



2011 Regular Legislative Session Briefing – February 16, 2011

- 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:
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➤ 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.
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➤ 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

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- 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
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 - HAFC created a Higher Education Sub-Committee:
 - 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 still have to be formally adopted in the full committee and then will be sent and heard on the House Floor.
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- Senate Finance Committee (SFC) Proposed Budget:
 - Higher Education budget hearing was on February 1st at 1:30 p.m.
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➤ 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 22nd 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.
- 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.

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