

State of New Mexico  
**Legislative Finance Committee**

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January 8, 2016

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## **LFC Recommends \$6.47 Billion Budget**

*Editors: Volumes I, II and III of the LFC budget recommendation will be posted early this afternoon on the committee's website, [nmlegis.gov/lcs/lfc](http://nmlegis.gov/lcs/lfc).*

The Legislative Finance Committee today released a budget recommendation for the 2016-2017 fiscal year that calls for spending \$6.47 billion from the state's general fund, with a third of the \$230.7 million increase over FY16 spending contingent on revenues coming in as forecast.

"Oil prices have been even worse than we projected a year ago and the forecast doesn't look much better going forward," Committee Chairman John Arthur Smith, D-Deming, said. "To be responsible, we have to be cautious."

"This budget is a good start," said Vice Chairman Jimmie C. Hall, R-Albuquerque, "and a sound plan if all goes well. But with the Chinese stock market in turmoil and the fast and hard fall in oil and gas prices, the financial picture could get worse."

The committee budget plan spends essentially all projected FY17 "new money" – \$232 million more than FY16 appropriation levels – but \$77.6 million in new spending, intended for state employee pay raises, would not be allocated unless state revenue reaches projected levels.

The proposed spending level, along with more than \$100 million set aside in FY14 for liabilities but recently released, would leave general fund reserves at 8 percent of proposed appropriations.

"It's important that reserves are strong in this environment of economic uncertainty," Smith said.

Similar to the executive budget recommendation, the committee plan focuses new spending on Medicaid, education, early childhood, public health, workforce development and economic growth, public safety, and protecting the most vulnerable New Mexicans, with an emphasis on programs with proven success. Total spending in both the executive and legislative recommendations is within a half percent.

"The committee was unanimous in its approval of this budget recommendation despite being from two different chambers with majorities from different political parties. That's a testament to the balance in our spending plan," Hall said.

Recommended new recurring spending for early childhood programs is \$20.5 million, an 8.7 percent increase over FY16. The increase includes additional funding for early literacy programs, prekindergarten, the K-3 Plus extended school year program, childcare assistance, and home visits to families with infants.

General fund spending on higher education and public schools would total \$3.7 billion in the committee's recommendation, a 3.2 percent increase over FY16. The \$2.8 billion spending plan for public schools, a 3.7 percent increase, includes funding to increase the starting annual salary for level one teachers from \$34,000 to \$35,000. It also includes a cost-of-living increase for all public school employees and targeted compensation increases, both contingent on general fund revenues meeting projections. The committee's recommendation for higher education includes healthcare education initiatives aimed at closing the gap in the supply of medical providers.

General fund support for the departments of Public Safety and Corrections would increase 3.6 percent in the committee's recommendation for a total of \$420 million. For Corrections, the committee recommendation includes funds for hepatitis C treatment and medical and private prison cost inflation. The proposal for both agencies prioritizes safe staffing levels, higher pay, and strategic spending.

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Reflecting continuing growth in the Medicaid program, the committee plan includes a \$78.8 million general fund increase for the healthcare program, 34 percent of all new spending. The committee funds much of the Human Services Department request for Medicaid but assumes lower savings from the department's cost-containment plans and shifts some savings within the Behavioral Health Services Division to Medicaid, although it also includes a half million for behavioral health crisis stabilization. The committee recommendation also uses \$21.2 million from the general fund to cover a drop in tobacco settlement revenue.

The committee recommendation for the Department of Health reflects a small general fund decrease but overall 0.9 percent increase that prioritizes public health and maximizes the use of all funding sources. LFC recommends increasing the use of patient revenue from Medicaid and other sources. With a 25 percent turnover rate and elevated vacancy rates, the LFC recommendation in a separate compensation package includes targeted salary increases for nurses and other direct care staff.

The LFC recommendation for the Economic Development Department includes a total of \$7.5 million for the Job Training Incentive Program, matching the near-record level of the FY16 appropriation. The committee recommendation also recognizes the significant improvements the Legislature has made to taxes and incentives for businesses and includes \$1.6 million for the Economic Development Partnership to market those improvements and the state to businesses. The committee recommendation also includes \$180,000 for business incubators, and increases funding for tourism advertising by \$1.2 million.

The 30-day legislative session starts Jan. 19.