Number of nursing degrees awarded		38	50	40	40

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of a cohort of first-time, full-time, degree-seeking or certificate-seeking students who complete an academic program within one hundred fifty percent of standard graduation time	35%	47%	35%	30%	47%
* Outcome	Percent of first-time, full-time freshmen retained to the third semester	69.0%	68%	62%	63%	68%
Output	Number of certificates and associate degrees awarded within the most recent academic year		555	435	450	555
Output	Number of degrees awarded per one hundred full-time equivalent students		21	15	15	21
Outcome	Amount of external dollars supporting all programs from federal or non-governmental sources, for the most recent fiscal year, excluding state governmental funding sources, in millions		\$2.8	\$2.5	\$3	\$3
Output	Average number of years taken by degree-seeking first-time, full-time students to earn an associate degree		4.2	3	4.5	4
Output	Number of nursing degrees awarded		76	50	50	76

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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	90.5%	88.5%	96%	96%	96%
* Outcome	Average American college testing composite scores for graduating high school seniors	21.3	21.3	22	22	22
* Outcome	Proficiency profile reading scores for graduating college sophomores	58.7	111.19	117.1	117.1	117.1
Outcome	Proficiency profile mathematics scores for graduating college sophomores	56.7	112.3	112.1	112.1	112.1
Outcome	Percent of a cohort of first-time, full-time junior college freshmen who graduated within one hundred percent of standard graduation time		39.5	29%	29%	29%
Output	Percent of third Friday high school seniors and junior college sophomore students graduating with a high school diploma and/or associate degree		76.4%	89.6%	89.6%	89.6%
Output	Rate of athletes graduating in three years		57.7%	55%	55%	55%

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired program is to provide the training, support and resources necessary to prepare blind and visually impaired children of New Mexico to participate fully in their families, communities and workforce and to lead independent, productive lives.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Number of school districts that have established a memorandum of understanding requesting mentorship support services for visually impaired professionals entering the field	37	34	40	40	40
* Output	Number of New Mexico teachers who complete a personnel preparation program to become a teacher of the visually impaired	12	18	16	16	16
Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains		91%	95%	95%	95%
Outcome	Rate of graduate transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment		0%	100%	100%	100%

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf program is to provide a school-based comprehensive, fully accessible and language-rich learning environment for its students who are deaf and hard-of-hearing and to work collaboratively with families, agencies and communities throughout the state to meet the unique communication, language and learning needs of children and youth who are deaf and hard-of-hearing.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Rate of transition to postsecondary education, vocational-technical training school, junior colleges, work training or employment for graduates based on a three-year rolling average	82.8%	71%	100%	100%	80%
Outcome	Percent of local education agency staff satisfied with educational services from the center for educational consultation and training		97%	90%	90%	97%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	100%	95%	100%
Outcome	Percent of students kindergarten through grade twelve with individualized education plan goals in reading or math demonstrating progress as documented by quarterly individualized education plan progress reports		94%	90%	90%	94%
* Outcome	Percent of first-year signers who demonstrate improvement in American sign language based on fall or spring assessments	NEW	100%	100%	100%	100%
Outcome	Percent of parents indicating that programs from the center for educational consultation and training have increased their ability to understand their child's language and communication access needs		92%	90%	90%	92%
Outcome	Percent of Individuals with Disabilities Education Act part c early intervention performance indicators that are met		96%	95%	95%	96%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY19
(dollars in thousands)

School Year 2018-2019 Preliminary Unit Value = \$4,159.23	FY18 OpBud	FY19 OpBud	FY20 PED Request	FY20 LFC Recommendation
School Year 2017-2018 Final Unit Value = \$4,115.60				
PROGRAM COST	\$2,550,192.4	\$2,567,558.7	\$2,646,377.6	\$2,646,377.6
Base Adjustment/Reversion Credit		(\$2,318.3)		
<u>UNIT CHANGES</u>				
Increase At-Risk Index from 0.130 to 0.215 (FY20 PED) to 0.250 (FY20 LFC)		\$22,541.4	\$79,951.9 ¹	\$113,177.9 ¹
Transfer Bilingual and Multicultural Education Programs to a Categorical Appropriation			(\$34,802.2) ¹	
Enrollment Growth Units			\$12,258.9	
Set School Age Limit at 22				(\$6,129.0) ¹
Prohibit School Size Adjustment for Schools within Large Districts (>2,000 MEM) - 3 years				(\$14,773.1) ¹
Replace Rural Isolation with Rural Population Units - 3 years				\$5,788.4 ¹
Extended Learning Time Factor (190 School Days and Afterschool Programs) - 3 years				\$62,497.5 ¹
K-5 PLUS Formula Factor (All eligible schools required to add 25 days)				\$119,895.9 ¹
Eliminate Size Adjustment for Special Separate Schools of Alternative Education		(\$6,162.8)		
Other Projected Net Unit Changes	(\$3,183.7)	(\$1,066.6)		
<u>UNIT VALUE CHANGES</u>				
Instructional Materials				\$25,000.0
Increase Employer Retirement Contributions by 1%				\$16,946.9
Insurance		\$2,794.3	\$16,733.6	\$9,014.0
Fixed Costs			\$4,150.6	
SFC Amendment to Program Cost	\$12,000.0			
Section 5 - Recurring Special Appropriation to the SEG	\$8,550.0			
Compensation Increase for Teachers, School Administrators, and Mentors			\$120,000.0	
Raise Compensation for Teachers by 5.5% (FY19: 2.5%)		\$31,276.2		\$71,113.7
Raise Compensation for Principals by 7.5% (FY19: 2%)		\$1,937.2		\$7,764.4
Raise Compensation for Other School Personnel by 4% (FY19: 2%)		\$12,206.0		\$25,468.0
Increase Teacher Minimum Salaries to \$40k, \$50k, \$60k (FY19: \$36k, \$44k, \$54k)		\$17,611.5		\$32,527.1 ¹
Increase Principal Minimum Salaries to \$60k (FY19: \$50k)				\$2,319.6 ¹
SUBTOTAL PROGRAM COST	\$2,567,558.7	\$2,646,377.6	\$2,844,670.4	\$3,116,988.9
Dollar Change Over Prior Year Appropriation	\$17,366.3	\$78,818.9	\$198,292.8	\$470,611.3
Percent Change	0.7%	3.1%	7.5%	17.8%
LESS PROJECTED CREDITS (FY17 Actual: \$65 million, FY18 Actual: \$77 million)	(\$60,750.0)	(\$59,000.0)	(\$61,814.8)	(\$63,500.0)
LESS OTHER STATE FUNDS (From Driver's License Fees)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)
STATE EQUALIZATION GUARANTEE	\$2,501,808.7	\$2,582,377.6	\$2,777,855.6	\$3,048,488.9
Dollar Change Over Prior Year Appropriation	\$20,616.3	\$80,568.9	\$195,478.0	\$466,111.3
Percent Change	0.8%	3.2%	7.6%	18.0%
CATEGORICAL PUBLIC SCHOOL SUPPORT				
TRANSPORTATION				
Maintenance and Operations	\$63,389.7	\$74,167.5	\$90,158.0	\$54,167.5
Fuel	\$11,092.9	\$12,979.0	\$10,961.1	\$12,979.0
Rental Fees (Contractor-Owned Buses)	\$7,858.3	\$9,194.4	\$6,565.1	\$9,194.4
Transportation for 190 School Days				\$2,745.6
Transportation for K-5 Plus				\$3,744.0 ¹
Raise Compensation for Transportation School Personnel by 4% (FY19: 2%)		\$1,163.4		\$2,423.5 ¹
SUBTOTAL TRANSPORTATION	\$82,340.9 ²	\$97,504.3 ²	\$107,684.2	\$85,254.0 ²
SUPPLEMENTAL DISTRIBUTIONS				
Out-of-State Tuition	\$300.0	\$300.0	\$300.0	\$300.0
Emergency Supplemental	\$1,000.0	\$2,000.0	\$3,000.0	\$1,000.0
INSTRUCTIONAL MATERIAL FUND	²	\$8,000.0 ²	\$21,900.0	
Dual Credit Instructional Materials	\$1,000.0	\$1,000.0	\$2,000.0	\$1,000.0
Standards-Based Assessments (K-12 English Language Arts and Math)	\$6,000.0	\$6,000.0	\$6,000.0	\$6,600.0
INDIAN EDUCATION FUND	\$1,824.6 ³	\$1,824.6 ³	\$4,000.0	\$2,500.0 ³
Bilingual and Multicultural Programming			\$50,000.0	
Career and Technical Education and Apprenticeship Initiative			\$20,000.0	
Excellence in Teaching Awards			\$10,000.0	
Recruitment and Mentorship Initiative			\$5,000.0	
TOTAL CATEGORICAL	\$92,465.5	\$116,628.9	\$229,884.2	\$96,654.0
TOTAL PUBLIC SCHOOL SUPPORT	\$2,594,274.2	\$2,699,006.4	\$3,007,739.8	\$3,145,142.9
Dollar Change Over Prior Year Appropriation	\$14,041.7	\$104,732.2	\$308,733.3	\$446,136.4
Percent Change	0.5%	4.0%	11.4%	16.5%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY19
(dollars in thousands)

School Year 2018-2019 Preliminary Unit Value = \$4,159.23	FY18 OpBud	FY19 OpBud	FY20 PED Request	FY20 LFC Recommendation
School Year 2017-2018 Final Unit Value = \$4,115.60				
RELATED REQUESTS: RECURRING				
Regional Education Cooperatives	\$935.0	\$1,038.0	\$2,000.0	\$1,039.0
K-3 Plus Fund	\$23,700.0	\$30,200.0	\$45,000.0	
Public Pre-Kindergarten Fund	\$21,000.0 ⁴	\$29,000.0 ⁴	\$45,000.0	\$39,000.0 ⁴
Early Literacy Initiatives	\$12,500.0	\$8,837.0		
Breakfast for Elementary Students	\$1,600.0	\$1,600.0	\$1,600.0	\$1,600.0
After School and Summer Enrichment Programs	\$325.0	\$325.0	\$325.0	
Teacher Evaluation System	\$4,000.0	\$1,000.0 ⁵	\$4,100.0	\$1,000.0 ⁵
STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$1,900.0	\$3,000.0	\$6,000.0	\$3,000.0
School Teacher and School Leader Preparation Programs	\$2,100.0	\$1,000.0	\$2,000.0	
College Preparation, Career Readiness, and Dropout Prevention	\$2,200.0	\$1,500.0	\$2,000.0	
Advanced Placement Test Fee Waivers and Training	\$825.0	\$1,000.0	\$5,000.0	\$1,250.0
Interventions and Support for Students, Teachers, Struggling Schools, and Parents	\$15,000.0	\$4,000.0	\$9,200.0	
Truancy and Dropout Prevention Coaches		\$4,000.0	\$4,500.0	
Principal Mentorship - Principals Pursuing Excellence		\$2,000.0	\$2,500.0	\$2,500.0
New Mexico Grown Fruits and Vegetables		\$200.0	\$525.0	\$200.0
GRADS - Teen Parent Interventions	\$200.0	\$200.0 ⁶	\$400.0	\$200.0 ⁶
Teacher Mentorship - Teachers Pursuing Excellence	\$900.0	\$2,000.0	\$2,500.0	\$2,500.0
Parent and Family Engagement			\$750.0	\$400.0
New Mexico Teacher Leadership Networks			\$1,000.0	\$400.0
English Learners and Bilingual Multicultural Education Program Evaluation and Support (Individualized and Culturally-Responsive Professional Development)			\$2,500.0	\$2,500.0
Supporting Social Studies Teachers and Curriculum			\$1,000.0	
Teacher Supply Program			\$2,300.0	
School-Based Health Centers				\$1,500.0
Career and Technical Education Pilot				\$1,000.0
Stipends for Teachers in Hard to Staff Areas	\$1,000.0			
TOTAL RELATED APPROPRIATIONS: RECURRING	\$88,185.0	\$90,900.0	\$140,200.0	\$58,089.0
Dollar Change Over Prior Year Appropriation	(\$2,946.7)	\$2,715.0	\$49,300.0	(\$32,811.0)
Percent Change	-3.2%	3.1%	54.2%	-36.1%
SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,682,459.2	\$2,789,906.4	\$3,147,939.8	\$3,203,231.9
Dollar Change Over Prior Year Appropriation	\$11,095.0	\$107,447.2	\$358,033.3	\$413,325.4
Percent Change	0.4%	4.0%	12.8%	14.8%
PUBLIC EDUCATION DEPARTMENT	\$11,065.3	\$11,246.6	\$11,246.6	\$14,497.6
Dollar Change Over Prior Year Appropriation	\$0.0	\$181.3	\$0.0	\$3,251.0
Percent Change	0.0%	1.6%	0.0%	28.9%
GRAND TOTAL - SECTION 4 and 8	\$2,693,524.5	\$2,801,153.0	\$3,159,186.4	\$3,217,729.5
Dollar Change Over Prior Year Appropriation	\$11,095.0	\$107,628.5	\$358,033.3	\$416,576.4
Percent Change	0.4%	4.0%	12.8%	14.9%

Detail on Categorical Appropriations	FY18 OpBud	FY19 OpBud	FY20 PED Request	FY20 LFC Recommendation
SUBTOTAL TRANSPORTATION	\$82,340.9	\$97,504.3	\$107,684.2	\$85,254.0
Plus: Public School Capital Outlay Appropriation (Other State Funds)	\$14,500.0	\$2,500.0	\$0.0	\$22,500.0
TOTAL TRANSPORTATION	\$96,840.9	\$100,004.3	\$107,684.2	\$107,754.0
INSTRUCTIONAL MATERIAL FUND		\$8,000.0	\$21,900.0	\$0.0
Plus: Public School Capital Outlay Appropriation (Other State Funds)	\$10,500.0	\$4,500.0	\$0.0	\$0.0
TOTAL INSTRUCTIONAL MATERIAL FUND	\$10,500.0	\$12,500.0	\$21,900.0	\$0.0
Subtotal: Public School Capital Outlay Appropriation (Other State Funds)	\$25,000.0	\$7,000.0	\$0.0	\$22,500.0

Footnotes

- ¹ Contingent on enactment of legislation amending the Public School Code.
- ² Includes \$22.5 million from the public school capital outlay fund. See Detail on Categorical Appropriations.
- ³ Includes \$2 million from the Indian education fund balance. In FY19 and prior years, the appropriation included \$675.4 thousand from the Indian education fund balance.
- ⁴ Includes \$3.5 million from the Temporary Assistance for Needy Families (TANF) grant. In FY19 and prior years, the appropriation included \$3.5 million from the TANF grant.
- ⁵ Includes \$1 million from the educator licensure fund. In FY19, the appropriation included \$1 million from the educator licensure fund.
- ⁶ Includes \$200 thousand from the federal Temporary Assistance for Needy Families (TANF) grant. In FY19, the appropriation included \$200 thousand from the TANF grant.

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:

In light of a preliminary court ruling that highlighted New Mexico's low academic performance and deficiencies in educational inputs and public school oversight, the Public Education Department (PED) request sought and LFC recommendation prioritizes funding to support at-risk students, extended learning time programs, educator quality, early childhood interventions, and community engagement initiatives.

PED's FY20 general fund request for public schools totaled \$3.16 billion, a \$358 million, or 12.8 percent, increase from FY19 appropriations. PED's general fund request included a \$195 million, or 7.6 percent, increase for the state equalization guarantee (SEG) distribution of formula funds; \$113 million, or 97 percent, increase for categorical programs; and \$49.3 million, or 54 percent, increase for department special appropriations. The committee's general fund recommendation for public schools totals \$3.22 billion, an overall increase of \$416.6 million, or 14.9 percent from FY19 funding levels. The general fund recommendation includes a \$466 million, or 18 percent, increase for the SEG distribution; \$20 million, or 17.1 percent, decrease for categorical programs; and \$32.8 million, or 36.1 percent, decrease for department special appropriations. The committee's recommendation further includes \$29.2 million in other state funds and transfers for categorical and department special appropriations.

BUDGET ISSUES:

On July 20, 2018, a now-retired 1st Judicial District Court judge issued a preliminary ruling that New Mexico failed to provide a sufficient education to at-risk children, noting the overall appropriation to schools did not provide adequate educational opportunities. The court further claimed that PED failed to exercise its full authority and require schools to spend money on programs known to advance these educational opportunities.

The preliminary court ruling stopped short of ordering detailed remedies, acknowledging the roles of the legislative and executive branches in developing a funding and accountability framework to meet constitutional requirements for a sufficient public education system. In response to the initial ruling, multiple stakeholder groups began providing ideas and proposals to improve the educational system, including plaintiffs, school leaders, educators, policymakers, and community members. Most recommendations reflected changes to administrative procedures and policies; however, several notable fiscal recommendations surrounding culturally and linguistically responsive instruction, support, and resources for at-risk students; competitive pay levels for teachers and school leaders; extended learning opportunities, particularly for young children; and stronger PED oversight capacities became recurring themes during the interim.

The PED request includes and committee recommendation supports significant ways to increase funding to areas prioritized by stakeholders, focusing resources to at-risk students, boosting educator pay levels, expanding learning time, and raising the department's involvement in educational reform. These proposed funding levels for FY20 would mark the largest overall annual increase for New Mexico public education appropriations in the state's history.

Program Cost and SEG. About 90 percent of school district and charter school operational revenue is derived from the state's public school funding formula, an algorithm designed to guarantee each public school student equal access to programs and services appropriate to educational need. The formula multiplies weighted factors relating to student, teacher, and school characteristics with prior-year average student membership to generate program units, which determine how the annual total appropriation, or program cost, is allocated. A portion of local, state and federal revenue sources are then deducted, or credited, from program cost to determine SEG, the final amount the state distributes to public schools for operations. The state takes credit for 75 percent of three revenue sources: a local half-mill levy, federal forest funds, and the operational portion of federal impact aid funds, all of which remain at the school district. School districts and charter schools may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

Unit Changes. Except for new charter schools, formula funding is statutorily based on the average of enrollment reported on the second and third reporting dates (in December and February) for the previous year. Furthermore, school districts and charter schools growing more than 1 percent are entitled to additional enrollment growth program units to mitigate large annual increases in enrollment not captured under a prior-year funding model. Despite statutory provisions requiring PED to report membership projections to LFC in a timely manner, the department has not updated the committee on student membership trends for FY20 since the first reporting date of FY19.

Preliminary data received by school districts suggests spikes in student membership around regions of the state with energy and extractive industry growth may be overshadowed by declining membership in other regions. For FY19, PED reports a current total of 629.1 thousand program units generated by the funding formula, an increase of 3,802 units from the FY18 final count of 625.3 thousand units. This unit growth was primarily driven by an increase in the at-risk index cost differential factor enacted in 2018, which generated 4,968 additional units. The total number of preliminary units generated in FY19 still remains lower than the 631 thousand units generated in FY17. This decline is primarily attributable to a trend of declining student membership, which has resulted in 5,132 fewer students statewide since FY16.

PED's request includes \$12 million for projected enrollment growth for FY20. Given the trend of declining enrollment statewide in recent years, projected net program units are expected to continue decreasing in FY20. (See "Public Education Funding Formula: Student Membership and Program Unit History and Budget Assumptions," *Volume III*) In light of the court's preliminary judgement that school funding has historically been underfunded, the committee's recommendation does not include an adjustment for projected unit losses, which effectively results in a unit value windfall for schools in FY20.

The preliminary court ruling for the education sufficiency lawsuit concurred with previous LFC and Legislative Education Study Committee (LESC) recommendations to increase the at-risk index, prevent school districts and charter schools from manipulating the size adjustment factor, and align the teacher training and experience index to the actual costs of the current licensure system. The court further emphasized the need to focus on how money is spent, particularly for programs demonstrating evidence of meeting the needs of economically disadvantaged students.

In 2018, the Legislature established a scheduled increase to the at-risk index from 0.106 to 0.150 by FY21 to target more funding to at-risk students. The formula computes the at-risk index using family income level, English proficiency, and student mobility measures. The scheduled at-risk index increase was accompanied by a scheduled transition from the teacher training and experience index to a teacher cost index in FY20, which will begin aligning staffing cost differentials in the formula to the three-tiered licensure system. For FY20, echoing the PED request, the LFC recommendation raises the at-risk index immediately beyond the scheduled increase to a 0.150 cost differential factor. The PED request included \$80 million to raise the index to 0.215, and the committee recommendation includes \$113 million to raise the index to 0.250. These changes and the following recommendations are dependent on statutory amendments to the Public School Code.

In 2011, a joint LFC and LESC evaluation found New Mexico's 0.0915 cost differential for at-risk students was relatively low compared with at-risk cost differentials of other states. A 2016 LFC progress report on the 2011 evaluation found the state's at-risk cost differential still remained comparatively lower than other states, despite an increase in the differential to 0.106 in 2014. However, few states allocate at-risk funding comparably, many do not provide the same proportion of state support for public education as New Mexico, and significant achievement gaps continue to exist in states, suggesting that simply raising at-risk funding alone will not close the achievement gap. Witnesses for both sides of the education sufficiency lawsuit "agreed on the need to spend money on programs that have been shown to meet the needs of economically disadvantaged students." As such, the committee recommendation includes funding for evidence-based programs and language requiring PED to monitor and increase oversight of schools to achieve these goals.

Contingent on legislation, PED's request included a \$34.8 million decrease in program cost to transfer the bilingual and multicultural education program in the funding formula to a \$50 million categorical appropriation. Also contingent on legislation, the committee recommendation includes \$119.9 million for a formula factor to provide the K-5 Plus extended school year programs to all eligible elementary schools, \$62.5 million for a factor to add 10 extra school days and afterschool programs, and \$5.8 million for a factor to support schools in rural areas. In conjunction with new unit factors, the committee recommends setting a school age limit of 22 years, which provides an estimated \$6 million program cost reduction in FY20; phasing out size adjustment units for small schools in large districts over a three-year period, which provides a \$14.8 million program cost reduction; and establishing a maximum for statewide charter school membership.

Reversions and Setting the Unit Value. The unit value is computed by dividing the program cost by funded units. PED initially sets a unit value in May based on the following year's appropriations and then has statutory authority to adjust the unit value eight months later in January. Despite the fact that most units are based on actual membership from the prior fiscal year, PED sets unit values conservatively because only \$1 million in the state support reserve is available to cover an SEG shortfall and some uncertainty exists regarding enrollment growth and local and federal credits.

Unit values set by the department resulted in SEG funding reversions of \$36 million in FY15, \$23.2 million in FY16, and \$74.4 million in FY17. The substantial FY17 reversion was attributable to measures taken by the Legislature for statewide solvency. In FY18, the SEG funding reversion was \$6.1 million after PED adjusted the unit value a third time in June. The third adjustment distributed \$19.6 million of SEG funds that would have otherwise reverted to the general fund. The distribution included \$10 million in the General Appropriation Act of 2018 and \$9.6 million to meet FY18 federal special education maintenance of effort (MOE) requirements, which stipulate a base level of special education funding each year.

In FY09, state special education funding reached \$435 million. PED notes federal regulators waived MOE shortfalls for FY10; however, funding levels did not reach FY09 levels until FY15, resulting in \$85.6 million of total estimated shortfalls between FY11 and FY14. Estimates recently provided by the department indicate that growth in special education program units and the unit value may result in an FY19 state special education funding level of \$466 million, exceeding the FY18 estimated funding level of \$451 million and FY17 actual funding level of \$450 million. These projected trends suggest that New Mexico will likely meet MOE requirements in FY19 but simultaneously establish a higher MOE required funding level for future fiscal years.

Unit Value Changes. The court opined that funding for instructional materials was inadequate, quoting testimony from districts about using outdated textbooks, making copies of educational materials, and allocating operational funds to supplement distributions from the instructional material fund. The lack of culturally relevant instructional materials for Native American students also constituted a failure by the state to comply with the Indian Education Act and the constitution's adequacy clause. The court indicated culturally relevant education could be produced through the cooperation of schools and tribal communities, which had not been realized in most districts with significant Native American student populations.

Provisions of the Instructional Material Law restrict the types of instructional materials that can be purchased and the amount of instructional material funding that can be used on resources not on the PED-approved list. These provisions allow the department to maintain strict oversight over 50 percent of instructional material purchases; however, fluctuating costs of different instructional material adoption cycles and growing instructional material cash balances suggest this process is inefficient and does not encourage districts to invest in developing culturally relevant materials. As such, the committee recommendation transfers the categorical appropriation for instructional materials to the SEG and provides \$25 million to give schools more flexibility with instructional material purchases.

The Public School Insurance Authority (NMPSIA) provides self-insured group insurance coverage for 88 school districts and all charter schools, including those in Albuquerque. Albuquerque Public Schools (APS) is self-insured and administered separately. NMPSIA's request for an increase in the employer share of insurance premiums from public school funding totaled approximately \$13 million for FY20 – \$10.3 million for healthcare benefits and \$2.7 million for the risk program. (See "NMPSIA: Agency 342") PED's FY20 request for insurance totaled \$16.7 million, which includes APS premiums. The committee recommendation for insurance includes APS premiums but does not include costs for the risk program and assumes a lower increase in healthcare benefits. PED's request also includes \$4.2 million for fixed costs, which includes costs for utilities, audits, and maintenance.

Of all the educational inputs viewed by the court, teacher quality was considered the most important component. The court quoted testimony from districts about the challenges of recruiting and retaining teachers and associated the challenges to the teacher evaluation system and low teacher pay. Although the Legislature raised teacher minimum salary levels and overall compensation in FY19, recent teacher protests have spurred increases to educator wages and education funding in some neighboring states. (See "State Employment and Compensation: Educator Compensation," *Volume I*) To address growing wage competitiveness, PED's request increased and the committee recommendation increases compensation for school personnel.

The committee recommendation includes \$106.8 million to increase teacher compensation by an average of 5.5 percent, principal compensation by an average of 7.5 percent, and other school personnel (including transportation employees) compensation by an average of 4 percent. Contingent on legislation, the committee recommendation further provides \$32.5 million to raise the minimum salary levels of level 1, 2, and 3-A licensed teachers to \$40 thousand, \$50 thousand, and \$60 thousand, respectively. To catch principal salaries up with raises implemented in FY19, \$2.3 million is included to raise the minimum salary of level 3-B licensed principals to \$60 thousand.

In total, PED's request includes \$120 million to increase teacher, school administrator, and mentor compensation in the SEG. After considering base compensation increases, minimum salary level raises, and additional contractual time from K-5 Plus and extended learning time programs, the committee recommendation for compensation for all school personnel in the SEG totals about \$247 million.

Projected Credits. PED's FY20 request assumed \$61.8 million in local and federal revenue credits and an additional credit of \$5 million from drivers' license fees. The department's request assumed \$45.6 million from federal impact aid payments for schools losing revenue from tax-exempt federal property, \$16 million from the local half-mill levy, and \$248 thousand from federal forest reserve funds. Credits assumed by PED have been conservative for the past few years. In FY18, school districts received approximately \$103 million in local and federal revenues, providing \$77 million for credits – \$16.8 million more than the budgeted amount. Preliminary credits for FY19 suggest that actual credits will be \$62.6 million, once again higher than the budgeted credits of \$59 million. Given growing property tax values and a 2 percent increase in federal impact aid payments for federal fiscal year 2019, credits appear to have upward potential in FY20. As such, the committee recommendation assumes \$63.5 million in local and federal revenue credits and an additional credit of \$5 million from drivers' license fees.

Categorical Public School Support. Categorical expenditures, distributed to public schools formulaically but restricted for specific uses, include funding for transportation, instructional materials, supplemental distributions, Indian education, and standards-based assessments. To address solvency issues during the 2016 second special session, the Legislature authorized the use of \$25 million from the public school capital outlay fund (PSCOF) annually to support the instructional material fund or transportation distribution between FY18 to FY22.

For FY20, PED's categorical support general fund request totaled \$229.9 million, a \$113 million, or 97 percent, increase from FY19 funding levels due to additional categorical appropriations for bilingual and multicultural programs, career and technical education initiatives, excellence in teaching awards, and recruitment and mentorship initiatives. The committee general fund recommendation for categorical support totals \$96.7 million, a \$20 million, or 17.1 percent, decrease from FY19 funding levels due to the transfer of instructional material funding to the SEG. When considering other state funds, however, the committee recommendation totals \$121.2 million, a \$3.2 million, or 2.5 percent, decrease from FY19 funding levels. PED's request did not include other state funds, but only represented a \$105.6 million, or 85 percent increase when considering PSCOF appropriations in FY19.

Transportation. The largest categorical appropriation, the transportation distribution, covers costs of transporting students in kindergarten through 12th grade and 3- and 4-year-old special education students to school. For FY20, PED requested \$107.7 million from the general fund for the transportation distribution, a \$7.7 million, or 7.7 percent increase from FY19 funding levels. PED's request did not include appropriations from PSCOF. The committee recommendation for transportation includes \$22.5 million from PSCOF to reach a total of \$107.7 million, a \$7.8 million, or 7.7 percent increase from FY19 funding levels. Additionally, \$6.5 million of the committee recommendation for transportation is contingent on enacted legislation establishing extended learning time and K-5 Plus program factors in the funding formula.

Instructional Materials. The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas and is set by PED. Costs of each annual adoption cycle vary widely depending on the subjects being adopted and the number of grades included, resulting in significantly different pressures on the general fund from year to year. According to PED, the instructional material adoption cycle for FY20 is art and science education.

Previous LFC evaluations have flagged large instructional material cash balances maintained by school districts and charter schools. Because schools have broad discretion on when to purchase instructional materials, full-scale adoptions typically do not follow the current adoption cycle so instructional material cash balances tend to accumulate over time. PED's FY20 request includes \$21.9 million from the general fund to the instructional material fund and does not appropriate revenue from PSCOF. The committee recommendation does not include an appropriation to the instructional material fund but instead appropriates \$25 million to the SEG for instructional materials, which provides schools full flexibility to purchase or develop culturally and linguistically relevant materials.

Indian Education. The preliminary court ruling drew attention to the lower educational outcomes of Native American students, flagging significant gaps in proficiency and graduation rates for that particular student subgroup. Despite notable gains in proficiency for Native American students in recent years, the overall performance for this student subgroup remains lower than most subgroups year-over-year. (See "Performance: Public Education," *Volume 1*) The court also noted the state's failure to develop the government-to-government relationships needed to achieve the statutory goals stated in the Indian Education Act (IEA) and argued the lack of culturally relevant instructional materials and curricula for Native American students violated the IEA and state constitution.

Balances in the Indian education fund have supported a number of recurring, multi-year programs; however, the effects of these programs on improving educational outcomes for Native American students have not been rigorously evaluated. In FY19, PED submitted a budget adjustment request to increase the budget of the department's Indian education division by \$965 thousand and spend down the \$3.5 million Indian education fund balance. The request included \$847 thousand for multi-year programs at various schools, tribes, and consulting organizations to meet requirements of the IEA. However, accountability for these programs remains limited.

For FY20, PED requested \$4 million for the Indian education fund to develop a Native American teacher residency program, place teachers in schools serving a substantial Native American student population, expand use of early warning systems, and conduct indigenous action research. The committee recommendation includes a general fund appropriation of \$2.5 million and authorizes the use of \$2 million from Indian education fund balances to meet deficiencies in department programs and responsibilities highlighted by the court. Other, separate appropriations to PED support professional development and multicultural education programming as well, in light of heightened attention to the performance of Native American students.

Emergency Supplemental Appropriation. PED requested \$3 million for FY20 recurring emergency supplemental funding for school district operational needs. In FY18, the department provided \$3.8 million for emergency supplemental funding for 16 school districts and budgeted \$2.9 million for 12 districts for FY19. Although the number of districts on emergency funding has fallen by over 40 percent since the Legislature instituted a micro school district formula factor in FY15, emergency supplemental funding continues to be recurring for some small or micro school districts. Recurring emergency supplemental appropriations have also been supplemented with nonrecurring special and supplemental appropriations. PED should work with school districts with recurring emergency supplemental appropriations to address recurring shortfalls and consider organizational restructuring to achieve administrative efficiencies. Given the substantial increase in formula funding for FY20, the committee recommends \$1 million for recurring emergency supplemental funding.

Standards-Based Assessments Appropriation. For FY20, PED requested \$6 million for standards-based assessments, the same amount used in FY19 to cover costs for the PARCC exam. Fewer states are using the original PARCC test, choosing to customize the test or switch to another assessment instead. The committee recommendation includes \$6.6 million, a \$600 thousand, or 10 percent, increase for standards-based assessments to provide funding for Istation, the kindergarten through third grade reading assessment tool, funded through the PED special appropriation for early literacy initiatives.

Since PARCC testing began in FY15, student achievement data has been provided to districts and schools sooner, and the testing window has shortened. PED reports all students will take PARCC online by 2020, FY19 data will be available by May 2019, and more New Mexico educators will be involved with vetting assessments items. According to PED, a growing body of research suggests that student performance on PARCC is predictive of performance on college entrance exams and college course grades. The department's request includes funding to continue the PARCC test and recommendations to align student test scores to college admission and course placement policies.

The preliminary court ruling cited performance on the PARCC test, graduation rates, and college remediation rates as evidence the state provided insufficient educational opportunities and inadequate inputs for students, particularly for at-risk children. As the state continues to invest in educational reforms and interventions, continuity of performance measurement will be necessary to accurately understand the impact of initiatives and programs on student outcomes. As such, the committee recommendation includes funding to continue using a comparable PARCC test.

Other Categorical Appropriations. For FY20, PED requested additional categorical appropriations, including \$50 million for bilingual and multicultural education programs, \$20 million for a career and technical education and apprenticeship initiative, \$10 million for excellence in teaching awards, and \$5 million for a recruitment and mentorship initiative. The committee recommendation does not include funding for these categorical appropriations proposed by the department. Limited information has been provided by PED demonstrating the need for and impact of establishing these categorical programs, which may be better suited as pilot initiatives within the department's suite of special appropriations rather than a categorical appropriation.

Department Special Appropriations. The preliminary court judgement acknowledged that some department special appropriations could be worthwhile, pointing to promising results from prekindergarten, extended school year, K-3 Plus, and teacher quality programs. However, the court noted PED special appropriations had limited coverage and were ephemeral in nature, creating uncertainty for districts and inconsistency in program effectiveness.

While earmarked, department special appropriations divert potential resources away from the SEG. However, these initiatives may also more effectively target school appropriations to improve performance, accountability, and transparency. Additionally, special appropriations provide a sandbox for the department to pilot programs that might be scaled statewide over time, like K-3 Plus. PED's request for initiatives totaled \$140.2 million, an increase of \$49.3 million, or 54.2 percent, from FY19 appropriations due to increased funding for most initiatives and the addition of five new initiatives. The LFC general fund recommendation for initiatives totals \$58.1 million, a decrease of \$32.8 million, or 36.1 percent, due to the transfer of K-3 Plus funding into the SEG. PED requested and LFC recommends prioritizing early childhood education and teacher and school leader development programs that have demonstrated improvements in student outcomes.

Early Childhood Education. Four-year-olds enrolled in prekindergarten demonstrate improved kindergarten readiness and higher performance on early language, literacy, and math development. Growing participation in state-funded prekindergarten and declining federal Head Start program membership suggests that services for 4-year-olds may be reaching or exceeding demand in some communities. Without a coordinated approach to program implementation, the state faces the risk of crowding out federal funding opportunities for 4-year-old services. PED's FY20 request totals \$45 million, a \$16 million, or 55 percent, increase from FY19 general fund appropriations for prekindergarten programs. The committee recommendation for prekindergarten totals \$39 million from the general fund, a \$10 million increase from FY18 levels, and includes a recurring transfer of \$3.5 million in federal Temporary Assistance for Needy Families (TANF) funding. The recommendation also continues the extended full-day prekindergarten pilot because interest in extended-day prekindergarten continues to grow. (See "Education: Early Childhood Programs," *Volume I*)

K-3 Plus adds 25 instructional days before the beginning of the school year for economically disadvantaged and low-performing students and demonstrates success in closing the achievement gap when combined with high-quality prekindergarten programs. While the state has made significant progress expanding access to the program, there is still a large unmet need and implementation could improve. (See "Performance: Public Education," *Volume I*) PED's FY20 request for K-3 Plus totals \$45 million, a \$14.8 million, or 49 percent, increase from FY19 funding levels. The committee recommendation transfers K-3 Plus funding to the SEG and increases the appropriation to \$119.9 million, effectively expanding the program to cover all eligible students in kindergarten through fifth grade statewide.

Like in PED's request, the committee's recommendation eliminates an \$8.8 million appropriation for early literacy initiatives, also known as Reads to Lead. The initiative's funding methodology has changed in recent years and now directs some funds to school districts that are currently high achievers, raising questions about the effect of the program. Additionally, PED is receiving a \$20 million federal grant for early literacy programs, which might be used for similar programs.

School Turnaround Programs. Partnerships between PED, higher education institutions, school districts, and other organizations have resulted in innovative principal preparation programs and leveraged some best practices for turning around chronically failing schools. PED reports New Mexico's own school leadership development program, Principals Pursuing Excellence (PPE), has shown some success, with participating schools experiencing stronger average improvement on reading and math tests than the statewide average. PED also reports similar academic gains from Teachers Pursuing Excellence (TPE), a relatively new teacher mentorship program modeled after the PPE protocol. However, gains from both mentorship programs have shown slower improvement in recent years, which the department attributes to scaling the programs up too fast. For FY20, PED requested and the committee recommends \$2.5 million for PPE and \$2.5 million for TPE, growing each program by \$500 thousand, or 25 percent, from FY19 funding levels.

Other Special Appropriations. PED's FY20 request increased funding levels for several FY19 department special appropriations, including \$3.1 million more for the teacher evaluation system; \$3 million more for science, technology, engineering, and math (STEM) initiatives; \$1 million more for educator preparation programs; \$500 thousand more for college and career readiness programs; \$4 million more for advanced placement assessments and training; \$500 thousand more for truancy and dropout prevention coaches; \$325 thousand more for a fresh produce for schools program; and \$5.2 million for other department interventions. The department requested new special appropriations to establish a \$750 thousand parental engagement initiative, \$1 million teacher leadership network, \$2.5 million bilingual and multicultural education support program, \$1 million social studies curriculum, and \$2.3 million teacher supplies procurement program.

For FY20, the committee recommendation eliminates funding for programs with limited evidence of improving student outcomes but maintains FY19 funding levels for the elementary breakfast program, teacher evaluation system, STEM initiative, and fruits and vegetable program. The committee recommendation provides \$250 thousand more for advanced placement assessments and training and partially supports some new PED initiatives, including \$400 thousand for the parental engagement initiative, \$400 thousand for the teacher leadership network, and \$2.5 million for the bilingual and multicultural education support program. The committee also recommends two new special appropriations – \$1.5 million to expand school-based health centers statewide and \$1 million to create a career and technical education pilot.

Federal Funds. For FY20, PED requested and the committee recommends authority to budget \$446.3 million of federal flow-through grants, a \$2.8 million, or 0.6 percent, increase from FY19 funding levels. In FY19, the department requested \$443.5 million for federal flow-through grants, a \$29.3 million, or 7 percent, increase from FY18 funding levels. This increase included \$20 million for an early literacy improvement grant, \$2.9 million in federal grants to improve student learning environments, and \$6.4 million to expand and support high-quality charter schools in the state. Given the multi-year nature of these grants, it is likely this funding level will continue to be available in FY20.

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 2019-2020 school year and then, on verification of the number of units statewide for fiscal year 2020 but no later than January 31, 2020, the secretary of public education may adjust the program unit value. In setting the preliminary unit value and the final unit value in January, the public education department shall consult with the department of finance and administration, the legislative finance committee and the legislative education study committee.

The general fund appropriation to the state equalization guarantee includes seventy-one million one hundred thirteen thousand seven hundred dollars (\$71,113,700) to provide at least a five and one-half percent salary increase to all licensed teachers whose primary duty is classroom instruction. This amount shall be provided separately and prior to any amendments to the statutory minimum salary of level one teachers, level two teachers and level three-A teachers in the School Personnel Act enacted in the first session of the fifty-fourth legislature. The secretary of public education shall not approve the operating budget of a school district or charter school that does not provide at least a five and one-half percent salary increase for all licensed teachers whose primary duty is classroom instruction.

The general fund appropriation to the state equalization guarantee includes seven million seven hundred sixty-four thousand four hundred dollars (\$7,764,400) to provide at least a seven and one-half percent salary increase to all licensed principals and licensed assistant principals whose primary duty is school administration. This amount shall be provided separately and prior to any amendments to the statutory minimum salary of level three-B administrators in the School Personnel Act enacted in the first session of the fifty-fourth legislature. The secretary of public education shall not approve the operating budget of a school district or charter school that does not provide at least a seven and one-half percent salary increase for all licensed principals and licensed assistant principals whose primary duty is school administration.

The general fund appropriation to the state equalization guarantee includes twenty-five million four hundred sixty-eight thousand dollars (\$25,468,000) to provide an average four percent salary increase for all instructional staff and other licensed and unlicensed staff who are not licensed teachers with a primary duty of classroom instruction or licensed principals and licensed assistant principals with a primary duty of school administration. The secretary of public education shall not approve the operating budget of a school district or charter school that does not provide an average four percent salary increase for all instructional staff and other licensed and unlicensed staff who are not licensed teachers with a primary duty of classroom instruction or licensed principals and licensed assistant principals with a primary duty of school administration. The secretary of public education shall not approve the operating budget of a school district or charter school that does not prioritize salary increases for instructional staff or disproportionately allocates salary increases for central office administrators provided however school districts and charter schools are encouraged to allocate average salary increases the same as classroom teachers.

The general fund appropriation to the state equalization guarantee includes thirty-two million five hundred twenty-seven thousand one hundred dollars (\$32,527,100) contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the School Personnel Act to increase the level one teacher minimum salary level to forty thousand dollars (\$40,000), level two teacher minimum salary level to fifty thousand dollars (\$50,000), level three-A teacher minimum salary level to sixty thousand dollars (\$60,000) and level 3-B administrator minimum salary level to (\$60,000). The secretary of public education shall ensure that during fiscal year 2020 no full-time level one teacher receives a base salary less than forty thousand dollars (\$40,000), no full-time level two teacher receives a base salary less than fifty thousand dollars (\$50,000), no full-time level three-A teacher receives a base salary less than sixty thousand dollars (\$60,000) and no full-time level three-B school principal or assistant school principal receives a base salary less than sixty thousand dollars (\$60,000) multiplied by the applicable responsibility factor as defined in Subsection B of Section 22-10A-2 NMSA 1978.

The general fund appropriation to the state equalization guarantee includes ninety-eight million sixty-four thousand two hundred dollars (\$98,064,200) contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the Public School Code to do the following: define a maximum age for a school-age person and a qualified student of twenty-two years old, limit statewide charter school enrollment to twenty-seven thousand students, increase the at-risk index to twenty-five hundredths, eliminate school size adjustments for schools in large school districts, establish a formula factor for schools in rural areas, establish a formula factor for extended learning time programs and establish a formula factor for K-5 plus programs in the public school funding formula.

The public education department shall monitor and evaluate the ways in which school districts and individual schools use funding distributed for at-risk program units, bilingual and multicultural education program units, extended learning time program units, K-5 plus program units, instructional materials and classroom instruction in fiscal year 2020 and report its findings and recommendations to the governor, legislative education study committee and legislative finance committee on or before December 1, 2019.

The general fund appropriation to the state equalization guarantee distribution includes sixty-two million four hundred ninety-seven thousand five hundred dollars (\$62,497,500) contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the Public School Code to establish an extended learning time program factor in the public school funding formula for extended learning time programs. The secretary of public education shall consider those extended learning time programs eligible for state financial support and the amount of state funding available for extended learning time programs and determine the programs and consequent numbers of students in extended learning time programs that will be used to calculate the number of additional programs units for extended learning time programs. Any amount of the sixty-two million four hundred ninety-seven thousand five hundred dollars (\$62,497,500) appropriation that is not distributed through the new extended learning time program factor, calculated by multiplying the final program unit value set for the 2019-2020 school year by the total extended learning time program units and subtracting that product from sixty-two million four hundred ninety-seven thousand five hundred dollars (\$62,497,500), shall be transferred to the state-support reserve fund.

The general fund appropriation to the state equalization guarantee includes one hundred nineteen million eight hundred ninety-five thousand nine hundred dollars (\$119,895,900) contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the Public School Code to establish a K-5 plus factor in the public school funding formula for K-5 plus programs. The secretary of public education shall consider those K-5 plus programs eligible for state financial support and the amount of state funding available for K-5 plus programs and determine the programs and consequent numbers of students in K-5 plus programs that will be used to calculate the number of additional programs units for K-5 plus programs. Any amount of the one hundred nineteen million eight hundred ninety-five thousand nine hundred dollar (\$119,895,900) appropriation that is not distributed through the new K-5 plus program factor, calculated by multiplying the final program unit value set for the 2019-2020 school year by the total K-5 plus program units and subtracting that product from one hundred nineteen million eight hundred ninety-five thousand nine hundred dollars (\$119,895,900), shall be transferred to the state-support reserve fund.

For fiscal year 2020, if the program cost made available is insufficient to meet the estimated level of state support required by the special education maintenance of effort requirements of Part B of the federal Individuals with Disabilities Education Act, the public education department shall reduce the program cost in an amount that equals the projected shortfall and distribute that amount to school districts and charter schools in the same manner and on the same basis as the state equalization guarantee distribution to meet the estimated level of support required by Part B of the federal Individuals with Disabilities Education Act for fiscal year 2020 and shall reduce the final unit value to account for the reduction.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units, provided that no school district or charter school shall generate elementary physical education program units in fiscal year 2020 in excess of the total average number of elementary school students enrolled on the second and third reporting date of the 2018-2019 school year multiplied by the cost differential factor of six one-hundredths as established in Section 22-8-23.7 NMSA 1978.

The general fund appropriation to the state equalization guarantee distribution includes sufficient funding for school districts and charter schools to purchase culturally appropriate instructional materials for qualified students attending public schools. The public education department shall monitor and evaluate the extent to which school districts and charter schools purchase and use instructional materials that are relevant to the cultures, languages, history and experiences of culturally diverse students.

The public education department shall not approve the operating budget of any school district or charter school to operate a four-day school week during the 2019-2020 school year that did not provide a four-day school week during the 2018-2019 school year.

The public education department shall not approve the operating budget of any school district or charter school with less than fifty thousand students that spends less than one standard deviation below the average expenditure rate of comparable school districts and charter schools on instruction, student support services and instructional support services unless that school district or charter school demonstrates the budgeted spending level for instruction, student support services and instructional support services is sufficient to provide a free and appropriate public education to all students.

The public education department shall not approve the operating budget of any school district or charter school with greater than or equal to fifty thousand students that spends less than seventy-five percent of general fund appropriations on instruction, student support services and instructional support services unless that school district or charter school demonstrates the budgeted spending level for instruction, student support services and instructional support services is sufficient to provide a free and appropriate public education to all students.

Funds appropriated from the general fund to the state equalization guarantee distribution or any cash balances derived from appropriations from the general fund to the state equalization guarantee distribution in any year shall not be used to fund any litigation against the state unless or until a court issues a final decision in favor of a plaintiff school district or charter school and all legal remedies have been exhausted.

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from federal Mineral Leasing Act receipts otherwise unappropriated.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments to school districts and charter schools commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL874 funds."

The other state funds appropriation is from the balances received by the public education department pursuant to Section 66-5-44 NMSA 1978.

Within thirty calendar days of initial submission by a school district or charter school, the secretary of public education shall process and pay each request for reimbursement submitted to the public education department by a school district or charter school.

The department of finance and administration may adjust a school district's or charter school's monthly state equalization guarantee progress payment to provide flexibility to meet cash flow needs, provided that no school district or charter school shall receive an annual state equalization guarantee distribution that is more than their proportionate fiscal year 2020 share.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2020 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions. Notwithstanding the provisions of Section 22-8-26 NMSA 1978, a state-chartered charter school that receives a transportation allocation that exceeds the amount required to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation and vocational education transportation during fiscal year 2020 shall deposit one hundred percent of the remaining balance in the transportation emergency fund at the end of fiscal year 2020.

The other state funds appropriation to the transportation distribution is from the public school capital outlay fund.

The general fund appropriation to the transportation distribution includes two million four hundred twenty-three thousand five hundred dollars (\$2,423,500) to provide an average four percent salary increase to all school transportation employees. The secretary of public education shall not approve the operating budget of a school district or charter school that does not provide an average four percent salary increase for all school transportation employees.

The general fund appropriation to the transportation distribution includes two million seven hundred forty-five thousand six hundred dollars (\$2,745,600) for transportation of students to extended learning time programs contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the Public School Code to establish an extended learning time program factor. If a school district or state-chartered charter school does not transport students to extended learning time programs, the school district's or state-chartered charter school's proportionate share of the two million seven hundred forty-five thousand six hundred dollar (\$2,745,600) appropriation to the transportation distribution for extended learning time programs shall be transferred to the state-support reserve fund.

The general fund appropriation to the transportation distribution includes three million seven hundred forty-four thousand dollars (\$3,744,000) for transportation of students to K-5 plus programs contingent on enactment of a bill in the first session of the fifty-fourth legislature amending the Public School Code to establish a K-5 plus program factor. If a school district or state-chartered charter school does not transport students to K-5 plus programs, the school district's or state-chartered charter school's proportionate share of the three million seven hundred forty-four thousand dollar (\$3,744,000) appropriation to the transportation distribution for extended learning time programs shall be transferred to the state-support reserve fund.

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 2020 from appropriations made from the general fund shall revert to the general fund.

The general fund appropriation to the public education department for dual-credit instructional materials shall be used by the department to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual-credit program to the extent of the available funds.

Any unexpended balances in the dual-credit instructional materials distribution remaining at the end of fiscal year 2020 from appropriations made from the general fund shall revert to the general fund.

The other state funds appropriation is from the Indian education fund.

Any unexpended balances in the standards-based assessments appropriation remaining at the end of fiscal year 2020 from appropriations made from the general fund shall revert to the general fund.

Public Education Department Special Appropriations. The internal service funds/interagency transfers appropriation to the public pre-kindergarten fund of the public education department is from the federal temporary assistance for needy families block grant to New Mexico.

The appropriations to the public pre-kindergarten fund of the public education department include sufficient funding to continue the established extended-day pre-kindergarten pilot program during the 2019-2020 school year.

The secretary of public education shall not make an award to a pre-kindergarten program at a school district or charter school that provides fewer days each week for its pre-kindergarten program than the number of school days provided each week in that school district or charter school during the school year.

The general fund appropriation to the public education department for parent and family engagement shall be used to increase parental involvement in public schools and support parent teacher associations.

The general fund appropriation to the public education department for bilingual multicultural education support shall be used to support English learners and bilingual multicultural education program instruction, meet statutory requirements pursuant to the Bilingual Multicultural Education Act and provide local professional learning opportunities and resources for students, parents and school personnel on culturally and linguistically responsive instruction.

The general fund appropriation to the public education department for school-based health centers shall be used to establish or expand school-based health centers statewide.

The general fund appropriation to the public education department for the career and technical education pilot is contingent on enactment of a bill in the first session of the fifty-fourth legislature establishing a career and technical education pilot program. A school district or charter school may submit an application to the public education department for an allocation from the career and technical education pilot appropriation to develop a new industry-validated career pathway aligned to department-approved academic content and performance standards.

The internal service funds/interagency transfers appropriation to the graduation, reality and dual-role skills program of the public education department is from the federal temporary assistance for needy families block grant to New Mexico.

Except for appropriations to the public pre-kindergarten fund, any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2020 from appropriations made from the general fund shall revert to the general fund.

PUBLIC SCHOOL SUPPORT

The purpose of public school support is to carry out the mandate to establish and maintain a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state.

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	26%	29%	30%	30%	32%
* Outcome	Percent of fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	24%	26%	30%	30%	32%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	28%	29%	30%	30%	32%
* Outcome	Percent of eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	12%	21%	30%	30%	32%
Quality	Current five-year cohort graduation rate using shared accountability	75%	76%	80%	80%	80%
* Quality	Current four-year cohort graduation rate using shared accountability	71%	71%	75%	75%	75%
* Outcome	Percent of dollars budgeted by districts with fewer than 750 members for instructional support, budget categories 1000, 2100 and 2200	73%	64%	75%	65%	70%
* Outcome	Percent of dollars budgeted by districts with 750 members or greater for instructional support, budget categories 1000, 2100 and 2200	73%	73%	75%	75%	75%
* Outcome	Percent of dollars budgeted by charter schools for instructional support, budget categories 1000, 2100 and 2200	67%	67%	67%	67%	70%
Outcome	Percent of public schools rated A and B	38%	39%	42%	42%	42%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	10%	16%	20%	20%	32%
Outcome	Percent of economically disadvantaged eighth-grade students who achieve proficiency or above on the standards-based assessment in reading	21%	23%	20%	25%	32%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in reading	20%	24%	20%	25%	32%
Outcome	Percent of economically disadvantaged fourth-grade students who achieve proficiency or above on the standards-based assessment in mathematics	18%	20%	20%	25%	32%
Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	33.5%	TBD	<35%	<35%	<30%
Outcome	Change in percent of students on early reading benchmark at the beginning of year to end of year in kindergarten through third grade	35.5%	11.5%	20%	20%	20%
Outcome	Percent of minority economically disadvantaged students taught by teachers meeting or exceeding state evaluation standards	TBD	73%	50%	50%	75%
Outcome	Percent of public schools increasing their letter rating by one or more letter grade	27%	27%	>30%	>30%	>30%
Outcome	Percent of public schools decreasing their letter rating by one or more letter grade	31%	26%	5%	5%	5%
Outcome	Percent of third-grade Native American students who achieve proficiency or above on standards-based assessment in reading	14%	18%	45%	45%	45%

PERFORMANCE MEASURES

		<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Budget</u>	<u>FY20 Request</u>	<u>FY20 Recomm</u>
Outcome	Current four-year cohort graduation rate for Native American students using shared accountability	61%	TBD	75%	75%	75%
Outcome	Percent of teachers rated effective or above	74.5%	75.6%	62.5%	75%	77%
Explanatory	Number of teachers rehired with an evaluation rating of effective or higher	TBD	TBD			
Explanatory	First time passing rate on the national evaluation series teacher competency exam	TBD	89%			
Outcome	Percent of students who achieve proficiency or above on the standards-based assessment and take remedial courses in higher education at two-year and four-year schools	NEW	NEW	NEW	NEW	<3%
Output	Number of teacher candidates who graduate from department-approved educator preparation programs	NEW	NEW	NEW	NEW	1,500
Outcome	Chronic absenteeism rate for students in middle school	NEW	NEW	NEW	<10%	<10%
Explanatory	Median income of recent New Mexico high school graduates not attending a two-year or four-year institution of higher education	NEW	NEW			
Outcome	Chronic absenteeism rate for students in high school	NEW	NEW	NEW	<10%	<10%
Outcome	Chronic absenteeism rate for students in elementary school	NEW	NEW	NEW	<10%	<10%
* Outcome	Percent of fifth grade students who achieve proficiency or above on the standards-based assessment in science	NEW	NEW	NEW	NEW	45%
* Outcome	Percent of eighth grade students who achieve proficiency or above on the standards-based assessment in science	NEW	NEW	NEW	NEW	45%
Outcome	Percent of eleventh grade students who achieve proficiency or above on the standards-based assessment in science	NEW	NEW	NEW	NEW	45%
Outcome	Percent of students in bilingual and multicultural education programs who achieve proficiency in two or more languages	NEW	NEW	NEW	NEW	50%
Outcome	Out-of-school suspension rate	NEW	NEW	NEW	NEW	<3%
Explanatory	Percent of charter school head administrators staying in the same charter school	NEW	NEW			
Explanatory	Percent of school district superintendents staying in the same school district	NEW	NEW			
Explanatory	Percent of full-time, licensed teachers of record staying in the same school	NEW	NEW			
Explanatory	Percent of full-time, licensed teachers of record staying in the same local education agency	NEW	NEW			
Explanatory	Percent of full-time, licensed teachers of record leaving the teaching profession	NEW	NEW			
Explanatory	Percent of full-time, licensed principals staying in the same school	NEW	NEW			
Explanatory	Percent of full-time, licensed principals staying in the same local education agency	NEW	NEW			
Explanatory	Student mobility rate for students in elementary schools	NEW	NEW			
Explanatory	Student mobility rate for students in middle schools	NEW	NEW			
Explanatory	Student mobility rate for students in high schools	NEW	NEW			
Outcome	Percent of recent New Mexico high school graduates obtaining an industry-accepted work credential	NEW	NEW	NEW	NEW	25%

NEW MEXICO FINANCE AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Finance Authority Act, Chapter 6, Article 21, NMSA 1978, created the New Mexico Finance Authority (NMFA) in 1992 as a governmental instrumentality for the purpose of coordinating and facilitating the planning and affordable financing of state and local capital projects for qualified entities in New Mexico. As a nongovernmental entity, NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The financial and program activities of NMFA are governed by an 11-member board, nine of whom are appointed by the governor. NMFA administers 12 programs managed through rules, policies, and public and private partnerships. NMFA develops its own budget approved by its board of directors and does not require legislative approval. However, the New Mexico Finance Authority Legislative Oversight Committee is empowered to monitor and oversee the operations of the authority.

MISSION:

The principle mission of NMFA is to assist qualified entities in financing capital equipment and infrastructure, including through loans for transportation, water, economic development, private lending, and social service providers. NMFA meets its statutory mandate for financing state and local projects, including meeting its obligation to both the executive and legislative bodies.

TOTAL ASSETS:

NMFA oversees approximately \$2.2 billion in total gross assets consisting principally of invested cash and loans receivable. It also manages over \$50 million in remaining funds for the Governor Richardson's Investment Partnership Program, or GRIP, for the Department of Transportation. Gross assets increased by \$58.9 million between FY17 and FY18 as of June 30, 2018. 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 FY19 is approximately \$138 million. Nonoperational expenditures from bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service total \$94 million.

BUDGET ISSUES:

NMFA does not receive appropriations from the state's general fund for operations. NMFA projected general operating budget for FY19 totals nearly \$9.3 million, a 4 percent increase from FY18. Actual expenditures in FY18 totaled \$7.2 million, or 23 percent less than the approved FY19 operating budget. Budgeted positions remain at 42, of which three are vacant. NMFA pays 95 percent of employee medical premiums and 100 percent of other benefits (dental, vision, life policy, and employee assistance programs). A money purchase retirement plan (401A) is provided with a mandatory 3 percent paid by the employee and a 15 percent match paid by NMFA. About 55 percent of the authority's operational costs are related to the public project revolving fund (PPRF). NMFA projects a higher volume of loans from the PPRF in FY19 resulting in increased processing fees and interest revenue.

As an instrumentality of the state, NMFA is subject to the State Audit Act. Moss Adams, LLP, completed and submitted the annual audit to the State Auditor before the November 1 deadline. NMFA's governing board and staff continue to be actively engaged in strengthening the fiscal oversight and compliance with laws and rules governing their audits and financial activities.

PROGRAMS:

NMFA currently administers 12 finance programs, and the most significant infrastructure loan program is the PPRF capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT), \$31.3 million in FY18. NMFA leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds. The fund has evolved into a broader financier of state and local government credits for providing financial assistance to a greater diversity of entities and credits, thus helping the PPRF attain higher bond ratings and lower costs of issuance and allowing NMFA to offer a variety of program enhancements to its borrowers. The funds accrued from GGRT collections and loan repayments to the PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts. In July 2017, NMFA extinguished the contingent liquidity account (CLA) and established a supplemental credit reserve fund (SCRF) indentured in the PPRF subordinate lien at a funding level of \$30.6 million, equivalent to the funding level of the common debt service reserve fund (CDSRF) indentured in the PPRF senior lien. The cash balance for loans from the PPRF varies month-to-month from under \$5 million, when the PPRF \$100 million line-of-credit may be used, to as much as \$63 million depending on the bond issuance schedule. PPRF bonds either reimburse NMFA for loans already made or allow loans of \$10 million or more to be funded and closed simultaneously with PPRF bonds. In the first quarter of FY19, NMFA closed 27 loans for \$70.6 million compared with the same three months a year ago when 57 loans closed for \$56.8 million. While loan dollar volume is up, school district lending is not leading the trend as it has in the past. As of June 30, PPRF bonds outstanding totaled \$955 million in the senior lien and \$240.9 million in the subordinate lien. As of June 30, Standard & Poor's rated senior-lien bonds outstanding as AAA/stable and subordinate-lien bonds outstanding as AA+/positive with the establishment of the SCRF. The subordinate lien rating was upgraded to AAA/stable in October 2017 once the SCRF funding was in place. As of June 30, Moody's rated senior lien bonds outstanding Aa1/stable and subordinate lien bonds outstanding Aa2/stable.

NEW MEXICO FINANCE AUTHORITY

Budget for Fiscal Years 2017 thru 2019

	FY 2017		FY 2018		FY 2019	Budget to	Budget to
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>	<u>FY 2018 Actual</u>	<u>FY 2018 Budget</u>
Revenues							
Appropriation Revenue	\$ 34,578,969	\$ 40,049,900	\$ 36,463,733	\$ 38,100,000		4%	-5%
Interest Income from Loans	47,865,124	49,125,939	52,732,085	50,600,000		-4%	3%
Interest income from Investments	944,093	1,575,900	2,964,201	1,190,000		-60%	-24%
Administration fee revenue	3,898,020	3,396,631	5,460,694	3,488,000		-36%	3%
Grant Revenue	53,454,414	50,959,995	40,589,738	44,338,400		9%	-13%
GRIP	270,993	300,769	351,762	303,826		-14%	1%
Total Revenues	\$ 141,011,613	\$ 145,409,134	\$ 138,562,213	\$ 138,020,226		0%	-5%
Operating Expenses							
Personnel Expenditures	4,634,071	4,865,094	3,954,039	4,887,233		24%	0%
In State Travel	48,321	99,463	39,669	91,921		132%	-8%
Out of State Travel	16,456	48,741	23,751	54,400		129%	12%
Office Supplies	22,397	36,816	18,219	39,350		116%	7%
Professional & Contractual Services	2,964,115	2,792,090	2,022,414	3,147,871		56%	13%
Operating Costs	1,004,879	1,135,228	1,133,766	1,120,596		-1%	-1%
Total Operating Expenses	\$ 8,690,240	\$ 8,977,432	\$ 7,191,859	\$ 9,341,371		30%	4%
Non-operating Expenses*							
Bond Interest Expense, Net	51,484,470	56,000,000	45,522,536	47,000,000		3%	-16%
Bond Issuance Expense	2,847,995	2,000,000	1,971,304	2,000,000		1%	0%
Bond premiums	17,476,331	-	7,059,254	7,000,000		-1%	
Grant Expense	50,764,603	51,034,995	36,143,867	37,550,000		4%	-26%
Other Expense	84,078	85,089	51,674	80,000		55%	-6%
Pass-through GRIP	270,993	300,769	351,762	303,826		-14%	1%
Capital Expenditures	340,918		134,730	75,000		-44%	
Total Non-operating Expenses	\$ 123,269,388	\$ 109,420,853	\$ 91,235,127	\$ 94,008,826		3%	-14%
Total Expenses	\$ 131,959,629	\$ 118,398,285	\$ 98,426,986	\$ 103,350,197		5%	-13%
Revenue Over Expenses	\$ 9,051,984	\$ 27,010,849	\$ 40,135,227	\$ 34,670,030		-5%	28%

* Does not include transfers to the State in the amount of \$34,329,468 in FY2018 and \$10,406,942 in FY 2017

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975 the New Mexico Mortgage Finance Authority (MFA) was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

MFA is governed by a seven-member board, including the lieutenant governor, state treasurer, and state attorney general. MFA develops its own budget approved by the board of directors that does not require legislative approval. The MFA Legislative Oversight Committee approves rules and regulations formulated by MFA and is empowered to monitor and oversee the operations of MFA. The Land Title Trust Fund Advisory Committee advises MFA on the use of monies generated by the land title trust fund to address affordable housing. The Housing Trust Fund Advisory Committee advises MFA on the use of state-appropriated housing trust fund monies. The Low-Income Housing Tax Credit Allocation Review Committee reviews staff tax credit award recommendations, hears appeals to the awards, and makes final recommendations to the MFA board.

MISSION:

MFA provides innovative products, education, and services to strengthen families and communities.

MANAGED GROSS ASSETS:

MFA manages approximately \$3.6 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, a subserviced loan portfolio and related mortgage servicing rights, mortgage loans receivable, federal grant programs, low-income housing tax credit (LIHTC) properties, and Housing and Urban Development (HUD) rental housing properties. As an instrumentality of the state, MFA is subject to the State Audit Act.

BUDGET ISSUES:

MFA is not a state agency and does not receive an annual recurring appropriation for operations. Instead, the state mandates MFA generate its own funding to maintain operations and to carry out its duties. The primary program funding resources available to MFA are private activity bond volume cap and federal housing programs including LIHTCs, U.S. Department of Energy weatherization program funding, HUD project-based Section 8 Contract Administration funding, HOME Investment Partnership, National Housing Trust Fund, and state Low-Income Home Energy Assistance Program (LIHEAP). MFA also provides affordable loan funding through the housing opportunity fund, an internal revolving loan fund, and through partnerships with Wells Fargo Bank, the Small Business Investment Corporation, and U.S. Department of Agriculture Rural Development. Currently, about 1 percent of the authority's program resources are funded by state nonrecurring special appropriations and state tax credits issued to qualified contributors through vouchers from the state Taxation and Revenue Department.

MFA operates on the federal fiscal year with FY19 ending September 30, 2019. MFA's operating budget for FY19 shows revenue at \$21.6 million, a decrease of \$2.3 million, or 10 percent under projected FY18 actual revenue. Expenses are projected at \$17 million, an increase of \$1.8 million, or 12 percent over FY18 projected actual expenses and an increase of \$1.5 million, or 10 percent over the prior-year budget. The FY19 budgeted excess revenue over expenses before retiring debt and capital outlay is \$4.6 million and will be used for MFA's internal revolving loan fund, implementation of its strategic plan, and to meet rating agency reserve requirements. The decrease in excess revenues in comparison to FY18 projected actuals is primarily related to the estimated decrease in the single family mortgage program due to changing market conditions and the addition of 3 FTE to support program growth and expansion. The capital budget is projected at \$3.1 million, a decrease of \$900 thousand, or 22 percent under FY18 projected actual and a decrease of \$800 thousand, or 212 percent under prior year budget. The total net budget including capital items is \$1.5 million

MFA will request a recurring appropriation of \$300 thousand to support the oversight, training, and technical assistance of the regional housing authorities, \$5 million through the Infrastructure Capital Improvement Plan (ICIP) process for the New Mexico housing trust fund to leverage additional funding for housing activities, and \$2 million for low-income residential energy conservation funding (weatherization) for the New Mexico EnergySmart program. The MFA Legislative Oversight Committee also endorsed funding requests for \$250 thousand for the Affordable Housing Act, \$2 million for emergency home repair funds, \$2 million for veteran home rehabilitation, and \$500 thousand for pre-purchase homebuyer education.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

OPERATING BUDGET FY18, FY19 AND FY20 PROJECTED (dollars in thousands)

	FY18 2017-2018 Budget	FY18 2017-2018 Projected Actuals (Unaudited)	FY19 2018-2019 Budget (Board Approved September 2018)	FY20 2019-2020 Projected Budget
SOURCES:				
Interest on Loans	\$ 6,763,000	\$ 5,961,000	\$ 6,597,000	\$ 6,949,000
Housing Program Income & Admin. Fees	3,307,000	3,279,000	3,533,000	3,303,000
Bond Administrative Fees	2,509,000	3,113,000	3,109,000	2,662,000
Interest on Cash/Investments	1,415,000	1,580,000	1,587,000	1,264,000
Transaction Fees	4,944,000	6,993,000	3,000,000	4,172,000
Loan Servicing Income	1,931,000	1,933,000	3,460,000	2,837,000
Other Fees	657,000	651,000	334,000	682,000
TOTAL OPERATING REVENUE	\$ 21,526,000	\$ 23,510,000	\$ 21,620,000	\$ 21,869,000
TOTAL NON-OPERATING REVENUE	-	-	-	-
TOTAL REVENUE	\$ 21,526,000	\$ 23,510,000	\$ 21,620,000	\$ 21,869,000
USES:				
Compensation (Salaries & Benefits)	\$ 7,288,000.00	\$ 6,793,000.00	\$ 7,939,000.00	\$ 8,177,000.00
Travel & Public Information	478,000	396,000	479,000	493,000
Office Expenses	908,000	929,000	1,008,000	1,038,000
Other Operating Expenses	5,146,000	5,435,000	5,571,000	5,738,000
TOTAL OPERATING EXPENSES	13,820,000	13,553,000	14,997,000	15,446,000
TOTAL NON-OPERATING EXPENSES	866,000	787,000	450,000	464,000
(T & TA, Program Development, Capacity Building)				
TOTAL NON-CASH EXPENSES	741,000	696,000	1,487,000	1,532,000
EXPENSED ASSETS	82,000	134,000	75,000	77,000
TOTAL EXPENSES	15,509,000	15,170,000	17,009,000	17,519,000
EXCESS REVENUE OVER EXPENSES	6,017,000	8,340,000	4,611,000	4,350,000
CAPITAL OUTLAY	\$ 3,888,000	\$ 3,956,000	\$ 3,088,000	3,181,000
TOTAL INCLUDING CAPITALIZED ITEMS	\$ 2,129,000	\$ 4,384,000	\$ 1,523,000	\$ 1,169,000
TOTAL FTE POSITIONS	76.75	76.75	81.5	83.5

PERFORMANCE MEASURES (dollars in millions)

	FY15 Actual	FY16 Actual	FY17 Actual	FY2018 Projected	FY2019 Budget
Average financial assets	\$994,829,000	\$961,381,000	\$938,573,000	\$1,068,815,000	\$ 1,159,664,000
Average assets under management	\$2,564,577,000	\$2,596,522,000	\$2,876,475,000	\$3,600,000,000	\$ 3,900,000,000
Funds disbursed through:					
Federal and state programs	\$44,031,000	\$42,970,000	\$43,095,000	\$49,561,000	\$ 50,061,000
MFA programs	\$8,625,000	\$10,908,000	\$13,014,000	\$13,898,000	\$ 13,025,000
General fund non-operating	\$1,479,000	\$965,000	\$793,000	\$787,000	\$ 450,000
Single-family first mortgage Loans:					
Number of units purchased	1,188	2,264	2,426	2,808	2,185
Dollar of loans purchased	\$153,207,000	\$307,572,000	\$348,015,000	\$413,749,000	300,000,000
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	782	1,614	1,594	593	1,192
Dollar of loans and subsidies	\$33,184,000	\$25,966,000	\$41,092,000	\$21,895,000	\$ 48,934,000
Housing programs:					
Homeless persons served	6,394	5,866	8,820	8,800	8,800
Single family homeowner rehab (units)	978	1,444	954	1,037	1,050

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-34 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico postsecondary institutions. The authority is governed by a seven-member board, appointed by the governor with the advice and consent of the Senate. The act requires the board to appoint a chief executive officer to manage and direct the operation of the lottery and all administrative and technical activities of the authority, among other duties.

The New Mexico Lottery Act requires NMLA to present its budget to the Department of Finance and Administration and to the Legislative Finance Committee (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 NMLA accomplishments and operations. LFC is authorized to conduct an independent audit or investigation of the lottery or NMLA.

MISSION:

The mission of the New Mexico Lottery Authority is to maximize revenues for tuition assistance for New Mexico undergraduates by conducting a fair and honest lottery for the entertainment of the public.

BUDGET ISSUES:

Lotteries nationally have had difficulty attracting new consumers to participate at the levels seen before the Great Recession. Prior to 2009, average annual sales were \$146 million. After 2009, average annual sales dropped by \$8 million, to \$138 million. In FY16, revenues peaked at \$154 million, reflecting the increased sales triggered by unusually large jackpots for the Powerball.

According to the National Conference of State Legislatures (NCSL), the nationwide decline results in part from consumer fatigue with lottery games and from consumers delaying participation until jackpots increase to astounding levels. Powerball revenues in FY06 were \$54.8 million; and in FY18, revenues dropped to \$29 million. Powerball sales swing up and down substantially from year-to-year in concert with the size of the Powerball jackpots. For instance, on January 13, 2016, the Powerball jackpot reached its all-time high of \$1.56 billion and sales increased by 56.3 percent in FY2016. The following year, sales decreased 39.2 percent.

Taking a longer view, the downward 13-year trend on sales for national draw games, like Powerball, is clear, where consumer behavior has resisted increased participation unless jackpots are increasingly large. As a consequence, the national program has developed new games, such as Mega Millions, which started in 2010.

NMLA has little, if any, control over the revenue volatility of the national lottery games. However, it can mitigate the impact of these revenue swings with its management of local instant ticket sales, which represent more than 50 percent of sales revenue. Compared with FY17, during which ticket sales declined 28.3 percent from the prior year, ticket sales from the New Mexico lottery rebounded in FY18 by \$7.98 million, or 6.3 percent. Fiscal year 2017 represented the lowest gross ticket sales in the past decade. In contrast, instant ticket sales continued a decades-long slide, declining to \$72 million in FY18, down from the high in FY07 of \$91 million. NMLA maintains declines in instant ticket sales are related to uncompetitive prize payouts, a result of the requirement for the NMLA to transfer 30 percent of its gross monthly revenues to the lottery tuition fund.

NMLA reports this requirement strains its ability to operate effectively and meet its statutory requirements, asserting New Mexico is one of a few states requiring a mandatory transfer of revenue. NMLA believes it can achieve higher year-over-year instant ticket sales by implementing higher prize payouts in instant games and points to the Oklahoma lottery, which increased sales by 47 percent in FY18 after removing the requirement to transfer gross revenues. According to NMLA, instant ticket sales should be the foundation for year-over-year sales growth, given the volatility of revenues for national draw games. The data support this strategic view. However, the Lottery Authority has not demonstrated how eliminating the 30 percent requirement would be effective in increasing sales. In fact, given the consumer behavior tied to national draw games, like Powerball, it seems that enticing consumers with increased jackpots may have the opposite effect of increasing sales.

To combat weak revenues, states are turning to alternative strategies to jump-start sales, including online ticket sales in Illinois and Georgia; restructuring prizes, as Oklahoma has done by repealing mandated transfer requirements to lottery beneficiaries; and boosting awareness through additional promotion and marketing practices.

NEW MEXICO LOTTERY AUTHORITY

	2018 Consolidated Original Annual Budget	2018 Consolidated Income Statement	2019 Consolidated Original Annual Budget
OPERATING REVENUES			
Instant ticket sales	\$ 70,104,500	\$ 72,291,175	\$ 72,344,000
Powerball sales	27,999,500	29,611,869	28,499,000
Mega Millions sales	9,499,500	13,159,344	10,499,500
Roadrunner Cash sales	6,699,500	7,652,785	6,999,500
Hot Lotto sales	1,999,500	1,973,815	-
Lotto America sales	1,999,500	2,810,197	3,999,500
Pick 3 sales	5,099,500	5,624,439	4,499,500
Pick 4 Sales	599,500	-	1,800,000
Lucky Numbers Bingo sales	99,500	119,920	119,500
Quickster sales	399,500	785,565	739,500
Net ticket sales	124,500,000	134,029,109	129,500,000
Instant game gift card commissions	-	-	-
Retailer fees	12,000	18,725	12,000
Bad debts	(24,000)	(24,000)	(24,000)
Total operating revenues	124,488,000	134,023,834	129,488,000
NON-OPERATING REVENUES			
Interest income	12,000	18,662	12,000
Other income	-	12,760	-
Total non-operating revenues	12,000	31,422	12,000
GROSS REVENUES	124,500,000	134,055,256	129,500,000
GAME EXPENSES			
Prize expense	66,147,000	73,142,478	68,738,000
Retailer commissions	8,292,000	8,693,661	8,600,000
On-line vendor fees	4,566,000	4,863,896	4,721,000
Advertising	2,200,000	1,768,393	2,350,000
Ticket vendor fees	1,293,000	1,246,929	1,250,000
Promotions	190,000	301,705	187,000
Retailer equipment	182,000	95,114	179,000
Shipping and postage	325,000	82,067	336,000
Responsible gaming	75,000	70,750	75,000
Game membership	116,000	42,645	87,000
Total game expenses	83,386,000	90,307,638	86,523,000
OPERATING EXPENSES			
Salaries, wages and benefits	2,679,000	2,453,339	2,942,000
Leases and insurance	123,000	238,869	120,000
Utilities and maintenance	289,000	196,580	335,000
Depreciation and amortization	208,000	114,425	241,000
Professional fees	200,000	109,552	180,000
Other	102,000	60,638	92,000
Materials and supplies	79,000	55,016	66,000
Travel	54,000	9,080	136,000
Operational reserve fund	-	268,000	-
Total operating expenses	3,734,000	3,505,499	4,112,000
OPERATING INCOME	37,368,000	40,210,697	38,853,000
NON-OPERATING EXPENSE			
Interest expense	26,000	23,136	15,000
Total non-operating expenses	26,000	23,136	15,000
NET INCOME	\$ 37,354,000	\$ 40,218,983	\$ 38,850,000
	30.00%	30.00%	30.00%

Source: NMLA

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority Act, Section 62-16A-1 through 62-16A-16 NMSA 1978, established the Renewable Energy Transmission Authority (RETA) to create a government instrumentality to finance or plan the acquisition, maintenance, and operation of certain electric transmission facilities and storage facilities within New Mexico.

RETA, a quasi-governmental agency, is governed by a seven-member board and has oversight from the New Mexico Finance Authority Oversight Committee. Under the act, three members of the board are appointed by the governor with the advice and consent of the Senate, one member is appointed by the Speaker of the House of Representatives, and one member is appointed by the president pro tem of the Senate. Statutorily, the other members are the state treasurer or designee and the secretary of the Energy, Minerals and Natural Resources Department (EMNRD), a nonvoting member. RETA is vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources.

MISSION:

RETA's primary focus is on developing renewable-energy transmission infrastructure. When the Renewable Energy Transmission Authority Act was passed, EMNRD cited the lack of transmission capacity as the most significant factor limiting wind development in the West. Through RETA, New Mexico is taking action to create a complementary industry to its oil and gas markets by addressing the transmission impediment to large scale renewable energy development through the construction of transmission infrastructure, assisting the development of alternative energy sources, and increasing economic development opportunities for businesses and landowners.

AT A GLANCE:

Initially, RETA's budget was composed of prior-year general fund appropriations to EMNRD and transferred to the agency's nonreverting renewable energy transmission authority operating fund with the intent that the agency become self-supporting through project fee revenue. RETA received general fund appropriations in FY14 and FY15 to support operations. The governor began to veto special appropriations for RETA in FY16 (\$200 thousand) and continued to do so in FY17 (\$100 thousand), FY18 (\$50 thousand), and FY19 (\$100 thousand). However, RETA secured a commitment for funding from one of its project partners. Since FY10, RETA has received over \$1 million in private funding. RETA intends to request a \$350 thousand special appropriation for FY20 to cover operational expenses and board travel.

BUDGET ISSUES:

RETA and Clean Line Energy have worked for years to develop the Western Spirit Line, a 140-mile transmission project to carry up to 1,500 megawatts of renewable power developed in east-central New Mexico to northwestern New Mexico for delivery to markets in other western states. In 2016, the Federal Energy Regulatory Commission (FERC) issued an order authorizing Clean Line Energy to charge negotiated rates for the Western Spirit line. The order notes RETA will own and jointly develop the project with Clean Line. This high voltage transmission project will originate in Torrance County and run to the Public Service Company of New Mexico's (PNM) Rio Puerco substation outside Albuquerque and have a capacity of 1,000 megawatts. Clean Line anticipates development and construction costs of approximately \$150 million and that the line will facilitate over \$1 billion of investment in electricity generation that otherwise could not be built due to existing grid limitations. Once operational, RETA will own the Western Spirit line.

Prior to 2015, the last year RETA received state funds, the authority was working to develop a number of other projects, including the Lucky Corridor from Taos to Gladstone and the Centennial West project, a planned 900-mile transmission line from northeastern New Mexico to California. However, investors were reluctant to continue working to develop projects following the veto of funding to support RETA's operations.

SunZia is likely the most well-known renewable transmission project proposed in New Mexico, and its developers executed a memorandum of understanding in 2017. SunZia's developers requested siting approvals from the Public Regulation Commission (PRC) in 2018 but were denied because of a lack of specificity of the locations. The project has received licenses and permits in Arizona, but it still needs approvals from PRC, the State Land Office, the Middle Rio Grande Conservancy District, and the U.S. Army Corps of Engineers. In addition, the U.S. Bureau of Land Management must approve SunZia's development plans, including detailed avian protection and migratory bird conservation measures along the Rio Grande, before allowing the project to proceed.

While RETA does not pay for the development of transmission lines, project partners receive a number of benefits, including exemptions from PRC jurisdiction and certain state taxes. With these incentives, investors have been willing to enter into lease agreements with RETA. By statute, any lease revenues in excess of what is needed for debt service payments on bonds issued for transmission construction are transferred to RETA's operational fund. Once complete, the Western Spirit Clean Line project could generate annual lease payments that exceed what is currently needed for RETA's operations. These surplus funds could remain in RETA's operating fund to offset budgetary needs and assist in financing future projects, or the Legislature could amend the Renewable Energy Transmission Authority Act to direct this surplus revenue to the general fund.

