Most recent economic consensus reporting predicts a state budget deficit between $260 million and $450 million.

FY 12 Department of Finance and Administration (DFA) and Legislative Finance Committee (LFC) budget recommendations:

### DFA - Department of Finance and Administration Recommendation:
- Formula fully funded - $7,453,691
- Instruction and General (I&G) budget recommendation start from FY11 revenue consensus allotment reductions as the new base.
  - Main Campus reduced by 2.3%
  - Health Sciences Center reduced by 3%
- Tobacco Settlement reduced 0% (Funds both I&G and RPSPs)
- Tuition Credit for both resident and non-resident – 3%
- Tuition Waivers
  - 100% Non-Discrimination Waiver
  - 50% Part-time
- Special Projects – Cuts ranged from 3% to elimination
- ERB – Employer/Employee swap of 2.00% on top 1.5%
  - Hold Public School Teachers harmless
- Equipment Renewal and Replacement (ER&R) – Maintain at current level.

### LFC - Legislative Finance Committee Recommendation:
- Formula Funds Enrollment Growth only - $6,096,118
- Instruction and General (I&G) budget recommendation start from FY11 revenue consensus allotment reductions as the new base.
  - Main Campus reduced by 3.8%
  - Health Sciences Center 0.9%
  - Tobacco Settlement reduced by 36.2% (Funds both I&G and RPSPs)
- Tuition Credit
  - In-state – 3.1%, Average full-time student will pay $100.00 more a semester
  - Out-of-state – 9.5%
- Tuition Waivers – Pro-rated amount of the tuition waivers cut – $2,274,338
- Special Projects – Cuts ranged from 5 to elimination based on various LFC criteria
- ERB – Employer/Employee swap of 1.75% on top of the 1.5%
- Equipment Renewal and Replacement (ER&R) – eliminated from the funding formula and deletes funding for FY 12
HAFC - House Appropriations and Finance Committee:
Budget hearing for higher education department and institutions was on Thursday, February 10th, both the DFA and LFC presented their proposed budgets to the committee, and the institutions had an opportunity to express their concerns. UNM made the following comments:
- Support the DFA recommendation
- Request flexibility between RPSPs and Instruction and General (I&G)
- The University administration supports a strong and solvent retirement fund for our educational retirees and plans to continue to engage during this session in the debate over ERB contributions and distribution
- Strongly recommends the development of 3 new funding formulas, one for two-year institutions and one for research and comprehensive institutions, which differentiate between the missions of the different institutions in New Mexico rather than the current one-size-fits-all formula

HAFC created a Higher Education Sub-Committee Recommendation:
- Fully funded the Formula
- Instruction and General (I&G):
  - Main Campus reduced by 3.3%
  - Health Sciences Center reduced by 1.0%
  - Tobacco Settlement reduced by 36.2% (Funds both I&G and RPSPs)
- Tuition Credit – Adopted LFC recommendation:
  - In-state – 3.1%
  - Out-of-state – 9.5%
- Tuition Waivers:
  - Adopted from the DFA recommendation, 100% reduction to the part-time waiver (overall to higher education $12.2 million)
  - Adopted from the LFC recommendation, reductions to the non-discrimination waiver (overall to higher education $4.2 million)
- Special Projects, closely resembles the LFC recommendation:
  - Main Campus reduced by 19.1%
  - HSC reduced by 14.4%
- ERB – Adopted LFC recommendation, Employer/Employee swap of 1.75% on top of the 1.5%
- Equipment, Renewal & Replacement (ER&R) – adopted the DFA – Maintain at current level

The HAFC recommendations have been formally adopted by the full committee and HB 2, the General Appropriation Act, has been sent to House floor to be heard and voted on.
- HAFC passed HB 2 on February 18th and sent to the House floor to be voted on, the bill was not heard and was referred back to HAFC. HAFC voted on and passed out HB 2 on February 26th where it was sent back to the House floor. It is currently sitting on the House Temporary Calendar.
- On March 2nd, the House voted on and barely passed out HB 2 at a vote of 34 to 35. HB 2 was then sent to the Senate Finance Committee to be heard and voted on.
SFC – Senate Finance Committee:
- Higher Education budget hearing was on February 1st at 1:30 p.m.
- SFC accepted amendments to HB 2 from March 4th at 8:00 am to March 5th closing at noon.
- On March 12th, late Saturday evening, amendments to the budget bill were adopted by the committee.
- On Monday morning, March 14, HB 2 was adopted by SFC and sent to the Senate floor for a full vote of the Senate.

SFC Recommendation:
- Fully funded the Formula
- Instruction and General (I&G) (Note: the percentage reduction does not include the ERB reduction):
  - Main Campus reduced by 3.2%
  - Health Sciences Center reduced by 1.0%
    - Tobacco Settlement reduced by 36.2% (Funds both I&G and RPSPs)
- Tuition Credit – Adopted LFC recommendation:
  - In-state – 3.1%
  - Out-of-state – 9.5%
- Tuition Waivers:
  - Adopted from the DFA recommendation, 100% reduction to the part-time waiver (overall to higher education $12.2 million)
  - Adopted from the LFC recommendation, reductions to the non-discrimination waiver (overall to higher education $4.2 million)
- Special Projects, closely resembles the LFC recommendation:
  - Main Campus reduced by 18.9%
  - HSC reduced by 14.4%
- ERB – Adopted LFC recommendation, Employer/Employee swap of 1.75% on top of the 1.5%
- Equipment, Renewal & Replacement (ER&R) – adopted the DFA – Maintain at current level

HB 2 is currently on the calendar, to be heard on the Senate floor, for third reading of legislation.
- On March 16th early in the morning the Senate floor voted a Do Pass on HB 2 with a 27 – 14 vote, it is now on its way to the House for a concurrence. The following pieces of legislation accompany the proposed budget in the appropriation bill:
  - HB 607, Film Production Tax Credit, Sponsored by Speaker Ben Lujan, sets $50 million as the aggregate amount of film credit claims that may be authorized for payment in a fiscal year.
  - HB 628, Contribution Rate Changes in Retirement Plans, Sponsored by Representative Donald Bratton, makes three primary changes for pension contributions for state employee plans administered by the Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB), as explained in the Retirement Issue below.
• **RPSP’s – Research and Public Service Projects:**

  o The University of New Mexico has gone to great lengths to create a comprehensive plan in the evaluation of special project appropriations and we have worked to create a more centralized approach through continuous communication and collaboration between the Office of Government Relations, budget offices for main campus and Health Sciences Center, the Provost and Academic Affairs financial division, and branch campus executive directors.

  o Criteria have been created to evaluate special projects for their goals, outcomes and performance measures, and dividing RPSP’s into the categories of student success, academic/faculty scholarship, research, statewide services, economic development, legislator initiatives, and “pass throughs”.

  o In 2009 a Special Project Task force was created in which the Deans prioritized their Colleges special projects in the manner of how the program serves the college, university mission, and the role of the university to its community and the services it provides statewide.

    ▪ In August 2010 we were instructed by the Legislative Finance Committee to put together two scenarios, based on a 5% and 10% cut, on how UNM would distribute budget reductions to special projects, if cuts were made, for the 2011 legislative session.

    ▪ Based on the work of the Special Project Task Force, UNM submitted two scenarios in October 2010

    ▪ In November 2010, the LFC requested a list of I&G RPSP’s at the University of New Mexico.

    ▪ In December 2010, in the LFC budget recommendation for FY 12, UNM’s 5 to 10% budget reduction recommendation was not accepted, and instead special projects was reduced by 25%.

    ▪ At the beginning of the 2011 NM Legislative Session, the House Appropriations & Finance Committee created a Higher Education Sub-Committee and UNM again requested flexibility to below the line, special projects, and submitted the redistribution of cuts as approved by the Deans based on the work of the Special Project Task Force.

    ▪ HAFC did not accept UNM’s recommendation to HB 2 and instead re-distributed to programs that were not priorities to the university or meet UNM’s core mission.

    ▪ When HB 2 went over to the Senate Finance Committee UNM, again, worked with committee members, staff and LFC to propose amendments to special projects redistributing the cuts.

    ▪ SFC did not accept UNM’s amendment’s based on a decision by the LFC to maintain programs they wanted to protect, therefore, maintaining what was adopted in HAFC.
- **Legislation impacting Retirement and Benefits, the Lottery Scholarship and Fund, Capital Outlay, and UNM Sponsored bills:**
  
  **Retirement Issue:**
  
  DFA recommendation: Keep 2009 1.5% employee increase in place and add another 2% increase to the employee by reducing the employer contribution by 2%. Teachers are held harmless.

  LFC recommendation: Add a 1.75% on top of the 1.5%, and does not hold the teachers harmless.

  Decreases in the 2009 federal tax code offset the 1.5% employee increase over 2 years (FY10 & FY11), but will not offset that increase going forward in FY12. Therefore, this will be a true decrease in FY12. By adding another 1.75% or 2% to the employee contribution this will result in a 3.25% or 3.5% decrease in salary & benefits.

  The University administration supports a strong and solvent retirement fund for our educational retirees. We plan to engage during this session in the debate over ERB contributions and distribution.

  - We have worked with the ERB and support the December 22\textsuperscript{nd} ERB board recommendations, which is reflected in SB 265, Education Retirement Contributions, sponsored by Senator Asbill, increasing the employee amount .125% each year for 4 years totaling a .5% increase. SB 265 was tabled in SFC.
  - We do not support the DFA recommended 2% or LFC recommend 1.75% increase above this bill. These recommendations could mean a 4% or 3.75% decrease to salaries and benefits:
    a. DFA: 1.5% + 2% + .5% = 4%
    b. LFC: 1.5% + 1.75% + .5% = 3.75%

  The bottom line is that employees would like to see all possible scenarios to make the General Fund solvent without having to reduce salary and benefits.

  **Retirement and HR Related Impacting Legislation:**

  - HB 628/CS makes three primary changes for pension contributions for state employee plans administered by the Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB):
    - 1. Extends the 1.5 percent contribution shift implemented for FY10 and FY11 from the employer to the employee for those employees making more than $20,000 another two years (FY12 and FY13);
    - 2. Makes a one-year contribution shift of 1.75 percent from the employer rate to the employee rate for those making more than $20,000 for FY12; and
    - 3. Delays the two remaining 0.75 percent increases for ERB, currently scheduled for FY12 and FY13, to FY14 and FY15.
HB 628/CS passed out of the Senate Finance Committee with two amendments.

Calls for an actuarial study on what impact HB 628 has on the actuarial fund and if it causes the fund to lose money, the legislature will have to provide a supplemental to cover any loss to the fund.

A temporary provision is added in Section 16 that would essentially extend the 1.75% shift for an additional year into FY13 but allows the shift to sunset contingent upon two general fund thresholds as measured by the last consensus revenue forecast. This forecast would trigger continuing the shift only if actual general fund revenues forecasted for FY12 at that mid-year point are not $100 million more than originally forecasted for FY12 and state reserves are projected to be less than the targeted 5 percent by the end of the fiscal year.

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<td>[5] SFC [40] DNP-CS/DP [44] PASSED/S (28-2) [47] HTRC/HAFCS-HTRC 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.</td>
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<tr>
<td>SB 218</td>
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<td><strong>SEVERANCE TAX BOND PROJECTS</strong></td>
<td>[2] SFC [44] DNP-CS/DP - PASSED/S (40-1) 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 OR REAPPROPRIATING BALANCES, CHANGING PURPOSES, EXTENDING EXPENDITURE PERIODS AND CHANGING AGENCIES; DECLARING AN EMERGENCY.</td>
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**UNM-Sponsored Bills:**

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➤ Please visit the Office of Government and Community Relations website at [http://govrel.unm.edu/](http://govrel.unm.edu/), and click on 2011 Legislative Session for a list of bills that impact UNM. For daily legislative updates please sign up on our listserve.