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**LEGISLATIVE EDUCATION STUDY COMMITTEE**

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October 12, 2011

**MEMORANDUM**

**TO:** Legislative Education Study Committee

**FR:** Eilani Gerstner

**RE: STAFF REPORT: FY 13 PED BUDGET REQUEST**

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Current statute requires each state agency to submit a budget request for the following fiscal year to the State Budget Division (SBD) of the Department of Finance and Administration (DFA) no later than September 1 of the current fiscal year.

Each year, the SBD issues written directives that a state agency must follow in preparing its budget request for the succeeding fiscal year (see Attachment 1 for the FY 13 appropriation request instructions).

For FY 13, SBD's directives:

- require all state agencies to submit flat budget requests;
- directs agencies to contact their budget analyst if an agency is experiencing a budget hardship; and
- requires all agencies to include in their cover letter the specific details of the budget reductions that are required to keep their FY 13 appropriation budget request flat.

This staff report provides summaries of:

- the FY 13 Public Education Department (PED) budget request, including budgeted positions; and
- the FY 12 PED reduction-in-force (RIF), including a Legislative Education Study Committee (LESC) staff review of outcomes for PED employees affected by the RIF.

### **FY 13 Public Education Department Budget Request**

To comply with the requirements in current law, on August 31, 2011, PED submitted the FY 13 budget request to DFA. However, the department submitted a revised request to DFA on September 14, 2011.

The revised FY 13 PED budget request includes a General Fund appropriation of approximately \$10.6 million, a \$100,000 increase over the FY 12 operating budget.<sup>1</sup> The department explains that the increase is accompanied by an increase of two full-time equivalent staff members (FTEs) over the original budget request submitted August 31, 2011 (see Attachment 2 and Attachment 3 for PED's cover letter and financial summary of the budget request, respectively).

According to PED, the additional funding and positions are requested to be transferred from DFA's budget. Although PED does not note the source of the dollars and positions from within DFA, DFA's FY 13 budget request indicates that the funding and the positions are from the Office of Education Accountability (OEA), which is now included in the SBD. According to DFA's budget request, this transfer would leave the two remaining OEA FTEs in SBD.

#### ***PED Budgeted Positions***

As shown in Attachment 3, the revised FY 13 PED budget request includes 256.8 FTEs, 56.0 fewer than authorized for FY 12.

#### **FY 12 PED Reduction-in-Force**

PED reports that, during FY 12, the department implemented a RIF of 33.0 FTEs to meet a 24.5 percent budget reduction from FY 11. The department has reported that the remaining eliminated positions were accomplished through attrition.

In both June and July 2011, an LESC committee member requested:

- (1) the number of employees subject to the RIF that have been rehired;
- (2) the number of employees subject to the RIF that turned down offers of re-employment; and
- (3) the licensure and positions of employees who have taken on the duties of the employees subject to the RIF.

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<sup>1</sup> The 2011 Legislature appropriated just over \$10.7 million to PED for FY 12. After reductions required in the *General Appropriation Act* to account for lower employer contribution rates for retirement and reduced unemployment compensation assessments, the final PED budget for FY 12 was approximately \$10.5 million.

In September, PED staff sent an email to LESC staff that stated:

“Due to a reduction in the *General Appropriation Act of 2011* (Laws 2011, Chapter 179) the Department was forced to evaluate how operations could continue with less. The agency has reorganized to ensure that services continue.

The State Personnel Board approved a Reduction in Force on June 10, 2011. The employees affected ranged from administrative staff to managerial staff. As stated above, the Department has reorganized, a list of employees or interns taking on duties of employees affected by the RIF does not exist. All duties of the department are being covered by the reorganized divisions.”

### ***LESC Review of PED Employees Affected by the RIF***

While PED addressed the third request noted above, LESC staff has researched PED and State Personnel Office (SPO) documents to provide the committee with the following information:

- According to SPO, as of October 7, 2011:
  - a total of 23 employees had been placed at PED or other state agencies, including:
    - the Higher Education Department;
    - the Children, Youth and Families Department;
    - the Corrections Department;
    - the Human Services Department; and
    - the Indian Affairs Department.
  - At the time of publication of this report, the total number of employees rehired at PED as of October 7, 2011 was not available; however, PED documents from earlier in the year indicate that at least eight employees have been rehired at the department.
  - Ten of the original 33 employees subject to the RIF have not yet been placed in new positions.
  - Of these 10,
    - four did not fill out SPO application forms, so they cannot be placed; and
    - five have turned down offers of re-employment.
- An LESC staff comparison of the personnel listings in PED’s FY 12 and FY 13 budget requests shows salary information for seven of the rehired PED employees. These seven rehired employees now earn annual salaries of \$2,000 to nearly \$30,000 less than in their previous positions, as shown in the table below, *Outcomes for Rehired PED Employees*. (For privacy, names of individual employees are not included.)

**Outcomes for Rehired PED Employees**

<b>Previous Classification Title</b>	<b>Previous Pay Band</b>	<b>Previous Annual Salary</b>	<b>New Classification Title</b>	<b>New Pay Band</b>	<b>New Annual Salary</b>	<b>Dollar Difference in Annual Salary</b>	<b>Percent Difference in Annual Salary</b>
General Manager I	90	\$86,598	Financial Coordinator A	75	\$56,867	(\$29,731)	-34%
Administrative / Operations Manager II	85	\$85,362	Administrative/ Operations Manager II	85	\$71,725	(\$13,637)	-16%
Education Administrator A	75	\$55,925	Education Administrator O	70	\$53,914	(\$2,011)	-4%
Administrative / Operations Manager II	85	\$85,959	Administrative/ Operations Manager II	85	\$78,218	(\$7,741)	-9%
Staff	75	\$69,297	Education Administrator O	70	\$53,040	(\$16,257)	-23%
Staff	75	\$54,672	Detective & Criminal Investigator A	65	\$50,440	(\$4,232)	-8%
General Manager I	90	\$67,449	Staff Manager	75	\$60,472	(\$6,977)	-10%

**Source:** FY 12 and FY 13 PED budget request personnel listings



SUSANA MARTINEZ  
GOVERNOR

**STATE OF NEW MEXICO**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**STATE BUDGET DIVISION**  
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**RICHARD E. MAY**  
CABINET SECRETARY

**DUFFY RODRIGUEZ**  
DEPUTY SECRETARY

June 15, 2011

MEMORANDUM

**TO:** Agency Heads, Chief Financial Officers, ASD Directors and Budget Directors

**FROM:** Duffy Rodriguez  
Deputy Secretary for Budget and Policy

**SUBJECT: FY13 Appropriation Request Instructions**

By June 15<sup>th</sup> of every year, pursuant to the State Budget Act, the State Budget Division is required to provide agencies with guidance and instructions in order to prepare the appropriation request for the succeeding fiscal year. Given the state of the national economy, concerns about decreasing levels of federal funds, and potential changes in the upcoming revenue forecast, further instructions may be forthcoming.

**Guidance to Agencies on Overall Budget Request**

**Appropriation Request**

Agencies shall keep their FY13 General Fund budget requests flat.

If your agency is experiencing the conditions listed below, or if you have a budget hardship that is not covered below, **prior to July 1<sup>st</sup>** please contact your budget analyst to set up a meeting to discuss your circumstances with us.

- To maintain your statutory mandates and core mission, your agency must continue a recurring program previously funded from nonrecurring revenue sources (Note: General Fund appropriations in Section 5 of the General Appropriation Act of 2011 were appropriated from nonrecurring General Fund balances);
- Your agency's funding mechanism is through a funding formula that is predicting an increase in cost;
- You are an agency that provides Medicaid or correctional services and are forecasting significant caseload/population increases.

- Your agency is proposing to expand an existing program or adopt a new program that is directly tied to Governor Martinez's core agenda. However, written approval from Governor Martinez is required for any expansion or new program and such approval must be obtained by July 30<sup>th</sup>, after which time your agency must work with your analysts in developing the request.

***All agencies must include in their cover letter the specific details of the budget reductions that are required to keep their FY13 appropriation budget request flat.***

### **Vacant Positions**

Agencies will work with their State Personnel and Executive Budget Analysts to coordinate deletion of positions that have been vacant more than six months and are not considered part of the core mission and operations of the agency. This work must be completed by the agencies by August 1, 2011, so that an accurate organizational listing can be prepared for the September 1<sup>st</sup> submission. All other vacant positions determined to be necessary should be budgeted at the midpoint of the salary band.

### **Rent of Buildings/Space Utilization**

Agencies will work with the General Services Department (GSD) to reevaluate space utilization and commercial rental rates in light of reduced staffing levels, program consolidations and new market factors affecting commercial property. Savings should be maximized wherever practical.

### **Program Restructuring/Performance Measures and Targets**

**Agencies must submit their proposed changes by July 15<sup>th</sup>.** A final approval letter of the adopted/accepted changes and/or deletions from the State Budget Director will be sent out by August 15<sup>th</sup>.

Agencies should strive to achieve the highest levels of performance despite the reductions in budget experienced by state agencies over the past several years. Even so, some agencies may need to either revisit efficiencies or performance targets as a result of reduced resources. Agencies will work with the analysts at the State Budget Division and the Legislative Finance Committee to make changes to performance measures and targets for FY13.

Agencies are encouraged to evaluate their current program structure and recommend changes that have the potential to produce outcomes that better reflect the core mission, goals and strategic direction of the organization. Programs that are no longer considered to be effective or cost efficient should be eliminated or scaled back in favor of revised programs and initiatives that make more productive use of state resources. Agencies should consider proposing a realignment of resources across programs, when necessary, to improve services and outcomes for the citizens of New Mexico. Proposals to modify or delete programs at the program level need to be submitted to DFA and LFC by July 15, 2011.

cc: Keith Gardner, Chief of Staff, Office of the Governor  
David Abbey, Director, Legislative Finance Committee



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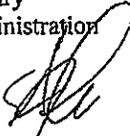
SEP 13 2011

LESC

HANNA SKANDERA  
 SECRETARY OF EDUCATION

SUSANA MARTINEZ  
 GOVERNOR

To: Duffy Rodriguez, Deputy Secretary  
 Department of Finance and Administration

FROM: Hanna Skandera, Secretary  
 Public Education Department 

RE: Public Education Department FY13 budget request

DATE: September 1, 2011

PED's general fund appropriation was decreased 24.5% for FY12 from the FY11 general fund appropriation of \$13,955.4 to \$10,534.2. These last nine months have been dynamic ones within our Department. We have worked hard to develop an organization which allows the Department to function within its resources and still meet the educational needs of students, teachers, parents and community members in New Mexico. In order to meet Department programmatic and financial objectives, PED reviewed its organizational structure and changes were made. An analysis of FY12 available resources was conducted and in June 2011 the Department, in order to meet the FY12 decrease in funding, implemented a reduction in force of 33 FTE.

PED is committed to managing the Department's resources efficiently and effectively to ensure a smarter return on New Mexico's education dollars. Implementation of the reorganization will be complete in FY12 with a decrease in FTE from the authorized 312.8 to 254.8. The new organization chart is included in the budget document.

The FY13 budget request reflects a base increase of \$100.0. The \$100.0 and two FTE will be transferred from DFA's budget, thus, offsetting the increase to PED for a zero budget impact to the General Fund. The \$100.0 is being transferred to PED to support school district audits. Therefore, the general fund request for FY13 equals \$10,634.2 and total FTE is requested at 256.8.

Our vision at PED is to ensure success for New Mexico students. We look forward to working with you and your staff to build a budget which will support our vision and advance the Governor's comprehensive education reform agenda.

**REVISED**  
 9-14-11

Public Education Department Operational

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 92400 P527 0000000000 000000 D Michael Marcelli

Budget Review System  
 S-8 Financial Summary  
 (Dollars in Thousands)

	FY2011	FY2012	FY2013 Agency Request		FY2013 Recommendation			FY2013	
	Actuals	Opbud	Base	Expansion	Total	Base	Expansion	Total	Opbud
<b>SOURCES</b>									
111 General Fund Transfers	13,955.4	10,534.2	10,634.2	0.0	10,634.2	0.0	0.0	0.0	0.0
112 Other Transfers	40.1	38.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120 Federal Revenues	21,272.0	26,923.4	26,923.4	0.0	26,923.4	0.0	0.0	0.0	0.0
130 Other Revenues	2,775.9	1,948.1	2,478.8	0.0	2,478.8	0.0	0.0	0.0	0.0
150 Fund Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>REVENUE, TRANSFERS</b>	<b>38,043.4</b>	<b>39,443.7</b>	<b>40,036.4</b>	<b>0.0</b>	<b>40,036.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>SOURCES</b>	<b>38,043.4</b>	<b>39,443.7</b>	<b>40,036.4</b>	<b>0.0</b>	<b>40,036.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>USES</b>									
200 Personal Services and Employee Benefits	17,399.0	17,246.1	17,838.2	0.0	17,838.2	0.0	0.0	0.0	0.0
300 Contractual Services	13,721.0	17,439.9	17,439.9	0.0	17,439.9	0.0	0.0	0.0	0.0
400 Other	4,103.5	4,757.7	4,758.3	0.0	4,758.3	0.0	0.0	0.0	0.0
<b>EXPENDITURES</b>	<b>35,223.5</b>	<b>39,443.7</b>	<b>40,036.4</b>	<b>0.0</b>	<b>40,036.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
500 Other Financing Uses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>OTHER FINANCING USES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>USES</b>	<b>35,223.5</b>	<b>39,443.7</b>	<b>40,036.4</b>	<b>0.0</b>	<b>40,036.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>FTE POSITIONS</b>									
810 Permanent	208.2	208.2	158.2	0.0	158.2	0.0	0.0	0.0	0.0
820 Term	102.0	100.0	97.6	0.0	97.6	0.0	0.0	0.0	0.0
830 Temporary	4.6	4.6	1.0	0.0	1.0	0.0	0.0	0.0	0.0
<b>FTEs</b>	<b>314.8</b>	<b>312.8</b>	<b>256.8</b>	<b>0.0</b>	<b>256.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>FTE POSITIONS</b>	<b>314.8</b>	<b>312.8</b>	<b>256.8</b>	<b>0.0</b>	<b>256.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**REVISED**  
 9-14-11