

Senator John Arthur Smith
Chairman

Senator Sue Wilson Beffort
Senator Pete Campos
Senator Carlos R. Cisneros
Senator Stuart Ingle
Senator Carroll H. Leavell
Senator Mary Kay Papen
Senator John M. Sapien

State of New Mexico
**LEGISLATIVE FINANCE
COMMITTEE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director



Representative Luciano "Lucky" Varela
Vice-Chairman

Representative William "Bill" J. Gray
Representative Rhonda S. King
Representative Larry A. Larrañaga
Representative Henry Kiki Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Representative Don L. Tripp
Representative James P. White

January 16, 2012

MEMORANDUM

TO: Senator John Arthur Smith, Chairman, LFC
Representative Luciano "Lucky" Varela, Vice-Chairman, LFC

THROUGH: David Abbey, Director, LFC

FROM: Elisa Walker-Moran Chief Economist, LFC

SUBJECT: **General Fund Recurring Operating Outlook FY14-FY15**

Attached below is a scenario of the general fund recurring appropriation outlook for FY14 and FY15 that has traditionally been provided by the Director and the Chief Economist. Page one of the Executive Budget recommendation also indicates "the state is developing a five year expenditure forecast."

The LFC table includes the FY12 operating budget, the FY13 LFC and executive budget recommendations, and the FY14 and FY15 outlook. FY14 and FY15 are built on the FY13 appropriation recommendations with certain growth rates assumed for each appropriation category as follows: public education assumes three percent growth, higher education, public safety, and other health & human services assume two percent growth, Medicaid assumes four percent growth and all other government assumes a one percent growth. Additional funding includes replacing fifty-percent of tobacco settlement funds in FY14, a 0.75 percent ERB employer increase in FY14 and FY15, and reversing the 1.5 percent retirement swap in FY14. The executive recommendation includes \$55 million in tax cuts while the LFC recommendation does not.

With this forecast scenario in FY14 the LFC deficit is \$43.9 million and the executive deficit is \$61.9 million. In FY15 the LFC has a surplus of \$1.7 million and the executive has a deficit of \$33.5 million.

FY14 - FY15 General Fund Recurring Appropriation Outlook

(Dollars in Millions)	OpBud FY12	LFC FY13	EXEC FY13	LFC FY14	EXEC FY14	LFC FY15	EXEC FY15
December 2011 Consensus - Recurring Revenue ¹	\$ 5,532.8	\$ 5,688.2	\$ 5,688.2	\$ 5,841.8	\$ 5,841.8	\$ 6,036.8	\$ 6,036.8
2012 Tax Cuts			\$ (55.0)		\$ (55.0)		\$ (55.0)
Total of Recurring Revenue	\$ 5,532.8	\$ 5,688.2	\$ 5,633.2	\$ 5,841.8	\$ 5,786.8	\$ 6,036.8	\$ 5,981.8
<u>Recurring Appropriations:</u>							
Public Education ²	\$ 2,366.0	\$ 2,455.1	\$ 2,462.7	\$ 2,528.8	\$ 2,536.5	\$ 2,604.6	\$ 2,612.6
Higher Education ³	\$ 716.5	\$ 755.5	\$ 729.9	\$ 770.6	\$ 744.5	\$ 786.0	\$ 759.4
Public Safety ³	\$ 343.2	\$ 356.5	\$ 357.5	\$ 363.6	\$ 364.7	\$ 370.9	\$ 371.9
Medicaid ⁴	\$ 867.0	\$ 900.8	\$ 912.2	\$ 936.8	\$ 948.7	\$ 974.3	\$ 986.6
Other Health & Human Services ³	\$ 140.9	\$ 143.9	\$ 144.8	\$ 146.8	\$ 147.7	\$ 149.7	\$ 150.6
All Other Government ⁵	\$ 997.7	\$ 1,033.2	\$ 1,018.0	\$ 1,043.5	\$ 1,028.2	\$ 1,054.0	\$ 1,038.5
Subtotal of Recurring Appropriations	\$ 5,431.3	\$ 5,645.0	\$ 5,625.1	\$ 5,790.1	\$ 5,770.3	\$ 5,939.5	\$ 5,919.7
<u>Additional Funding:</u>							
Replace 50% tobacco settlement funds ⁶		\$ 19.3		\$ 19.3	\$ 19.3	\$ 19.3	\$ 19.3
0.75% ERB Employer Increase ⁷		\$ 17.1		\$ 34.2	\$ 17.1	\$ 34.2	\$ 34.2
Replace 1.5% Swap ⁷				\$ 42.0	\$ 42.0	\$ 42.0	\$ 42.0
Subtotal of Additional Funding	\$ -	\$ 36.4	\$ -	\$ 95.5	\$ 78.4	\$ 95.5	\$ 95.5
Total Recurring Approp. + Add. Funding	\$ 5,431.3	\$ 5,681.4	\$ 5,625.1	\$ 5,885.7	\$ 5,848.7	\$ 6,035.1	\$ 6,015.3
Surplus/(Deficit)	\$ 101.5	\$ 6.8	\$ 8.1	\$ (43.9)	\$ (61.9)	\$ 1.7	\$ (33.5)

(1) Reflects reduction in LGPF distribution.

(2) Public Education is assumed to grow at three percent in FY14 - FY15 in recognition of performance, and executive and legislative priorities.

(3) Higher Education, Public Safety and Other HHS is assumed to grow at two percent in FY14 - FY15.

(4) Medicaid spending growth in FY14 - FY15 estimated at 4%.

(5) All other Government is assumed to grow at one percent in FY14 -FY15. This category includes 2 district court judgeships and the average 1/2 percent state employee comp. increase.

(6) For Medicaid, DOH & HSC. Pursuant to Laws 2010, Chapter 49 (House Bill 79)

(7) Replacement scheduled for FY14. Additional ERB replacement scheduled for FY15. Refer to 3/15/11 FIR for CS/628/aSFC.