

2011 Regular Legislative Session – Briefing: January 25, 2012

Four years of state budget deficits coupled with flat revenue estimates made it difficult for the New Mexico Legislature to balance the state budget, as is mandated by law. This year began on a more positive note, and the 2012 session of the Legislature commenced with the promise of a gradual economic turnaround and consensus revenue estimates projecting "new money" in the amount of \$254 million. For our purposes, new money is defined as FY 13 projected revenue less FY 12 recurring appropriations. After setting aside \$50 million to reverse the 1.75% retirement swap, as mandated by triggers in the law, FY 13 new money is estimated to be \$204 million:

The following summarizes how UNM fared in the HED, DFA and LFC budget recommendations for FY 13:

The initial phase of the revised funding formula, as well as the DFA and LFC budget recommendations which are based on this initial phase of the revised formula do not calculate or fund the following:

- Costs for equipment replacement and renewal, building replacement and renewal, operations and maintenance costs of I&G education square footage, or utilities costs for I&G square footage.
- Tuition credits or tuition waivers.

➤ **HED – Higher Education Department**

- I&G budget recommendation starts from the FY 12 operating base:
 - Main Campus \$160,032,900, a 0.6% reduction.
 - Health Sciences Center \$57,103.8, or a 0.2% increase.
- No tuition credit or tuition waivers
- No ERB Swap – Employer/Employee swap of 1.75%
- Research and Public Service Projects – Held Flat
 - Main Campus \$7,855,200
 - Health Sciences Center \$25,446,600
- No Equipment Renewal and Replacement (ER&R)

➤ **DFA - Department of Finance and Administration – Executive**

- I&G budget recommendation starts from the FY 12 operating base:
 - Main Campus \$165,127,378, a 2.6% increase.
 - Health Sciences Center \$56,962,200, a 0% increase.
- No tuition credit or tuition waivers
- Yes ERB – Employer/Employee swap of 1.75%
- Research and Public Service Projects – No reductions
 - Main Campus \$8,180,600
 - Health Sciences Center \$25,446,600
- No Equipment Renewal and Replacement (ER&R)

➤ **LFC - Legislative Finance Committee**

- I&G budget recommendation starts from the FY 12 operating base:
 - Main Campus \$173,764,500, an 8.0% increase
 - Health Sciences Center \$58,504,100, a 2.7% increase
- No tuition credit or tuition waivers
- Yes ERB – Employer/Employee Swap of 1.75%
- Research and Public Service Projects
 - Main Campus \$7,699,000, a 3.1% reduction
 - Health Sciences Center \$25,550,400, a .04% increase
 - BA/MD \$341,600
- No Equipment Renewal and Replacement (ER&R)



Comparison of FY 13 LFC and DFA Budget Recommendations for UNM:

LFC Recommendation-Main Campus	DFA Recommendation-Main Campus
Increase -Formula Workload/Outcomes \$9.9m	Increase -Formula Workload/Outcomes \$11.8m
4-year School Formula Workload/Outcomes Distribution 65%	4-year School Formula Workload/Outcome Distribution 67%
2-year School Formula Workload/Outcomes Distribution 35%	2-year School Formula Workload/Outcome Distribution 33%
	Decrease -Consolidate Outcomes into Base Budget \$10m
	Decrease -2% Stop Loss \$369K
Decrease -Land and Permanent Credit \$425K	Decrease -Land and Permanent Credit \$425K
Increase -I&G ERB Swap Reversal \$3.3m	Increase -I&G ERB Swap Reversal \$3.3m
Decrease -RPSP line item reductions and eliminations \$477K	
Increase -RPSP ERB Swap Reversal \$234K	Increase -RPSP ERB Swap Reversal \$238K
LFC Recommendation-HSC	DFA Recommendation-HSC
Increase -BA/MD Program \$400K	
Net Increase RPSP's line items \$104K	
Increase -I&G ERB Swap Reversal \$1.1m	Increase -I&G ERB Swap Reversal \$1.2m
Increase -RPSP ERB Swap Reversal \$588K	Increase -RPSP ERB Swap Reversal \$588K
LFC Recommendation-Branches	DFA Recommendation-Branches
Net Increase -I&G Formula \$983K	Net Decrease -I&G Formula \$69K
Increase -I&G ERB Swap Reversal \$330K	Increase -I&G ERB Swap Reversal \$330K

➤ **Retirement Issue:**

The much anticipated bill that encompasses proposed changes to the educational retirement plan approved by the Education Retirement Board last fall has been introduced. Senate Bill 150 is sponsored by Sen. Stuart Ingle, Senate Minority leader, and co-sponsored by Sen. John Arthur Smith, chair of Senate Finance, and Sen. Tim Jennings, Senate President Pro Tem. The main elements in the ERB proposed revision call for a reduction in the cost of living allocation (COLA) from an average 2% to 1.75% for current and future retirees, along with a minimum age of 55 and a grandfather term of 10 years. With unfunded liabilities of approximately \$5.6 billion, there are fears about the long-term solvency of the education retirement fund. The public employees retirement fund also has an unfunded liability of nearly \$5 million but PERA is seeking, through a memorial, approval to continue studying actuarial tables and come up with a study for review this fall.

➤ **Proposed Legislation of Interest.** Please visit the Office of Government Relations website at <http://govrel.unm.edu/>, and click on 2012 Legislative Session for a list of all bills that impact UNM. For daily legislative updates, please sign-up on our listserv.

- UNM Related:

SB16	Timothy M. Keller	STATE GRADUATE EMPLOYMENT TAX CREDIT	SPREF [1] SCC/SCORC/S FC-SCC [2]germane- SCORC	RELATING TO TAXATION; ENACTING NEW SECTIONS OF THE INCOME TAX ACT AND THE CORPORATE INCOME AND FRANCHISE TAX ACT; CREATING THE STATE GRADUATE EMPLOYMENT TAX CREDIT.
SB21	Timothy M. Keller	ENERGY TECHNOLOGY HIGHER ED ENDOWMENT FUND	SPREF [1] SCC/SCONC/S FC-SCC [2]germane- SCONC	RELATING TO HIGHER EDUCATION; CREATING THE ENERGY TECHNOLOGY HIGHER EDUCATION ENDOWMENT FUND TO FUND THE CURRICULUM, TEACHING, RESEARCH, DEVELOPMENT AND COMMERCIALIZATION OF ENERGY TECHNOLOGIES; REQUIRING AN ANNUAL LEGISLATIVE FINANCE COMMITTEE EVALUATION AND REPORT; TEMPORARILY DISTRIBUTING A PORTION OF GROSS RECEIPTS TAX REVENUE TO THE FUND; MAKING AN APPROPRIATION.
SJM14	Stephen H. Fischmann	UNIVERSITIES TO STUDY ECONOMIC DEVELOPMENT	SPREF [1] SRC/SEC-SRC	REQUESTING THE FORMATION OF A WORK GROUP TO STUDY AND MAKE RECOMMENDATIONS ON THE CONTRIBUTIONS THAT NEW MEXICO'S THREE RESEARCH UNIVERSITIES CAN MAKE TO THE ANALYSIS OF ECONOMIC DEVELOPMENT AND TECHNOLOGY SUPPORT PROPOSALS FOR TAX AND OTHER PREFERENCES.

- Health Sciences Center Related:

HB26	William "Bill" R. Rehm	REDUCE MILL LEVY TO PAY FOR COUNTY HOSPITALS	HPREF [2] HCPAC/HHGAC/H TRC-HCPAC	RELATING TO TAXATION; REDUCING THE MILL LEVY TO PAY THE COST OF OPERATING AND MAINTAINING COUNTY HOSPITALS IN CERTAIN CLASS A COUNTIES.
HB29	William "Bill" R. Rehm	REDUCE PROPERTY TAX LEVY FOR COUNTY HOSPITALS	HPREF [2] HHGAC/HTRC- HHGAC	RELATING TO TAXATION; REDUCING THE PROPERTY TAX LEVY FOR COUNTY HOSPITAL FUNDING.
SB8	Dede Feldman	PRIMARY CARE PHYSICIAN CONDITIONAL TUITION	SPREF [1] SCC/SEC/SFC- SCC [2]germane- SEC	MAKING AN APPROPRIATION TO THE HIGHER EDUCATION DEPARTMENT TO FUND THE PRIMARY CARE PHYSICIAN CONDITIONAL TUITION WAIVER PROGRAM.
SB171	Timothy Z. Jennings	NM STUDENTS IN DENTAL PROGRAM	[2] SCC/SEC/SFC- SCC	MAKING AN APPROPRIATION TO FUND FOUR DENTAL STUDENTS FROM NEW MEXICO IN THE DENTAL PROGRAM OF THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION.

- Retirement and HR Related:

HB181	Ray Begaye	HIGHER EDUCATION EMPLOYEE BACKGROUND CHECKS	[4] HLC/HEC-HLC	RELATING TO HIGHER EDUCATION; PROVIDING FOR BACKGROUND CHECKS OF APPLICANTS FOR EMPLOYMENT; REQUIRING INSTITUTIONS OF HIGHER EDUCATION TO CONDUCT EMPLOYEE BACKGROUND CHECKS.
SB32	John Arthur Smith	TEMPORARY UNEMPLOYMENT FUND CONTRIBUTIONS	SPREF [1] SCC/SCORC/SFC- SCC [2]germane- SCORC	RELATING TO UNEMPLOYMENT COMPENSATION; ESTABLISHING A TEMPORARY SCHEDULE FOR EMPLOYER CONTRIBUTIONS TO THE UNEMPLOYMENT COMPENSATION FUND; DECLARING AN EMERGENCY.
SB51	George K. Munoz	EDUCATIONAL RETIREES RETURNING TO WORK	SPREF [1] SCC/SEC/SFC- SCC	RELATING TO PENSIONS; AMENDING THE EDUCATIONAL RETIREMENT ACT; PROVIDING THAT RETIREES WHO RETURN TO WORK AND DO NOT SUSPEND THEIR RETIREMENT BENEFITS ARE NOT REQUIRED TO PAY EMPLOYEE CONTRIBUTIONS TO THE EDUCATIONAL RETIREMENT FUND.
SB150	Stuart Ingle	EDUCATIONAL RETIREMENT CHANGES	[2] SCC/SEC/SFC- SCC	RELATING TO PENSIONS; AMENDING THE EDUCATIONAL RETIREMENT ACT; CHANGING THE COST-OF-LIVING ADJUSTMENT; CHANGING AGE AND SERVICE REQUIREMENTS FOR RETIREMENT OF CERTAIN EMPLOYEES; CHANGING MEMBER AND EMPLOYER CONTRIBUTION RATES.

- Capital Outlay Related:

SB65	Carlos R. Cisneros	SEVERANCE TAX BOND PROJECTS	SPREF [1] SCC/SFC-SCC [2]germane-SFC	RELATING TO CAPITAL EXPENDITURES; AUTHORIZING THE ISSUANCE OF SEVERANCE TAX BONDS; AUTHORIZING EXPENDITURES FROM CERTAIN FUNDS AND BALANCES; CLARIFYING CONDITIONS FOR THE ISSUANCE OF BONDS; ESTABLISHING CONDITIONS FOR THE EXPENDITURE OF SEVERANCE TAX BOND PROCEEDS; ESTABLISHING CONDITIONS FOR THE REVERSION OF UNEXPENDED BALANCES; MAKING APPROPRIATIONS; REAUTHORIZING BALANCES AND CHANGING PURPOSES; DECLARING AN EMERGENCY.
SB66	Carlos R. Cisneros	GENERAL OBLIGATION BOND PROJECTS	SPREF [1] SCC/SFC-SCC [2]germane-SFC	AUTHORIZING THE ISSUANCE AND SALE OF CAPITAL PROJECTS GENERAL OBLIGATION BONDS TO MAKE CAPITAL EXPENDITURES FOR SENIOR CITIZEN FACILITY IMPROVEMENTS AND ACQUISITIONS, FOR LIBRARY ACQUISITIONS AND CONSTRUCTION AND FOR CAPITAL IMPROVEMENTS AND ACQUISITIONS AT INSTITUTIONS OF HIGHER EDUCATION AND STATE SPECIAL SCHOOLS; PROVIDING FOR A TAX LEVY FOR PAYMENT OF PRINCIPAL OF, INTEREST ON AND CERTAIN COSTS RELATED TO THE BONDS; REQUIRING APPROVAL OF THE REGISTERED VOTERS AT THE 2012 GENERAL ELECTION OF THE STATE; DECLARING AN EMERGENCY.
SB161	Carlos R. Cisneros	PROJECT REAUTHORIZATIONS	[2] SCC/SFC-SCC	RELATING TO EXPENDITURE OF PUBLIC MONEY; REAUTHORIZING OR REAPPROPRIATING BALANCES, EXPANDING OR CHANGING PURPOSES, EXTENDING EXPENDITURE PERIODS, CHANGING AGENCIES AND ESTABLISHING CONDITIONS FOR THE REVERSION OF UNEXPENDED BALANCES OF APPROPRIATIONS MADE BY THE LEGISLATURE IN PRIOR YEARS; DECLARING AN EMERGENCY.

SB 65, General Obligation Bond Project, Senator Cisneros:

CHEMISTRY BUILDING RENOVATION PHASE 1 - CLARK Clark	\$18,000,000
HSC – HEALTH EDUCATION BUILDING	\$14,000,000
UNM LOS ALAMOS SCIENCE LABS RENOVATE/EQUIP UNM Los Alamos Co.	\$500,000
UNM-GALLUP WATER & SEWER UPGRADES UNM McKinley Co.	\$ 900,000
UNM-GALLUP ZOLLINGER LIBRARY CONSTRUCT UNM McKinley Co.	\$1,250,000
UNM-TAOS RENOVATE & UPGRADE INFRASTRUCTURE UNM Taos Co.	\$3,500,000
<u>UNM-VALENCIA INFRASTRUCTURE IMPROVE UNM Valencia Co. \$</u>	<u>\$1,000,000</u>
UNIVERSITY OF NEW MEXICO Total \$	39,150,000