

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE

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State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
Phone: (505) 986-4591 Fax: (505) 986-4338
<http://lesc.nmlegis.gov>

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September 27, 2010 (Revised)

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter B. van Moorsel

RE: COMMITTEE REQUEST: FY 12 REVENUE SHORTFALL UPDATE

At the August 2010 interim meeting of the Legislative Education Study Committee (LESC), the committee was provided with a state revenue update by Dr. Tom Clifford, Chief Economist for the Legislative Finance Committee. Included in the discussion was an estimate of the anticipated FY 12 budget deficit, based on:

- the July 2010 consensus revenue estimate,
- a flat budget from FY 11; and
- the need to replace with General Fund dollars a total of \$355 million in one-time funds in that budget, and \$41.0 million in one-time savings (see Attachment 1, *FY12 Budget: Current Services Deficit*).

Based on this scenario, the projected revenue would fall short of appropriations by approximately \$170 million.

Several committee members expressed concern that the \$355 million in one-time funds might not include all of the federal *American Recovery and Reinvestment Act* (ARRA) funds that were included in the appropriation to the State Equalization Guarantee (SEG) for FY 10 and FY 11, and requested a breakdown of the items included in the \$355 million.

In response to the committee request, Dr. Clifford provided the information in Column A of Attachment 2, which itemizes the one-time funds to be replaced, including \$23.9 million of federal ARRA dollars that was appropriated in the SEG for FY 11.

Column B of Attachment 2 contains a second scenario requested by the committee, which estimates the projected budget deficit if the one-time federal funds to be replaced would include:

- \$45.5 million in federal ARRA dollars that was appropriated to the SEG for FY 10; and
- approximately \$64.4 million from the federal Education Jobs Fund that will be distributed through the funding formula in FY 11.

This scenario increases to \$464.7 million the amount of one-time funds to be replaced, and would increase the estimated FY 12 shortfall to approximately \$280.2 million.

FY12 Budget: Current Services Deficit

Revenue:	
• July 2010 Consensus forecast =	\$5,430 million
Appropriations:	
• Assume flat budget from FY11 after sanding =	(\$5,204 million)
• Need to replace one-time funds in FY11 budget =	(\$355 million)
• Need to replace other one-time savings =	(\$41 million)
• <u>Total spending needed for current services =</u>	<u>(\$5,605 million)</u>
• Shortfall =	(\$170 million)

Assumes legislation to extend savings from ERB, RHCA, PERA contributions and use of 50% of tobacco settlement revenue for Medicaid

FY 12 Budget - Current Services Deficit
(dollars in millions)

ATTACHMENT 2

	A	B
REVENUE	Scenario Presented by Dr. Clifford	Scenario Including Other Federal Funds
July 2010 Consensus Forecast	\$5,429.5	\$5,429.5
APPROPRIATIONS		
Assume Flat Budget from FY 11 (after 3.2% Sanding)	\$5,204.0	\$5,204.0
Need to Replace One-time Funds in FY 11 Budget		
Public Schools (ARRA)	\$23.9	\$23.9
Restore FY 10 ARRA Funds		\$45.5
Restore FY 11 EduJobs Funds		\$64.4
Higher Education (ARRA)	\$10.9	\$10.9
Medicaid (HSD & DOH)	\$320.0	\$320.0
Subtotal Replace One-time Funds in FY 11 Budget	\$354.8	\$464.7
Need to Replace Other One-time Savings		
Los Lunas substance abuse treatment center	\$4.0	\$4.0
Ft. Bayard medical center	\$4.0	\$4.0
TANF carry-forward	\$33.0	\$33.0
Subtotal Replace Other One-time Savings	\$41.0	\$41.0
TOTAL SPENDING NEEDED TO MAINTAIN FY 11 LEVEL OF SERVICES	\$5,599.8	\$5,709.7
SHORTFALL	-\$170.3	-\$280.2